apa

ANNUAL REPORT 2021

always powering ahead

CONTENTS

We aspire to be world class in everything we do.

We are APA: Always Powering Ahead.

OUR VISION

To be world class in energy solutions

OUR PURPOSE

To strengthen communities through responsible energy

Cover image: Julie Mackenzie has a background in engineering and works at APA as a Project Manager, in our Western Australian Infrastructure Development Division. Julie has worked at APA for close to ten years and says she is most proud of the gender, age and cultural diversity within her own team and across APA.

This page: Badgingarra Wind and Solar farms in WA, photo taken by employee S Robinson.

CHAIRMAN'S REPORT

We aspire to be world class in everything we do.

Our success over 21-years has been underpinned by our ability to be nimble in our approach to the ever-changing needs of our customers, Securityholders and stakeholders. And as we look ahead, we will continue to rapidly adapt and respond to changes in markets and technology.

Michael Fraser Chairman

The challenges of the ongoing global pandemic have continued to both test and prove APA's resilience in FY21.

The solid results we have once again delivered in a challenging environment, are testament to the hard work and commitment of APA's leadership team and approximately 2,000 people, who strive every day to deliver responsible energy solutions for communities across Australia.

FY21 Results

Our performance for the period and confidence in APA's long-term growth outlook, enabled the Board to declare a final distribution of 27 cents, taking the FY21 distribution to 51 cents per security.

This represents a two per cent increase on FY20 and a continuation of long term growth in distributions to Securityholders.

We have a track record of value creation and our objective is to deliver strong distributions while maintaining an appropriate level of funding for growth and our investment grade credit rating. In this context the Board has revised its distribution policy to target a payout ratio of between 60-70 per cent of Free Cash Flow from FY22.

Strategy

The continued growth and sustainable development of APA is a core area of focus for the Board. Consistent with our refreshed strategy, we are determined to capture opportunities presented by the energy transition, continuing to invest in gas, electricity and renewable energy assets while helping to unlock the energy solutions of tomorrow. This is consistent with our vision to be world-class in energy solutions.

We operate in a dynamic environment and at a time of enormous change as coal-fired power generation is retired, renewables penetration increases, and the energy grid rebalances with natural gas forecast to continue playing a critical role in the energy transition.

Indeed, a series of events in the national energy market in the second half of this year, including a coal plant outage in Queensland, flooding at Yallourn in Victoria impacting coal powered generation and technical issues that impacted production at the Longford gas plant in Victoria, along with a cold snap, underscored the continued and critical role of natural gas, and APA's gas infrastructure, in rapidly and flexibly responding to changing energy market dynamics.

As the energy transition accelerates, APA is well placed to diversify and deploy decades of knowledge and capability to play a leading role in developing the low emissions technologies of tomorrow, at scale, and to support a net zero future.

Our success over 21-years has always been underpinned by our ability to be nimble in our approach to the ever-changing needs of our customers, Securityholders and stakeholders. And as we look ahead, we will continue to rapidly adapt and respond to changes in markets and technology – and we will be innovative in our approach.

Our microgrid project in Western Australian, is a good example. Once complete, our hybrid energy microgrid at the Gruyere Gold Mine in Western Australia will reduce the overall carbon intensity of the power supply to the mine by about 10 per cent, thanks to the introduction of complementary solar generation and battery storage, alongside the mine's reliable gas power supply.

This is a first for APA but demand for this kind of innovative energy solution will grow as technology continues to mature and develop. We are ensuring we have the skills, capabilities and experience to respond.

Assets owned and/or operated by APA

$21+BN

Distribution per security up 2.0%

51.0¢

Net zero

While the global pathway to net zero is uncertain, APA understands the challenges and opportunities that climate change presents both for our business and the world, and the importance of a lower-carbon future.

In FY21, we announced our ambition for net zero operations emissions by 2050 and we continue to invest in new capability to support sustainability and climate change risk management.

We published our first Climate Change Resilience Report, with a comprehensive analysis of our current asset portfolio under three divergent climate scenarios to 2050, including a 1.5C pathway. We also developed a Climate Change Management Framework and established an enterprise-wide Net Zero & Climate Transformation Program to evaluate and plan our pathway towards our net zero goal.

In the year ahead, we will publish transparent, interim targets that will help guide our way forward towards our net zero ambition.

Annual Meeting

The outbreak of the Delta strain of COVID-19 in Sydney and in other parts of Australia looks set to significantly impact our original plans to hold this year's Annual Meeting in a hybrid format, which would have allowed Securityholders to attend virtually or in person.

Accordingly, in the interests of having planning certainty and to ensure the health and safety or our people, Securityholders and guests, the Board has resolved that we will again hold a fully virtual meeting for FY21.

With the vaccination program now gathering pace, we very much look forward to returning to a more 'normal' format in 2022 and appreciate the understanding and support of Securityholders.

FY22 outlook

Turning now to APA's FY22 outlook. Despite the ongoing challenges of the pandemic, with our newly refreshed strategy now in place, the Board is confident in the strong financial and operational position of APA.

Rob and the APA team are now very much in execution mode, supported by a strong balance sheet and the right capabilities to ensure APA achieves its vision to be world class in energy solutions.

Reflecting that confidence, total distributions for FY22 are expected to be 53 cps, 3.9% higher than FY21.

On behalf of the Board, thank you to our Securityholders, customers, communities and employees for their ongoing support of your business and our commitment to strengthening communities through responsible energy.

Michael Fraser
Chairman

MANAGING DIRECTOR'S REPORT

We are APA: Always Powering Ahead.

As we mark our milestone twenty-first birthday, we celebrate the successes that have made APA what it is today and look to the future with confidence in our people, our capability and our strategy to keep APA Always Powering Ahead.

Rob Wheals Chief Executive Officer and Managing Director

Our strategy

June 13 this year marked 21-years since our business was formed and listed on the Australian Securities Exchange (ASX).

We marked this milestone with our refreshed corporate strategy and a refresh of our branding, bringing to life the APA initials ("Always Powering Ahead") in a new way that reflects our people, our purpose and our vision – it demonstrates our collective ambition to be impactful in everything we do.

Our refreshed strategy is strongly aligned to our purpose and vision and will better enable APA to capture the vast opportunities ahead to grow our business, as the energy transition accelerates.

This includes investing in contracted and regulated energy infrastructure in Australia and North America, leveraging our infrastructure capabilities into next generation energy technologies and, most importantly, ensuring that we are well placed to respond to the changing needs of our customers and communities, while maintaining our investment discipline and balance sheet strength.

We are now firmly in execution mode, with the benefit of the strong foundations we have laid over the past two decades and the skills and capabilities we have accumulated over that time, which will drive our success.

Health, Safety and Wellbeing

While we continue to be future-focused, the health, safety and wellbeing of our people will always be our top priority. While we made meaningful improvements in our safety record in FY21, largely due to safety performance improvement in our contractor workforce, we still have work to do to ensure that everyone that attends one of our sites goes home safely.

The ongoing response to the COVID-19 pandemic, which has included lockdowns, border closures and health restrictions that have been necessary to respond to outbreaks of the virus, has of course continued to challenge our people, our business and the nation.

I am enormously proud of how our people have continued to adapt and respond to the often rapidly changing environments in which we work, and thank them for their commitment and resilience through it all.

We are actively encouraging all APA staff to get vaccinated as soon as they can, and we continue to offer support and flexibility to our employees so we can help do our bit to get to the other side of this chapter.

Performance and growth

APA's success and growth has always been underpinned by our strong focus on people, communities and customers.

This year has been no different. APA has again delivered a solid set of results in challenging market conditions, confirming the resilience of APA's business model.

Total revenue (excluding pass-through revenue) was up 0.7% compared with the previous year (FY20: $2129.5 million) while earnings before interest, tax, depreciation and amortisation (EBITDA) of $1,633 million was consistent with our FY21 guidance but down 1.3% compared with the prior year (FY20: $1653.9 million). This was in part due to softer recontracting and investments we have made in strategic development opportunities, as well as building our capability, which we expect will support ongoing growth into the future.

Net profit after tax, at $3.7 million (FY20: $317.1 million), was impacted by significant items including the $249.3 million non-cash Orbost impairment charge we disclosed at the half year and costs associated with our debt refinancing activities that occurred in March 2021. The Orbost impairment charge reflected the increased capital expenditure and reassessment of the plant's future cash flows following commissioning work during the year.

As we advised Securityholders at our Investor Day in May, consistent with our peers, we will be limiting our earnings guidance only to distributions going forward, in part owing to the challenges of providing accounting-based guidance which can be heavily influenced by unforeseen changes to accounting standards and other non-cash impacts during the year.

Free Cash Flow of $901.9 million was down 5.7% (FY20: $956.6 million), largely as a result of non-recurring items that benefitted the prior period.

The debt refinancing activities delivered a stronger ongoing balance sheet and has significantly reduced our ongoing interest costs, improving our future cash returns.

Our ongoing investment in new development opportunities is key to driving sustainable growth. We made strong progress with our development pipeline during the year, which has grown to now exceed $1.3 billion. This has been driven by a number of projects, such as our east coast grid expansion project that will increase capacity by up to 25 per cent, linking Queensland with the southern markets.

$1.3BN

Organic growth capex expected to exceed $1.3 billion over FY22-24, up from $1.0 billion at 1H21

$2.2BN

Refinancing activity that lower interest cost and strengthened balance sheet

Through this expansion, APA is playing a critical role in delivering much needed additional energy security for southern gas markets ahead of forecast supply risks.

This year we also announced a significant new east coast grid transportation agreement. Importantly, this will support our customer's energy needs in the southern markets, including winter peak demand and ahead of projected potential 2023 supply risks. Under this agreement our customer could meet over half of NSW's winter demand.

We remain confident about our long term growth prospects given the role of gas as a source of timely, cost effective and secure energy and as an essential companion to variable renewable energy.

Pathfinder and the energy transition

Gas infrastructure will also be key to enabling the transportation and delivery of new clean fuel technologies, like hydrogen and biogas, as the energy transition accelerates

In FY21, we announced our Pathfinder program, through which APA will seek out opportunities to extend our core business through innovation, technology and new energy opportunities – unlocking the new technology solutions of tomorrow and repurposing our existing gas infrastructure.

The first project under the new initiative is investigating the conversion of a section of gas pipeline in Western Australia to be 100 per cent hydrogen-ready. While there is more work to do, the early testing results are positive and if successful, this would make the Parmelia Gas Pipeline one of only a few existing gas transmission pipelines in the world, 100 per cent hydrogen-ready.

Together with our ongoing investment focus in renewable energy, we are confident in our ability to support the accelerated deployment of low emissions technologies and to help to steer Australia's energy transition towards a net zero pathway.

During FY21, we continued to invest in new capability to support sustainability and climate risk management to help the business both respond to and seize the opportunities from the energy transition.

Importantly, this includes strengthening our commitment and approach to sustainability, with a new Sustainability Roadmap, now in place to guide our direction, focus and ambition. As part of this, we have also developed a Net Zero Climate Management Plan for net zero operations emissions by 2050.

Customer and community engagement

While we have clearly identified our pathway to achieving our growth agenda, listening to our customers and stakeholders and responding to their needs is key to our purpose to strengthen communities through responsible energy.

We understand that the expectations of our customers, communities and Securityholders are also evolving and we are determined to deliver ever-better outcomes when it comes to our environmental, social and governance performance, consistent with our purpose and vision.

This year we launched an industry leading Stakeholder Advisory Panel initiative, providing a forum for APA to share what it is doing with stakeholders and the broader community, as well as gain insights from them about their interests, concerns and expectations.

The panel comprises senior representatives from a range of high-profile and diverse Australian organisations and will essentially act as a sounding board to APA on policy matters, strategic programmes and plans as well as identifying additional matters that panel members consider of importance to their stakeholders.

We are thrilled with the response to this initiative and we look forward to taking the feedback we receive and apply this to further strengthening our communities through responsible energy.

Conclusion

This year, we have welcomed Jane Thomas as our Group Executive People, Safety and Culture. Jane is an experienced human resources executive and business leader, having held senior roles in large organisations in the banking, resources and energy sectors.

We also welcomed Adam Watson as our Chief Financial Officer, whose career has spanned finance, corporate development, strategy, technology and customer operations in the infrastructure, transport, manufacturing and services sectors.

Finally, I would like to take this opportunity to thank Securityholders for your ongoing support for APA. With our new strategy now in execution, I believe we are in a very strong position to continue creating value and growth to ensure APA remains Always Powering Ahead.

Rob Wheals
Chief Executive Officer and Managing Director

APA GROUP BOARD

1 2 3 4 5 6 7 8

1

Michael Fraser

BCom FCPA MAICD

Independent Chairman

Appointed 1 September 2015
Appointed Chairman
27 October 2017

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

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

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

2

Robert (Rob) Wheals

BCom CA GAICD

Chief Executive Officer and Managing Director

Appointed 6 July 2019

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

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

In 2012, Rob was appointed Group Executive Transmission, responsible for approximately 85% of APA's earnings before interest, tax, depreciation and amortisation.

In this role, Rob was responsible for the commercial, operational and safety performance of APA Group's transmission and gas storage assets.

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

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

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

3

Steven (Steve) Crane

BCom FAICD SF Fin

Independent Director

Appointed 1 January 2011

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

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

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

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

4

James Fazzino

BEc (Hons) FCPA

Independent Director

Appointed 21 February 2019

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

James is currently the Chairman of Manufacturing Australia, Chairman of Osteon Medical, a director of Rabobank Australia Limited and Tassal Group Limited. He is also a convenor of the Champions of Change Coalition.

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

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

5

Debra (Debbie) Goodin

BEc FCA MAICD

Independent Director

Appointed 1 September 2015

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

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

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

6

Shirley In't Veld

BCom LLB (Hons)

Independent Director

Appointed 19 March 2018

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

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

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

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

7

Rhoda Phillippo

MSc Telecommunications
Business GAICD

Independent Director

Appointed 1 June 2020

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

Rhoda is currently a Non-Executive Director with Pacific Hydro and Datacom.

She is also an advisor to the Board of Agility CIS, an energy billing solutions provider. She is formerly a Non-Executive Director of Vocus Group Ltd and LINQ, Chairman of Snapper Services in New Zealand and Deputy Chair of Kiwibank in New Zealand.

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

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

8

Peter Wasow

Bcom, GradDip (Management)
Fellow (CPA Australia)

Independent Director

Appointed 19 March 2018

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

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

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

APA GROUP EXECUTIVE LEADERSHIP

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1

Nevenka Codevelle

BCom LLM GAICD

Group Executive Governance and External Affairs and Company Secretary

Nevenka is responsible for APA Group's Governance and External Affairs division. The division comprises company secretarial and legal, group risk, compliance and insurance, external affairs and reputation, sustainability and community, and economic regulation and external policy development.

Nevenka has been with APA Group since February 2008, during which time she has held the roles of General Counsel and Company Secretary.

Nevenka has over 25 years' experience in Australia and internationally in energy and other infrastructure industries. Prior to joining APA, Nevenka was a senior policy advisor with the National Competition Council and senior lawyer in law firms in Australia and overseas.

2

Ross Gersbach

BBus

President North American Development

Ross is responsible for progressing APA Group's investment strategy in North America, and is based in Houston, Texas.

Prior to relocating in 2019, Ross was Chief Executive Strategy and Corporate Development. In this role he was responsible for enhancing APA Group's portfolio of assets to complement the value of its infrastructure, including APA Group's investments in midstream gas infrastructure, and the operation and development of these assets.

Ross was a director of APA Group from 2004, before joining the management team in April 2008. He has over 25 years' experience in senior positions across a range of energy related sectors, covering areas such as infrastructure investments, mergers and acquisitions, and strategic developments. Ross has extensive commercial experience and has managed a portfolio of infrastructure assets in the natural gas and electricity distribution network sector, as well as a portfolio of power generation assets.

3

Kevin Lester

BEng MIEAust CPEng EngExec GAICD

Group Executive Infrastructure Development

Kevin is responsible for the project development, engineering, procurement and delivery of APA Group's infrastructure expansion projects. This division also has responsibility for providing asset engineering services, the technical regulation of all pipeline related assets, procurement, engineering services and the provision of land, approvals and asset protection services across APA.

Kevin joined APA Group in August 2012 continuing a career in the management of major infrastructure projects, including energy infrastructure.

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

4

Hannah McCaughey

BArts LLB (Hons) LLM

Group Executive Transformation and Technology

Hannah is responsible for APA Group's Transformation and Technology division, which enables APA to effectively respond to the disruptive forces of decarbonisation, decentralisation and digitisation.

The division drives the identification of emerging energy market opportunities while delivering business transformation, continuous improvement initiatives and technology solutions.

Prior to joining APA Group in March 2020, Hannah performed senior executive roles in infrastructure and utilities, and has led multiple whole-of-business transformations focused on delivering better customer outcomes and sustainable operational excellence.

5

Julian Peck

BCom

Group Executive Strategy and Commercial

Julian is responsible for delivering APA's customer experience, all business development and commercial contracting activities, co-ordination of corporate strategy development, as well as undertaking corporate development and merger and acquisition activities.

Prior to joining APA, Julian held senior leadership positions in investment banking, with over 20 years' experience specialising in the infrastructure, utility and power sectors.

6

Darren Rogers

BEng MEng MBA GAICD

Group Executive Operations

Darren is responsible for the safe operations, maintenance, asset management, and in-year revenue and cost responsibility of APA's portfolio of Transmission, Power, Networks and Midstream infrastructure assets. This includes over 15,000 kilometres of transmission pipelines; solar and wind farms; and gas storage, processing and distribution.

Darren joined APA Group in 2017 as General Manager Asset Management for Transmission before becoming Group Executive Transmission in 2019. Aside from his experience at APA, Darren has performed senior executive roles in commercial, asset management and operations, leading large and complex divisions and across these companies.

7

Jane Thomas

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

Group Executive People, Safety and Culture

Jane is responsible for managing APA Group's People, Safety and Culture division. This covers APA's health, safety, environment and heritage systems; remuneration and benefits; performance and organisational capability; talent management, learning and leadership development; workforce planning and resourcing; diversity and inclusion; change management; and HR admin and reporting.

Jane joined APA Group in May 2021, she is a highly experienced and respected HR executive and business leader who has driven transformational change in top ASX companies including Westpac, Newcrest Mining and AGL, and in industries spanning energy, mining, banking and finance, fast moving consumer goods, retail and manufacturing.

8

Adam Watson

BBus FCPA GAICD

Chief Financial Officer

Adam is responsible for all financial aspects of APA Group, including accounting and financial reporting, financial compliance and governance, taxation, treasury, balance sheet management, capital strategy, corporate finance, real estate and procurement, and investor relations.

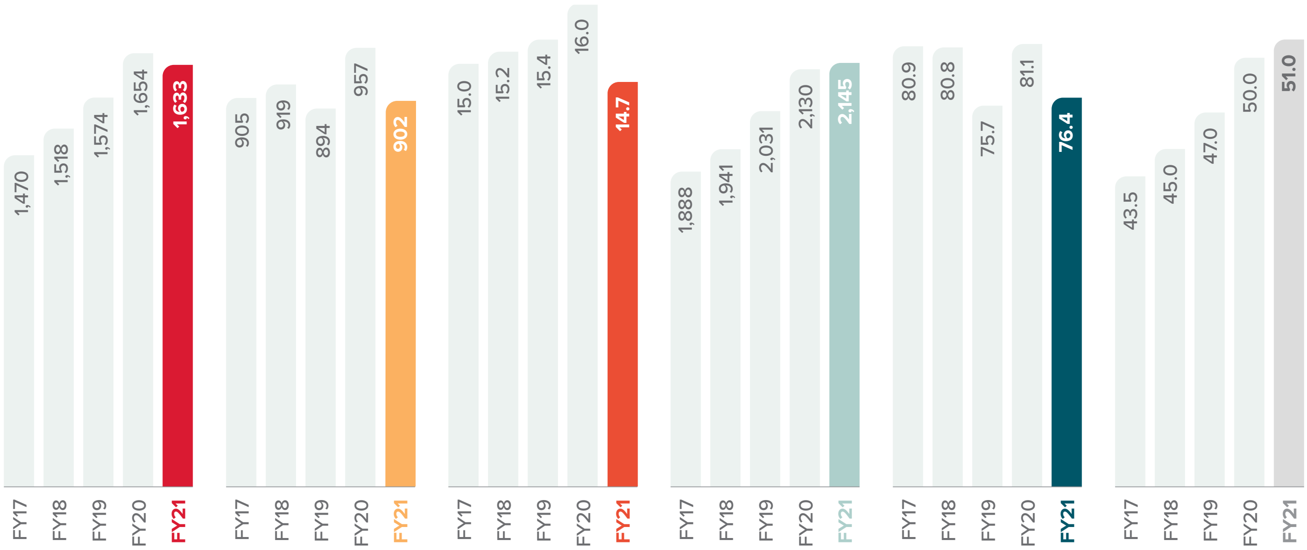
Adam has over 20 years' experience in executive and senior leadership roles in the transport, infrastructure, manufacturing and services industries, in Australia, China and the United States.

powering our way of life

2021 SUMMARY

Secured **\$600M** In organic growth opportunities in FY21, pipeline now exceeds \$1.3bn from FY22 to FY24	**\$2.2BN** Refinancing activity delivering sustainable Free Cash Flow accretion and further strengthening our balance sheet	**PATHFINDER PROGRAM** Launched to deliver new next generation energy solutions
SAFETY PERFORMANCE Improved our safety performance and maintained reliable operations	**EMPLOYER OF CHOICE** APA recognised as Top 100 Graduate Employer	**NET ZERO** Ambition to achieve Net Zero operations emissions by 2050

UNDERLYING [1] BUSINESS PERFORMANCE



Underlying EBITDA [2] ($m)

Free cash flow [3] ($m)

Total assets ($b)

Revenue excl. pass-through [4] ($m)

Free cash flow per security [5] (cents)

Distributions per security (cents)

FINANCIAL RESULTS

	30 June 2021	30 June 2020 [6]	Changes
Revenue	**2,605.0**	2,590.6	0.6%
Revenue excluding pass-through [4]	**2,144.5**	2,129.5	0.7%
Underlying EBITDA [2]	**1,633.0**	1,653.9	(1.3%)
Total reported EBITDA	**1,643.0**	1,656.0	(0.8%)
Profit after tax including significant items	**3.7**	311.8	(98.8%)
Profit after tax excluding significant items	**281.8**	311.8	(9.6%)
Free cash flow [3]	**901.9**	956.6	(5.7%)
Financial position			
Total assets	**14,742.9**	15,994.3	(7.8%)
Total drawn debt [7]	**9,665.8**	9,983.6	(3.2%)
Total equity	**2,969.2**	3,214.9	(7.9%)
Financial ratios			
Free cash flow per security (cents)	**76.4**	81.1	(5.7%)
Earnings per security (cents) including significant items	**0.3**	26.4	(98.9%)
Earnings per security (cents) excluding significant items	**23.9**	26.4	(9.5%)
Distribution per security (cents)	**51.0**	50.0	2.0%
Distribution payout ratio (%)	**66.7**	61.7	8.2%
FFO/Debt (%)	**11.3**	12.2	(7.4%)
FFO/Interest (times)	**3.1**	3.3	(6.1%)

1) Financial results exclude significant items.
2) Underlying Earnings before interest, tax, depreciation, and amortisation ("EBITDA") excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items.
3) Free cash flow is operating cash flow less SIB capex (SIB capex includes operational assets lifecycle replacement costs and technology lifecycle costs).
4) Pass-through revenue is revenue on which there is no margin earned and is offset by corresponding pass-through costs.
5) On 23 March 2018, APA Group issued 65,586,479 new ordinary securities, resulting in total securities on issue of 1,179,893,848. The weighted average numbers of securities from FY18 to FY17 have been adjusted to account for that rights issue.
6) FY20 is restated as a result of change in the APA Group's accounting policy following the IFRS Interpretations Committee's ("IFRIC") Agenda Decision published in April 2021 related to accounting for Software-as-a-Service ("SaaS") arrangements.
7) APA's liability to repay debt at relevant due dates of the drawn facilities. This amount represents current and non-current borrowings as per balance sheet and is adjusted for deferred borrowing costs, the effect of unwinding of discount, unrealised foreign exchange differences reported in equity and deducting other financial liabilities that are reported as part of borrowings in the balance sheet.

DIRECTORS' REPORT

Australian Pipeline Trust and its Controlled Entities

Australian Pipeline Trust Directors' Report

The Directors of Australian Pipeline Limited (Responsible Entity) submit their financial report of Australian Pipeline Trust (APT) and its controlled entities (together APA or Consolidated Entity) for the year ended 30 June 2021. This report refers to the consolidated results of APT and APT Investment Trust (APTIT).

1. Directors

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

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

The Company Secretaries of the Responsible Entity during the year and since the year end are Nevenka Codevelle and Amanda Cheney.

2. State of Affairs

On 16 November 2020, Adam Watson commenced as APA's Chief Financial Officer, as a result of Peter Fredricson's retirement on 31 December 2020.

3. Subsequent Events

On 25 August 2021, the Directors declared a final distribution of 27.0 cents per security ($318.6 million) for APA Group, consistent with the previous corresponding period (FY20 final distribution: 27.0 cents per security). This is comprised of a distribution of 18.63 cents per security from APT and a distribution of 8.37 cents per security from APTIT. The APT distribution represents a 18.63 cents per security capital distribution. The APTIT distribution represents a 1.67 cents per security profit distribution and a 6.70 cents per security capital distribution. The distribution is expected to be paid on 15 September 2021.

Other than what is noted above and as disclosed elsewhere in this report, there has not arisen in the interval between the end of the full year to 30 June 2021 and the date of this report, any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs, in future financial years.

4. About APA

4.1 Principal Activities

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

- energy infrastructure, comprising gas transmission, gas storage and processing, and gas-fired and renewable energy power generation businesses located across Australia;
- asset management services for the majority of APA's energy investments and for third parties; and
- energy investments in unlisted entities.

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

4.2 APA overview

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

During the period, APA celebrated its 21st birthday, marking the day that the business formed and listed on the ASX under the name Australian Pipeline Trust. Together with the refresh of the corporate strategy, this milestone provided a timely opportunity to refresh the APA brand and to transform the 'APA' initials into the acronym: Always Powering Ahead.

Since listing on 13 June 2000, APA's market capitalisation has increased almost 21-fold to $10.5 billion [(1)], and is now one of Australia's largest listed companies. It has achieved securityholder returns of 15.1% [(2)] per annum on an annual compounding basis since listing to 30 June 2021.

1) Market capitalisation as at 30 June 2021.
2) Total securityholder return is the capital appreciation of APA's security price, adjusted for capital management actions (such as security splits and consolidations) and assuming reinvestment of distributions at the ex-distribution rate per security. Figures quoted are sourced from Refinitiv Eikon.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

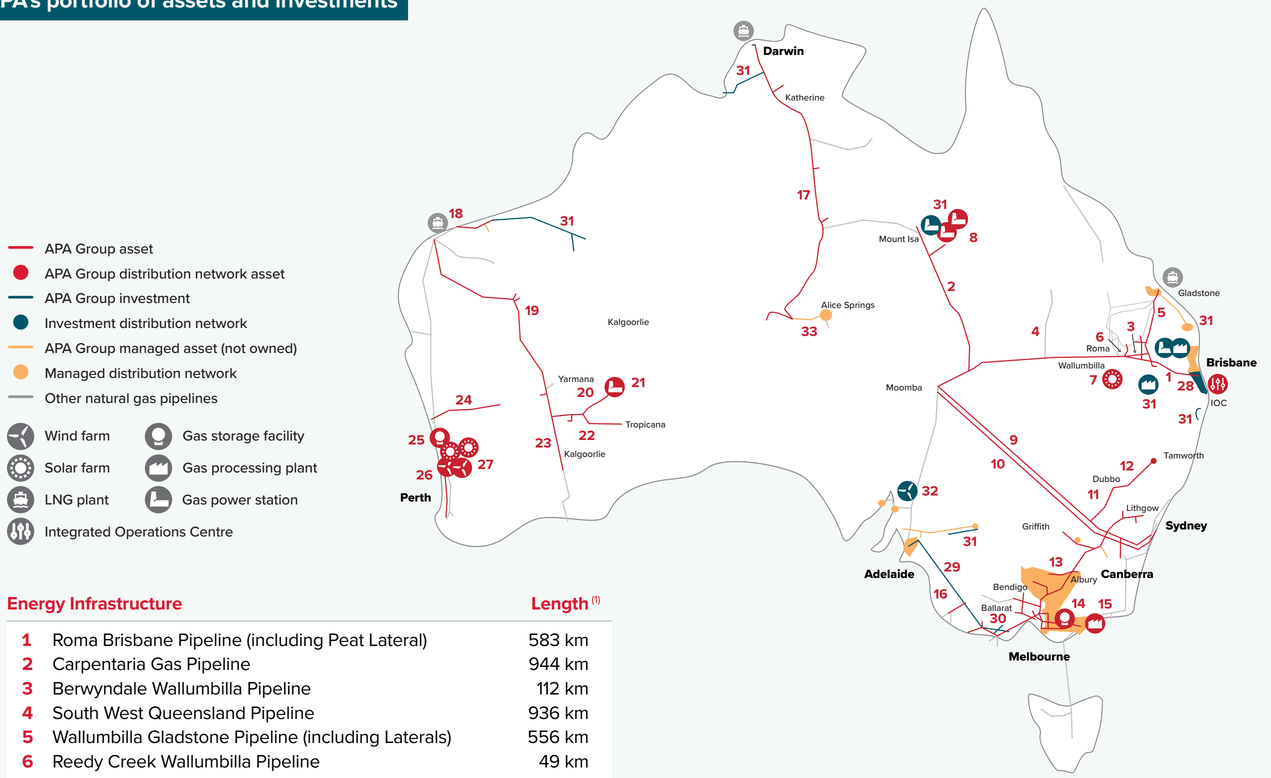
4. About APA continued

4.3 APA assets and operations

APA's assets and operations are reported in three principal business segments:

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

APA's portfolio of assets and investments



Energy Infrastructure		Length[1]
1	Roma Brisbane Pipeline (including Peat Lateral)	583 km
2	Carpentaria Gas Pipeline	944 km
3	Berwyndale Wallumbilla Pipeline	112 km
4	South West Queensland Pipeline	936 km
5	Wallumbilla Gladstone Pipeline (including Laterals)	556 km
6	Reedy Creek Wallumbilla Pipeline	49 km
7	Darling Downs Solar Farm	110 MW
8	Diamantina and Leichhardt Power Stations	242 MW / 60 MW
8	Thompson Power Station	22 MW
9	Moomba Sydney Pipeline	2,029 km
10	Moomba to Sydney Ethane Pipeline	1,375 km
11	Central West Pipeline	255 km
12	Central Ranges Pipeline and	295 km
12	Tamworth Gas Network (gas distribution)	~260 km of gas mains, ~4,000 gas consumer connections
13	Victorian Transmission System	1,847 km
14	Dandenong LNG Storage Facility	12,000 tonnes
15	Orbost Gas Processing Plant[2] (& connection pipeline)	12 km/~45 TJ/d
16	SESA Pipeline	45 km
17	Amadeus Gas Pipeline (including Laterals)	1,661 km
18	Pilbara Pipeline System	249 km
19	Goldfields Gas Pipeline (88.2%)	1,652 km
20	Yamarna Gas Pipeline	198 km
21	Gruyere Power Station	45 MW
22	Eastern Goldfields Pipeline	298 km
23	Kalgoorlie Kambalda Pipeline	44 km
24	Mid West Pipeline (50%)	362 km
25	Mondarra Gas Storage and Processing Facility	18 PJ
26	Parmelia Gas Pipeline	448 km
27	Emu Downs Wind Farm	80 MW
27	Emu Downs Solar Farm	20 MW
27	Badgingarra Wind Farm	130 MW
27	Badgingarra Solar Farm	19 MW

Energy Investment		Interest	Detail
28	GDI (EII)	20%	**Gas distribution:** Allgas Gas Network ~3,900 km of gas mains, ~117,000 gas consumer connections in QLD and NSW
29	South East Australia Gas Pty Ltd	50%	**Gas pipeline:** 687 km SEA Gas Pipeline
30	SEA Gas (Mortlake) Partnership	50%	**Gas pipeline:** 83 km Mortlake Gas Pipeline
31	Energy Infrastructure Investments	19.9%	**Gas pipelines:** Telfer/Nifty Gas Pipelines and lateral (488 km); Bonaparte Gas Pipeline (286 km); Wickham Point Pipeline (12 km) **Electricity transmission cables:** Murraylink (180 km) and Directlink (63 km) **Gas-fired power stations:** Daandine Power Station (30 MW) and X41 Power Station (41 MW) **Gas processing facilities:** Kogan North (12 TJ/d); Tipton West (33 TJ/d)
32	EII2	20.2%	**Wind generation:** North Brown Hill Wind Farm (132 MW), SA
32	Australian Gas Networks	Nil	**Gas distribution:** ~25,700 km of gas mains and pipelines, ~1.4 million gas consumer connections, ~1,400 km of transmission gas pipelines in SA, Vic, NSW, Qld & NT

1) Pipeline capacities are available online (www.apa.com.au).
2) Asset under commissioning.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

4. About APA continued

4.4 APA's strategy

In FY21, APA refreshed its strategy to create a stronger alignment with its purpose and vision. The strategy enables APA to capture the vast opportunities to invest in contracted and regulated energy infrastructure in our target markets of Australia and North America. APA estimates that the investment opportunities in these target markets is in excess of US$2.8 trillion over the next 40 years across renewable energy, firming and storage, gas pipelines and electricity infrastructure.

Strategy aligned to purpose and vision and unlocks the vast opportunities as the energy market transitions

- Invest in gas, electricity and renewables infrastructure (contracted and regulated) in Australia and North America
- Leverage our energy infrastructure capabilities into next generation energy technologies (Pathfinder Program)
- Respond to the changing needs of our customers and communities
- Maintain disciplined investment, securityholder returns and maintain a strong balance sheet (including BBB/Baa2 credit ratings)

At the same time, as the energy transition continues to gather pace, the strategy also positions APA to play a leading role by leveraging the skills and capabilities in its core portfolio, into new markets and to develop the energy solutions of tomorrow. This is consistent with APA's vision to be world class in energy solutions and will ensure APA continues to respond to the changing needs of the customers and the communities it serves, to deliver responsible energy solutions.

Importantly, at the core of the refreshed strategy remains a commitment to maintaining disciplined investment, securityholder returns and balance sheet strength.

4.5 Ambition to achieve net zero operations emissions by 2050

APA understands the challenges and opportunities that climate change presents both for its business and for the long-term prosperity of the Australian economy and community. APA supports the global transition to a lower-carbon future consistent with the Paris Agreement goals and has set an ambition to achieve net zero operations (scope 1 and 2) emissions by 2050.

This is an ambitious target and continues the progress towards a sustainable future, sending a clear message to investors, customers and the community about APA's commitment to playing its part towards decarbonisation.

The ambition to achieve net zero emission follows the publication of our Climate Change Position Statement. Scenario analysis and resilience testing of APA's existing portfolio of assets and operations, including a 1.5° celsius scenario confirmed that APA's current asset portfolio remains robust under each of the modelled scenarios.

During FY21, APA has also taken steps to strengthen our engagement in industry research and advocacy, including involvement in the Australian Industry Energy Transition Initiative (ETI). APA has joined this research initiative with a number of leading Australian companies, who are working together to decarbonise industry supply chains across hard-to-abate sectors. APA's CEO and Managing Director has also recently joined the Climate Leaders' Coalition as part of a commitment to working with suppliers and customers to encourage them to reduce their greenhouse gas emissions.

As APA progresses towards a sustainable future, it has developed a Climate Management Framework with a commitment to develop interim targets, and actions to achieve those targets, for publication in FY22. The Climate Management Plan Framework identifies five priority areas which will incorporate the interim targets:

- **Reduce and Avoid:** Optimise scope 1 and 2 emissions reduction opportunities throughout APA's asset portfolio and avoid emissions during Front End Engineering Design (FEED) and construction;
- **Innovate:** Leverage technology initiatives, partnerships and other innovations to advance progress towards net zero, build readiness and support reduction and avoidance initiatives;
- **Invest:** The net zero ambition is embedded in APA's portfolio strategy and capital allocation decision-making, planning and valuation;
- **Robust:** The approach is built on strong foundations of governance, risk management, reward and recognition, and quality data, modelling and measurement; and
- **Responsible:** Take a responsible and transparent approach in our disclosure, public policy engagement and the way in which APA integrates and implements its approach to climate.

4.6 North America strategy update

The United States of America remains a highly attractive market for APA and entry into that market remains core to our strategy.

There are almost 72 million households and 5.5 million businesses that use natural gas, consuming nearly 30 times more than Australia and through to 2040, market forecast suggests there are more than US$2.7 trillion of investment opportunities across gas infrastructure, renewables and firming and electrification.

While the outbreak of COVID-19 contributed to a challenging and generally subdued transaction environment in 2020, APA continues to develop a deep understanding of the market and will continue its disciplined approach to ensure any investment outcomes are consistent with our purpose and strategy and deliver value for all our stakeholders.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

4. About APA continued

4.6 North America strategy update continued

The US remains highly attractive

- Cold winter climate regions
- Stable and predictable earnings
- Supportive policy, legislative and regulatory regimes
- Low cost energy sources
- Attractive returns on equity
- Capacity to expand into growth energy markets
- Ability to leverage APA's existing capabilities in owning, operating and developing energy infrastructure

4.7 Pathfinder Program

During FY21, APA established the Pathfinder program to ensure appropriate focus was given to long term energy infrastructure opportunities. Pathfinder has an initial focus on clean molecules, storage and micro grid solutions, supporting pilot projects, equity investments and research and development.

A number of initiatives are already underway including a landmark hydrogen pilot project to enable the proposed conversion of 43-kilometres of the Parmelia Gas Pipeline in Western Australia into Australia's first 100 per cent hydrogen-ready transmission pipeline.

APA has also joined the Hunter Hydrogen Network (H2N), a large-scale hydrogen production, transportation and export project that proposes to enable the development of the hydrogen economy in the Hunter Valley, in partnership with hydrogen users and exporters. The proposal is looking at opportunities to create a 'hydrogen valley' around the renewable energy resources of the Central West, New England, and the Hunter-Central Coast renewable energy zones.

4.8 APA's Sustainability Roadmap

Sustainability Roadmap launched

In FY21, APA developed a comprehensive, three-year Sustainability Roadmap to create a step-change in the way the business approaches sustainability.

Under the Sustainability Roadmap, APA will:

- Create a three-year framework to build strong foundations from which to springboard to sector-leading outcomes
- Test and evolve approach and the outcomes that matter most to all stakeholders
- Support accountability with clear, meaningful and measurable goals and outcomes, with a scorecard that will expand over time
- Build credibility by aligning to and participating in recognised frameworks, benchmarks, standards and alliances
- Build engagement with and ownership of outcomes across the business

A stakeholder-centric materiality assessment was conducted to identify the core sustainability-related issues that APA should be focussed on. The process, which was based on internationally recognised sustainability frameworks and included scanning of external fast-moving issues and trends, included: peer and customer benchmarking; stakeholder consultation with customers, investors and debt providers; and reviewing feedback from consumers, communities and insurance providers to confirm which APA-related issues are important to them.

More details on the Sustainability Roadmap and APA's sustainability efforts can be found in the FY21 APA Sustainability Report and in section 10.

5. Financial Overview

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.

APA has delivered a solid set of results for FY21 given the challenging market conditions. Total revenue (excluding pass-through) in FY21 increased by $15.0 million to $2,144.5 million, an increase of 0.7% on the previous corresponding period (FY20: $2,129.5 million). This increase is largely due to a part year contribution from the Orbost Gas Processing Plant.

APA's underlying EBITDA of $1,633.0 million and total reported EBITDA [(1)] of $1,643.0 million are within APA's FY21 EBITDA [(1)] guidance range of $1,625 million to $1,665 million. The Underlying EBITDA represents a decrease of 1.3% or $20.9 million relative to the previous corresponding period of $1,653.9 million. Total reported EBITDA [(1)] represents a decrease of 0.8% or $12.3 million relative to the previous corresponding period of $1,656.0 million.

Underlying EBITDA was lower overall due to softer contract renewals on East Coast, particularly in Queensland and NSW, and higher corporate costs largely due to investments in strategic growth opportunities and investments to further strengthen APA's capability. Gas demand in Victoria was impacted by a temporary reduction in energy consumption with lower gas volume consumed across industrial users. This decrease was partly offset by continued strong demand in the Western Australian Goldfields mining region, increased earnings from Power Generation assets, higher customer contributions to asset relocations in Northern Territory and Western Australia, and part year contribution from the Orbost Gas Processing Plant which started contributing revenue since August 2020.

1) Excludes significant items.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

5. Financial Overview continued

Profit after tax including significant items of $3.7 million reduced significantly (FY20: $311.8 million) due to a non-cash impairment of $249.3 million recognised against the Orbost Gas Processing Plant and one-off finance costs of $148.0 million associated with bond note redemptions during the period. Excluding significant items, APA generated a profit after tax of $281.8 million.

On 18 February 2021, APA recognised a non-cash impairment of $249.3 million on the Orbost Gas Processing Plant. The impairment reflects increased capital expenditure and reassessment of the plant's future cash flows following commissioning work. APA had moderated its view based on the increased capital cost to improve plant performance and lower than assumed revenue. This was based on current production rates and higher operating costs due to foaming and fouling in the sulphur recover unit.

Net interest and other finance costs excluding significant items decreased in FY21 by 0.6% to $504.8 million.

In March 2021, APA undertook a Liability Management exercise which involved the refinancing of $2.2 billion worth of capital markets debt that was maturing in calendar year 2022. The exercise resulted in one-off costs of $148.0 million associated with the bond note redemptions, recognised as a significant item. Despite this cost, the transaction was structured to be value accretive, lowering APA's ongoing interest and funding costs and extending the average tenor of debt from 6.4 years in FY20 to 7.8 years.

Depreciation and amortisation expenses increased by 3.6% to $674.4 million, due to an increase in the depreciable asset base.

On 25 August 2021, the Directors announced a final distribution of 27.0 cents per security, which takes APA's FY21 total distributions to 51.0 cents per security. This represents an increase of 2% or 1.0 cents, over the FY20 distributions of 50.0 cents per security.

APA revised its distribution policy during FY21 to a target payout ratio of approximately 60% to 70% of Free Cash Flow. The revised distribution policy ensures that maintenance (stay-in-business) capex is fully funded while supporting an appropriate level of funding for organic growth capex.

The following table provides a summary of key financial data for FY21.

	30 June 2021	30 June 2020	Changes	
	$000	$000 (1)	$000	%
Total revenue	**2,605,013**	2,590,621	14,392	0.6%
Pass-through revenue (2)	**460,465**	461,155	(690)	(0.1%)
Total revenue excluding pass-through	**2,144,548**	2,129,466	15,082	0.7%
Underlying EBITDA (3)	**1,632,975**	1,653,919	(20,944)	(1.3%)
Fair value gains on contract for difference	**18,018**	10,508	7,510	71.5%
SaaS configuration and customisation costs	**(7,957)**	(8,410)	453	4.0%
Total reported EBITDA (3)	**1,643,036**	1,656,017	(12,291)	(0.8%)
Depreciation and amortisation expenses	**(674,370)**	(650,806)	(23,564)	3.6%
Underlying EBIT (3)	**968,666**	1,005,211	(43,748)	(4.4%)
Finance costs and interest income	**(504,779)**	(507,845)	3,066	(0.6%)
Significant items				
Impairment of property, plant and equipment	**(249,322)**	—	(249,322)	—
Interest charge on bond note redemptions	**(147,987)**	—	(147,987)	—
Profit before income tax	**66,578**	497,366	(430,788)	(86.6%)
Income tax (expense) / benefit	**(62,894)**	(185,615)	122,721	(66.1%)
Profit after tax including significant items	**3,684**	311,751	(308,067)	(98.8%)
Profit after tax excluding significant items	**281,800**	311,751	(29,952)	(9.6%)
Free cash flow (4)	**901,914**	956,595	(54,681)	(5.7%)
Free cash flow per security (cents)	**76.4**	81.1	(4.7)	(5.7%)
Earnings per security including significant items (cents)	**0.3**	26.4	(26.1)	(98.9%)
Earnings per security excluding significant items (cents)	**23.9**	26.4	(2.5)	(9.5%)
Distribution per security (cents)	**51.0**	50.0	1.0	2.0%
Distribution payout ratio (%) (5)	**66.7**	61.7	5.0	8.2%
Weighted average number of securities (000)	**1,179,894**	1,179,894	—	—

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

1) FY20 is restated as a result of change in the APA Group's accounting policy following the IFRIC Agenda Decision published in April 2021 related to accounting for SaaS arrangements.
2) Pass-through revenue is revenue on which no margin is earned.
3) Excludes significant items.
4) Free cash flow is operating cash flow less SIB capex (SIB capex includes operational assets lifecycle replacement costs and technology lifecycle costs).
5) Distribution payout ratio = total distribution applicable to the financial year as a percentage of free cash flow.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

6. Business Segment Performance and Operational Review

APA reports across three business segments:

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

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

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

During FY21, APA has undertaken a review of its Energy infrastructure segment reporting to better align the reported categories with business operations. The result was that Energy Infrastructure will now be reported in categories East Coast Gas, West Coast Gas, Power Generation and the Wallumbilla Gladstone Pipeline. The previous report format is provided at the back of this section and detailed historical information on the new segments will be in the supplementary information of the investor presentation. Statutory reported revenue and underlying EBITDA performance by business segments is set out below.

	30 June 2021	30 June 2020	Changes	
	$000	$000 [1]	$000	%
Revenue [2]				
Energy Infrastructure				
East Coast Gas	**768,638**	771,504	(2,866)	(0.4%)
West Coast Gas	**328,795**	323,176	5,619	1.7%
Wallumbilla Gladstone Pipeline	**552,307**	541,588	10,719	2.0%
Power Generation	**339,564**	337,454	2,110	0.6%
Energy Infrastructure total	**1,989,304**	1,973,722	15,582	0.8%
Asset Management	**113,755**	112,367	1,388	1.2%
Energy Investments	**30,921**	35,741	(4,820)	(13.5%)
Other non-contract revenue	**7,438**	4,975	2,463	49.5%
Total segment revenue	**2,141,418**	2,126,805	55,569	2.6%
Pass-through revenue	**460,465**	461,155	(689)	(0.1%)
Unallocated revenue [3]	**3,130**	2,661	469	17.6%
Total revenue	**2,605,013**	2,590,621	14,392	0.6%
EBITDA				
Energy Infrastructure				
East Coast Gas	**627,468**	648,778	(21,310)	(3.3%)
West Coast Gas	**270,824**	271,504	(680)	(0.3%)
Wallumbilla Gladstone Pipeline	**549,651**	538,923	10,727	2.0%
Power Generation	**174,621**	170,601	4,020	2.3%
Energy Infrastructure total	**1,622,565**	1,629,807	(7,242)	(0.4%)
Asset Management	**80,337**	63,343	16,994	26.8%
Energy Investments	**30,921**	35,741	(4,820)	(13.5%)
Corporate costs	**(100,848)**	(74,972)	(25,876)	34.5%
Underlying EBITDA	**1,632,975**	1,653,919	(20,944)	(1.3%)
Fair value gains on contract for difference	**18,018**	10,508	7,510	71.5%
SaaS configuration and customisation costs	**(7,957)**	(8,410)	453	(5.4%)
Total reported EBITDA [4]	**1,643,036**	1,656,017	(12,981)	(0.8%)

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

1) FY20 is restated as a result of change in the APA Group's accounting policy following the IFRIC Agenda Decision published in April 2021 related to accounting for SaaS arrangements.
2) Refer to revenue note 4 for additional disclosure on revenue streams from contracts with customers disaggregated by geographical location and major sources.
3) Interest income is not included in calculation of EBITDA but nets off against interest expense in calculating net interest cost.
4) Excludes significant items.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

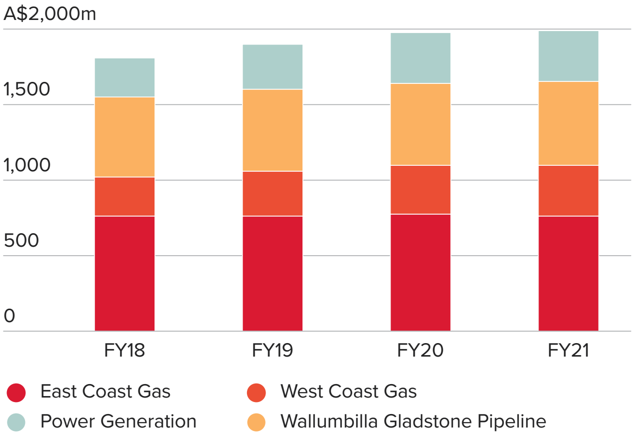
6. Business Segment Performance and Operational Review continued

6.1 Energy Infrastructure

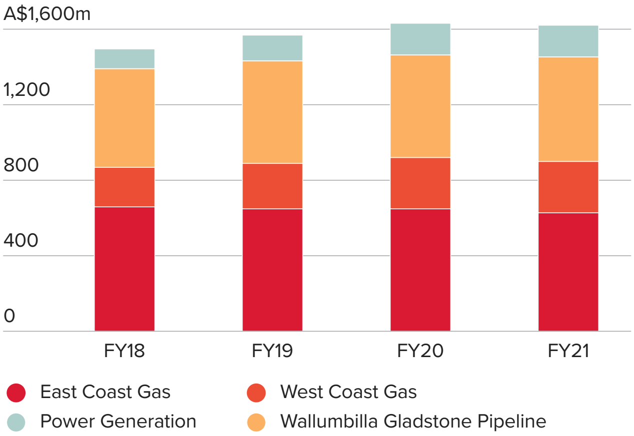
The Energy Infrastructure segment consists of all APA's energy infrastructure footprint across mainland Australia including gas transmission, gas compression, gas processing and storage assets, renewable energy power generation, and gas-fired power generation. 88.2% of revenues in this segment are derived from either long-term take-or-pay contracts, or regulated assets. Contracts generally have the majority of the revenue fixed over the term of the relevant contract. The predictable and long-term nature of APA's revenue underpins APA's reliable low risk business model value proposition.

Energy Infrastructure is the largest business segment contributor to group revenue, contributing 92.9% (excluding pass-through) and 93.6% of underlying EBITDA (before corporate costs) during FY21. Energy Infrastructure segment revenue (excluding pass-through) was $1,989.3 million, an increase of 0.8% on the previous year (FY20: $1,973.7 million). Underlying Energy Infrastructure EBITDA decreased by 0.4% on the previous year to $1,622.6 million (FY20: $1,629.8 million).

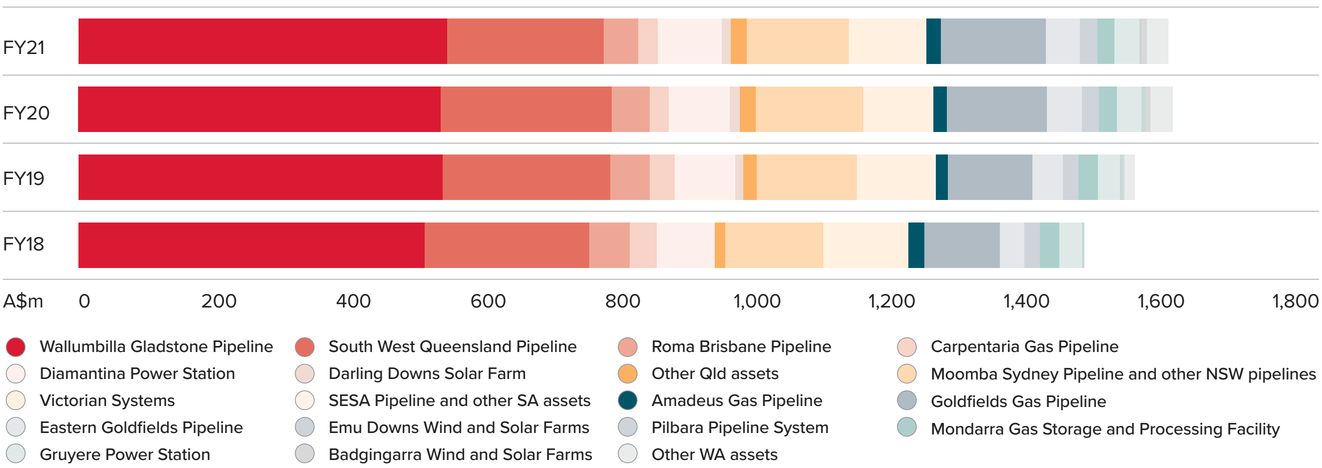
Energy Infrastructure Revenue by segment



Energy Infrastructure EBITDA by segment



Energy Infrastructure EBITDA by asset



East Coast Gas

East Coast Gas underlying EBITDA was down 3.3% or $21.3 million to $627.5 million. The decline was largely due to softer contract renewals on the South West Queensland and Moomba Sydney Pipelines, and reduced Industrial volume demand in Victoria. This was in part offset by the part year contribution from the Orbost Gas Processing Plant, which started contributing revenue since August 2020.

West Coast Gas

West Coast Gas underlying EBITDA remained steady at $270.8 million (FY20: $271.5 million).

Wallumbilla Gladstone Pipeline

Wallumbilla Gladstone Pipeline underlying EBITDA increased by 2.0% in line with tariff escalation to $549.7 million (FY20: $538.9 million).

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

6. Business Segment Performance and Operational Review continued

6.1 Energy Infrastructure continued

Power Generation

Power Generation underlying EBITDA increased by 2.3% or $4.0 million to $174.6 million. The increase is due to an increased in energy output from Diamantina Power and favourable wind resources at the Emu Downs Wind Farm. This was partly offset by one-off energy curtailments and cyclone interruption on the Badgingarra renewable site and lower contribution from the Darling Downs Solar Farm.

Previously reported business segments by states is set out in the table below.

	30 June 2021	30 June 2020	Changes	
	$000	$000 [1]	$000	%
Revenue [2]				
Energy Infrastructure				
East Coast: Queensland	**1,191,324**	1,204,705	(13,381)	(1.1%)
East Coast: New South Wales	**177,931**	183,251	(5,320)	(2.9%)
East Coast: Victoria	**172,682**	145,664	27,018	18.5%
East Coast: South Australia	**3,085**	3,143	(58)	(1.8%)
East Coast: Northern Territory	**33,590**	31,649	1,941	6.1%
Western Australia	**410,692**	405,310	5,382	1.3%
Energy Infrastructure total	**1,989,304**	1,973,722	15,582	0.8%
Asset Management	**113,755**	112,367	1,388	1.2%
Energy Investments	**30,921**	35,741	(4,820)	(13.5%)
Other non-contract revenue	**7,438**	4,975	2,463	49.5%
Total segment revenue	**2,141,418**	2,126,805	14,613	0.7%
Pass-through revenue	**460,465**	461,155	(689)	(0.1%)
Unallocated revenue [3]	**3,130**	2,661	469	17.6%
Total revenue	**2,605,013**	2,590,621	14,393	0.6%
EBITDA				
Energy Infrastructure				
East Coast: Queensland	**995,010**	1,007,891	(12,881)	(1.3%)
East Coast: New South Wales	**151,475**	160,751	(9,276)	(5.8%)
East Coast: Victoria	**113,383**	101,927	11,456	11.2%
East Coast: South Australia	**2,425**	2,294	131	5.7%
East Coast: Northern Territory	**22,734**	19,889	2,845	14.3%
Western Australia	**337,538**	337,055	483	0.1%
Energy Infrastructure total	**1,622,565**	1,629,807	(7,242)	(0.4%)
Asset Management	**80,337**	63,343	16,994	26.8%
Energy Investments	**30,921**	35,741	(4,820)	(13.5%)
Corporate costs	**(100,848)**	(74,972)	(25,876)	34.5%
Underlying EBITDA	**1,632,975**	1,653,919	(20,944)	(1.3%)
Fair value gains on contract for difference	**18,018**	10,508	7,510	71.5%
SaaS configuration and customisation costs	**(7,957)**	(8,410)	453	(5.4%)
Total reported EBITDA	**1,643,036**	1,656,017	(12,981)	(0.8%)

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

1) FY20 is restated as a result of change in the APA Group's accounting policy following the IFRIC Agenda Decision published in April 2021 related to accounting for SaaS arrangements.
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.

Low risk business profile

In FY21, 88.2% of Energy Infrastructure revenue (excluding pass-through) was from contracted and regulated revenues. Specifically, 77.8% of Energy Infrastructure revenue (excluding pass-through) was from take-or-pay capacity reservation charges from long-term offtake agreements, 2.6% from other contracted fixed revenues and 10.7% from throughput charges of which a portion is derived for long-term offtake agreements [4]. Given the dynamic east coast gas market, there were some additional revenues from the provision of flexible short term and other services, accounting for around 1%.

4) Includes revenue from APA's renewable generation fleet and Orbost Gas Processing Plant which are underpinned by long term off-take agreements.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

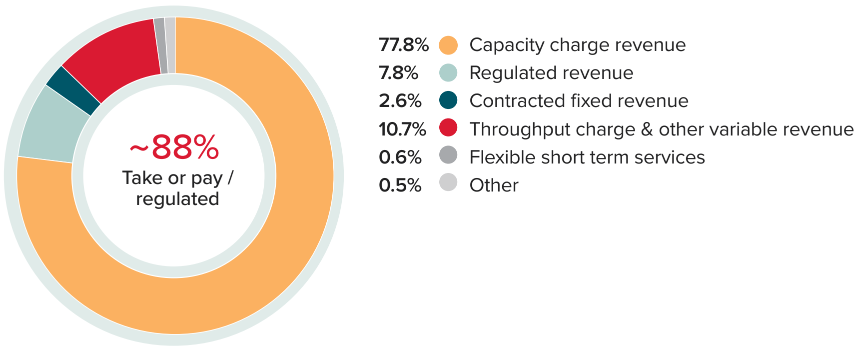
6. Business Segment Performance and Operational Review continued

6.1 Energy Infrastructure continued

Low risk business profile continued

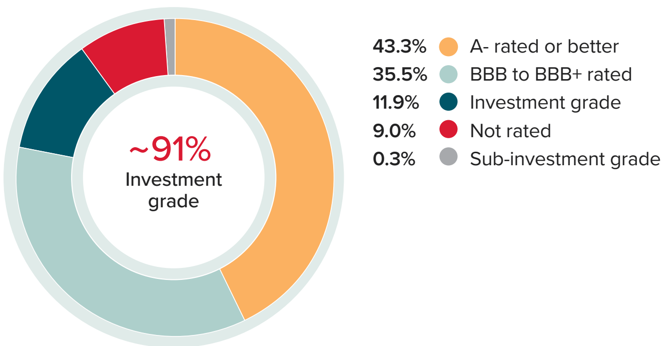
The regulated portion of APA's revenue which is predominantly derived from the Victorian Transmission System makes up 7.8% of total FY21 Energy Infrastructure revenue. The very nature of APA's revenue streams provides for predictability and cash flow stability contributing to APA's low risk business model.

FY21 Energy Infrastructure by Revenue Type

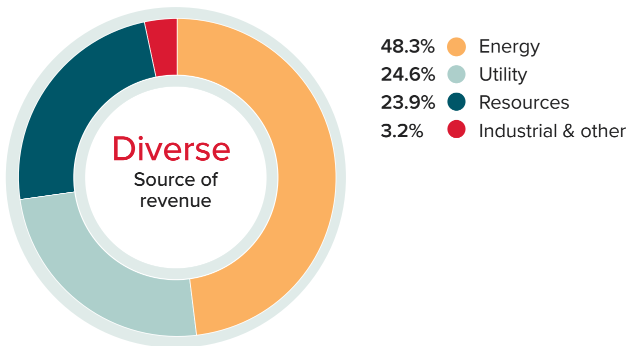


APA manages its counterparty risk in a variety of ways. An area of focus is customers' credit ratings and 91.0% of Energy Infrastructure revenue was received from investment grade counterparties. Diversification of customer base is another strength of APA's business, with our customers split across the energy, utility, resources and industrial sectors, as shown in the graphs below.

FY21 Energy Infrastructure Revenues By Counterparty Credit Rating



FY21 Energy Infrastructure Revenues by Customer Industry Segment



Note: 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.

6.2 Asset Management

APA provides asset management and operational services for the majority of its energy investments and to a number of third parties. The major third party customers are Australian Gas Networks Limited (AGN)[1], Energy Infrastructure Investments (EII) and GDI. Asset management services are provided to these customers under long-term contracts. The Asset Management segment also includes Customer Contributions from Transmission third party projects.

APA has the expertise and diversified skillset to provide whole-of-life asset management and operational services for high voltage power, power generation, gas rotating plant and equipment, stationary engines, gas transmission pipelines and gas distribution networks. These services also include asset inspection, vegetation management, aerial patrols, metering services and specialist utility asset services.

Revenue (excluding pass-through) from asset management services increased by $1.4 million or 1.2% to $113.8 million (FY20: $112.4 million) and underlying EBITDA increased by $17.0 million or 26.8% to $80.3 million (FY20: $63.3 million). The increase in Asset Management revenues is largely driven by one-off customer contributions for asset relocations in Western Australia and Northern Territory.

1) APA sold its 33.05% stake in Envestra (subsequently renamed Australian Gas Networks or AGN) in August 2014, with operating and maintenance agreements remaining in place until 2027.

DIRECTORS' REPORT continued

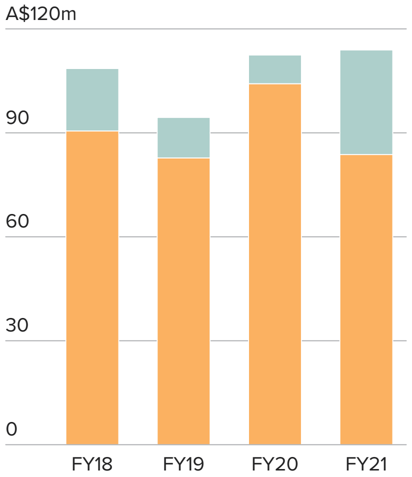
Australian Pipeline Trust and its Controlled Entities

6. Business Segment Performance and Operational Review continued

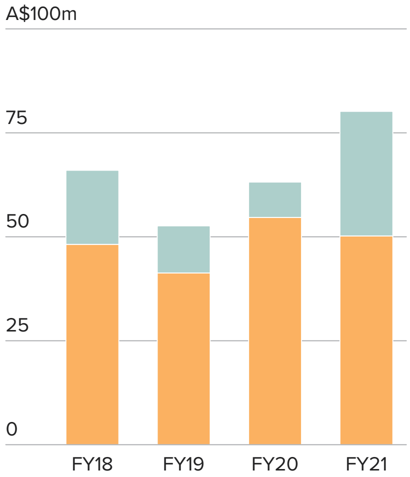
6.2 Asset Management continued

Customer contributions are payments received to accommodate project activity on APA managed assets. The current major projects are the Channel Island Bridge Pipeline Replacement Project in the Northern Territory and the Thornlie Link Parmelia Pipeline re-location in Western Australia. Customer contributions for FY21 were $30.2 million.

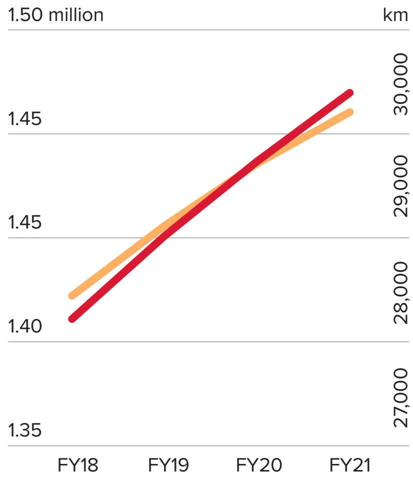
Asset Management Revenue



Asset Management EBITDA



Operated Gas Networks Statistics



One-off Customer Contributions

Underlying Asset Management Revenue/EBITDA

The Asset Management segment continues to see demand for gas connections in new housing developments in Victoria.

6.3 Energy Investments

APA has interests in a number of complementary energy investments across Australia.

Asset and ownership interests		Asset details and APA services	Partners
Mortlake Gas Pipeline	**50%** SEA Gas (Mortlake) Partnership	**83 km** gas pipeline connecting the Otway Gas Plant to the Mortlake Power Station MAINTENANCE	Rest
SEA Gas Pipeline	**50%** South East Australia Gas Pty Ltd	**687 km** gas pipeline from Iona and Port Campbell in Victoria to Adelaide MAINTENANCE	Rest
North Brown Hill Wind Farm	**20.2%** EII2	**132 MW** wind farm in South Australia CORPORATE SERVICES	Infrastructure Capital Group Osaka Gas
Allgas Gas Distribution Network	**20%** GDI (EII)	**~3,900 km** Allgas gas distribution network in Queensland with **~117,000** connections CORPORATE SERVICES	Marubeni Corporation State Super OPERATIONAL MANAGEMENT
Daandine and X41 Power Stations Kogan North and Tipton West Processing Plants Directlink and Murraylink Electricity Interconnectors Nifty and Telfer Gas Pipelines Wickham Point and Bonaparte Gas Pipelines	**19.9%** Energy Infrastructure Investments	Gas-fired power generation **71 MW** Gas processing facilities **45 TJ/day** Electricity transmission cables **243 km** Gas pipelines totaling **786 km** CORPORATE SERVICES	MM Midstream Investments Osaka Gas OPERATIONAL MANAGEMENT

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

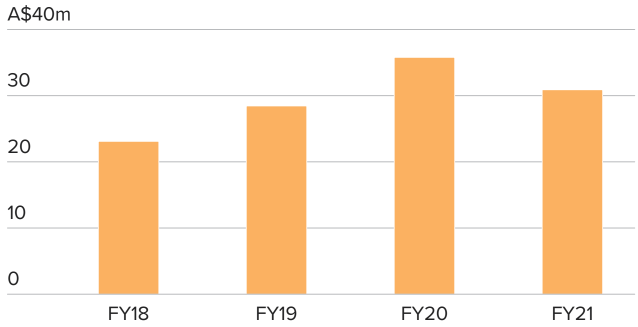
6. Business Segment Performance and Operational Review continued

6.3 Energy Investments continued

APA's ability to manage these investments and provide operational and/or corporate support services gives it flexibility in the way it grows the business and harnesses expertise in-house, thereby delivering services from a lower cost base due to portfolio synergies.

Underlying EBITDA from Energy Investments decreased by $4.8 million or 13.5% for the reporting period to $30.9 million (FY20: $35.7 million) due to a lower but more normalised equity income from Energy Investments. The SEA Gas Pipeline revenue was impacted by lower interest earned on shareholder loans to SEA Gas that were repaid in June 2020.

Energy Investments EBITDA



6.4 Corporate Costs

Corporate costs excluding significant items for FY21 were $100.8 million compared to $75.0 million for the previous corresponding period. The increase was largely due to investment in strategic growth opportunities in Australia and in the US, including a rise in project evaluation costs to support its growth agenda. APA have also strengthened the commercial development capability and have developed the Pathfinder Program to unlock opportunities in next generation energy technologies. APA is building the capability and resilience of the business, including strengthening investments in areas such as sustainability, community engagement and cyber security. This financial year also included a number of one-off costs associated with the development of a new executive leadership team.

7. Capital and Investment Expenditure

Total capital expenditure (including growth projects and stay-in-business capital expenditure but excluding acquisitions and other investing cash flows) for FY21 was $432.5 million (FY20: $418.6 million). There were no acquisitions undertaken in FY21 and therefore no investment expenditure.

Capital and investment expenditure for FY21 is detailed in the table below.

Capital and investment expenditure (1)	Description of major projects	**30 Jun 2021 ($ million)**	30 Jun 2020 ($ million) (2)
Growth expenditure			
Regulated	Western Outer Ring Main (WORM); Victorian Transmission System, Roma Brisbane Pipeline and Goldfields Gas Pipeline Access Arrangement allowed expenditure	**50.2**	46.5
Non-regulated			
East Coast Gas	South West Queensland Pipeline and Moomba Sydney Pipeline capacity expansion, upgrade of Orbost Gas Plant	**47.9**	184.2
West Coast Gas	Northern Goldfields Interconnect, Lake Way Gas Pipeline, Murrin Murrin Lateral Looping, Karlawinda Gas Pipeline	**106.5**	8.3
Power generation	Thomson Power Station and Gruyere Hybrid Energy Microgrid	**51.0**	34.0
Customer contribution projects and others	Channel Island Bridge Pipeline Replacement Project and Thornlie Link Parmelia Pipeline re-location Project	**27.9**	14.7
Sub-total non-regulated capex		**233.3**	241.2
Total growth capex		**283.5**	287.7
Stay-in-business capex (3)		**134.6**	109.5
Other IT capex		**14.4**	21.4
Total capital expenditure		**432.5**	418.6
Investment and acquisitions		**—**	—
Total capital and investment expenditure		**432.5**	418.6

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

1) The capital expenditure shown in this table represents net cash used in investing activities as disclosed in the cash flow statement, and excludes accruals brought forward from the prior period and carried forward to next period.
2) FY20 is restated as a result of change in the APA Group's accounting policy following the IFRIC Agenda Decision published in April 2021 related to accounting for SaaS arrangements.
3) Represents stay-in-business capital expenditure not recoverable from customers and/or regulatory frameworks.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

7. Capital and Investment Expenditure continued

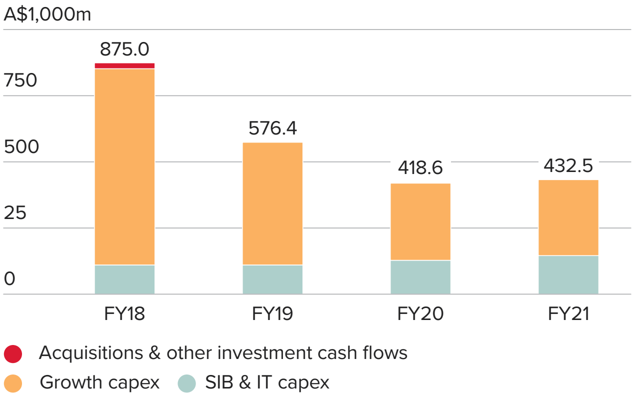
Growth project expenditure in FY21 of $283.5 million, compared to the previous corresponding period of $287.7 million.

Stay-in-business capex for FY21 was $134.6 million (FY20: $109.5 million). The increase in stay-in-business capex for the period was largely driven by a periodic major overhaul on the Diamantina Power Station, in advance of its peak contracted output period.

Other technology capital expenditure for the reporting period was $14.4 million (FY20: $21.4 million). The spend is largely due to APA Grid technology upgrade detail in section 10.6 of this report.

Major growth capital expenditure projects invested in during the reporting period include:

Capital and Investment Expenditure



Regulated growth capital expenditure

– **Western Outer Ring Main (WORM) project:** Engineering and approvals work including landholder liaison and surveys and studies required for the Environmental Effects Statement (EES) continued during the reporting period. Coated pipe for the pipeline and the compressor to expand the Wollert facility were both ordered during the period. The EES was submitted to the Victorian Government in June and will be on public exhibition from 7 July to 17 August 2021. Project completion assuming an approval of the EES in early 2022, is currently expected in late Q3 FY22. Growth capital expenditure is underwritten by the regulatory framework. The project will enhance gas supply flexibly to meet seasonal loads in the Victorian Market and support gas-fired electricity generation.

Unregulated growth capital expenditure

East Coast Gas

– **Wallumbilla and Young expansion program:** These expansion programs have resulted in ~130 TJ/d increase in Wallumbilla compression capacity and a 25 TJ/d increase in capacity in the Young to Culcairn section of the Moomba Sydney Pipeline.

The increase in capacity at Wallumbilla involved the upgrade of three compressors during planned 30,000-hour maintenance.

– **East Coast Grid Expansion:** Due to strong customer demand for transportation capacity, APA has reached a Final Investment Decision to commence the expansion of the East Coast Grid. The two stage expansion is expected to require a capital investment of up to $270 million and is expected to increase winter peak capacity of the East Coast Grid by 25%.

The first stage of expansion works is expected to increase Wallumbilla to Wilton capacity by 12% and is targeted for commissioning in the first quarter of CY23, in advance of forecast southern state winter supply risks identified in the 2021 AEMO Gas Statement Of Opportunities. Stage 2 of the expansion works, which is expected to add a further 13% of capacity, will be staged to meet customer demand and is currently targeted for commissioning towards the end of CY23. Engineering and design works continue on a potential third stage expansion of the East Coast Grid to add a further 25% transportation capacity.

The expansion will allow APA to respond quickly and efficiently to customer requirements to meet the forecast 2023/2024 shortfall of gas supply on the East Coast of Australia.

– **Kurri Kurri Lateral Pipeline:** APA has been working exclusively to support the Hunter Power Project in the development of a pipeline, compressor station and underground gas storage bottle to provide gas from the existing network to the proposed 660MW Hunter Power Station at Kurri Kurri in NSW. The capability for the pipeline and the storage bottle to transport and store a hydrogen gas blend is being assessed in the development. APA submitted a Project Scoping Report for a proposed EIS for the pipeline project to the NSW Department Planning, Industry and Environment (DPIE) in June 2021. For APA's scope Final Investment Decision is expected in Q4 CY22.

– **Orbost Gas Processing Plant:** The Orbost Gas Processing Plant has been processing up to 45 TJ/day since February 2021. Consistent foaming and fouling within the Sulphur Reduction Units (SRU) has led to weekly absorber cleans to enable continuous gas supply. Further capital has been invested by both APA and Cooper Energy to improve reliability and to increase production rates. Cooper Energy has exercised its option to extend the Transition Agreement, which allows the revenue and cost sharing structure to continue for another 12 months to 1 May 2022.

West Coast Gas

– **Northern Goldfields Interconnect (NGI):** The Northern Goldfields Interconnect pipeline was announced in November 2020 and will connect to APA's Goldfields Gas Pipeline (GGP), which in turn connects to APA's Eastern Goldfields network. The project scope includes a 580km 12" pipeline and an inlet compressor station at Eradu on the western end of the pipeline. First shipment of 130km of coated pipe was received into Geraldton in June. APA took delivery of the two compressors ex works in USA in June, which are expected to land into Western Australia in August 2021. Site surveys and studies and consultation with stakeholders including landowners and Indigenous groups continued during the period. Work to obtain the necessary approvals continued with construction expected to commence on site in Q2 FY22 with completion scheduled for late Q1 FY23.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

7. Capital and Investment Expenditure continued

Unregulated growth capital expenditure continued

- **Karlawinda Gas Lateral:** APA commissioned the new 56 km lateral during the period. Gas will be transported approximately 500 km along the Goldfields Gas Pipeline then along the new Karlawinda Gas Lateral. First gas was delivered to the Karlawinda mine in March 2021.
- **Lake Way Gas Lateral:** APA completed construction and commissioning of the 26 km greenfield lateral from the Goldfields Gas Pipeline to the Lake Way mine. First gas was delivered to the mine in April 2021.

Power Generation

- **Gruyere Power Station Expansion and Hybrid Energy Microgrid:** Expansion of the power station continued during the period. An additional engine has been installed and construction near completed in the period with commissioning expected in Q1 FY22.

  A renewable energy agreement was executed with the Gruyere Gold Mine in December 2020 for the creation of the Gruyere Hybrid Energy Microgrid. The Gruyere Microgrid is APA's first hybrid energy microgrid investment and 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. It will utilise a hybrid control system that combines cloud and weather forecasting, battery control and the existing reciprocating engine control systems to optimise efficiency and maximise the use of renewable generation. The battery component of the project is expected to be complete in Q1 FY22 and the solar farm is expected to be complete by Q2 FY22. Upon completion, total installed capacity of the microgrid will be 64MW (60 MW of power generation and 4.4 MW of battery storage).

- **Thomson Power Station:** Commissioning of the 18 MW reciprocating engine power station was completed during the period with all 6 engines operational from March 2021. A further expansion to 22 MW was also completed and commissioned during the period and was operational from May 2021. The new power station will supplement generation from APA's Diamantina Power Stations for the Mount Isa region.

Prospective projects

Preliminary work on a number of potential large projects remains on foot with counterparties who are each working through the feasibility of their own projects:

- **Western Slopes Pipeline, New South Wales:** A development agreement and associated Gas Transportation Agreement is in place between APA and our customer. APA is to build own and operate the proposed ~460km Western Slopes Pipeline (WSP) in northern NSW. The pipeline is to connect the Narrabri Gas Project to APA's Moomba Sydney Pipeline and subsequently the east coast domestic gas market. The Narrabri Gas Project received approval from the Independent Planning Commission and approval under the Environment Protection and Biodiversity Conservation (EPBC) Act during 1H FY21. Our customer was not in a position to approve APA submitting the Environmental Impact Statement (EIS) for the Western Slopes Pipeline prior to the expiry of the Secretary's Environmental Assessment Requirements (SEARs) in May 2021. APA has applied for and had the SEARs for the WSP re-issued in late June 2021.
- **Memorandum Of Understanding with Comet Ridge and Vintage Energy, Queensland:** Non-binding Memorandum of Understanding's (MOU) with customers are in place to investigate a potential pipeline route to connect Queensland's Galilee Basin to gas markets. The proposed 240 km Galilee Moranbah Pipeline and associated infrastructure would be built, owned and operated by APA, connecting gas sources in the Galilee Basin to Moranbah in Central Queensland. Moranbah is the gas processing and distribution hub for northern Bowen Basin gas resources.
- **Bowen Basin, Queensland:** A non-binding MOU remains in place with Blue Energy to investigate pipeline route options in both the Bowen and Galilee Basins. APA continues to engage with all resource holders in the Bowen Basin to progress the efficient development of infrastructure for delivery of gas to the East Coast Gas Grid. APA continues to explore the development of a pipeline to connect the Bowen Basin to APA's East Coast Grid. We have also engaged with the Queensland Government who is preparing the scope for study on the development of the Bowen Basin and a pipeline connection.
- **Judith Gas Field, Victoria:** APA entered into a non-binding MOU with its customer in October 2019. In May 2020, APA entered into a Binding Agreement to progress with the Pre-Front End Engineering Design (Pre-FEED) for the provision of midstream infrastructure and services related to gas potentially produced from the Judith Gas Field in the offshore Gippsland Basin, Victoria. The Pre-FEED study was completed in December 2020 and the project awaits the customer's further progression. Should the project proceed, the project will include building, owning, operating and maintaining a new 90 TJ/d gas processing train; 40 km sub-sea pipeline; and 12 km pipeline from the gas processing train to the market.
- **Gabanintha Vanadium Project, Western Australia:** APA entered into a non-binding MOU with a customer for the provision of gas transportation services along a proposed ~152km new pipeline to supply gas to the Gabanintha Vanadium Project. The proposed pipeline would allow the customer the opportunity to source gas from the closer emerging Perth Basin gas fields.
- **Equus Transcontinental Pipeline:** In October 2020, APA entered into a non-binding MOU with a customer to undertake a joint development and marketing study to supply Equus gas to east coast gas markets via a transcontinental pipeline.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

8. Financing Activities

8.1 Capital Management

As at 30 June 2021, APA had 1,179,893,848 securities on issue. This is unchanged from 30 June 2020.

APA funds its growth with appropriate levels of equity, cash retained in the business and debt, in order to maintain investment grade BBB and Baa2 credit ratings from Standard & Poor's and Moody's, respectively.

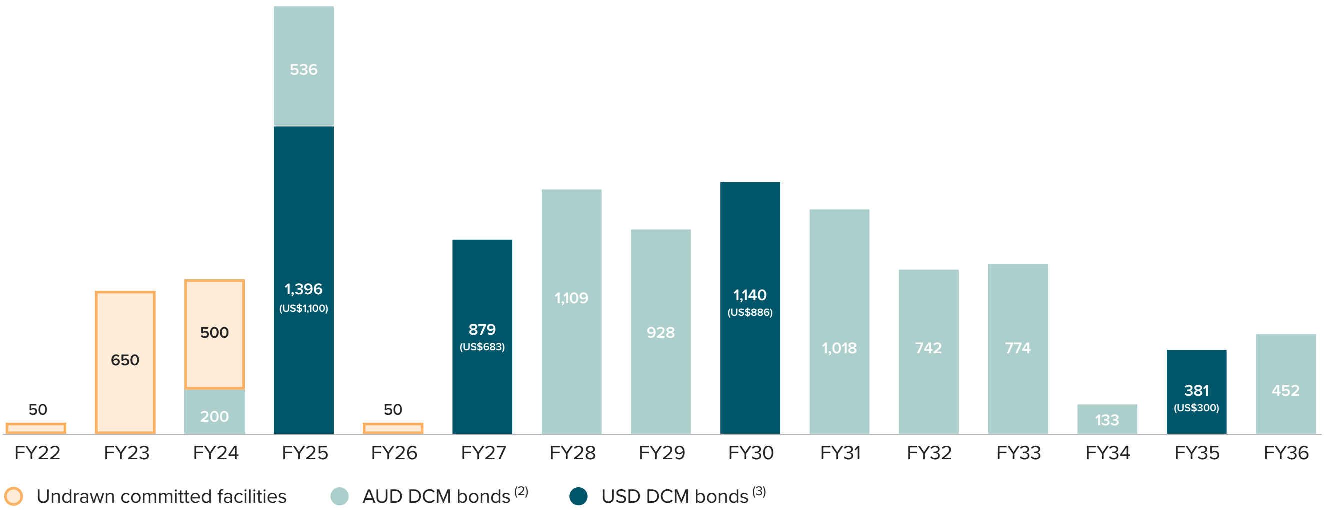
As at 30 June 2021, APA had $1.9 billion in cash and committed undrawn facilities available to assist in the ongoing funding of the business and planned growth activities.

As at 30 June 2021 APA had $9,665.8 million ($9,983.6 million as at 30 June 2020) of committed drawn debt facilities, with an additional $1,250 million of undrawn committed bank facilities available to the business.

APA has issued debt into a diverse range of global bond and banking markets, such as US Private Placement Notes, Medium Term Notes in several currencies (Australian dollars, Euros, Sterling and Japanese Yen), United States 144A Notes and Australian dollar Syndicated and Bilateral bank facilities. The debt portfolio has a broad spread of maturities extending out to FY36, with an average maturity of drawn debt of 7.8 years as at 30 June 2021.

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

A$m / (US$m)



1) APA debt maturity profile as at 30 June 2021.
2) Debt capital market (DCM) bonds.
3) USD denominated obligations translated to AUD at the prevailing rate at inception (USD144A – AUD/USD=0.7879, Euro & Sterling MTNs at AUD/USD=0.7772).

APA maintains a prudent treasury policy that requires high levels of interest rate hedging to minimise the potential impacts from adverse market movements. As at 30 June 2021, 100% (30 June 2020: 100%) of interest obligations on gross borrowings were either hedged into or issued at fixed interest rates for varying periods extending out to 2036.

In March 2021, APA priced and settled the EUR 1,100 million and GBP 250 million senior unsecured notes. The $2.2 billion of proceeds from the issuances, coupled with approximately $200 million of available cash on hand, will be used to refinance all of APA's debt that matures in calendar 2022 and terminate associated hedges. The facilities to be refinanced and associated hedges include:

- EUR MTN 700m swapped into A$1,132m at a fixed rate of 4.45%
- USPP Notes US$124m swapped into A$154m at a fixed rate of 7.39%
- USPP Notes A$81m at a fixed rate of 7.45%
- USPP Notes A$62m at a fixed rate of 7.45%
- US 144A Notes US$750m swapped into A$735m at a fixed rate of 6.68%

Through its FY21 financing activities, APA has been able to extend the average tenor of its debt facilities and lower the average cost of its debt portfolio in difficult market conditions. The diverse debt portfolio and the strong BBB/Baa2 credit ratings enable APA to raise appropriate amounts of debt from the global debt capital markets in a timely and efficient manner to support growth and its existing operations.

APA acquired the Wallumbilla Gladstone Pipeline in June 2015, with revenues denominated in USD from the 20-year foundation contracts. Tariffs are escalated in January each year by US CPI, with operating costs passed through to the shippers. Today, around US$3 billion (i.e. US 144A Notes maturing in 2025 and 2035, Euro MTN maturing in 2027 and Sterling MTN maturing in 2030), of the original US$3.7 billion of debt that was borrowed to assist with funding of that acquisition, is retained in, or swapped into, US dollar denominated debt obligations at an all-in annual rate of around 4.61%. This USD debt is being managed as a "designated hedge" for those virtually certain US dollar denominated revenues.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

8. Financing Activities continued

8.1 Capital Management continued

APA has hedged the US dollar denominated Wallumbilla Gladstone Pipeline revenues receivable to March 2022 at the rates in the table below.

Period	Average forward USD/AUD exchange rate
FY21	0.7199
FY22 (to March 2022)	0.7099
April 2022 onwards [1]	designated hedge relationship

1) For periods where the revenue has been designated against the debt repayments and in absence of any swap hedges that APA enters into, USD denominated obligations was translated to AUD at the prevailing rate at inception (USD144A – AUD/USD=0.7879, Euro & Sterling MTNs at AUD/USD=0.7772).

A large portion of the Wallumbilla Gladstone Pipeline net revenue from April 2022 onwards remains in the designated hedge relationship with the remaining US$3 billion in debt and as such, when that revenue is received and hedged, it will be recognised in the statement of profit or loss at those future rates.

8.2 Interest costs

Net interest costs excluding significant items decreased in FY21 by $3.1 million to $504.8 million (FY20: $507.8 million). Net interest costs including significant items increased by $144.9 million to $652.8 million in FY21, due to one-off finance costs related to the bond note redemptions completed during the period.

The average interest rate (including credit margins) applying to drawn debt was 5.08% [2] for FY21 (FY20: 5.43%), reflective of the partial year impact of the new lower interest cost attributable to the EUR 1,100 million and GBP 250 million senior unsecured Euro Medium Term Notes.

8.3 Credit ratings

APT Pipelines Limited, the borrowing entity of APA, maintained the following two investment grade credit ratings during FY21:

– BBB long-term corporate credit rating assigned by Standard & Poor's (S&P) in June 2009, and last confirmed on 19 November 2020; and

– Baa2 long-term corporate credit rating (outlook Stable) assigned by Moody's Investors Service (Moody's) in April 2010, and last confirmed on 29 May 2021.

APA calculates the Funds From Operations (FFO) to Interest to be 3.1 times (FY20: 3.3 times) and FFO to Net Debt to be 11.3% for FY21 (FY20: 12.2%). FFO to Net Debt is the key quantitative measure used by S&P and Moody's to assess APA's credit worthiness and credit rating.

8.4 Capital management strategy

APA management has undertaken a comprehensive review of the capital management strategy. The key pillars of the capital management strategy are summarised below and position APA for the next phase of growth:

– **Securityholder returns:** focus on maximising available free cash flow and distributions;

– **Access to capital:** maintaining investment grade credit metrics and a diverse source of funding;

– **Capital allocation:** disciplined investments aligned to strategy and investment hurdles that drive long-term value;

– **Risk management:** funding strategy focused on diversification, tenor and maturities, with Treasury policies that support strong liquidity and reduce volatility; and

– **Market engagement:** proactive investor relations program that addresses the needs of our investors.

2) Excludes one-off finance cost related to the bond note redemptions completed during FY21.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

8. Financing Activities continued

8.5 Income tax

Income tax expense of $62.9 million includes a $119.2 million accounting income tax expense benefit from the impairment of Orbost and interest charge on bond note redemptions (significant items). Income tax expense excluding significant items for the FY21 of $182.1 million results in an effective income tax rate of 39.3%, compared to 37.3% for the previous corresponding period. The high effective rate is due to the significant amortisation charges relating to contract intangibles acquired with the Wallumbilla Gladstone Pipeline, which are not deductible for income tax purposes.

After utilisation of available tax losses and research and development and imputation credit tax offsets, income tax of $48.3 million will be payable in respect of the year ended 30 June 2021 (FY20: $85.3 million). The cash tax payable results in an effective tax paid rate excluding significant items of 17.7% in FY21 compared to 16.9% in FY20.

With PAYG instalments of $70.0 million having already been paid, a tax receivable of $21.3 million has been recognised.

APA has provided a Tax Transparency Report, which includes a reconciliation of profit to income tax payable on the tax section of APA's website.

To assist APA Securityholders who wish to submit their annual tax return prior to receiving their annual APA Tax Statement in mid-September, APA has developed an online tax estimator tool. The Estimator tool will generate pro forma tax return inputs based on information entered by Securityholders and therefore should be considered "indicative only" as compared to the confirmed accurate information contained in APA's Annual Tax Statement. Securityholders should use their annual tax statement to complete their final tax return for the relevant tax year and consult professional and financial services advisors for help relating to their individual particular tax or financial position. The Tax Estimator will be available under the Investor section on APA's website following confirmation by the Board via an ASX release of the final FY21 distribution (https://www.apa.com.au/investors/my-securities/apa-annual-tax-statement-estimator/).

8.6 Distributions

Distributions paid to Securityholders during the financial year were:

	Final FY20 distribution paid 16 September 2020		Interim FY21 distribution paid 17 March 2021	
	Cents per security	Total distribution $000	Cents per security	Total distribution $000
APT franked profit distribution	8.53	100,666	—	—
APT unfranked profit distribution	—	—	—	—
APT capital distribution	11.74	138,528	16.29	192,175
APTIT profit distribution	2.09	24,686	1.97	23,159
APTIT capital distribution	4.64	54,692	5.74	67,840
Total	**27.00**	**318,572**	**24.00**	**283,174**
Franking credits allocated	3.66	43,184		

On 25 August 2021, the Directors declared a final distribution for APA for the financial year of 27.0 cents per security which is payable on 15 September 2021. The FY21 final distribution comprises the following components:

	Final FY21 distribution payable 15 September 2021	
	Cents per security	Total distribution $000
APT franked profit distribution	—	—
APT unfranked profit distribution	—	—
APT capital distribution	18.63	219,820
APTIT profit distribution	1.67	19,742
APTIT capital distribution	6.70	79,010
Total	**27.00**	**318,572**
Franking credits allocated		

As a result, the total distribution applicable to the year ended 30 June 2021 is 51.0 cents per security, a 2.0% increase over the total distribution of 50.0 cents per security applicable to the year ended 30 June 2020.

The Distribution Reinvestment Plan remains suspended.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

8. Financing Activities continued

8.7 Total securityholder return

APA's total securityholder return for the financial year, which accounts for distributions paid plus the capital appreciation of APA's security price and assumes the reinvestment of distributions at the ex-distribution date, was down 15.7% [1].

APA's total securityholder return since listing in June 2000 on the ASX, is 1,842% [2], a compound annual growth rate of 15.1%.

8.8 Guidance for 2022 financial year

APA has guided for a FY22 distribution of 53.0 cents per security, which would represent an 3.9% increase on the prior period. This increase is largely driven by the interest costs savings that have been generated through the March 2021 liability management exercise.

Although APA is an essential part of the energy supply chain, it can be impacted by economic downturns and reductions in energy demand. Challenging market conditions are likely to continue in FY22 with APA's revenues continuing to be subject to customer recontracting and investment decisions impacted by policy uncertainty and throughput volumes on certain assets.

Looking ahead, APA is in a strong position to continue executing on its strategy, investing for the long-term energy needs of its customers. This program is fully in execution mode, with growth capital expenditure expected to be in excess of $1.3 billion over the period from FY22 to FY24. Incremental revenue from the current growth capital expenditure projects will improve APA's financial performance in future periods.

9. Economic Regulatory Matters

Gas pipelines in Australia are regulated by the Australian Energy Regulator (AER) or, the Economic Regulation Authority of Western Australia (ERA).

Australia's economic regulatory regime for gas pipelines is set out in the National Gas Law (NGL) and the National Gas Rules (NGR). Some of APA's pipelines have been covered by the National Gas Access Regime since it was introduced in the 1990's. There are currently two frameworks under the NGR:

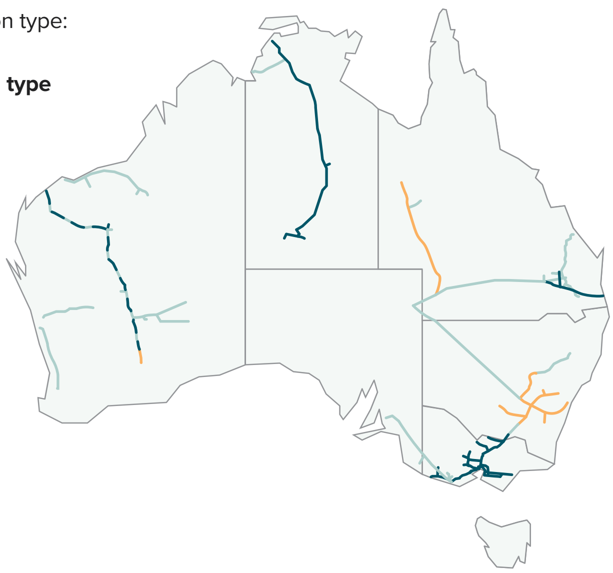
1) Scheme pipelines (NGR Parts 8-12) subject to either:
   - full regulation, where the AER or ERA must approve a full access arrangement that sets out reference tariffs, terms and conditions in a negotiate-arbitrate framework. Pipeline users can opt for non-regulated services on full regulation pipelines; or
   - light regulation, where pipeline owners must publish services and prices and comply with information provision requirements to support negotiations or alternatively seek regulatory approval for a limited access arrangement. A regulatory arbitration mechanism is available in the case of access disputes.
2) Non-Scheme pipelines (NGR Part 23) – The Part 23 regime came into effect from August 2017 and provides for tariffs and terms to be negotiated, supported by additional information disclosure and a commercial arbitration mechanism in the event of a dispute.

In May 2021, the Energy National Cabinet Reform Committee (ENCRC) published the Regulation Impact Statement Options to improve gas pipeline regulation, which proposed to discontinue light regulation and transition to two forms of regulation: a form, based on the current full regulation, and a "lighter" form, based on the current Part 23 regime for non-scheme pipelines. Pipelines currently subject to full regulation will not experience much change whilst non-scheme pipelines will remain under the "lighter" form; and pipelines currently subject to light regulation are to transition to the "lighter" form. Necessary legislative changes to give effect to the Pipeline Regulation RIS are currently being prepared.

The map below shows APA pipelines by current regulation type:

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

- Full regulation pipelines
- Light regulation pipelines
- Non-scheme pipelines
- Partly full regulation/non-scheme pipelines



1) Figures quoted are sourced from Refinitiv Eikon and measured as at 30 June 2021.
2) Indexed from 13 June 2000, the date of APA's listing on the ASX.

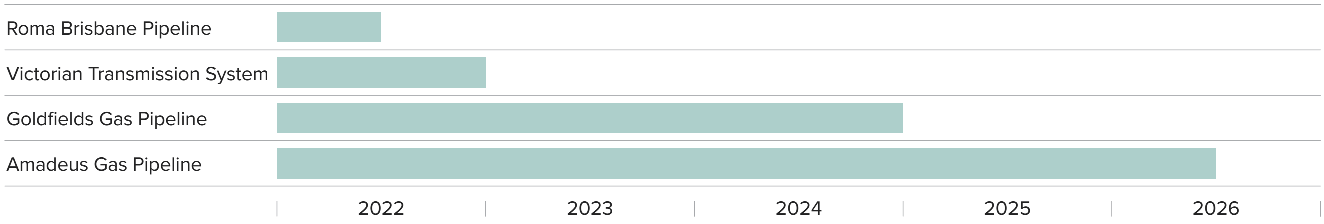
DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

9. Economic Regulatory Matters continued

Regulatory resets

The diagram below outlines the scheduled regulatory reset dates for pipelines owned and operated by APA. During FY21, approximately 7.8% of APA's Energy Infrastructure revenues were revenues that are subject to regulated outcomes.



Key regulatory matters relating to APA assets addressed during the reporting period include:

Amadeus Gas Pipeline 2021-2026 access arrangement – final decision

The AER released its final decision on the Amadeus Gas Pipeline Access Arrangement on 30 April 2021, reflecting the relatively minor amendments required by its draft decision. The AER-approved access arrangement includes both interruptible and firm reference services. The final decision confirmed a decline in the Firm Service Reference Tariff, reflecting a lower rate of return and a larger volume associated with Northern Gas Pipeline interconnection. The reduced reference tariff has limited impact on APA because the pipeline is subject to a long-term contract for the vast majority of gas transported.

In both the Draft and Final Decisions, the AER complimented APA on its stakeholder engagement process which preceded submission of the access arrangement revision proposal. Further information on stakeholder engagement for the Amadeus Gas Pipeline can be found on APA's website.

Roma Brisbane Pipeline 2022-2027 access arrangement

Building on its successful experience in the Amadeus Access Arrangement process, APA has undertaken extensive engagement with the RBP Stakeholder Group as part of developing its proposal for the 2022-2027 RBP access arrangement. APA submitted revisions to its access arrangement on 1 July 2021, to have effect for a period of five years from 1 July 2022. Stakeholder engagement ahead of our submission has provided APA with better insights from people ultimately served by the pipeline and helped shape our proposal to the Australian Energy Regulator (AER). Further information on consumer engagement for the RBP can be found on APA's website.

Victorian Transmission System 2023-2027 access arrangement – consumer consultation

APA is meeting monthly with the VTS Stakeholder Engagement Group as part of the regulatory process for review of the 2023-2027 VTS access arrangement. APA will submit revisions on 1 December 2021, which have effect for a period of five years from 1 January 2023. APA will incorporate insights obtained during stakeholder engagement into its proposal. Further information on stakeholder engagement for the VTS can be found on APA's website.

Energy Industry developments

On 15 September 2020, Prime Minister Scott Morrison announced as part of the post COVID-19 gas led recovery that the Government would reset the east coast gas market and create a more competitive and transparent Australian Gas Hub by unlocking gas supply, delivering an efficient pipeline and transportation market, and empowering gas customers. APA is supportive of the government's strategy and the opportunities it creates for APA's core gas transmission business. To maximise the potential benefits to APA and the community, APA is actively engaging with the Government and the Department of Industry, Science, Energy and Resources in relation to the National Gas Infrastructure Plan and the development of an Australian Gas Hub.

State Governments are pursuing decarbonisation initiatives which may impact gas utilisation and therefore pipelines. APA is actively engaging in the development of these initiatives to ensure that the key role gas is able to play in the objective of decarbonising the economy is recognised. In addition, APA is pursuing strategies to minimise any adverse consequences on the economic life of our assets.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

10. Sustainability

Sustainability for APA means standing up and being counted. It's about being responsible in the way that the business is conducted and operated, and importantly, how APA contributes to society. Sustainability is prioritised to ensure that employees, stakeholders, customers and the communities in which APA operates in can all thrive – now, and into the future.

APA has released a separate FY21 Sustainability Report which is available on APA's website. Contained below, is an overview of the sustainability approach and key metrics for health and safety, environment and emissions.

10.1 Climate change and energy transition

APA gathered significant momentum in understanding and defining its response to the energy transition. This included incorporating net zero in the corporate strategy and establishing the framework to embed consideration of climate risk and opportunity into business as usual via the Sustainability Roadmap and Climate Change Management Framework.

APA's Net Zero ambition and the Climate Change Management Framework are highlighted in section 4.5 of this report and in depth in the standalone Sustainability Report.

Emissions footprint

Each October, APA reports under the National Greenhouse and Energy Reporting Act 2007 (NGER Act) to the Australian Clean Energy Regulator. The FY21 NGER submission is currently being prepared and will be lodged with the Regulator by 31 October 2021.

In FY20, on balance APA's total scope 1 and 2 emissions footprint remained relatively stable compared with the previous year, with gross scope 1 and 2 emissions rising 0.22% from FY19. This comprised of:

- Scope 1 emissions which increased from 1,229,923 t-CO2e to 1,322,249 t-CO2e primarily due to the Orbost Gas Processing Plant becoming operational in March 2020; an increase in the gas used to generate electricity at Daandine Power Station due to increased customer demand; and an increase in gas combustion on the Goldfields Gas Pipeline due to increased gas throughput and a new compressor becoming operational.
- Scope 2 emissions which decreased from 176,980 t-CO2e to 87,765 t-CO2e, largely due to the adoption of a more refined calculation method applied in FY20. Using the existing metering data, the calculation method better reflects actual emissions associated with line loss on the Murraylink Interconnector and will be applied from FY20 onwards.

APA's summary of Scope 1 and 2 emissions and energy consumption for FY20 as reported under the NGER Act, are set out in the table below and for detail breakdown of APA's emission profile refer to the Sustainability Report data tables section.

	FY20	FY19 (1)
Scope 1 (2) CO_2-e emissions (tonnes)	1,322,249	1,229,923
Scope 2 (3) CO_2-e emissions (tonnes)	87,765	176,980
Energy consumption (4) (GJ)	32,078,649	27,831,008

1) FY19 scope 1 emissions and energy figure has been restated from those reported in our previous disclosures (e.g. APA's 1H FY21 Directors' Report). This restatement is the result of a Clean Energy Regulator audit completed during FY20 and adjustment of reported figures in FY21
2) Scope 1: are direct emissions such as company vehicles, 'fuel combustion' and fugitive emissions from gas pipelines from facilities that APA has operational control over.
3) Scope 2: are indirect emissions such as the consumption of electricity or electricity line losses from facilities that APA has operational control over
4) Energy Consumption is referring to the total calculation of energy consumed across all facilities within APA's operational control.
5) Greenhouse gas emissions and energy data has generally been calculated in accordance with methodologies under the National Greenhouse and Energy Reporting Act 2007 (NGER). For the purposes of emissions and energy data, APA is not the entity with operational control of Gruyere Power Station.

10.2 Community & Social Performance

Strengthening Community & Social Performance

Community and Social Performance (CSP) is core to deliver on APA's purpose of strengthening communities through responsible energy, mindful that strong and positive relationships with stakeholders is the key to APA's success. Strengthening the approach to CSP is a high priority, requiring APA to understand and work with communities to manage impacts and deliver outcomes which reflect their values, needs and aspirations.

To gain momentum and demonstrate commitment, in FY21 APA introduced an interim plan to leverage existing capability and support existing business activity. This interim plan focuses on piloting new practices in approach to local content and Indigenous engagement, introducing sustainable development principles, and taking a more participatory and inclusive approach to working with stakeholders.

A CSP Strategy is now being developed to:

- Strengthen CSP expertise and capability
- Build a new CSP management system, with enhanced standards, a formal grievance management approach and better measurement and monitoring practices
- Enhance consultation techniques and shift engagement to be more proactive and relationship focused
- Make sure we consider CSP early in business processes and decision-making
- Shift social investment to focus on sustainable development outcomes

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

10. Sustainability continued

10.2 Community & Social Performance continued

Community and stakeholder engagement

APA gains trust and confidence by listening to stakeholders and proactively considering and responding to their needs. During FY21, a range of new initiatives were introduced, including the Stakeholder Advisory Panel and the CSP Plan currently under development.

Focussing on sustainable development and First Nations people

In the coming year, APA will develop dedicated strategies to define the approach and outcomes in relation to First Nations People and Sustainable Development.

The First Nations Plan will guide APA engagement with First Nations stakeholders, including Indigenous employees, communities and stakeholder groups. It will also provide the foundations for achieving stronger local outcomes and contributing to reconciliation.

The Sustainable Development Strategy will evolve APA's approach to social investment to guide more meaningful and impactful outcomes for communities, strengthening alignment to business activities and priorities, and enhancing measurement and focus.

10.3 People

Embedding a culture of high performance

To support the refreshed vision, purpose and long-term strategy, and to embed a high-performance culture, in FY21 APA established the following set of behaviours that guide how business is conducted, operated and how APA interacts with its customers, stakeholders and each other.

- 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, respect and listen to our stakeholders
- Impactful: we create positive legacies and work safely, for our customers, communities our people and the environment.

Inclusion and Diversity – Strategy for 2020 – 2025

During FY21, APA launched the Inclusion and Diversity Strategy for 2020 – 2025. This document outlines APA's approach to embracing diversity and building an inclusive culture, so all people feel safe, valued and trusted to do their very best every day, supporting APA's vision of being world class in energy solutions.

The Inclusion and Diversity Strategy is reflected in the Inclusion and Diversity Plan which focuses on four key areas:

- Gender Equity – providing a level playing field for all employees to reach their potential
- Flexibility – to encouraging flexible ways of working and empowering our people to think differently about where, when and how work is completed to meet the employee's professional and personal goals and priorities
- Inclusive Culture – to creating an inclusive culture that values all people and addresses biases
- Inclusive Leadership – to making sure our people feel a sense of belonging, are treated fairly and respectfully, and all people's voices are heard and valued

Supporting diversity

Under APA's Gender Target Action Plan [1], FY21 saw an increase of female representation in the Senior Leaders category by 6.9%, to 26.7%, moving APA closer to its goal of 30% female representation by 2025.

APA's female representation amongst total employees rose slightly to 29.3%. This is an area of focus to ensure APA achieves the target of 40% by 2025.

Investing in APA's Future

APA continually develops its employee's core, compliance, technical and leadership skills. In FY21, our employees completed over 34,000 hours of training, with an average of 16 hours per employee.

Leadership Training and Capability

During the lock downs and restrictions in FY21, APA continued its leadership and professional development online:

- Investing in a Digital Learning Library with thousands of courses, videos, e-books, and audiobooks that employees can access anytime and from any device
- Delivering the "Leading at APA" course via virtual workshops, equipping leaders with the capability to have quality conversations. Currently, 38% of people leaders have completed this program, with a target of 70% by December 2021
- Introducing a new workshop, "Leading Remote Teams", and a new webinar series, Leading Sustainable Performance in a Volatility, Uncertainty, Complexity and Ambiguity (VUCA) world, looking at the science and research behind resilient leadership, sustainable performance and the best ways to manage a crisis and lead teams through cultural change

1) Effective Date is as of 31 March 2021 as per WGEA submission. GTAP metrics align with Workplace Gender Equality Agency (WGEA) reporting rules in which only the Australian workforce is included. 'Senior Leaders' metric includes Executive Leadership Team (ELT) members.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

10. Sustainability continued

10.3 People continued

Technical Training

In FY21 APA implemented its first two new accredited training programs through Registered Training Organisations (RTOs):

1) Certificate III in Gas Supply for Systems for operators to provide a greater depth of technical knowledge for technicians working in the field.
2) Certificate III in Warehousing for all stores employees, providing an introduction to warehousing systems, practices and regulations.

Talent pipeline

Programs to encourage young talent.

Program	FY21 numbers
Work experience and traineeships	5 students
Refreshed Intern Program	31 interns
Graduate Program	6 graduates (50:50 gender split)
New National Apprenticeship Program	6 apprentices (2 female, 4 male)

10.4 Health and safety

Health & Safety Performance

Following inconsistent safety results in FY20 with contractor performance an area of concern, APA's primary focus in FY21 was to close the gap between employee and contractor safety performance lag indicators and improve visible leadership of the safety focus through key leading indicators of Management Interactions and Hazard Identification.

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

Safety Lead Indicators

In FY21 APA leaders completed over 3,500 Management Interactions, an increase of more than a 50% on the number completed in FY20. These interactions – where leaders of its business have safety focused discussions on hazard identification, risk mitigation and corrective action mechanisms – are a key opportunity to ensure that safety is kept front of mind for everyone.

APA personnel and contractors collectively identified and reported over 3,800 hazards, at a rate of 598 per million hours worked. This increase in hazard reporting demonstrates an improved risk awareness culture and an increased ability to identify risks in the workforce.

Safety Lag Indicators

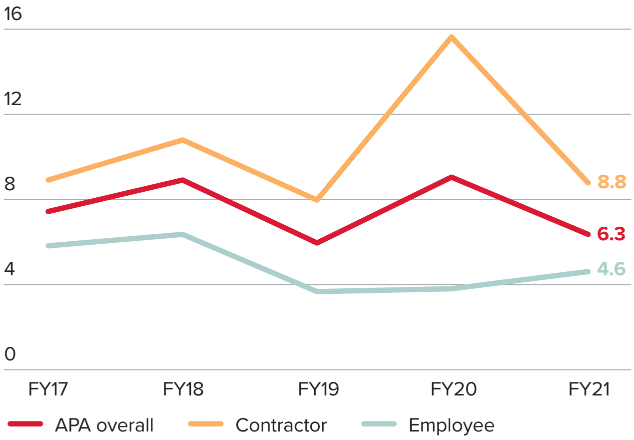
During FY21, APA's combined employee and contractor Total Recordable Injury Frequency Rate (TRIFR) was 6.33, in line with the target of <6.5. This was driven by an improvement in contractor TRIFR which fell from 15.63 in FY20 to 8.84. Disappointingly, the overall TRIFR improvement was impacted by an increase in APA employee TRIFR which rose from 3.82 to 4.63.

The combined TRIFR of 6.33 meant that a total of 39 persons were injured and required medical intervention during FY21.

APA ended the year with a combined employee/contractor Lost Time Injury Frequency Rate (LTIFR) of 1.62, above the year-end target of <1.0, and was an increase from our FY20 LTIFR of 1.21. This increase was driven by rising lost time injuries among our employees, with the employee LTIFR increasing from 0.82 in FY20 to 2.18 at the end of FY21.

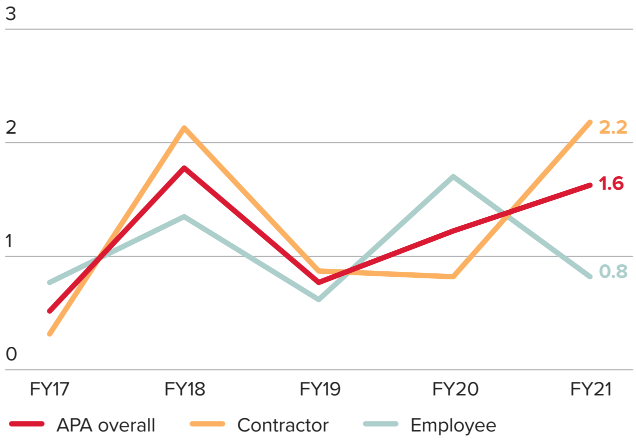
APA again remained employee and contractor fatality free in FY21.

Total Reportable Injury Frequency Rate (TRIFR)



TRIFR is measured as the number of lost time and medically treated injuries sustained per million hours worked. Data includes both employees and contractors.

Lost Time Injury Frequency Rate (LTIFR)



LTIFR is measured as the number of lost time injuries per million hours worked.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

10. Sustainability continued

10.5 Environment and heritage

Strengthening Environmental Governance and Systems

APA is focused on continually improving environment and heritage governance and systems.

In FY21, APA developed and published a new Environment & Heritage Policy, recognising Environment & Heritage as a separate management area distinct from the Health and Safety components under our previous Health Safety Environment (HSE) Policy. The new policy is underpinned by the APA corporate environment framework, which includes procedures and state-based guidelines for all assets and activities under APA's operational control.

An example of this is the 4-year Environment Management Plan (EMP) Improvement Program completed in this financial year. The improvement program refreshed 32 EMPs for individual assets across APA's networks, transmission and power divisions. As well as creating site-specific plans. The Program has streamlined and standardised local management structures for environment risk at APA by:

- Improving asset-specific environmental risk management
- Creating greater awareness of environmental risks, associated responsibilities and control measures
- Refining environment risk assessment processes and templates
- Standardising EMP templates for our Networks and Transmission/Power divisions to drive consistency
- Conducting an environment risk assessment workshop with operations and environment personnel for each Environment Management Plan

During the year, APA also developed and established seven new Environment Standards (see figure see figure below) to help drive a consistent approach to environmental management. This is a core initiative within the Environment & Heritage Pillar of the 3-year Health, Safety, Environment and Heritage (HSEH) Strategy. These Standards set minimum mandatory requirements for each environmental area in the framework, raising the standard of environmental management practice and driving consistency across all business divisions.

10.6 Customers and suppliers

Adapting products and services to meet customers' needs

APA puts its customers at the centre of everyday decisions, activities and planning. Through APA's Customer Promise and Energy Charter commitments, APA continues to implement a customer-driven approach when creating new products and services. APA seeks feedback and works directly with customers to understand the products and services that can be designed to better suit their needs.

Three new products and services were developed and released in FY21:

- **APA Grid technology upgrade:** Customers use the APA Grid to request our products and services. During the year, APA improved the platform to allow access from any connected device. It also added a more intuitive user interface and new security features.
- **New APA Grid 90-day Planned Maintenance visualisation:** This online tool gives customers a simple, visual way to identify capacity-impacting planned maintenance.
- **New Dandenong LNG storage services:** To help customers better manage their exposure to market events, new LNG storage services offer additional capacity options to address various gas supply portfolio needs and match different risk appetites.

Striving to improve supply chain sustainability performance

During FY21, the top 230 suppliers participated in the APA Supplier Prequalification Program, providing a central repository for all key supplier information. This allows APA to monitor supplier safety performance, modern slavery performance, and performance with respect to environmental and social issues.

APA uses a documented risk management approach to fulfil the principles of and its obligations under Australia's the Commonwealth Modern Slavery Act 2018 (MSA). APA will not intentionally use suppliers and contractors that engage in modern slavery practices, such as child labour, debt bondage, inhumane treatment of employees and forced or compulsory labour.

In December 2020, APA provided its first Modern Slavery Statement to the Australian Border Force for publication ahead of the reporting timetable of March 2021.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

10. Sustainability continued

10.6 Customers and suppliers continued

Addressing modern slavery continued

The focus for FY21 was on Tier 1 suppliers in our supply chain – those with whom APA has a direct contractual agreement – who are largely based in Australia.

Based on the risk management approach set out for modern slavery, APA has identified potential very high and high-risk suppliers with operations in a number of countries, in consideration of modern slavery risk across its product and service categories and other sources of information.

APA is now in the process of assessing these high-risk suppliers to more detailed reviews to assess and appropriately manage the risk of modern slavery. APA is also updating supplier onboarding procedures to better capture potential modern slavery risk and continuing to review and monitor all existing suppliers. Finally, APA implemented a new modern slavery awareness training module, which is mandatory for all procurement staff.

APA has the intention to will expand its modern slavery efforts towards its Tier 2 suppliers in the future.

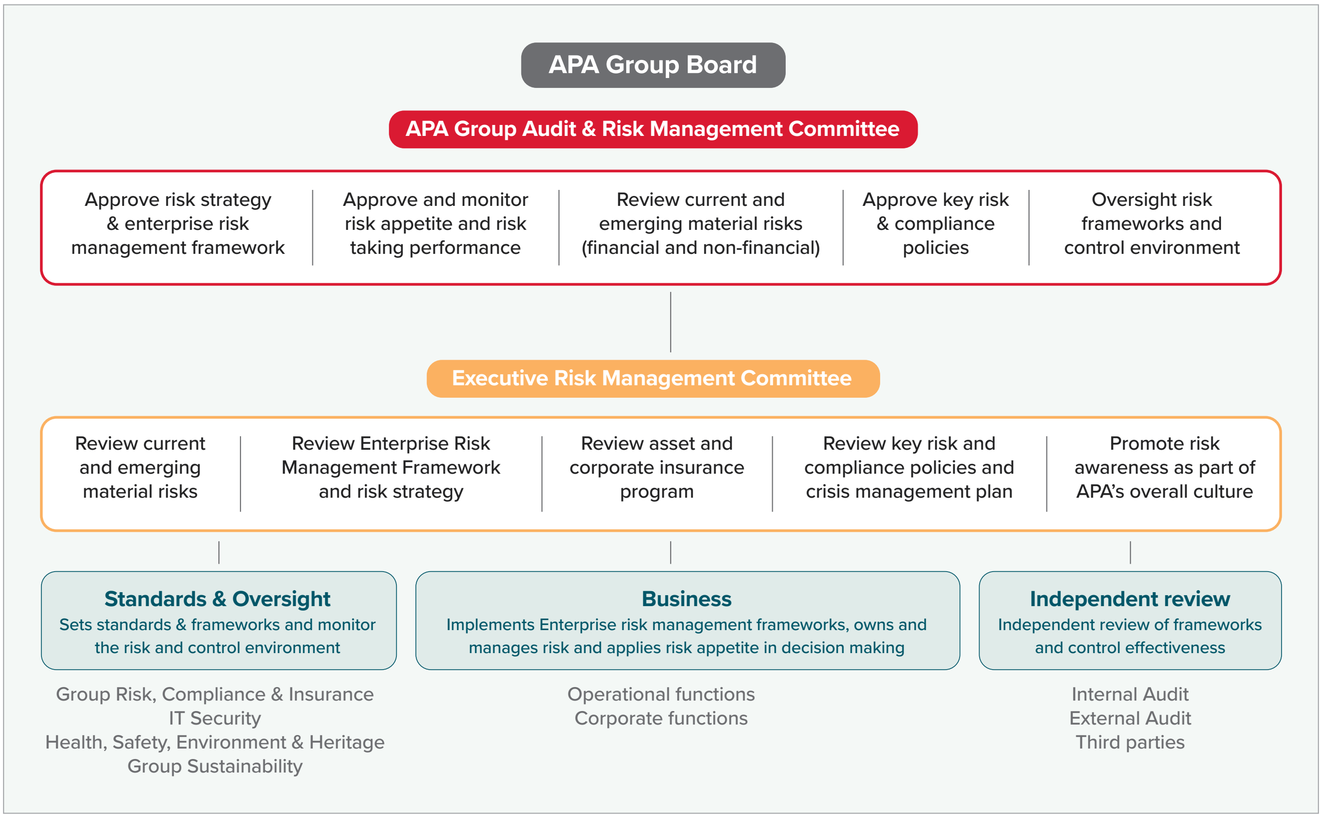
11. Risk Management

Effective risk management is essential to delivering value for our stakeholders. APA identifies risks to its business and puts in place controls and strategies to manage any adverse consequences, maximise any opportunities that arise from these risks, and establish contingency plans to recover in the event of disruption. Material risks are reviewed on an ongoing basis by APA's Executive Leadership Team, the Board's Audit and Risk Management Committee and the relevant business divisions, with the support of both internal and external experts.

APA's Risk Management System comprises three elements covering:

- our Risk Management Policy and Risk Appetite;
- the Risk Management Enablers providing governance, risk awareness in line with our culture, technology support, and ongoing training and communication; and
- the Enterprise Risk Management Framework which sets our approach for the identification, assessment, management and escalation of risks to ensure material risks are managed appropriately and in line with risk appetite. All risk assessments consider a combination of likelihood and consequence based on the Enterprise Risk Management Framework.

The approach to risk management is aligned to the international risk standard ISO 31000 and considers the internal and external environment with coverage of both financial and non-financial risks. All other functional risk frameworks align to the Risk Management System to provide consistency and a common language for risk which is integral to key business decisions. Further information on this process is provided in APA's Corporate Governance Statement (refer to Principle 7, https://www.apa.com.au/about-apa/our-organisation/corporate-governance/), and APA's Sustainability Report (https://www.apa.com.au/about-apa/sustainability/).



DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

11. Risk Management continued

11.1 Key risks

Listed below are a number of material risks that could affect APA. However, the risks listed may not include all risks associated with APA's ongoing operations. The materiality of risks may change, and previously unidentified risks may emerge.

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

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

11. Risk Management continued

11.1 Key risks continued

Type of Risk	Description	Key Management Actions to Manage Risks
Counterparty risk	The failure of a counterparty to meet its contractual commitments to APA, whether in whole or in part, could reduce future anticipated revenue, unless and until APA is able to secure an alternative customer.	– Portfolio of investment grade credit rated customers. – Strong counterparty credit due diligence with customer credit exposures closely monitored. – Contractual credit support arrangements in place.
Customer contract renewal risk	Due to a range of factors, APA may not be successful in recontracting available pipeline capacity or power generation capacity when it comes due for contract renewal or may only be able to recontract at reduced prices or for shorter periods.	– Recontracting strategy in place with close monitoring of contract renewal portfolio. – Monitoring of emerging gas supply alternatives and power generation market developments to identify new opportunities. – Structured and flexible service options.
Reputation risk	APA relies on a level of public acceptance for the development and operation of its assets. Changing societal and community sentiment in relation to the energy industry as a whole, as well as APA's business may impact APA's commercial opportunities, its ability to develop new projects and operate its assets.	– Engagement with key stakeholders (landowners, producers, customers, government etc). – Sustainable development initiatives. – Industry engagement and implementation of Energy Charter initiatives. – Stakeholder Engagement Forums and panels.
Financial risks – risks arising from the management of APA's financial resources, accounting, tax and financial disclosure.		
Interest rates and refinancing risks	APA is exposed to movements in interest rates where floating interest rate funds are not effectively hedged. It also remains exposed to refinancing risk if it is unable to replace an existing loan with a new one at a critical time.	– Risk limits set by the Board and managed in line with APA's Treasury Risk Management Policy. – Debt structured to spread maturities over a number of years. – Maximum and minimum interest rate hedging levels defined and managed using derivatives and debt issued at fixed interest rates through to maturity. – Access to broad range of global banking and debt capital markets is maintained.
Foreign exchange risks	APA is subject to currency fluctuations in relation to the purchase, supply and installation of goods and services revenue, and borrowings, in a currency other than Australian dollars. There can be no assurance that APA will be able to effectively hedge its foreign currency exposure, particularly in periods of significant currency volatility, and/or that APA's hedges will prove effective.	– Risk limits set by the Board and managed in line with APA's Treasury Risk Management Policy. – Derivative instruments used to hedge non-AUD denominated revenue and expenses. – Foreign currency borrowings fully hedged.
Investment risk	Assumptions and forecasts used in making decisions to acquire assets and make investments, may ultimately not be realised. This may result in lower than expected returns, unanticipated costs, new skillsets or capabilities needing to be acquired, new types of regulatory approvals being needed where APA has limited experience.	– Corporate and asset models underpinning investment decisions periodically and independently reviewed. – Oversight by APA's Due Diligence Committee for material investment transactions.
Credit rating risks	Any downgrade in APA's credit rating could harm its ability to obtain financing, could increase its financing costs or cause the instruments governing APA's future debt to contain more restrictive covenants.	– APA's Capital Management strategy is formulated to ensure APA's credit ratings are maintained at target levels. – Board approves all treasury transactions with counterparties falling below defined credit rating thresholds. – Counterparties are risk assessed with credit ratings monitored and credit support obtained to limit risk exposure.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

11. Risk Management continued

11.1 Key risks continued

Type of Risk	Description	Key Management Actions to Manage Risks
Operational Risks – risks arising from inadequate or failed internal processes, people or systems or from external events including construction and corporate projects, technology, health, safety, environment and heritage.		
Asset operations risk	APA is exposed to a number of risks affecting operations including those resulting in equipment failures or breakdowns, pipeline ruptures, employee or equipment shortages, workplace safety issues, environmental damage, poor relationships with local communities, contractor defaults, damage by third parties, integration incidents from acquired or newly constructed assets and damage from natural hazards, sabotage or terrorist attacks including the physical risks associated with climate change.	– Operations are subject to operational, process safety, cultural heritage and environment management programs. – Asset management and maintenance of engineering standards, including integrity monitoring and maintenance programs as part of risk-based asset life cycle management. – Asset operational monitoring through control rooms to manage assets within design parameters and coordinate asset maintenance issues. – Comprehensive insurance arrangements provided as part of asset protection program.
Information technology and cyber risk	APA's operations rely on a number of information technology systems, applications and business processes utilised in the delivery of business functions, including APA's customer management system, grid network and integrated operations centre.	– APA's information and technology assets are managed in accordance with recognised industry standards across hardware, software, applications and communication systems. – Cyber security standards are applied across APA information and technology systems, including those managed by third party vendors, with standards continually assessed against new threats and vulnerabilities. – Information and technology systems including SCADA control systems, are subject to regular reviews and independent testing.
People and culture risk	APA is dependent on its ability to attract, engage, develop and retain the right employees within a market where there is varying supply of skilled workers. Expectations on the levels of behaviour expected for employees aligned to our values drive the culture on which leaders are held to account.	– Performance management standard. – Leadership development and capability programs in place. – Expectations of behaviour set out in the APA's Code of Conduct and new behaviours refreshed in FY21 recruitment practices in place. – Talent management programs to identify and develop technical and leadership personnel. – Diversity and inclusion programs. – Comprehensive training programs in place to maintain and develop competencies.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

11. Risk Management continued

11.1 Key risks continued

Type of Risk	Description	Key Management Actions to Manage Risks
Construction and development risk	APA's business strategy includes the development of new pipeline capacity, renewable and gas-fired power generation plants, gas storage facilities and gas processing assets. This involves a number of typical construction risks, including potential failure to obtain necessary approvals, employee or equipment shortages, third party contractor failure, higher than budgeted construction costs impacting liquidated damages, and project delays.	– 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.
Sustainability risk	Inadequate management and disclosure of sustainability (including climate and ESG matters) impacting APA performance and reputation.	– Sustainability Roadmap setting out three year program covering material sustainability issues together with plans covering climate change, community and social performance (including First Nations), sustainable development (social investment) and environmental management. – Development of an ESG scorecard. – Annual climate reporting and disclosures. – Continued commitment to TCFD.
Compliance risks – legal or regulatory risks arising in respect of laws, regulations, licences and recognised practising codes including health, safety environment and heritage, payroll, asset construction and operation, and other corporate compliance requirements.		
Compliance and operating licences	APA is subject to a range of operational regulatory requirements including climate change regulations, payroll compliance, environmental laws and regulations, occupational health and safety requirements and technical and safety standards. Changes in any such laws, regulations or policies may increase compliance requirements and costs.	– Comprehensive Enterprise Compliance Management Framework with regulations identified, controls monitored and assurance. – Comprehensive safety management system including safety compliance monitoring. – Dedicated specialist teams providing asset level assurance for technical, safety and environment compliance.

Key emerging risks including threats and opportunities for APA include:

Risk (threats and opportunities)	Approach
Threat: Significantly more volatile and extreme weather events impacting above ground asset construction and operations.	Above ground asset protection measures in place to minimise impact of extreme weather events e.g Bushfire Management Plans. Property insurance cover in place with review planned for business interruption. Physical resilience work planned as apart of Net Zero work program.
Threat: Global economic slowdown impacts financial markets and customer demand, potentially reducing gas contract capacity demand & recontracting revenue, access to new debt markets and liquidity and commodity prices.	Strong capital management and customer credit monitoring. Active monitoring of commodity pricing impacting sourcing of overseas sourced items utilised in large construction projects and domestic demand. Close monitoring of potential changes in energy demand including substitution.
Threat: Competition for talent increases in particular for new engineering and IT skills as companies adjust business strategies with a focus on digitisation and decarbonisation activity.	Focus on retention and culture programs of work.
Opportunity: New fuel sources providing medium to long term sustainable growth opportunities.	Proactive investigation of new energies as part of strategy development and Pathfinder innovation program works.

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

12. Directors

12.1 Information on Directors and Company Secretaries

See pages 06 to 07 for information relating to the qualifications and experience of Directors and Company Secretary Nevenka Codevelle. Information on APA's additional Company Secretary, Amanda Cheney, is below:

Amanda Cheney LLB (Hons) BArts General Counsel & Company Secretary (from 25 February 2020)	Amanda has been with APA Group since August 2012 and holds the role of General Counsel and Company Secretary. Amanda has over 18 years' experience in energy and infrastructure industries, having worked as a senior lawyer in Australia and overseas. She holds a Graduate Diploma of Applied Corporate Governance and is a Fellow of the Governance Institute of Australia.

12.2 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 are as follows:

Name	Company	Period of directorship
Michael Fraser	Aurizon Holdings Limited	Since February 2016
Robert Wheals	—	—
Steven Crane	nib holdings limited	September 2010 to July 2021
	SCA Property Group	Since December 2018
James Fazzino	Tassal Group Limited	Since May 2020
Debra Goodin	Senex Energy Limited	May 2014 to November 2020
	oOh!media Limited	November 2014 to February 2020
	Atlas Arteria Limited	Since September 2017, Chair since November 2020
Shirley In't Veld	Northern Star Resources Limited	September 2016 to June 2021
	Alumina Limited	Since August 2020
	Venturex Resources Limited	Since July 2021
Rhoda Phillippo	Vocus Group Ltd	March 2015 (previously as M2 Group Ltd) to August 2018
Peter Wasow	Oz Minerals Limited	Since November 2017

12.3 Directors' meetings

During the financial year, 21 Board meetings, four Audit and Risk Management Committee meetings, four People and Remuneration Committee meetings, four Health, Safety, Environment and Heritage Committee meetings and nil Nomination Committee meetings were held. The following table sets out the number of meetings attended by each Director while they were a Director or a committee member:

	Board		People & Remuneration Committee		Audit & Risk Management Committee		Health Safety, Environment & Heritage Committee		Nomination Committee [1]	
Directors	A	B	A	B	A	B	A	B	A	B
Michael Fraser	21	21	—	—	4	4	—	—	—	—
Robert Wheals	21	21	—	—	—	—	—	—	—	—
Steven Crane	21	21	4	4	4	4	—	—	—	—
James Fazzino	21	21	—	—	4	4	4	4	—	—
Debra Goodin	21	21	—	—	4	4	4	4	—	—
Shirley In't Veld	21	20	4	4	—	—	4	4	—	—
Peter Wasow	21	21	4	4	4	4	—	—	—	—
Rhoda Phillippo	21	20	4	4	—	—	4	3	—	—

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.

1) The Nominations Committee is required by its Charter to meet at least two times each year. No meetings were held in the Reporting Period following the high frequency of meetings during the preceding period, and scheduled meeting to be held in August 2021 (and later this calendar year).

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

12. Directors continued

12.4 Directors' security holdings

The aggregate number of APA securities held directly, indirectly or beneficially by Directors or their related entities at 30 June 2021 is 318,468 (FY20: 385,260).

The following table sets out Directors' relevant interests in APA securities as at 30 June 2021:

Directors	Fully paid securities as at 1 July 2020	Securities acquired	Securities disposed	Fully paid securities as at 30 June 2021
Michael Fraser	102,942	—	—	102,942
Robert Wheals	46,388	28,208	—	74,596
Steven Crane	130,000	—	100,000	30,000
Debra Goodin	24,179	—	—	24,179
James Fazzino	30,751	—	—	30,751
Shirley In't Veld	25,000	—	—	25,000
Peter Wasow	26,000	—	—	26,000
Rhoda Phillippo	—	5,000	—	5,000
	385,260	**33,208**	**—**	**318,468**

As at 30 June 2021, Robert Wheals held 432,966 performance rights granted under APA Group's long-term incentive plan. Each performance right is a right to receive one ordinary stapled security in APA subject to satisfaction of certain performance hurdles. Further information can be found in APA's Remuneration Report on pages 40 to 55.

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.

13. Options Granted

In this report, the term "APA securities" refers to stapled securities each comprising a unit in Australian Pipeline Trust stapled to a unit in APT Investment Trust and traded on the Australian Securities Exchange (ASX) under the code "APA".

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

14. Indemnification of Officers

During the financial year, the Responsible Entity ensured a premium was paid in respect of a contract insuring the Directors and Officers of the Responsible Entity and any APA Group entity against liability incurred in performing those roles to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the specific nature of the liability and the amount of the premium.

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

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

The Responsible Entity has not otherwise, during or since the end of the 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.

15. Remuneration Report

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

DIRECTORS' REPORT continued

Australian Pipeline Trust and its Controlled Entities

16. Auditor

16.1 Auditor's independence declaration

A copy of the independence declaration of the auditor, Deloitte Touche Tohmatsu (Auditor) as required under section 307C of the Corporations Act 2001 is included at page 113.

16.2 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 27 to the financial statements.

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

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

17. 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 21 to the financial statements.

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

18. Rounding of Amounts

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

19. Corporate Governance Statement

At APA's Annual Meeting on 22 October 2020, special resolutions were passed by APA's securityholders to amend the Constitutions of Australian Pipeline Trust and APT Investment Trust. The amendments primarily updated the meetings provisions and provided enhanced flexibility for hybrid or virtual annual meetings in the future.

Corporate Governance Statement for the financial year is available at APA's website on https://www.apa.com.au/about-apa/our-organisation/corporate-governance/.

20. Authorisation

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

On behalf of the Directors

Michael Fraser
Chairman

Robert Wheals
CEO and Managing Director

Sydney, 25 August 2021

REMUNERATION REPORT

Australian Pipeline Trust and its Controlled Entities

LETTER FROM THE CHAIR OF THE PEOPLE AND REMUNERATION COMMITTEE

I am pleased to present APA Group's Remuneration Report for financial year 2021.

As the global economy adjusts to the ongoing economic impact of COVID-19, APA has delivered solid financial performance, reflecting the resilience of the business in a year of significant change.

This gave the Board confidence to declare a distribution of 51 cents per security – the highest since APA listed 21 years ago. Pleasingly, despite the ongoing uncertainty of COVID-19, APA has not stood any employees down during FY21.

Remuneration outcomes for FY21

APA's underlying EBITDA met the financial gateway, resulting in executives being eligible for a short-term incentive (STI) payment, however EBITDA performance was below target, which has been reflected in executives' scorecard outcomes.

In addition, given the impairment charge relating to the Orbost Gas Processing Plant, the Board has exercised its discretion to reduce STI target outcomes by 10-20% for selected individuals to recognise the link between financial outcomes and executive incentive outcomes. In exercising downward discretion, the Board considered the individual's area of accountability and the date of appointment to their role relative to the timing of the decision to invest in and to construct the Orbost plant. This resulted in a final STI outcome of 66.4% of maximum for the CEO and 46.3-75.6% of maximum for Other Executive Key Management Personnel (KMP). This differentiation in outcomes amongst executive KMP aims to reinforce the pay-for-performance culture at APA.

APA introduced a new long-term incentive (LTI) plan in FY20 hence given the new LTI plan is only two years into the three year performance period, no LTI grants under the new plan were due for testing in FY21. Under APA's legacy LTI plan, a number of awards vested following the testing of performance in prior financial years. Details on the legacy LTI are set out in section 3.5.

In addition, no fixed pay increases were provided to Executive KMP in FY21 from their FY20 levels, except for the Group Executive Operations, to ensure his remuneration continues to be attractive and competitive in the market.

No fee increases were provided to Non-executive Directors in FY21.

Changes to the executive team

During FY21, several appointments to the executive team were made. Adam Watson commenced as our Chief Financial Officer in November 2020 and Julian Peck commenced in August 2020 as Group Executive Strategy and Commercial. Most recently, Jane Thomas has joined the executive team in May 2021 as the Group Executive People, Safety and Culture.

Remuneration changes for FY22

Whilst there were no significant changes to the remuneration framework in FY21, as part of the multi-year review of our executive remuneration framework, the following changes have been made for FY22:

- A re-weighting of our executive team's pay mix to the long-term, which included reducing STI opportunity and increasing LTI opportunity for some executives, to drive executives' focus on APA's long-term success; and
- For the FY22 LTI grant and onwards, changing our relative total shareholder return peer group from the S&P/ASX100 to a bespoke group of peers whose businesses are more relevant to the nature of APA's operations.

Further detail on these changes will be provided in this year's Notice of Meeting and the FY22 Remuneration Report.

In addition, following the increase to the superannuation guarantee contribution from 9.5% to 10.0% effective 1 July 2021, APA has elected to cover this increase across our employee population. This ensures there is no reduction in take-home pay for our people.

I hope you find this Remuneration Report informative. We look forward to receiving your support at the 2021 AGM.

Peter Wasow

People and Remuneration Committee Chair

REMUNERATION REPORT continued

Australian Pipeline Trust and its Controlled Entities

Contents

1. Individuals covered by the Remuneration Report

The Remuneration Report (the Report) for APA for FY21 has been prepared in accordance with Section 300A of the Corporations Act 2001. The information provided in this Report has been audited as required by Section 308(3C) of the Corporations Action 2001, unless indicated otherwise, and forms part of the Directors' Report.

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

Name	Role	Term
Non-Executive Directors (NEDs)		
Michael Fraser	Chair	Full year
Steven (Steve) Crane	Director	Full year
James Fazzino	Director	Full year
Debra (Debbie) Goodin	Director	Full year
Shirley In't Veld	Director	Full year
Rhoda Phillippo	Director	Full year
Peter Wasow	Director	Full year
Executive KMP		
Robert (Rob) Wheals	Chief Executive Officer and Managing Director (CEO/MD)	Full year
Adam Watson	Chief Financial Officer (CFO)	Part year [1]
Ross Gersbach	President North American Development	Full year
Julian Peck	Group Executive Strategy and Commercial	Part year [2]
Darren Rogers	Group Executive (GE) Operations	Full year
Peter Fredricson	Former Chief Financial Officer	Part year [3]

1) Commenced on 16 November 2020.
2) Commenced on 20 August 2020.
3) Retired on 31 December 2020.

2. Executive Summary

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

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

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

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

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

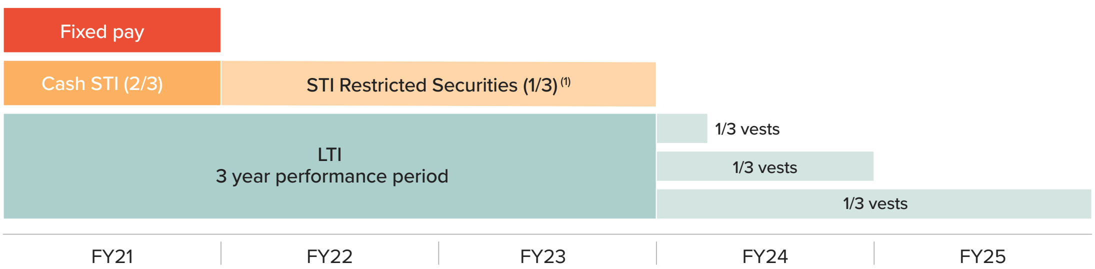
REMUNERATION REPORT continued

Australian Pipeline Trust and its Controlled Entities

2. Executive Summary continued

	Fixed pay	Short-term incentive (STI)	Long-term incentive (LTI)
Purpose	To be market competitive to attract, motivate and retain individuals.	To reward executives for their contribution to APA's short-term performance, which will enable the achievement of long-term goals.	To focus executives on the achievement of APA's long-term business strategy and to create alignment with security holders through security ownership.
Performance period	N/A	One year	Three years
Performance measures	N/A	A scorecard of financial and non-financial measures, subject to meeting an underlying Earnings before Interest Tax Depreciation and Amortisation (EBITDA) gateway.	Relative total shareholder return (TSR) (50%) and Return on Capital (ROC) (50%).
Delivery and delivery timeframe	Cash salary and other benefits including statutory superannuation.	Cash (2/3) paid at the end of Year one and deferred equity (1/3) delivered as Restricted Securities where the minimum security holding requirement is not met. Restricted Securities are released at the end of a two-year holding lock period. Eligible to receive 100% of STI in cash once the minimum security holding requirement is met.	Performance Rights will vest subject to meeting performance and employment conditions, tested in Year three. Where performance conditions are met, Rights vest in equal tranches at the end of Year three, four and five subject to continued employment.
Opportunity	Executive KMP roles are benchmarked against external positions in companies with comparable characteristics.	CEO/MD: Target of 60% of fixed pay and maximum of 90% of fixed pay	CEO/MD: 150% of fixed pay
		Other Executive KMP: Target of 40-50% of fixed pay and maximum of 60-75% of fixed pay	Other Executive KMP: 75-125% of fixed pay
Minimum security holding requirement	CEO/MD: 100% of fixed pay Other Executive KMP: 50% of fixed pay Where the minimum security holding requirement has not been met, 1/3 of the STI payable will be deferred into Restricted Securities.		

Executive remuneration framework

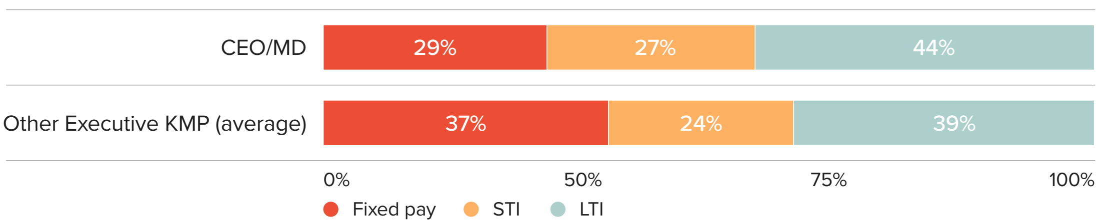


1) Subject to whether the minimum security holding requirement is met.

Maximum pay mix

The pay mix graph below displays the proportion of fixed vs variable remuneration (STI and LTI) at the maximum pay mix. The LTI component has been calculated at face value assuming 100% vesting.

APA Executive KMP Maximum Pay Mix



REMUNERATION REPORT continued

Australian Pipeline Trust and its Controlled Entities

3. FY21 performance and executive incentive outcomes

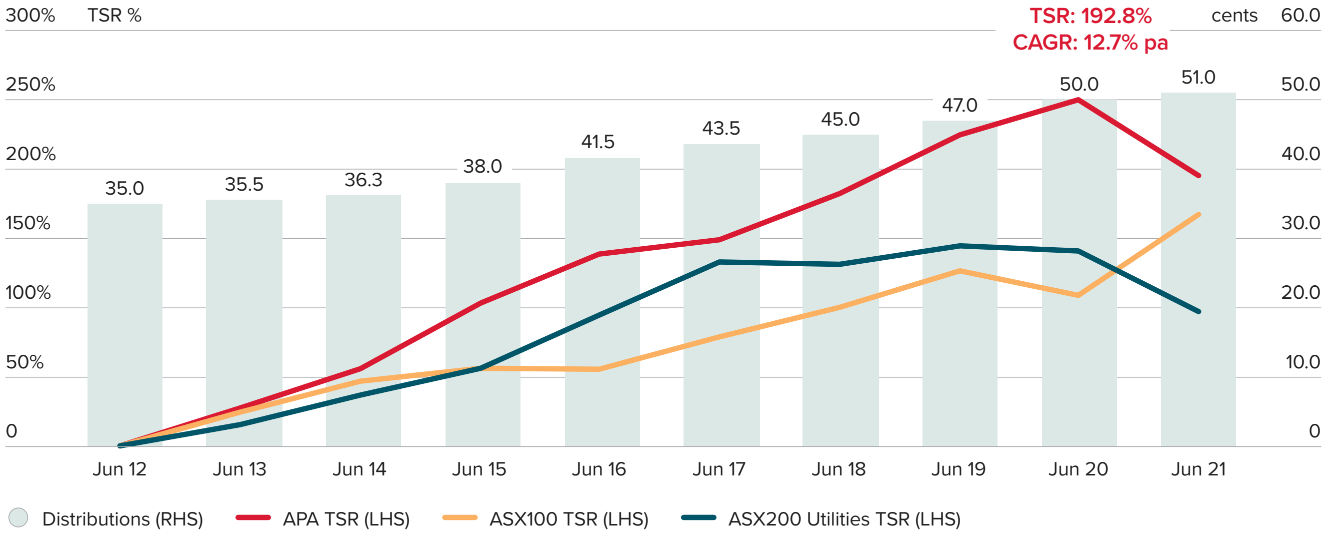
3.1 5-year financial performance

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

Measure	FY21	FY20	FY19	FY18	FY17
Underlying EBITDA ($m) [1]	**1,633.0**	1,653.9	1,573.8	1,518.5	1,470.1
Profit after tax including significant items ($m) [2]	**3.7**	311.8	288.0	264.8	236.8
Profit after tax excluding significant items ($m)	**281.8**	311.8	288.0	264.8	236.8
Free cash flow per security (cents)	**76.4**	81.1	75.7	80.8	80.9
Distribution per security (cents)	**51.0**	50.0	47.0	45.0	43.5
Closing security price at 30 June ($)	**8.90**	11.13	10.80	9.85	9.17

1) EBITDA excluding recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items. The Board considers this to best reflect the core earnings of APA. Refer to note 3 to the Financial Statements.
2) Includes an impairment loss on Orbost Gas Processing Plant and a once-off interest charge associated with bond note redemptions. Refer to note 2 to the Financial Statements.

Since listing in 2000, APA's has paid an interim and full year distribution every year and distributions have grown for 17 consecutive years. Our distribution per security of 51.0 cents for FY21 represents a 2.0% increase on FY20.



3.2 FY21 STI scorecard outcomes – CEO/MD

The Board reviewed the CEO/MD's performance considering APA's performance in FY21, taking into account his performance against the key performance indicators (KPIs) in his STI scorecard and the impact of the Orbost Gas Processing Plant impairment on Group performance.

Following the exercise of downwards discretion of 10% on the CEO/MD's target outcome, due to the impact of the impairment, it determined the final STI outcome to be 66.4% of maximum. In FY20, the Board also exercised downwards discretion for the Orbost project not achieving planned outcomes.

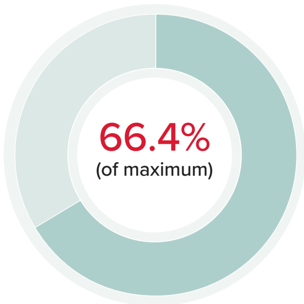
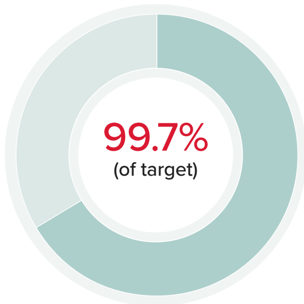
Scorecard measures	FY21 outcome	Outcome (% of maximum)	Further detail
Financial – Underlying EBITDA (35% weighting)			
Underlying EBITDA is the primary financial measure used to measure operational performance.		**19.1%**	Underlying EBITDA outcome of $1,633m was between threshold (1,600m) and target ($1,652m).
Financial – Growth in invested capital (15% weighting)			
Capex encourages the business to grow through new developments and organic growth projects.		**15.0%**	Actual outcome of $636m in growth capex exceeds the stretch target of $300m.

REMUNERATION REPORT continued

Australian Pipeline Trust and its Controlled Entities

3. FY21 performance and executive incentive outcomes continued

3.2 FY21 STI scorecard outcomes – CEO/MD continued

Scorecard measures	FY21 outcome	Outcome (% of maximum)	Further detail
Operational Excellence (including HSE) (10% weighting)			
Improve the HSE performance outcomes and culture, including process safety, measured by key metrics and HSE strategy progress.		7.9%	Total recordable injury frequency rate (TRIFR) of 6.33 exceeds target of 6.5. Above target performance against the HSE strategy implementation, HSE lead measures and process improvement plans.
People & Culture (10% weighting)			
Establish new operating model for APA in line with Group Purpose and Vision, and continue to develop and improve APA's culture in line with APA values and diversity & inclusion (D&I) strategy.		7.5%	Above target performance against 4 equally weighted measures: – Developing APA's culture statement; – Increasing senior female representation from 19.8% to 26.7%; – Implementation of D&I strategy including flexible working policy and inclusive leadership program; and – Moderate progress against Ways of Working targets.
Growth & Innovation (20% weighting)			
Progress APA's strategy to grow APA's portfolio of assets in Australia and the USA.		15.3%	US strategy endorsed, placing APA in a strong position as it looks to acquire a North American asset. Led refresh of Australian strategy, including a focus on electrification.
Customer & Stakeholder Management (10% weighting)			
Lead improved customer engagement and outcomes, and drive progress on APA's sustainability roadmap.		8.3%	Above target performance with improvements in customer initiatives.
Scorecard outcome	**73.1% (of maximum)**		**109.7% (of target)**
Final outcome after the exercise of Board discretion			

3.3 FY21 performance scorecard outcomes – Other Executive KMP

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

In light of the Orbost Gas Processing Plant impairment, the Board exercised its discretion to reduce the target outcome of specific individuals by -20%. In determining the degree of discretion to apply, the following factors were considered by the Board, to ensure fairness of STI outcomes across the Executive Leadership Team:

- The day-to-day area of accountability of the individual; and
- The individual's date of appointment to their role relative to the timing of the decision to invest in and the construction of the project.

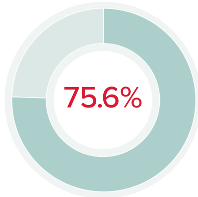
After any applicable adjustments, final STI outcomes were significantly differentiated between executive KMP, ranging from 46.3% to 75.6% of maximum, to reflect individual performance.

REMUNERATION REPORT continued

Australian Pipeline Trust and its Controlled Entities

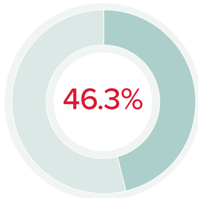
3. FY21 performance and executive incentive outcomes continued

3.3 FY21 performance scorecard outcomes – Other Executive KMP continued

Scorecard measures	FY21 outcome	Scorecard outcome (% of maximum)	Final outcome after any applicable Board discretion (% of maximum)
A Watson			
Financial strength (45%)		75.6%	
Operational excellence (incl HSE) (10%)			
People & Culture (10%)			
Growth & Innovation (30%)			
Customer & Stakeholder Management (5%)			

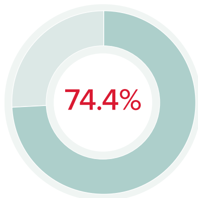
Commentary on A Watson's performance against individual KPI's:

- Outperformance in refreshing APA's capital management strategy in-line with business strategy.
- Above target performance in establishing a new procurement strategy and improving cost and risk management.
- No downwards modifier for Orbost impairment given he was a new appointment to the role in FY21.

Scorecard measures	FY21 outcome	Scorecard outcome (% of maximum)	Final outcome after any applicable Board discretion (% of maximum)
R Gersbach			
Financial strength (30%)		59.6%	
Operational excellence (incl HSE) (10%)			
People & Culture (15%)			
Growth & Innovation (35%)			
Customer & Stakeholder Management (10%)			

Commentary on R Gersbach's performance against individual KPI's:

- Continued progress against US strategy.
- Continues to play a significant role in leading APA's US people strategy.
- Above target performance in supporting APA's decarbonisation strategy.
- US stakeholder plan under development but not yet completed.
- Downwards modifier on STI outcome to recognise accountability for the Orbost impairment.

Scorecard measures	FY21 outcome	Scorecard outcome (% of maximum)	Final outcome after any applicable Board discretion (% of maximum)
J Peck			
Financial strength (40%)		74.4%	
Operational excellence (incl HSE) (10%)			
People & Culture (10%)			
Growth & Innovation (30%)			
Customer & Stakeholder Management (10%)			

Commentary on J Peck's performance against individual KPI's:

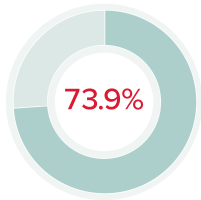
- Provided M&A support for potential acquisitions.
- Stretch outcome achieved in progressing Australian strategy as it relates to M&A and climate change.
- Above target outcome for improvement in customer engagement and outcomes.
- No downwards modifier for Orbost impairment given he was a new appointment to the role in FY21.

REMUNERATION REPORT continued

Australian Pipeline Trust and its Controlled Entities

3. FY21 performance and executive incentive outcomes continued

3.3 FY21 performance scorecard outcomes – Other Executive KMP continued

Scorecard measures	FY21 outcome	Scorecard outcome (% of maximum)	Final outcome after any applicable Board discretion (% of maximum)
D Rogers			
Financial strength (30%) Operational excellence (incl HSE) (37.5%) People & Culture (15%) Growth & Innovation (7.5%) Customer & Stakeholder Management (10%)		**73.9%**	

Commentary on D Rogers' performance against individual KPI's:

– Stretch performance in progressing asset management and operational excellence.

– Significant improvement to Orbost operating performance as oversight of Orbost was transferred to Operations portfolio in August 2020.

– No downwards modifier for Orbost impairment given it was outside the individual's portfolio until August 2020.

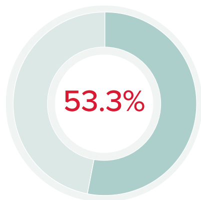
P Fredricson (former CFO)

Commentary on P Fredricson's performance:

– Smooth transition of CFO role between September to November 2020 to Adam Watson.

– Downwards modifier on STI outcome to recognise accountability for the Orbost impairment whilst employed at APA.

66.7%



3.4 FY21 STI outcomes – Executive KMP

The table below provides an overview of the STI outcomes for FY21.

	STI earned				STI forfeited	
Executive KMP	Cash	Deferred	Total	% of maximum opportunity	Foregone	% of maximum opportunity
R Wheals	637,910	318,955	956,865	66.4%	483,134	33.6%
A Watson [1]	268,052	—	268,052	75.6%	86,441	24.4%
R Gersbach	336,427	— [2]	336,427	46.3%	390,323	53.7%
J Peck [3]	329,261	—	329,261	74.4%	113,342	25.6%
D Rogers	236,614	118,307	354,921	73.9%	125,078	26.1%
P Fredricson [4]	191,562	—	191,562	53.3%	167,616	46.7%

1) Adam Watson's STI outcome was pro-rated to reflect his appointment on 16 November 2020.
2) Ross Gersbach's STI outcome was delivered wholly in cash to reflect the terms of his US assignment. He is still required to meet the minimum security holding requirement.
3) Julian Peck's STI outcome was pro-rated to reflect his appointment on 20 August 2020.
4) Peter Fredricson's STI was pro-rated to reflect his retirement on 31 December 2020.

3.5 LTI outcomes

No awards were due to vest in FY21 under the new LTI plan introduced in FY20. Under the legacy LTI plan arrangements (cash settled), the awards vest in 3 equal tranches over three years following performance assessment.

The final awards under the legacy LTI plan were performance tested at the end of FY20 hence a number of awards allocated in FY20, as well as prior years, vested in FY21. No legacy LTI arrangements were tested in FY21.

REMUNERATION REPORT continued

Australian Pipeline Trust and its Controlled Entities

3. FY21 performance and executive incentive outcomes continued

3.6 FY21 actual remuneration

The actual remuneration detailed in the table below differs from the statutory remuneration disclosed in section 8. Statutory remuneration is disclosed in accordance with the Accounting Standards and Corporations Act. The table below applies the following calculations:

– Fixed pay as paid during the year.
– Cash STI awards earned in respect of performance for the year.
– Deferred STI awards from prior years which have vested in the year.
– LTI which has vested under the legacy LTI plan.
– Other equity awards vested in the year.

Executive kMP	Fixed pay $ (1)	Other $	Cash STI $ (2)	STI vested prior years deferred equity $ (3)	LTI vested $ (4)	Other equity awards $ (5)	Total $
R Wheals	1,600,000	—	637,910	246,006	309,833	—	2,793,749
A Watson	521,865	—	268,052	—	—	585,288	1,375,205
R Gersbach	969,000	969,431 (6)	336,427 (7)	—	347,966	—	2,622,824
J Peck	739,484	—	329,261	—	—	547,081	1,615,826
D Rogers	825,599	—	236,614	70,539	127,270	—	1,260,022
P Fredricson	475,000	270,516 (8)	191,562	—	341,013	—	1,278,091

1) Fixed pay is inclusive of cash salary and any salary sacrifice items (including any relevant fringe benefits tax) such as car parking, motor vehicles and superannuation.
2) Cash STI refers to the cash portion of the STI, relating to performance in FY21. Payment will be made in September 2021.
3) Deferred STI refers to the equity portion of the STI.
4) LTI vested refers to the cash amount to be paid in September 2021, based on the VWAP of $9.3464 and number of reference units that vested in August 2021 as outlined in section 8.4.
5) This includes buy-out awards provided to Adam Watson and Julian Peck as outlined in section 4.4. The number of securities granted is calculated by dividing the total face value of the award by the VWAP of securities on ASX over the 20 trading days prior to the commencement date. The actual value of the award reflects the actual cash paid to acquire the securities on-market.
6) This includes the value of benefits relating to Mr. Gersbach's secondment to the USA and includes a one-off project award, relocation allowances and assistance as well as cost of living adjustment. Costs are inclusive of USA tax impacts and are split between ongoing costs of $211,118 (22%), a one-off project award of $750,000, as well as foreign exchange rate differences for USD fixed pay and a portion of FY20 STI paid in USD.
7) This is all paid as cash due to the secondment to the USA.
8) This represents the annual leave and long service leave payout upon Mr Fredricson's retirement.

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 FY21 STI plan is provided below:

Feature	Description		
Opportunity	**Role**	**STI target (% of fixed pay)**	**STI maximum (% of fixed pay)**
	CEO/MD	60%	90%
	President North American Development	50%	75%
	All Other Executive KMP	40%	60%
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.		

REMUNERATION REPORT continued

Australian Pipeline Trust and its Controlled Entities

4. Executive remuneration policy and framework continued

4.2 STI plan continued

Feature	Description
Performance measures	Performance is assessed against a scorecard of financial and non-financial measures. The key metrics used in the CEO's scorecard are outlined below.

Category	Measures	Objective
Financial strength (50%)	– Underlying EBITDA – Capex growth projects	– Maintain financial stability through solid operating earnings – Grow business through new developments or organic growth projects
Operational excellence (including HSE) (10%)	– TRIFR – Progress against HSE strategy and process improvement plan	– Improve safety, wellbeing and environmental performance and safety culture through delivery of HSE strategy
People & Culture (10%)	– Progress on Culture Statement – D&I targets	– Improve organisational structure and culture including meeting its D&I targets
Growth & Innovation (20%)	– Progress against strategic plans and initiatives	– Progress US and Australian strategy via acquisitions, investments and/or divestments
Customer & Stakeholder Management (10%)	– Progress against Energy Charter initiatives and sustainability roadmap	– Drive improved customer engagement and outcomes – Drive progress on sustainability roadmap

4.3 LTI plan

In addition to the information covered in section 2, further detail on the operation of the FY21 LTI plan is provided below:

Feature	Description
Opportunity	See table below

Role	LTI maximum (% of fixed pay)
CEO/MD	150%
President North American Development	75%
GE Operations	100%
All Other Executive KMP	125%

Feature	Description
Allocation methodology	Performance Rights are allocated at face value using a VWAP of the 30 trading days ending 7 working days before the People & Remuneration Committee meeting to consider APA's full year financial results.
Performance measures	Relative TSR (50% weighting) measures the Group's TSR over a three year period relative to a market peer group comprising S&P/ASX 100 companies. ROC (50% weighting) is calculated by dividing underlying EBITDA by Funds Employed (FE). The ROC hurdle measures APA Group's operating earnings achieved based on operating assets over a three year performance period.

REMUNERATION REPORT continued

Australian Pipeline Trust and its Controlled Entities

4. Executive remuneration policy and framework continued

4.3 LTI plan continued

Feature	Description	
Relative TSR vesting schedule	The Relative TSR component vests in accordance with the following scale:	
	Relative TSR percentile ranking	**% of awards that vest**
	Below 50th percentile	Nil
	At 50th percentile	50%
	Between 50th and 82.5th percentile	Straight line pro-rata vesting between 50% and 100%
	At 82.5th percentile or above	100%
ROC vesting schedule	The ROC component vests in according with the following scale:	
	ROC (Underlying EBITDA/FE)	**% of awards that vest**
	Less than 11.10%	0%
	Equal to 11.10%	33%
	Greater than 11.10% up to 11.40%	Straight line pro-rata vesting between 33% and 100%
	At or above 11.40%	100%
Retesting	Re-testing of LTI awards is not permitted.	

ROC Component calculation

ROC is calculated as an average over three years – the average of underlying EBITDA for the current and the following two financial years. The calculation of funds employed is as follows:

Total Assets on the balance sheet adjusted for:

1) **Deduct:** Capital work in progress balances (per note 11 in the FY21 Financial Statements). This represents the value of assets which are under construction as at balance date and are therefore not yet earning revenue;
2) **Deduct:** Other Financial Instruments Assets Current and Non-Current but excluding Redeemable Preference Share balances (per note 20 in the FY21 Financial Statements);
3) **Add back:** Working capital related to assets under construction; that is, trade creditors and accruals outstanding at balance date relating to capital work in progress. These balances reside in note 10 in the FY21 Financial Statements, however, are not separately identifiable; and
4) **Normalise:** Cash balances to $30 million. For example: $652.352 million cash was held at 30 June 2021, however this was normalised back to $30 million, therefore, $622.352 million was deducted from total assets.

Total Assets, and Items (1), (2) and (4) have the most material impact on the measure, and these are all able to be determined separately from the financial statements and notes. Item (3) is unable to be determined from the financial statements and notes but typically has only a minor impact on the measure.

The calculation of the three year average 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. For example, the FY21 calculation is based on the following balance dates: June 2020, December 2020, June 2021, December 2021, June 2022, December 2022, and June 2023. Note that Items (1) and (2) are not separately disclosed in half year end Financial Statements. However, using the full year Financial Statements balances provides a reasonable approximation of the performance condition outcomes.

Calculation of ROC will be determined by the Board and the Board retains discretion to adjust EBITDA and funds employed to account for extraordinary items, acquisitions, organisational changes or otherwise ensure that inappropriate outcomes are avoided, as per the terms of the offer under the LTI plan.

4.4 Additional one-off awards

Project award

As part of his role with APA, Ross Gersbach relocated to the US in 2019 and was granted a one-off project award in July 2019 subject to the achievement of defined and specific deliverables relating to APA's growth strategy in the US; given this is a key area to the business' long-term success.

At the time the award was assessed in December 2020, APA determined that Mr. Gersbach had made strong progress against his deliverables relating to the US strategy, resulting in an award of $750,000. There is no intention to provide this one-off award again in FY22.

REMUNERATION REPORT continued

Australian Pipeline Trust and its Controlled Entities

4. Executive remuneration policy and framework continued

4.4 Additional one-off awards continued

Buy-out awards

Having identified two key employees of a high calibre with the necessary skills and experience for the roles at APA, buy-out awards were provided to compensate external appointments for incentive awards foregone from their previous employer.

In FY21, all buy-out awards were granted as APA securities, as follows:

– Adam Watson (CFO) was granted securities to the face value of $600,000; and
– Julian Peck (GE Strategy & Commercial) was granted securities to the face value of $600,000.

Whilst 2/3 of securities vested during FY21, the remaining 1/3 of securities are subject to a holding lock until the earlier of:

– Two years from commencement date; or
– The date the minimum security holding requirement is met.

4.5 Additional provisions

The table below summarises additional provisions as they relate to the remuneration of Executive KMP for FY21.

Provision	STI	LTI
Malus / Clawback	The Board in its discretion may determine that some, or all, of an Executive KMP's STI and/or LTI awards be forfeited (malus) or recouped (clawback) in the event of misconduct or of a material misstatement in the year-end financial statements, as per APA's Executive Clawback and Malus Policy.	
Distribution and voting rights	Restricted Securities carry the same distribution and voting rights as ordinary securities.	Unvested 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.	**Subject to Board discretion:** – Where the participant is terminated summarily or resigns having breached their terms of employment, all Rights will automatically lapse. – Where employment ceases for any other reason, unvested 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 Rights vest. Where the Board does not make a determination, all Rights will vest.

4.6 Executive KMP minimum security holding requirement

The minimum security holding requirement helps to ensure the alignment of the interests of Executive KMP and securityholders.

Within five years from the date of appointment to their role:
– The CEO is required to hold securities to the value of 100% of fixed pay; and
– Other Executive KMP are required to hold securities to the value of 50% of fixed pay.

Where there have been a number of recent appointments or internal promotions to Executive KMP roles, these individuals remain within the five year timeframe to meet the requirement. Details of Executive KMP security holdings may be found in section 8.5.

REMUNERATION REPORT continued

Australian Pipeline Trust and its Controlled Entities

5. Executive KMP contractual arrangements

5.1 Outgoing arrangements of Peter Fredricson (former CFO)

Mr Fredricson retired on 31 December 2020 following the ASX announcement made in December 2019. Following the announcement, he served out his notice period, ensuring a smooth transition of the CFO role during this time.

In addition to the contractual entitlements paid to Mr Fredricson upon retirement, and in-line with market practice for a good leaver, awards will be left on foot and tested in their ordinary course, with the FY21 STI and LTI awards pro-rated to reflect the period of employment in FY21. There is no accelerated vesting of awards for actual payment.

5.2 Executive KMP service agreements

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

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

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

6. Non-executive Director remuneration

6.1 Determination of NED fees

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

- A Board fee; and
- An additional fee for serving as a Chair or member of a Board Committee.

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

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

One-off 'per diems' may be paid in exceptional circumstances. No per-diem payments were made in FY21.

6.2 Aggregate NED fee pool

The aggregate NED fee pool as at 30 June 2021 was $2,500,000.

6.3 Director fees

The following table sets out NED fees, for which there were no increases in FY21.

	Chair $	Member $
Board	511,400	177,600
Audit & Risk Management Committee	47,900	23,900
Health, Safety & Environment Committee	39,900	19,900
People & Remuneration Committee	39,900	19,900
Nomination Committee	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 securityholders.

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 2021, all NEDs met this requirement, with the exception of Rhoda Phillippo who was appointed on 1 June 2020 and remains within the three year timeframe to meet this requirement. Details of NED security holdings may be found in section 8.5.

CHAIRMAN'S REPORT MANAGING DIRECTOR'S REPORT BOARD & EXECUTIVES SUMMARY AUSTRALIAN PIPELINE TRUST DIRECTORS' REPORT REMUNERATION REPORT FINANCIAL STATEMENTS APT INVESTMENT TRUST DIRECTORS' REPORT FINANCIAL STATEMENTS OTHER

REMUNERATION REPORT continued

Australian Pipeline Trust and its Controlled Entities

7. Remuneration governance

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

BOARD

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

PEOPLE & REMUNERATION COMMITTEE

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

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

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

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

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

AUDIT & RISK MANAGEMENT COMMITTEE

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

MANAGEMENT

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

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

EXTERNAL ADVISORS

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

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

Where a remuneration recommendation is provided, as defined by the Corporations Act 2001, all advice is provided directly to the Committee to ensure it is free from the influence of management. No remuneration recommendations were made in FY21.

REMUNERATION REPORT continued

Australian Pipeline Trust and its Controlled Entities

8. Statutory tables

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

8.1 Executive KMP statutory remuneration [1]

		Short-Term Employment Benefits				Post-Employment	Security-based payments		
	Salary [2]	Awarded Cash STI [3]	STI Deferral	Other Equity Awards [4]	Other	Superannuation	Legacy LTI Plan	Equity settled Security Based payments [5]	Total
R Wheals									
2021	**1,575,000**	**637,910**	**318,955**	**—**	**—**	**25,000**	**232,375**	**715,473**	**3,504,713**
2020	1,561,413	529,061	264,531	—	—	25,000	412,639	368,121	3,160,765
A Watson [6]									
2021	**499,383**	**268,052**	**—**	**585,288**	**—**	**22,482**	**—**	**171,867**	**1,547,072**
R Gersbach									
2021	**947,306**	**336,427**	**—**	**—**	**969,431** [7]	**21,694**	**260,975**	**216,656**	**2,752,489**
2020	947,997	422,969	—	—	376,897	21,003	476,891	111,473	2,357,230
Julian Peck [8]									
2021	**675,328**	**329,261**	**—**	**547,081**	**—**	**64,156**	**—**	**132,711**	**1,748,537**
D Rogers									
2021	**800,599**	**236,614**	**118,307**	**—**	**—**	**25,000**	**56,485**	**202,064**	**1,439,069**
2020	489,913	151,709	75,855	—	—	16,667	67,433	86,279	887,856
Former KMP									
P Fredricson [9]									
2021	**462,500**	**191,562**	**—**	**—**	**270,516** [10]	**12,500**	**567,948**	**531,551**	**2,036,577**
2020	925,000	393,775	—	—	—	25,000	467,335	109,288	1,920,398
M McCormack [11]									
2021	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2020	40,583	—	—	—	—	453	1,467,007	—	1,508,043
Total Remuneration									
2021	**4,960,116**	**1,999,826**	**437,262**	**1,132,369**	**1,239,947**	**170,832**	**1,117,783**	**1,970,322**	**13,028,457**
2020	3,964,906	1,497,514	340,386	—	376,897	88,123	2,891,305	675,161	9,834,292

1) This table outlines the total remuneration earned by Executive KMP during FY20 and FY21, calculated in accordance with the relevant accounting standard, including AASB 2: Share-based Payments (AASB 2).
2) 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.
3) Awarded STI relates to that element of remuneration which is earned by the Executive KMP in respect of performance during each financial year (or for the relevant period that they were KMP as set out in the Report).
4) Other Equity Rewards relate to once-off buy-out awards provided to Adam Watson and Julian Peck. The value reflects actual cash paid to purchase the securities on-market. See section 4.4 for more detail.
5) For equity settled security-based payments, an expense is recognised equal to the portion of services received based on the fair value of the equity instrument at grant date.
6) Commenced on 16 November 2020.
7) This includes the value of benefits relating to Mr. Gersbach's secondment to the USA and includes a one-off project award, relocation allowances and assistance as well as cost of living adjustment. Costs are inclusive of USA tax impacts and are split between ongoing costs of $211,118 (22%), a one-off project award of $750,000, as well as foreign exchange rate differences for USD fixed pay and a portion of FY20 STI paid in USD.
8) Commenced on 20 August 2020.
9) Mr Peter Fredricson's retirement was effective on 31 December 2020. Mr Fredricson is entitled to further reference units under the legacy LTI plan, due to vest in August 2021, August 2022 and August 2023, with a total value of $757,264 (based on a VWAP of $9.3464) This has been fully expensed in FY21 for statutory accounting.
10) This represents the annual leave and long service leave payout upon Mr Peter Fredricson's retirement.
11) Mr Mick McCormack was not a member of KMP during FY21 however is included in the table for FY20 comparative balance to align with the table published in FY20 Annual Report.

REMUNERATION REPORT continued

Australian Pipeline Trust and its Controlled Entities

8. Statutory tables continued

8.2 NED statutory remuneration disclosure

	Short-term employment benefits	Post-employment benefits	
	Fees $	Superannuation $	Total $
M Fraser			
2021	**467,032**	**44,368**	**511,400**
2020	467,032	44,368	511,400
S Crane			
2021	**202,192**	**19,208**	**221,400**
2020	202,192	19,208	221,400
J Fazzino			
2021	**202,192**	**19,208**	**221,400**
2020	202,192	19,208	221,400
D Goodin			
2021	**224,110**	**21,290**	**245,400**
2020	224,110	21,290	245,400
S In't Veld			
2021	**216,804**	**20,596**	**237,400**
2020	216,804	20,596	237,400
R Phillippo (1)			
2021	**215,084**	**20,433**	**235,517**
2020	16,545	1,572	18,117
P Wasow			
2021	**220,457**	**20,943**	**241,400**
2020	220,457	20,943	241,400
Total			
2021	**1,747,871**	**166,046**	**1,913,917**
2020	1,549,332	147,185	1,696,517

1) Payment for June 2020 was delayed, this amount was paid in July 2020.

8.3 Outstanding awards under current LTI plan

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

	Allocation Date	Opening balance at 1 Jul 2020	Performance Rights granted in FY21	Grant date	Vested in FY21	Forfeited in FY21	Closing balance on 30 Jun 2021	Fair value of performance rights at grant date (2) $	Face value of performance rights at grant date (3) $
R Wheals	2021	217,872	215,094	12/11/2020	—	—	432,966	1,379,828	2,400,000
A Watson	2021	—	106,426	16/11/2020	—	—	106,426	682,723	1,187,500
R Gersbach	2021	65,975	65,133	12/11/2020	—	—	131,108	417,829	726,750
J Peck	2021	—	82,179	12/11/2020	—	—	82,179	527,179	916,952
D Rogers	2021	51,064	71,698	12/11/2020	—	—	122,762	459,943	800,000
P Fredricson	2021	64,682	32,190	12/11/2020	—	—	96,872	206,499	359,178

2) Calculated based on fair value of the individual vesting conditions being $4.17, $3.97, and $3.79 for the relative TSR and $9.28, $8.85, and $8.43 for the ROC hurdle vesting conditions for each of the vesting dates being August 2023, August 2024 and August 2025 respectively. This also represents the maximum value of the employee benefit expense as based on the grant date that would be recorded if all Rights which remain outstanding at 30 June 2021 satisfied all vesting conditions.

3) Based on a VWAP of $11.1579.

REMUNERATION REPORT continued

Australian Pipeline Trust and its Controlled Entities

8. Statutory tables continued

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 2020	Units allocated in FY21	Cash settled reference units paid	Closing balance at 30 Jun 2021	Reference units allocated that have not yet vested or been paid and the months in which they will vest		
						Aug 21	Aug 22	Aug 23
R Wheals	2017	16,159		(16,159)	—			
	2018	12,654		(6,327)	6,327	6,327		
	2019	37,962		(12,654)	25,308	12,654	12,654	
	2020		42,507		42,507	14,169	14,169	14,169
	Total					**33,150**	**26,823**	**14,169**
R Gersbach	2017	19,757		(19,757)	—			
	2018	14,958		(7,479)	7,479	7,479		
	2019	42,207		(14,069)	28,138	14,069	14,069	
	2020		47,046		47,046	15,682	15,682	15,682
	Total					**37,230**	**29,751**	**15,682**
D Rogers	2020		24,174		24,174	8,058	8,058	8,058
	Total					**8,058**	**8,058**	**8,058**
Former KMP								
P Fredricson	2017	19,359		(19,359)	—			
	2018	14,650		(7,325)	7,325	7,325		
	2019	41,358		(13,786)	27,572	13,786	13,786	
	2020		46,125		46,125	15,375	15,375	15,375
	Total					**36,486**	**29,161**	**15,375**

8.5 Security holdings

Year ended 30 June 2021	Opening Balance at 1 Jul 2020	Securities Acquired	Securities Disposed	Closing Balance at 30 Jun 2021	% of NED fee / fixed pay [1]
NEDs					
M Fraser	102,942	—	—	102,942	188%
S Crane	130,000	—	100,000	30,000	158%
J Fazzino	30,751	—	—	30,751	162%
D Goodin	24,179	—	—	24,179	127%
S In't Veld	25,000	—	—	25,000	132%
R Phillippo [2]	—	5,000	—	5,000	26%
P Wasow	26,000	—	—	26,000	137%
Executive KMP					
R Wheals	46,388	28,208	—	74,596	44%
A Watson [3]	—	55,556	—	55,556	55%
R Gersbach	44,691	—	—	44,691	43%
J Peck [4]	—	53,428	—	53,428	56%
D Rogers	3,794	9,298	—	13,092	15%
P Fredricson [5]	49,500	—	12,500	37,000	N/A

1) Securities valued using a price of $9.3464, divided by NED fee/contractual fixed pay.
2) Appointed on 1 June 2020.
3) Commenced on 16 November 2020.
4) Commenced on 20 August 2020.
5) Retired on 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Australian Pipeline Trust and its Controlled Entities
For the financial year ended 30 June 2021

	Note	2021 $000	Restated 2020 $000
Revenue	4	**2,575,236**	2,559,944
Share of net profits of associates and joint ventures using the equity method	4	**29,777**	30,677
		2,605,013	2,590,621
Asset operation and management expenses		**(214,065)**	(218,010)
Depreciation and amortisation expenses [1]	5	**(674,370)**	(650,806)
Other operating costs – pass-through	5	**(460,465)**	(461,155)
Finance costs [2]	5	**(655,896)**	(510,506)
Employee benefit expense	5	**(286,549)**	(249,690)
Other expenses		**(15,786)**	(13,596)
Fair value gains on contract for difference	19	**18,018**	10,508
Impairment of property, plant and equipment [3]	13	**(249,322)**	—
Profit before tax		**66,578**	497,366
Income tax expense [1]	6	**(62,894)**	(185,615)
Profit for the year		**3,684**	311,751
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit plan		**23,582**	(28,103)
Income tax relating to items that will not be reclassified subsequently		**(7,075)**	8,431
		16,507	(19,672)
Items that may be reclassified subsequently to profit or loss:			
Transfer of gain on cash flow hedges to profit or loss		**28,916**	80,184
Gain/(loss) on cash flow hedges taken to equity		**435,895**	(206,864)
Gain/(loss) on associate hedges taken to equity		**12,420**	(5,847)
Income tax relating to items that may be reclassified subsequently		**(143,169)**	39,758
		334,062	(92,769)
Other comprehensive income for the year (net of tax)		**350,569**	(112,441)
Total comprehensive income for the year		**354,253**	199,310
(Loss)/profit attributable to:			
Unitholders of the parent		**(39,217)**	258,730
Non-controlling interest – APT Investment Trust unitholders		**42,901**	53,021
APA stapled securityholders		**3,684**	311,751
Total comprehensive income attributable to:			
Unitholders of the parent		**311,352**	146,289
Non-controlling interest – APT Investment Trust unitholders		**42,901**	53,021
APA stapled securityholders		**354,253**	199,310

Earnings per security		2021	Restated 2020
Basic and diluted (cents per security) [1]	7	**0.3**	26.4

1) FY20 is restated as a result of change in the APA Group's accounting policy following the IFRS Interpretations Committee's ("IFRIC") Agenda Decision published in April 2021 related to accounting for Software-as-a-Service ("SaaS") arrangements. Refer to note 11.
2) Includes a once-off interest charge of $148.0 million reflecting swap termination costs, realised net foreign exchange movements and make-whole charges associated with bond note redemptions completed during the year. Refer to note 2 for further details.
3) An impairment loss of $249.3 million has been recognised for Orbost Gas Processing Plant. Refer to note 2 and 13 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

Australian Pipeline Trust and its Controlled Entities
As at 30 June 2021

	Note	2021 $000	Restated 2020 $000
Current assets			
Cash and cash equivalents	18	**652,352**	1,172,771
Trade and other receivables	9	**298,574**	264,137
Other financial assets	20	**56,717**	32,748
Inventories		**41,066**	34,181
Other		**26,978**	22,101
Assets classified as held for sale (1)		**343**	—
Current assets		**1,076,030**	1,525,938
Non-current assets			
Trade and other receivables	9	**10,375**	11,639
Other financial assets	20	**218,900**	581,027
Investments accounted for using the equity method	23	**240,201**	226,380
Property, plant and equipment (2)	11	**9,500,772**	9,766,411
Goodwill	12	**1,183,604**	1,183,604
Other Intangible assets	12	**2,481,336**	2,669,970
Other	15	**31,650**	29,343
Non-current assets		**13,666,838**	14,468,374
Total assets		**14,742,868**	15,994,312
Current liabilities			
Trade and other payables	10	**314,560**	308,764
Lease liabilities	17	**13,828**	13,544
Borrowings	18	**2,721**	310,613
Other financial liabilities	20	**169,031**	186,347
Provisions	14	**93,759**	89,636
Unearned revenue		**10,750**	10,753
Liabilities directly associated with assets classified as held for sale (1)		**258**	—
Current liabilities		**604,907**	919,657
Non-current liabilities			
Trade and other payables	10	**13,390**	4,826
Lease liabilities	17	**49,228**	56,333
Borrowings	18	**9,921,317**	10,607,382
Other financial liabilities	20	**262,117**	427,638
Deferred tax liabilities (2)	6	**756,993**	590,976
Provisions	14	**102,352**	115,905
Unearned revenue		**63,336**	56,737
Non-current liabilities		**11,168,733**	11,859,797
Total liabilities		**11,773,640**	12,779,454
Net assets		**2,969,228**	3,214,858

1) Relates to APA Group's 50% ownership in Mid West Pipeline to be disposed of in the next 12 months.
2) FY20 is restated as a result of change in the APA Group's accounting policy following the IFRIC Agenda Decision published in April 2021 related to accounting for SaaS arrangements. Refer to note 11.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued

Australian Pipeline Trust and its Controlled Entities
As at 30 June 2021

	Note	2021 $000	Restated 2020 $000
Equity			
Australian Pipeline Trust equity:			
Issued capital	21	**2,571,420**	2,902,123
Reserves		**(355,540)**	(691,465)
(Accumulated deficit)/Retained earnings [1]		**(31,707)**	91,669
Equity attributable to unitholders of the parent		**2,184,173**	2,302,327
Non-controlling interests:			
APT Investment Trust:			
Issued capital		**765,313**	887,845
Retained earnings		**19,742**	24,686
Equity attributable to unitholders of APT Investment Trust	22	**785,055**	912,531
Total equity		**2,969,228**	3,214,858

1) FY20 is restated as a result of change in the APA Group's accounting policy following the IFRIC Agenda Decision published in April 2021 related to accounting for SaaS arrangements. Refer to note 11.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Australian Pipeline Trust and its Controlled Entities
For the financial year ended 30 June 2021

	Australian Pipeline Trust						APT Investment Trust			
	Issued capital $000	Asset revaluation reserve [1] $000	Share-based payments reserve [2] $000	Hedging reserve [3] $000	Restated (accumulated deficit)/ retained earnings $000	Attributable to owners of the parent $000	Issued capital $000	Retained earnings $000	APT Investment Trust $000	Total $000
Balance at 1 July 2019	3,103,806	8,669	—	(608,016)	100,663	2,605,122	964,219	30,056	994,275	3,599,397
Impact of changes in accounting standards [4]	—	—	—	—	(8,610)	(8,610)	—	—	—	(8,610)
Impact of changes in accounting policies [5]	—	—	—	—	(3,642)	(3,642)	—	—	—	(3,642)
Restated balance at 1 July 2019	3,103,806	8,669	—	(608,016)	88,411	2,592,870	964,219	30,056	994,275	3,587,145
Restated profit for the year [5]	—	—	—	—	258,730	258,730	—	53,021	53,021	311,751
Other comprehensive income	—	—	—	(132,528)	(28,103)	(160,631)	—	—	—	(160,631)
Income tax relating to components of other comprehensive income	—	—	—	39,758	8,432	48,190	—	—	—	48,190
Total comprehensive income for the year	—	—	—	(92,770)	239,059	146,289	—	53,021	53,021	199,310
Payment of distributions	(201,683)	—	—	—	(235,801)	(437,484)	(76,374)	(58,391)	(134,765)	(572,249)
Equity settled long-term incentives (net of tax)	—	—	652	—	—	652	—	—	—	652
Restated balance at 30 June 2020	2,902,123	8,669	652	(700,786)	91,669	2,302,327	887,845	24,686	912,531	3,214,858
Restated balance at 1 July 2020	**2,902,123**	**8,669**	**652**	**(700,786)**	**91,669**	**2,302,327**	**887,845**	**24,686**	**912,531**	**3,214,858**
(Loss)/profit for the year	**—**	**—**	**—**	**—**	**(39,217)**	**(39,217)**	**—**	**42,901**	**42,901**	**3,684**
Other comprehensive income	**—**	**—**	**—**	**477,231**	**23,582**	**500,813**	**—**	**—**	**—**	**500,813**
Income tax relating to components of other comprehensive income	**—**	**—**	**—**	**(143,169)**	**(7,075)**	**(150,244)**	**—**	**—**	**—**	**(150,244)**
Total comprehensive income for the year	**—**	**—**	**—**	**334,062**	**(22,710)**	**311,352**	**—**	**42,901**	**42,901**	**354,253**
Payment of distributions	**(330,703)**	**—**	**—**	**—**	**(100,666)**	**(431,369)**	**(122,532)**	**(47,845)**	**(170,377)**	**(601,746)**
Equity settled long-term incentives (net of any tax)	**—**	**—**	**1,863**	**—**	**—**	**1,863**	**—**	**—**	**—**	**1,863**
Balance at 30 June 2021	**2,571,420**	**8,669**	**2,515**	**(366,724)**	**(31,707)**	**2,184,173**	**765,313**	**19,742**	**785,055**	**2,969,228**

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 hedges instruments related to hedged transactions that have not yet occurred. The cumulative deferred gain or loss on the hedge is recognised in the Consolidated Statement of Profit or Loss when the hedged transaction impacts profit or loss, consistent with the applicable accounting policy.
4) APA Group has adopted AASB 16 Leases on a modified retrospective basis. This resulted in a charge of $8.6 million to retained earnings as at 1 July 2019, being the cumulative effect on initial application of the standard.
5) APA Group has revised accounting policy following the IFRIC Agenda Decision in April 2021 related to accounting for SaaS arrangements. Refer to note 11. This has resulted in a charge of $3.6 million to retained earnings as at 1 July 2019.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Australian Pipeline Trust and its Controlled Entities
For the financial year ended 30 June 2021

	Note	2021 $000	Restated 2020 $000
Cash flows from operating activities			
Receipts from customers		**2,868,751**	2,791,905
Payments to suppliers and employees [1]		**(1,272,027)**	(1,221,174)
Dividends received from associates and joint ventures		**28,376**	62,279
Proceeds from repayments of finance leases		**1,155**	1,272
Interest received		**6,629**	7,941
Interest and other costs of finance paid		**(481,903)**	(468,070)
Income taxes paid		**(100,023)**	(86,620)
Net cash provided by operating activities		**1,050,958**	1,087,533
Cash flows from investing activities			
Payments for property, plant and equipment [1]		**(422,170)**	(408,168)
Proceeds from sale of property, plant and equipment		**908**	485
Payments for intangible assets [2]		**(10,758)**	(10,741)
Repayment of loans by related parties		**—**	122,284
Net cash used in investing activities		**(432,020)**	(296,140)
Cash flows from financing activities			
Proceeds from borrowings		**2,358,421**	1,987,812
Repayments of borrowings		**(2,866,999)**	(1,368,836)
Repayments of lease liabilities		**(16,046)**	(13,482)
Transaction costs related to borrowings		**(13,798)**	(6,870)
Proceeds from early settlement of derivatives		**1,085**	8
Distributions paid to:			
Unitholders of APT		**(431,369)**	(437,484)
Unitholders of non-controlling interests – APTIT		**(170,377)**	(134,765)
Net cash (used in)/provided by financing activities		**(1,139,083)**	26,383
Net (decrease)/increase in cash and cash equivalents		**(520,145)**	817,776
Cash and cash equivalents at beginning of financial year		**1,172,771**	354,947
Effect of exchange rate changes on cash and cash equivalents		**(274)**	48
Cash and cash equivalents at end of financial year	18	**652,352**	1,172,771

1) FY20 is restated as a result of change in APA Group accounting policy following the IFRIC Agenda Decision published in April 2021 related to accounting for SaaS arrangements. Refer to note 11.
2) Balance is re-presented to reflect the software and licences that are reclassified from property, plant and equipment to intangible assets.

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

CONSOLIDATED STATEMENT OF CASH FLOWS continued

Australian Pipeline Trust and its Controlled Entities
For the financial year ended 30 June 2021

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

	Note	2021 $000	Restated 2020 $000
Profit for the year [(1)]		**3,684**	311,751
Impairment of property, plant and equipment [(2)]	13	**249,322**	—
Profit on disposal of property, plant and equipment		**(606)**	(464)
Share of net profits of joint ventures and associates using the equity method		**(29,777)**	(30,677)
Dividends/distributions received from equity accounted investments		**28,374**	62,279
Depreciation and amortisation expenses [(1)]		**674,370**	650,806
Finance costs [(2)]		**138,023**	14,823
Effect of exchange rate changes		**14,439**	11,007
Amortisation of hedging loss		**8,297**	6,885
Equity settled long-term incentives		**1,863**	652
Changes in assets and liabilities:			
Trade and other receivables		**(13,166)**	(19,283)
Inventories		**(6,885)**	(2,777)
Other assets		**(4,291)**	(5,997)
Trade and other payables		**6,130**	5,074
Provisions		**5,747**	(10,954)
Other liabilities		**11,847**	(4,851)
Income tax balances		**(36,359)**	99,259
Net cash provided by operating activities		**1,050,958**	1,087,533

1) FY20 is restated as a result of change in the APA Group's accounting policy following the IFRIC Agenda Decision published in April 2021 related to accounting for SaaS arrangements. Refer to note 11.
2) Refer to note 2 significant items section for details.

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

Australian Pipeline Trust and its Controlled Entities
For the financial year ended 30 June 2021

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

Australian Pipeline Trust and its Controlled Entities
For the financial year ended 30 June 2021

Basis of Preparation

2. General information

APA Group comprises of two trusts, Australian Pipeline Trust ("APT") and APT Investment Trust ("APTIT"), which are registered managed investment schemes regulated by the Corporations Act 2001. APT units are "stapled" to APTIT units on a one-to-one basis so that one APT unit and one APTIT unit form a single stapled security which trades on the Australian 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, APT is deemed to be the parent entity. The results and equity attributable to APTIT, being the other stapled entity which is not directly or indirectly held by APT, are shown separately in the financial statements as non-controlling interests.

The financial report represents the consolidated financial statements of APT and APTIT (together the "Trusts"), their respective subsidiaries and 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 APTIT. Comprehensive income arising from transactions between the parent (APT) group entities and the non-controlling interest (APTIT) have not been eliminated in the reporting of total comprehensive income attributable to non-controlling interests.

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

APT's registered office and principal place of business is as follows:
Level 25, 580 George Street
Sydney NSW 2000
Tel: (02) 9693 0000

The consolidated general purpose financial report for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 25 August 2021.

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

The financial report has been prepared on the basis of historical cost, except for the revaluation of financial instruments. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) in accordance with ASIC Corporations Instrument 2016/191, unless otherwise stated.

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

Foreign currency transactions

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

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the 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 11)
– Impairment of non-financial assets (note 13)
– Fair value of financial instruments (note 19(c))
– Commitments and contingencies (note 25)

Judgements and estimates require assumptions to be made about highly uncertain external factors such as: discount rates; probability factors; the effects of inflation within 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 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 financial results and the financial position to be reported in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
For the financial year ended 30 June 2021

Basis of Preparation

2. General information continued

COVID-19

As a supplier of an essential service of gas transportation and energy generation, APA Group has the benefit of stable operating cash flows. There have been no material impacts on APA Group's ability to safely and reliably operate its assets and deliver services to its customers as a result of the COVID-19 pandemic.

Despite the relative stablity of the business, APA Group continues to ensure it maintains an appropriate level of liquidity during the uncertainty created by COVID-19.

As at 30 June 2021, APA Group had $1,902.4 million in cash and committed un-drawn bank facilities available (2020: $2,472.8 million) to assist in the ongoing funding of the business. APA continues to fund its growth with appropriate levels of equity, cash retained in the business, and debt in order to maintain strong Baa2/BBB credit ratings.

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

Significant items

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

	2021 $000
Significant items impacting profit before tax	
Impairment of property, plant and equipment (1)	**(249,322)**
Finance costs associated with bond note redemptions (2)	**(147,987)**
Total significant items impacting profit before tax	**(397,309)**
Income tax related to significant items above	**119,193**
Profit from significant items after income tax	**(278,116)**

1) During the year, APA Group impaired the carrying value of the Orbost Gas Processing Plant, reflecting the continuation of production levels and expenditure based on the current performance of the asset. Refer to note 13.
2) In April 2021, APA Group refinanced all of APA's debt that was due to mature in calendar year 2022 and terminated associated hedges. The facilities to be refinanced and associated hedges include:
   - EUR MTN 700m swapped into A$1,132m at a fixed rate of 4.45%
   - USPP Notes US$124m swapped into A$154m at a fixed rate of 7.39%
   - USPP Notes A$81m at a fixed rate of 7.45%
   - USPP Notes A$62m at a fixed rate of 7.45%
   - US 144A Notes US$750m swapped into A$735m at a fixed rate of 6.68%

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

Financial Performance

3. Segment information

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

APA Group comprises the following reportable segments:

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

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Financial Performance

3. Segment information continued

2021	Energy Infrastructure $000	Asset Management $000	Energy Investments $000	Other $000	Consolidated $000
Segment revenue [1]					
Revenue from contracts with customers	**1,989,304**	**113,755**	**—**	**—**	**2,103,059**
Equity accounted net profits	**—**	**—**	**29,777**	**—**	**29,777**
Pass-through revenue	**52,982**	**407,483**	**—**	**—**	**460,465**
Other income	**3,610**	**2,750**	**—**	**—**	**6,360**
Finance lease and investment interest income	**1,078**	**—**	**1,144**	**—**	**2,222**
Total segment revenue	**2,046,974**	**523,988**	**30,921**	**—**	**2,601,883**
Other interest income					**3,130**
Consolidated revenue					**2,605,013**
Segment result					
Segment underlying EBITDA [2]	**1,621,487**	**80,337**	**—**	**—**	**1,701,824**
Share of net profits of joint ventures and associates using the equity method	**—**	**—**	**29,777**	**—**	**29,777**
Finance lease and investment interest income	**1,078**	**—**	**1,144**	**—**	**2,222**
Corporate costs	**—**	**—**	**—**	**(100,848)**	**(100,848)**
Total underlying EBITDA [2]	**1,622,565**	**80,337**	**30,921**	**(100,848)**	**1,632,975**
Fair value gains on contract for difference [3]	**18,018**	**—**	**—**	**—**	**18,018**
SaaS configuration and customisation costs [4]	**—**	**—**	**—**	**(7,957)**	**(7,957)**
Total reported EBITDA [5]	**1,640,583**	**80,337**	**30,921**	**(108,805)**	**1,643,036**
Depreciation and amortisation [4]	**(657,781)**	**(16,589)**	**—**	**—**	**(674,370)**
Total reported EBIT [6]	**982,802**	**63,748**	**30,921**	**(108,805)**	**968,666**
Net interest cost [7]					**(504,779)**
Profit before tax excluding significant items					**463,887**
Income tax expense					**(182,087)**
Profit after tax excluding significant items					**281,800**
Significant items before tax [8]					**(397,309)**
Reported profit before tax					**66,578**
Significant items after tax					**(278,116)**
Reported profit after tax					**3,684**

1) The revenue reported above represents revenue generated from external customers. Any intersegment sales were immaterial.
2) Earnings before interest, tax, depreciation, and amortisation ("EBITDA") excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items.
3) The amount represents a net gain arising from a contract for difference in an electricity sales agreement with a customer that economically hedges the fair value of the electricity sales agreement for which hedge accounting is not applicable (see note 19).
4) The amount represents the impact of the change in the APA Group's accounting policy following the IFRIC Agenda Decision in April 2021 related to accounting for SaaS arrangements. Refer to note 11.
5) Earnings before interest, tax, depreciation, and amortisation ("EBITDA") excluding significant items.
6) Earnings before interest and tax ("EBIT") excluding significant items.
7) Excluding finance lease and investment interest income, any gains or losses on revaluation of derivatives included as part of EBIT for segment reporting purposes, and interest charge on bond note redemptions disclosed as a significant item, but including other interest income.
8) Refer to note 2 significant items section for details.

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3. Segment information continued

2021	Energy Infrastructure $000	Asset Management $000	Energy Investments $000	Consolidated $000
Segment assets and liabilities				
Segment assets	**13,343,202**	**210,228**	**10,685**	**13,564,115**
Carrying value of investments using the equity method	**—**	**—**	**240,201**	**240,201**
Unallocated assets [1]				**938,552**
Total assets				**14,742,868**
Segment liabilities	**423,008**	**90,007**	**—**	**513,015**
Unallocated liabilities [2]				**11,260,625**
Total liabilities				**11,773,640**

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.

2020 (Restated)	Energy Infrastructure $000	Asset Management $000	Energy Investments $000	Other $000	Consolidated $000
Segment revenue [3]					
Revenue from contracts with customers	1,973,722	112,367	—	—	2,086,089
Equity accounted net profits	—	—	30,677	—	30,677
Pass-through revenue	49,386	411,769	—	—	461,155
Other income	3,594	205	—	—	3,799
Finance lease and investment interest income	1,176	—	5,064	—	6,240
Total segment revenue	2,027,878	524,341	35,741	—	2,587,960
Other interest income					2,661
Consolidated revenue					2,590,621
Segment result					
Segment underlying EBITDA [4]	1,628,631	63,343	—	—	1,691,974
Share of net profits of joint ventures and associates using the equity method	—	—	30,677	—	30,677
Finance lease and investment interest income	1,176	—	5,064	—	6,240
Corporate costs	—	—	—	(74,972)	(74,972)
Total underlying EBITDA [4]	1,629,807	63,343	35,741	(74,972)	1,653,919
Fair value gains or losses on contract for difference [5]	10,508	—	—	—	10,508
SaaS configuration and customisation costs [6]	—	—	—	(8,410)	(8,410)
Total reported EBITDA [7]	1,640,315	63,343	35,741	(83,382)	1,656,017
Depreciation and amortisation [6]	(634,048)	(16,758)	—	—	(650,806)
Total reported EBIT [8]	1,006,267	46,585	35,741	(83,382)	1,005,211
Net interest cost [9]					(507,845)
Profit before tax					497,366
Income tax expense					(185,615)
Profit for the year					311,751

3) The revenue reported above represents revenue generated from external customers. Any intersegment sales were immaterial.
4) 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) The amount represents a net gain arising from a contract for difference in an electricity sales agreement with a customer that economically hedges the fair value of the electricity sales agreement for which hedge accounting is not applicable (see note 19).
6) The amount represents the impact of the change in the APA Group's accounting policy following the IFRIC Agenda Decision in April 2021 related to accounting for SaaS arrangements. Refer to note 11.
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, and interest charge on bond note redemption disclosed as a significant item, but including other interest income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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Financial Performance

3. Segment information continued

2020 (Restated)	Energy Infrastructure $000	Asset Management $000	Energy Investments $000	Consolidated $000
Segment assets and liabilities				
Segment assets [1]	13,782,495	198,893	10,685	13,992,073
Carrying value of investments using the equity method	—	—	226,380	226,380
Unallocated assets [2]				1,775,859
Total assets				15,994,312
Segment liabilities	412,898	110,022	—	522,920
Unallocated liabilities [3]				12,256,534
Total liabilities				12,779,454

1) FY20 is restated as a result of change in the APA Group's accounting policy following the IFRIC Agenda Decision published in April 2021 related to accounting for SaaS arrangements. Refer to note 11.
2) Unallocated assets consist of cash and cash equivalents, fair value of cross currency swaps, foreign currency forward exchange contracts and equity forwards.
3) Unallocated liabilities consist of current and non-current borrowings, deferred tax liabilities, fair value of cross currency swaps, foreign currency forward exchange contracts and equity forwards.

4. Revenue

Disaggregation of revenue

Revenue is disaggregated below by business unit and region.

2021	Total $000
Energy Infrastructure	
Wallumbilla Gladstone Pipeline [1]	**552,307**
East Coast	**768,638**
West Coast	**328,795**
Power Generation	**339,564**
Energy Infrastructure revenue from contracts with customers	**1,989,304**
Asset Management revenue from contracts with customers	**113,755**
Energy Investments	**30,921**
Other non-contract revenue	**7,438**
Total segment revenue	**2,141,418**
Pass-through revenue	**460,465**
Unallocated revenue	**3,130**
Total revenue	**2,605,013**
Underlying EBITDA [2]	
Wallumbilla Gladstone Pipeline [1]	**549,651**
East Coast	**627,468**
West Coast	**270,824**
Power Generation	**174,622**
Energy Infrastructure revenue from contracts with customers	**1,622,565**
Asset Management revenue from contracts with customers	**80,337**
Energy Investments	**30,921**
Corporate costs	**(100,848)**
Total underlying EBITDA [2]	**1,632,975**

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 in note 12.
2) 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.

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Financial Performance

4. Revenue continued

Disaggregation of revenue continued

2020 (Restated)	Total $000
Energy Infrastructure	
Wallumbilla Gladstone Pipeline [1]	541,588
East Coast	771,503
West Coast	323,177
Power Generation	337,454
Energy Infrastructure revenue from contracts with customers	1,973,722
Asset Management revenue from contracts with customers	112,367
Energy Investments	35,741
Other non-contract revenue	4,975
Total segment revenue	2,126,805
Pass-through revenue	461,155
Unallocated revenue	2,661
Total revenue	2,590,621
Underlying EBITDA [2]	
Wallumbilla Gladstone Pipeline [1]	538,924
East Coast	648,778
West Coast	271,504
Power Generation	170,601
Energy Infrastructure revenue from contracts with customers	1,629,807
Asset Management revenue from contracts with customers	63,343
Energy Investments	35,741
Corporate costs [3]	(74,972)
Total underlying EBITDA [2]	1,653,919

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 in note 12.
2) Earnings before interest, tax, depreciation, and amortisation ("EBITDA") excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items.
3) FY20 is restated as a result of change in the APA Group's accounting policy following the IFRIC Agenda Decision published in April 2021 related to accounting for SaaS arrangements. Refer to note 11.

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 applies the practical expedient to recognise revenue at the amount to which APA Group has a right to invoice; and
- **Pass-through revenue,** is revenue from contracts with customers for which no margin is earned, and is recognised when the services are provided. APA Group applies the practical expedient to recognise revenue at the amount to which APA Group has a right to invoice. APA Group is determined to be the principal in these relationships.

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4. Revenue continued

Other types of revenue is recognised as follows:

- **Other non-contract revenue:** includes dividend income, which is recognised when the right to receive the payment has been established, net cost reimbursement of development work for the Crib Point project; and
- **Unallocated revenue:** interest income, which is recognised as it accrues and is determined using the effective interest method and finance lease income, which is allocated to accounting periods so as to reflect a constant periodic rate of return on the 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, the Group recognised $8.2 million (2020: $13.2 million) in revenue from contracts with customers from unearned revenue balance at 30 June 2020.

Contract assets – accrued revenue

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

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

Accounting for costs to obtain contracts

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

Future revenues from remaining performance obligations

As at 30 June 2021, future contracted Energy Infrastructure revenues extending through to 2049 are approximately $17.6 billion, of which $1.6 billion is expected to be recognised in 2022. These amounts relate to Energy Infrastructure revenue from contracts, with the bulk of the customers being high credit worthy counterparties.

Future contracted Energy Infrastructure revenues outlined above are in nominal 2021 dollars escalated by CPI. Variable revenues, potential future revenues from new contracts, contract renewals or extensions, and revenues from potential new assets or expansions where a contract does not currently exist with a customer are not included. As such, the future contract revenues described above represent only part of APA Group's forecast revenues for FY22 and beyond.

Information about major customers

Included in revenues from contracts with customers arising from Energy Infrastructure of $1,989.3 million (2020: $1,973.7 million) are revenues of approximately $720.1 million (2020: $718.8 million) which arose from sales to APA Group's top three customers.

5. Expenses

	2021 $000	Restated 2020 $000
Depreciation of non-current assets [1]	**474,978**	454,534
Amortisation of non-current assets [2]	**199,392**	196,272
Depreciation and amortisation expense	**674,370**	650,806
Energy infrastructure costs – pass-through	**52,982**	49,386
Asset management costs – pass-through	**407,483**	411,769
Other operating costs – pass-through	**460,465**	461,155

1) FY20 is restated as a result of change in the APA Group's accounting policy following the IFRIC Agenda Decision published in April 2021 related to accounting for SaaS arrangements. Refer to note 11.
2) Balance is re-presented to reflect the software and licences that are reclassified from property, plant and equipment to intangible assets.

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5. Expenses continued

	2021 $000	Restated 2020 $000
Interest on bank overdrafts and borrowings [1]	**500,424**	498,940
Finance costs associated with bond note redemptions [2]	**147,987**	—
Amortisation of deferred borrowing costs	**9,545**	7,366
Other finance costs	**7,792**	7,008
	665,748	513,314
Less: amounts included in the cost of qualifying assets	**(16,330)**	(23,208)
	649,418	490,106
(Gain)/loss on derivatives [3]	**(5,389)**	7,815
Unwinding of discount on non-current liabilities	**6,869**	7,322
Unwinding of discount on deferred revenue	**2,603**	2,625
Interest incurred on lease liabilities	**2,395**	2,638
Finance costs	**655,896**	510,506
Defined contribution plans	**18,128**	16,159
Defined benefit plans (note 16)	**3,027**	2,348
Post-employment benefits	**21,155**	18,507
Termination benefits	**1,728**	1,497
Cash settled long-term incentive payments [4]	**25,322**	16,442
Equity settled long-term incentive payments [4]	**3,802**	992
Other employee benefits	**234,542**	212,252
Employee benefit expense [5]	**286,549**	249,690

1) The average interest rate applying to drawn debt is 5.09% p.a. (2020: 5.33% p.a.) excluding finance costs associated with bond note redemptions, amortisation of borrowing costs and other finance costs.
2) Refer to note 2 significant items section for details.
3) Represents unrealised gains and losses on the mark-to-market valuation of derivatives.
4) APA Group provides benefits to certain employees in the form of long-term incentive payments. For cash settled long-term incentive payments, a liability equal to the portion of services received is recognised at the current fair value determined at each reporting date. For equity settled long-term incentive payments, a reserve is recognised equal to the portion of services received based on the fair value of the equity instrument at grant date.
5) Employee benefit expense of $69.0 million (2020: $70.0million) is recharged as pass-through revenue and presented as part of other operating costs – pass-through.

6. Income tax

The major components of tax expense are:

	2021 $000	Restated 2020 $000
Income statement		
Current tax expense in respect of the current year	**(47,211)**	(85,236)
Adjustments recognised in the current year in relation to current tax of prior years	**90**	25
Deferred tax expense relating to the origination and reversal of temporary differences [1]	**(15,773)**	(100,404)
Total tax expense	**(62,894)**	(185,615)

1) FY20 is restated as a result of change in the APA Group's accounting policy following the IFRIC Agenda Decision published in April 2021 related to accounting for SaaS arrangements. Refer to note 11.

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6. Income tax continued

	2021 $000	Restated 2020 $000
Tax reconciliation		
Profit before tax [1]	**66,578**	497,366
Income tax expense calculated at 30%	**(19,973)**	(149,210)
Non-assessable trust distribution	**12,870**	15,906
Non-deductible expenses	**(58,447)**	(59,816)
Non-assessable income	**(100)**	114
	(65,650)	(193,006)
Franking credits received	**1,043**	5,310
Previously unbooked losses now recognised	**603**	1,038
Adjustments recognised in the current year in relation to the current tax of prior years	**90**	25
R&D tax incentive	**1,020**	1,018
	(62,894)	(185,615)

1) FY20 is restated as a result of change in the APA Group's accounting policy following the IFRIC Agenda Decision published in April 2021 related to accounting for SaaS arrangements. Refer to note 11.

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 $62.9 million (2020: $185.6million). An income tax receivable of $21.3 million (2020: $30.9 million payable) has been recognised after instalments made during the year and partial utilisation of available transferred tax losses (refer to note 9).

Deferred tax balances

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

2021	Opening balance $000	Charged to income $000	Charged to equity $000	Closing balance $000
Gross deferred tax liabilities				
Property, plant and equipment and intangible assets	**(1,079,875)**	**20**	**—**	**(1,079,855)**
Deferred expenses	**(53,711)**	**2,678**	**—**	**(51,033)**
Other	**(131)**	**967**	**—**	**836**
	(1,133,717)	**3,665**	**—**	**(1,130,052)**
Gross deferred tax assets				
Provisions	**66,508**	**3,169**	**—**	**69,677**
Cash flow hedges	**292,350**	**(6,698)**	**(140,399)**	**145,253**
Security issue costs	**1,045**	**(517)**	**—**	**528**
Deferred revenue	**13,669**	**(1,035)**	**—**	**12,634**
Investments equity accounted	**8,082**	**402**	**(2,770)**	**5,714**
Defined benefit obligation	**11,555**	**(38)**	**(7,075)**	**4,442**
Tax losses	**149,532**	**(14,721)**	**—**	**134,811**
	542,741	**(19,438)**	**(150,244)**	**373,059**
Net deferred tax liability	**(590,976)**	**(15,773)**	**(150,244)**	**(756,993)**

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6. Income tax continued

Deferred tax balances continued

2020 (Restated)	Opening balance $000	Charged to income $000	Charged to equity $000	Closing balance $000
Gross deferred tax liabilities				
Property, plant and equipment and intangible assets [(1),(2)]	(988,094)	(73,130)	(18,651)	(1,079,875)
Deferred expenses	(55,516)	1,805	—	(53,711)
Other	(299)	168	—	(131)
	(1,043,909)	(71,157)	(18,651)	(1,133,717)
Gross deferred tax assets				
Provisions [(1)]	48,640	(4,475)	22,343	66,508
Cash flow hedges	254,217	(800)	38,933	292,350
Security issue costs	1,562	(517)	—	1,045
Deferred revenue	14,531	(862)	—	13,669
Investments equity accounted	4,434	2,824	824	8,082
Defined benefit obligation	2,939	185	8,431	11,555
Tax losses	175,134	(25,602)	—	149,532
	501,457	(29,247)	70,531	542,741
Net deferred tax liability	(542,452)	(100,404)	51,880	(590,976)

1) Amounts charged to equity relate to the deferred tax on the transition adjustment from the adoption of AASB 16 Leases.
2) FY20 is restated as a result of change in the APA Group's accounting policy following the IFRIC Agenda Decision published in April 2021 related to accounting for SaaS arrangements.

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

APT and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is APT. The members of the tax-consolidated group are identified at note 24.

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

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

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

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6. Income tax continued

Nature of tax funding arrangement and tax sharing agreement

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

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

7. Earnings per security

	2021 cents	Restated 2020 cents
Earnings per security		
Basic and diluted (loss)/earnings per unit attributable to the parent [1],[2]	**(3.3)**	21.9
Basic and diluted earnings per unit attributable to the non-controlling interest	**3.6**	4.5
Basic and diluted earnings per security	**0.3**	26.4
Earnings per security excluding significant items		
Basic and diluted earnings excluding significant items per unit attributable to the parent	**20.2**	21.9
Basic and diluted earnings excluding significant items per unit attributable to the non-controlling interest	**3.6**	4.5
Basic and diluted earnings per security excluding significant items	**23.9**	26.4
Underlying earnings per security [3]		
Underlying basic and diluted earnings per unit attributable to the parent	**19.7**	21.8
Underlying basic and diluted earnings per unit attributable to the non-controlling interest	**3.6**	4.5
Underlying basic and diluted earnings per security	**23.3**	26.3

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

	2021 $000	Restated 2020 $000
Net (loss)/profit		
Net (loss)/profit attributable to unitholders of the parent [1],[2]	**(39,217)**	258,730
Net profit attributable to unitholders of the non-controlling interest	**42,901**	53,021
Net profit attributable to stapled securityholders for calculating basic and diluted earnings per security (note 3)	**3,684**	311,751
Underlying net profit		
Net (loss)/profit attributable to unitholders of the parent	**(39,217)**	258,730
Significant items, net of tax	**278,116**	—
Net profit excluding significant items attributable to unitholders of the parent	**238,899**	258,730
Fair value gains or losses on contract for difference, net of tax	**(12,613)**	(7,356)
SaaS configuration and customisation costs, net of tax	**5,570**	5,355
Underlying net profit attributable to unitholders of the parent	**231,856**	256,729
Underlying net profit attributable to unitholders of the non-controlling interest	**42,901**	53,021
Underlying net profit attributable to stapled securityholders for calculating basic and diluted earnings per security	**274,757**	309,750

1) There is no dilutive effect of the performance rights granted under long-term incentive plan as a result of the loss after tax in FY21.
2) FY20 was restated as a result of change in the APA Group's accounting policy following the IFRIC Agenda Decision in April 2021 related to accounting for SaaS arrangements. Refer to note 11.
3) Excludes recurring items arising from other activities and transactions that are not directly attributable to the performance of APA Group's business operations, and significant items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
For the financial year ended 30 June 2021

Financial Performance

7. Earnings per security continued

	2021 No. of securities 000	2020 No. of securities 000
Adjusted weighted average number of ordinary securities used in the calculation of:		
Basic earnings per security	1,179,894	1,179,894
Diluted earnings per security [1]	1,180,723	1,180,188

1) Includes 1.3 million (2020: 0.5 million) performance rights granted under long-term incentive plan. Each performance right is a right to receive one ordinary stapled security in APA subject to satisfaction of certain performance hurdles and board approval. Further information can be found in the most recent annual report. APA has historically instructed Link Market Services to acquire securities on-market to minimise dilution of existing securityholders.

8. Distributions

	2021 cents per security	2021 Total $000	2020 cents per security	2020 Total $000
Recognised amounts				
Final FY20 distribution paid on 16 September 2020				
(30 June 2019: Final FY19 distribution paid on 11 September 2019)				
Profit distribution – APT [1]	8.53	100,666	8.53	100,663
Capital distribution – APT	11.74	138,528	10.44	123,153
Profit distribution – APTIT [2]	2.09	24,686	2.55	30,056
Capital distribution – APTIT	4.64	54,692	3.98	47,002
	27.00	318,572	25.50	300,874

1) Profit distributions were fully franked and resulted in franking credits of 3.66 cents per security (30 June 2019: fully franked, franking credits of 3.66 cents per security)
2) Profit distributions were unfranked (30 June 2019: unfranked).

	2021 cents per security	2021 Total $000	2020 cents per security	2020 Total $000
Interim FY21 distribution paid on 17 March 2021				
(31 December 2019: Interim FY20 distribution paid on 11 March 2020)				
Profit distribution – APT [3]	—	—	11.45	135,138
Capital distribution – APT	16.29	192,175	6.66	78,530
Profit distribution – APTIT [4]	1.97	23,159	2.40	28,335
Capital distribution – APTIT	5.74	67,840	2.49	29,372
	24.00	283,174	23.00	271,375
Total distributions recognised				
Profit distributions	12.59	148,511	24.93	294,192
Capital distributions	38.41	453,235	23.57	278,057
	51.00	601,746	48.50	572,249

3) 31 December 2019: 8.52 cents per security franked and 2.93 cents per security unfranked.
4) Profit distributions are unfranked (31 December 2019 and 30 June 2020: unfranked).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
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Financial Performance

8. Distributions continued

	2021 cents per security	2021 Total $000	2020 cents per security	2020 Total $000
Unrecognised amounts				
Final FY21 distribution payable on 15 September 2021 [1]				
(30 June 2020: Final FY20 distribution payable on 16 September 2020)				
Profit distribution – APT [2]	—	—	8.53	100,666
Capital distribution – APT	18.63	219,820	11.74	138,528
Profit distribution – APTIT [3]	1.67	19,742	2.09	24,686
Capital distribution – APTIT	6.70	79,010	4.64	54,692
	27.00	318,572	27.00	318,572

1) Record date 30 June 2021.
2) 30 June 2020: fully franked, franking credits of 3.66 cents per security.
3) Profit distributions are unfranked (31 December 2019 and 30 June 2020: 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.

	2021 $000	2020 $000
Franking account balance	58,189	(177)
Income tax (receivable)/payable	(21,271)	30,861
Adjusted franking account balance	36,918	30,684

The adjusted franking account balance at 30 June 2021 represents the income tax prepayments made in relation to FY22. The adjusted franking account balance at 30 June 2020 was reduced by $43.1 million following the payment of the FY20 final distribution payable on 16 September 2020.

No franking deficit tax payment was made during the financial year (FY20: $0.2 million made on 31 July 2020).

Operating Assets and Liabilities

9. Receivables

	2021 $000	2020 $000
Trade receivables	41,235	31,313
Accrued revenue	223,337	218,013
Loss allowance	(500)	(700)
Trade receivables	264,072	248,626
Income tax receivable	21,271	—
Receivables from associates and related parties	11,689	12,985
Finance lease receivables (note 17)	1,275	1,166
Interest receivable	62	1,340
Other debtors	205	20
Current	298,574	264,137
Finance lease receivables (note 17)	10,375	11,639
Non-current	10,375	11,639

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
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Operating Assets and Liabilities

10. Payables

	2021 $000	2020 $000
Trade payables [1]	**59,296**	35,561
Income tax payable	**—**	30,861
Other payables	**255,264**	242,342
Current	**314,560**	308,764
Other payables	**13,390**	4,826
Non-current	**13,390**	4,826

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

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

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

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

11. Property, plant and equipment

	Freehold land and buildings – at cost $000	Leasehold improve-ments – at cost $000	Plant and equipment – at cost $000	Work in progress – at cost $000	ROU land and buildings – at cost [1] $000	ROU plant and equipment – at cost [1] $000	Total $000
Gross carrying amount							
Balance at 1 July 2019 (Restated) [1],[2]	261,704	10,787	11,491,776	529,178	54,646	7,619	12,355,710
Reclassified to intangible assets [3]	—	—	(70,740)	(8,999)	—	—	(79,739)
Additions [2]	—	—	30,597	376,427	3,437	3,400	413,861
Disposals	—	—	(1,511)	—	(102)	(246)	(1,859)
Transfers [2]	5,514	—	202,998	(208,512)	—	—	—
Balance at 30 June 2020 (Restated)	267,218	10,787	11,653,120	688,094	57,981	10,773	12,687,973
Balance at 1 July 2020 (Restated)	**267,218**	**10,787**	**11,653,120**	**688,094**	**57,981**	**10,773**	**12,687,973**
Additions	**—**	**—**	**34,064**	**415,932**	**4,166**	**5,216**	**459,378**
Disposals	**—**	**—**	**(2,639)**	**—**	**(81)**	**(1,680)**	**(4,400)**
Reclassified as held for sale [4]	**—**	**—**	**(104)**	**(229)**	**—**	**—**	**(333)**
Transfers	**9,184**	**52**	**759,322**	**(768,558)**	**—**	**—**	**—**
Balance at 30 June 2021	**276,402**	**10,839**	**12,443,763**	**335,239**	**62,066**	**14,309**	**13,142,618**

1) APA Group adopted AASB 16 Leases on 1 July 2019 and recognised right of use (“ROU”) assets using the modified retrospective approach as such there is no restatement of the comparative information.
2) This is restated as a result of change in the APA Group’s accounting policy following the IFRIC Agenda Decision published in April 2021 related to accounting for SaaS arrangements.
3) $36.1m of non-Saas software, $0.7m of licences net of accumulated amortisation, and $9.0m of non-SaaS software related work in progress are reclassified to intangible assets.
4) Relates to APA Group’s 50% ownership in Mid West Pipeline to be disposed of in the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
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Operating Assets and Liabilities

11. Property, plant and equipment continued

	Freehold land and buildings – at cost $000	Leasehold improvements – at cost $000	Plant and equipment – at cost $000	Work in progress – at cost $000	ROU land and buildings – at cost [1] $000	ROU plant and equipment – at cost [1] $000	Total $000
Accumulated depreciation and impairment							
Balance at 1 July 2019 (Restated) [1],[2]	(53,889)	(4,919)	(2,443,768)	—	—	—	(2,502,576)
Reclassified to intangible assets [3]	—	—	33,999	—	—	—	33,999
Disposals	—	—	1,490	—	51	66	1,607
Depreciation expense (note 5) [2]	(7,950)	(800)	(433,222)	—	(9,108)	(3,454)	(454,534)
Amounts included in the cost of other assets	—	—	—	—	—	(58)	(58)
Balance at 30 June 2020	(61,839)	(5,719)	(2,841,501)	—	(9,057)	(3,446)	(2,921,562)
Balance at 1 July 2020	**(61,839)**	**(5,719)**	**(2,841,501)**	**—**	**(9,057)**	**(3,446)**	**(2,921,562)**
Disposals	**—**	**—**	**2,337**	**—**	**81**	**1,605**	**4,023**
Depreciation expense (note 5)	**(7,741)**	**(802)**	**(451,935)**	**—**	**(10,447)**	**(4,053)**	**(474,978)**
Impairment expense (note 13)	**—**	**—**	**(249,322)**	**—**	**—**	**—**	**(249,322)**
Reclassified as held for sale [4]	**—**	**—**	**26**	**—**	**—**	**—**	**26**
Amounts included in the cost of other assets	**—**	**—**	**—**	**—**	**—**	**(33)**	**(33)**
Balance at 30 June 2021	**(69,580)**	**(6,521)**	**(3,540,395)**	**—**	**(19,423)**	**(5,927)**	**(3,641,846)**
Net book value							
As at 30 June 2020 (Restated) [1],[2]	205,379	5,068	8,811,619	688,094	48,924	7,327	9,766,411
As at 30 June 2021	**206,822**	**4,318**	**8,903,368**	**335,239**	**42,643**	**8,382**	**9,500,772**

1) APA Group adopted AASB 16 Leases on 1 July 2019 and recognised right of use ("ROU") assets using the modified retrospective approach as such there is no restatement of the comparative information.
2) This is restated as a result of change in the APA Group's accounting policy following the IFRIC Agenda Decision published in April 2021 related to accounting for SaaS arrangements.
3) $36.1m of non-Saas software, $0.7m of licences net of accumulated amortisation, and $9.0m of non-SaaS software related work in progress are reclassified to intangible assets.
4) Relates to APA Group's 50% ownership in Mid West Pipeline to be disposed of in the next 12 months.

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

The right-of-use ("ROU") asset is initially measured at cost comprising the initial measurement of the lease liability (as outlined in note 17) adjusted for any lease payments made before the commencement date and reduced by any lease incentives received plus initial direct costs incurred in obtaining the lease. Any make good requirements are recognised and measured under AASB 137 Provisions, Contingent Liabilities and Contingent Assets and to the extent that the costs relate to a ROU asset these are included in the related ROU asset.

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

Subsequently, 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 13 Impairment of non-financial assets of the annual report for the financial year end 30 June 2021.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
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Operating Assets and Liabilities

11. Property, plant and equipment continued

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 and environmental factors are taken into consideration in assessing the useful lives of the assets, including but not limited to asset condition and obsolescence, technology changes, commercial contract lives and renewals, global and regional gas supply-and-demand, and climate-related risks under three divergent climate scenarios for 2020-2050 detailed in the APA Group Climate Change Resilience Report published in October 2020. The Report provides a comprehensive analysis of the resilience of APA's current asset portfolio under a series of scenarios and uses a range of assumptions considering external factors and data sources, e.g. economic activities and growth projections ranging from 1.7% to 5.5% sourced from Shared Socioeconomic Pathways database, emission trajectory defined by Representative Concentration Pathways, carbon budget and offsets, key social and political characteristics, and Asian gas demand. Any reassessment of useful lives in a particular year will affect the depreciation expense.

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

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

Change in accounting policy – Software-as-a-Service arrangements

IFRIC issued an Agenda Decision in April 2021 summarising IFRIC considerations and decisions relating to customisation and configuration costs in a SaaS arrangement where an intangible asset is not recognised under AASB 138 Intangible Assets. The standard requires the costs be recognised as an expense when services are received where these costs do not create a resource controlled by the company that is separate to the software.

During the year, APA Group revised its accounting policy to record the configuration and customisation costs incurred in implementing SaaS arrangements as an operating expenses within profit or loss in response to the IFRIC Agenda Decision.

Costs incurred to configure or customise the cloud provider's application software, are now recognised as operating expenses when the services are received. Previously, the Group capitalised the configuration and customisation costs as and when they are incurred during implementation and amortised them over the term of the SaaS arrangement outlined in the service contract, where material modifications and incremental capability was being added to the application software.

Some of these costs incurred are for the set-up of current IT environment or the development of software code that enhances or modifies, or creates the incremental capability to, existing on-premise systems or network and meets the definition of and recognition criteria for an intangible asset. These costs create a resource controlled by APA Group and are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change is for prospectively as a change in accounting estimate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
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Operating Assets and Liabilities

11. Property, plant and equipment continued

APA Group has implemented the IFRIC Agenda Decision retrospectively as a change in accounting policy. Historical financial information has been restated to account for the impact of the change in accounting policy. The amount of the movements resulting for the change in accounting policy are as follows:

	30 June 2021 $000	30 June 2020 $000	1 July 2019 $000
Financial statement item			
Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Other expenses	**(7,957)**	(8,410)	
Depreciation and amortisation expense	**3,008**	760	
Profit before tax	**(4,949)**	(7,650)	
Income tax benefit	**1,485**	2,295	
Profit after tax	**(3,464)**	(5,355)	
Consolidated Statement of Financial Position			
Property, plant and equipment	**(17,802)**	(12,853)	(5,203)
Deferred tax balance	**5,341**	3,856	1,561
Net assets	**(12,461)**	(8,997)	(3,642)
Retained earnings	**(12,461)**	8,997	3,642
Total equity	**(12,461)**	8,997	3,642
Consolidated Statement of Cash Flows			
Payments to suppliers and employees	**(7,957)**	(8,410)	
Net cash provided by operating activities	**(7,957)**	(8,410)	
Payments for property, plant and equipment	**7,957**	8,410	
Net cash used in investing activities	**7,957**	8,410	

12. Goodwill and intangibles

	2021 $000	2020 $000
Goodwill		
Balance at beginning of financial year	**1,183,604**	1,183,604
Balance at end of financial year	**1,183,604**	1,183,604

Allocation of goodwill to cash-generating units

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
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Operating Assets and Liabilities

12. Goodwill and intangibles continued

Allocation of goodwill to cash-generating units continued

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

	2021 $000	2020 $000
Asset Management business	**21,456**	21,456
Energy Infrastructure		
East Coast Grid	**1,060,681**	1,060,681
Diamantina Power Station	**43,104**	43,104
Other energy infrastructure [(1)]	**58,363**	58,363
	1,183,604	1,183,604

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

Software, licences, contract and other intangibles

	Software – at cost $000	Licences – at cost $000	Work in progress – at cost $000	Contract and other – at cost $000	Total $000
Gross carrying amount					
Balance at 1 July 2019	—	—	—	3,591,278	3,591,278
Reclassified from property, plant and equipment	69,831	909	8,999	—	79,739
Additions	880	526	9,082	253	10,741
Transfer	3,873	716	(4,589)	—	—
Balance at 30 June 2020	74,584	2,151	13,492	3,591,531	3,681,758
Balance at 1 July 2020	**74,584**	**2,151**	**13,492**	**3,591,531**	**3,681,758**
Additions	**1,122**	**144**	**9,101**	**391**	**10,758**
Transfer	**5,510**	**—**	**(5,510)**	**—**	**—**
Balance at 30 June 2021	**81,216**	**2,295**	**17,083**	**3,591,922**	**3,692,516**
Accumulated amortisation					
Balance at 1 July 2019	—	—	—	(781,517)	(781,517)
Reclassified from property, plant and equipment	(33,767)	(232)	—	—	(33,999)
Amortisation expense (note 5)	(13,104)	(433)	—	(182,735)	(196,272)
Balance at 30 June 2020	(46,871)	(665)	—	(964,252)	(1,011,788)
Balance at 1 July 2020	**(46,871)**	**(665)**	**—**	**(964,252)**	**(1,011,788)**
Amortisation expense (note 5)	**(16,359)**	**(551)**	**—**	**(182,482)**	**(199,392)**
Balance at 30 June 2021	**(63,230)**	**(1,216)**	**—**	**(1,146,734)**	**(1,211,180)**
Net book value					
As at 30 June 2020	27,713	1,486	13,492	2,627,279	2,669,970
As at 30 June 2021	**17,986**	**1,079**	**17,083**	**2,445,188**	**2,481,336**

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
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Operating Assets and Liabilities

12. Goodwill and intangibles continued

Contract and other intangibles

APA Group holds various third party operating and maintenance contracts. The combined gross carrying amount of $3,591.9 million amortises over terms ranging from 1 to 20 years. Useful life is determined based on the underlying contractual terms plus estimations of renewal of up to two terms where considered probable by management.

Software

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

Licences

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

13. Impairment of non-financial assets

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

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

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

Determining whether identifiable intangible assets and goodwill are impaired requires an estimation of the value-in-use or fair value of the cash-generating units. The calculations require APA Group to estimate the future cash flows expected to arise from cash-generating units and 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 five year financial business plan and thereafter a further 15 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 calculation utilise comparable market transactions less estimated costs of disposal.

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

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

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

These assumptions have been determined with reference to historic information, current performance and expected changes taking into account external information such as market inputs on discount rates, the effects of inflation within Reserve Bank of Australia's guidance range, the outlook for global and regional gas market supply-and-demand conditions, internal information such as contract renewals, forecast input costs and climate-related risks under three divergent climate scenarios for 2020-2050 detailed in the APA Group Climate Change Resilience Report published in October 2020. The Report provides a comprehensive analysis of the resilience of APA's current asset portfolio under a series of scenarios and uses a range of assumptions considering external factors and data sources, e.g. economic activities and growth projections ranging from 1.7% to 5.5% sourced from Shared Socioeconomic Pathways database, emission trajectory defined by Representative Concentration Pathways, carbon budget and offsets, key social and political characteristics, and Asian gas demand. Such estimates may change as new information becomes available.

Cash flow projections are estimated for a period of up to 20 years, with a terminal value, recognising the long term nature of the assets. The pre-tax discount rates used are 7.00% p.a. (2020: 7.75% p.a.) for Energy Infrastructure assets and 7.00% p.a. (2020: 7.75% p.a.) for Asset Management.

For fully regulated assets, cash flows have been extrapolated on the basis of existing transportation contracts and government policy settings, and expected contract renewals with a resulting average annual growth rate of -0.1% p.a. (2020: 0.3% p.a.). APA Group has assumed prudent capital and operating expenditure, appropriate regulated rates of return, and forecast inflation over the existing and renewal contract terms. These expected cash flows are factored into the regulated asset base and do not exceed management's expectations of the long-term average growth rate for the market in which the cash generating unit operates.

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

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Operating Assets and Liabilities

13. Impairment of non-financial assets continued

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

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

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

Orbost Gas Processing Plant

As at 31 December 2020, APA determined the recoverable amount to be $233.3 million on a pre-tax basis based on value-in-use calculation which results in a pre-tax impairment charge of $249.3 million. This has been disclosed as a significant item in the interim financial report.

The impairment charge reflects the continuation of production levels and expenditure based on the current performance of the asset since re-configuration and resumption of the processing plant, where current production is expected to achieve 45 TJ/day, and contractual renewal terms based on management's expectations. APA has applied a pre-tax discount rate of 7.25% in both December 2020 and June 2021 assessments.

The key sensitivity, holding all other assumptions constant, that could result in a further change in the carrying value of the asset based on a reasonably possible change, is a 1% increase to the discount rate, which could result in a further impairment charge in the order of $10 million.

No further impairment triggers have been identified in the second half of 2021 and the recoverable amount remains supportable. APA will continue to monitor the project and will revise estimates should new material information become available.

14. Provisions

	2021 $000	2020 $000
Employee benefits	**85,154**	77,878
Other	**8,605**	11,758
Current	**93,759**	89,636
Employee benefits	**35,267**	60,082
Other (1)	**67,085**	55,823
Non-current	**102,352**	115,905
Employee benefits		
Incentives	**25,986**	21,204
Cash settled long-term incentives	**5,447**	7,132
Leave balances	**53,721**	49,009
Termination benefits	**—**	533
Current	**85,154**	77,878
Cash settled long-term incentives	**4,587**	8,414
Defined benefit liability (note 16)	**19,686**	41,052
Leave balances	**10,994**	10,616
Non-current	**35,267**	60,082

1) This amount represents the restoration provision of APA Group's assets.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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Operating Assets and Liabilities

14. Provisions continued

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.

15. Other non-current assets

	2021 $000	2020 $000
Line pack gas	**20,571**	20,607
Gas held in storage	**6,010**	6,010
Defined benefit asset (note 16)	**4,877**	2,534
Other assets	**192**	192
	31,650	29,343

16. 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 2021. 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:

	2021 $000	2020 $000
Amounts recognised in the statement of profit or loss and other comprehensive income		
Current service cost	**2,032**	2,054
Net interest expense	**995**	294
Components of defined benefit costs recognised in profit or loss (note 5)	**3,027**	2,348
Amounts recognised in the statement of financial position		
Fair value of plan assets	**139,336**	124,358
Present value of benefit obligation	**(154,145)**	(162,876)
Defined benefit asset – non-current (note 15)	**4,877**	2,534
Defined benefit liability – non-current (note 14)	**(19,686)**	(41,052)
Opening defined benefit obligation	**162,876**	146,282
Current service cost	**2,032**	2,054
Interest cost	**4,613**	4,329
Contributions from plan participants	**572**	669
Actuarial (gain)/loss	**(4,554)**	21,914
Benefits paid	**(10,748)**	(11,905)
Administrative expenses, taxes and premiums paid	**(646)**	(467)
Closing defined benefit obligation	**154,145**	162,876

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
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Operating Assets and Liabilities

16. Employee superannuation plans continued

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

	2021 $000	2020 $000
Opening fair value of plan assets	**124,358**	136,487
Interest income	**3,618**	4,035
Actual return/(loss) on plan assets excluding interest income	**19,028**	(6,189)
Contributions from employer	**3,154**	1,728
Contributions from plan participants	**572**	669
Benefits paid	**(10,748)**	(11,905)
Administrative expenses, taxes and premiums paid	**(646)**	(467)
Closing fair value of plan assets	**139,336**	124,358

Defined contribution plans

Contributions to defined contribution plans are expensed when incurred. The percentage rate for superannuation guarantee contribution by APA Group remain at 9.5% until 30 June 2021, increasing to 10% from 1 July 2021, and eventually to 12% from 1 July 2025.

Defined benefit plans

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

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

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

Key actuarial assumptions used in the determination of the defined benefit obligation is a discount rate of 3.2% gross of tax (2020: 3.0%), based on the corporate bond yield curve published by Milliman, an expected salary increase rate of 2.7% (2020: 2.7%), and pension indexation rate of 1.8% (2020: 2.0%). The sensitivity analysis below has been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by $8,479,000 (increase by $9,455,000).
- If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by $1,437,000 (decrease by $1,386,000).
- If the expected pension indexation rate increases (decreases) by 0.5%, the defined benefit obligation would increase by $7,744,000 (decrease by $7,033,000).

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

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

APA Group expects to pay $3.1 million in contributions to the defined benefit plans during the year ending 30 June 2022.

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Operating Assets and Liabilities

17. Leases

APA Group as a lessee

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

	2021 $000	2020 $000
Lease liabilities		
Not longer than 1 year	**16,265**	15,808
Longer than 1 year but not longer than 5 years	**40,033**	42,671
Longer than 5 years	**16,827**	22,475
Minimum future lease payments	**73,125**	80,954
Less: Future finance cost	**10,069**	11,077
Present value of the future lease payments	**63,056**	69,877
Included in the consolidated statement of financial position as part of:		
Current lease liabilities	**13,828**	13,544
Non-current lease liabilities	**49,228**	56,333
	63,056	69,877

In FY20, APA Group adopted AASB 16 using the modified retrospective approach.

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

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

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

Where APA Group has determined that a lease exists, a right-of-use asset (disclosed in note 11) and a corresponding lease liability is recognised at the commencement date of the lease for all leases other than short-term or low-value asset leases.

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

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

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

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

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

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

Total cash outflow for leases amounted to $15.3 million, excluding payments for short term leases, low-value asset leases and variable payments leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
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Operating Assets and Liabilities

17. Leases continued

APA Group as a lessor

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

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

	2021 $000	2020 $000
Finance lease receivables		
Not longer than 1 year	**2,237**	2,232
Longer than 1 year and not longer than 5 years	**7,016**	7,542
Longer than 5 years	**7,699**	9,410
Minimum future lease payments receivable [(1)]	**16,952**	19,184
Less: unearned finance lease receivables	**(5,302)**	(6,379)
Present value of lease receivables	**11,650**	12,805
Included in the consolidated statement of financial position as part of:		
Current trade and other receivables (note 9)	**1,275**	1,166
Non-current receivables (note 9)	**10,375**	11,639
	11,650	12,805

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.

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

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

Controlled entities are subject to externally imposed capital requirements. These relate to the Australian Financial Services Licence held by Australian Pipeline Limited, the Responsible Entity of APA Group, and were adhered to for the entirety of the 2021 and 2020 periods.

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

The main aspects are:

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

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

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Capital Management

18. Net debt

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

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

	2021 $000	2020 $000
Cash at bank and on hand	**212,938**	502,765
Short-term deposits	**439,414**	670,006
Cash and cash equivalents	**652,352**	1,172,771
Guaranteed senior notes [1]	**—**	(299,954)
Other financial liabilities	**(2,721)**	(10,659)
Current borrowings	**(2,721)**	(310,613)
Guaranteed senior notes [2]	**(9,960,728)**	(10,591,648)
Other financial liabilities	**(10,467)**	(55,585)
Less: unamortised borrowing costs	**49,878**	39,851
Non-current borrowings	**(9,921,317)**	(10,607,382)
Total borrowings	**(9,924,038)**	(10,917,995)
Current lease liabilities	**(13,828)**	(13,544)
Non-current lease liabilities	**(49,228)**	(56,333)
Total lease liabilities	**(63,056)**	(69,877)
Net debt	**(9,334,742)**	(9,815,101)

1) AUD denominated private placement notes and AUD MTN of A$300 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 (2020: Includes USD denominated private placement notes of US$124 million, JPY MTN of ¥ 10,000 million, GBP MTN of £1,350 million, EUR MTN of €1,950 million and USD denominated 144a notes of US$3,000 million measured at the exchange rate at reporting date, and A$143 million of AUD denominated private placement notes and AUD MTN of A$200 million).
Refer to note 19 for details of interest rates and maturity profiles.

Reconciliation of net debt

	Cash and cash equivalents $000	Borrowings due within 1 year $000	Borrowings due after 1 year $000	Lease Liabilities $000	Net debt $000
Net debt as at 1 July 2019	354,947	(444,502)	(9,865,813)	(74,565)	(10,029,933)
Cash movements	817,776	398,836	(1,017,812)	13,482	212,282
Non cash changes — leases	—	—	—	(8,794)	(8,794)
Foreign exchange movements due to fair value changes	48	45,666	(33,527)	—	12,187
Transfer from due after 1 year to due within 1 year	—	(310,613)	310,659	—	46
Movement of deferred borrowing costs	—	—	(889)	—	(889)
Net debt as at 30 June 2020	1,172,771	(310,613)	(10,607,382)	(69,877)	(9,815,101)
Net debt as at 1 July 2020	**1,172,771**	**(310,613)**	**(10,607,382)**	**(69,877)**	**(9,815,101)**
Cash movements	**(520,145)**	**2,866,999**	**(2,358,421)**	**16,046**	**4,479**
Non cash changes — leases	**—**	**—**	**—**	**(9,225)**	**(9,225)**
Foreign exchange movements due to fair value changes	**(274)**	**(354,168)**	**829,520**	**—**	**475,078**
Transfer from due after 1 year to due within 1 year	**—**	**(2,204,939)**	**2,204,939**	**—**	**—**
Movement of deferred borrowing costs	**—**	**—**	**10,027**	**—**	**10,027**
Net debt as at 30 June 2021	**652,352**	**(2,721)**	**(9,921,317)**	**(63,056)**	**(9,334,742)**

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Australian Pipeline Trust and its Controlled Entities
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Capital Management

18. Net debt continued

	2021 $000	2020 $000
Financing facilities available		
Total facilities		
Guaranteed senior notes (1)	**9,960,728**	10,891,602
Bank borrowings (2)	**1,250,000**	1,300,000
	11,210,728	12,191,602
Facilities used at balance date		
Guaranteed senior notes (1)	**9,960,728**	10,891,602
Bank borrowings (2)	**—**	—
	9,960,728	10,891,602
Facilities unused at balance date		
Guaranteed senior notes (1)	**—**	—
Bank borrowings (2)	**1,250,000**	1,300,000
	1,250,000	1,300,000

1) Represents JPY MTN of ¥10,000 million, GBP MTN of £1,600 million, EUR MTN of €2,350 million and USD denominated 144a notes of US$2,250 million measured at the exchange rate at reporting date, and AUD MTN of A$200 million (2020: Includes USD denominated private placement notes of US$124 million, USD denominated 144a notes of US$750 million, EUR MTN of €700 million, A$143 million of AUD denominated private placement notes and AUD MTN of A$300 million). Refer to note 19 for details of interest rates and maturity profiles.
2) Refer to note 19 for details of interest rates and maturity profiles.

19. Financial risk management

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

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

a) Market risk including currency risk, interest rate risk and price risk;
b) Credit risk; and
c) Liquidity risk.

Risk	Sources	Risk management framework	Financial exposure
Market	Commercial transactions in foreign currency and funding activities	The ARMC approves written principles for overall risk management, as well as policies covering specific areas such as liquidity risk, funding risk, foreign currency risk, interest rate risk and credit risk. APA Group's ARMC ensures there is an appropriate Risk Management Policy for the management of treasury risk and compliance with the policy through the review of monthly reporting to the Board from the Capital Markets department.	Refer to 19 (a) Market risk section.
Credit	Cash, receivables, interest bearing liabilities and hedging		The carrying amount of financial assets recorded in the financial statements, net of any collateral held or bank guarantees held by the Group, represents APA Group's maximum exposure to credit risk in relation to those assets.
Liquidity	Ongoing business operations, financial market disruptions and new investment opportunities		A detailed table shows APA Group's remaining contractual maturities for its non-derivative financial liabilities at the end of this section.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
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Capital Management

19. Financial risk management continued

a) Market risk

APA Group's market risk exposure is primarily due to changes in market prices such as interest and foreign exchange rates. APA Group is also exposed to price risk arising from its forward purchase contracts over listed equities and electricity price risk arising from an electricity contract for difference. The table below summarises these risks by nature of exposure and provides information about the risk mitigation strategies being applied:

Nature	Sources of financial exposure	Risk management strategy
Foreign exchange	APA Group's foreign exchange risk arises from future commercial transactions (including revenue, interest payments and principal debt repayments on long-term borrowings and the purchases of capital equipment and operating cost).	Exchange rate exposures are managed within approved policy parameters utilising foreign currency forward exchange contracts ("FECs"), cross currency swap contracts ("CCIRS") and foreign currency denominated borrowings. 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; – CCIRS 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 and electricity price	APA Group is exposed to price risk arising from its forward purchase contracts over listed equities and electricity price risk arising from a contract for difference in an electricity sales agreement with a customer.	The equity price risk is managed by forward purchase contracts held to hedge the long term incentive awards rather than for trading purposes. APA Group does not actively trade these holdings. Electricity price risk is managed with electricity sales agreements with creditworthy counterparties. The key assumptions of the commercial contract for difference are provided in the fair value of financial instrument section.

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

Foreign currency risk

Foreign currency forward exchange contracts

To manage foreign exchange risk arising from future commercial transactions such as forecast capital purchases and operating cost, revenue and interest 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):

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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Capital Management

19. Financial risk management continued

a) Market risk continued

2020	Cash & cash equivalents $000	Total borrowings $000	Cross currency swaps $000	Forward exchange contract $000	Net foreign currency position $000
US Dollar (USD) [(1)]	2,934	(4,530,162)	224,601	(589,300)	(4,891,927)
Japanese Yen (JPY)	—	(134,338)	134,338	—	—
British Pound (GBP)	—	(2,423,481)	2,423,481	127	127
Euro (EUR)	—	(3,174,688)	3,174,688	3,162	3,162
Swedish Krona (SEK)	—	—	—	25,575	25,575
	2,934	(10,262,669)	5,957,108	(560,436)	(4,863,063)

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

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

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

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

The following table details the FECs outstanding at reporting date:

Cash flow hedges	Average contract rate	Contract Value			
2021	$	< 1 year $000	1 - 2 years $000	2 - 5 years $000	Fair value $000
Forecast revenue and associated receivable					
Sell USD	**0.7103**	**204,710**	**698**	**—**	**10,876**
Forecast capital purchases and operating cost					
Buy USD	**0.7646**	**(87,464)**	**(42)**	**(42)**	**2,032**
Buy EUR	**0.6193**	**(4,402)**	**—**	**—**	**(79)**
Buy SEK	**5.7152**	**(1,984)**	**—**	**—**	**(216)**
Buy GBP	**0.5660**	**(74)**	**—**	**—**	**1**
		110,786	**656**	**(42)**	**12,614**
2020					
Forecast revenue and associated receivable					
Sell USD	0.7162	318,735	253,313	—	(22,284)
Forecast capital purchases and and operating cost					
Buy USD	0.6500	(4,991)	(42)	(84)	(295)
Buy EUR	0.5974	(2,755)	(496)	—	(71)
Buy SEK	5.7959	(24,697)	(3,683)	—	(2,718)
Buy GBP	0.5259	(135)	—	—	(8)
		286,157	249,092	(84)	(25,376)

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.

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Capital Management

19. Financial risk management continued

a) Market risk continued

Cross currency swap contracts

APA Group enters into cross currency swap contracts to mitigate the risk of adverse movements in foreign exchange rates in relation to principal and interest payments arising from foreign currency borrowings. APA Group receives fixed amounts in the various foreign currencies and pays 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 2021	Foreign currency	Exchange rate $	Less than 1 year $000	1 - 2 years $000	2 - 5 years $000	More than 5 years $000
Pay AUD / receive foreign currency						
2012 GBP Medium Term Notes	AUD/GBP	**0.6530**	**—**	**—**	**(535,988)**	**—**
2017 US144A	AUD/USD	**0.7668**	**—**	**—**	**—**	**(1,108,503)**
2019 GBP Medium Term Notes	AUD/GBP	**0.5388**	**—**	**—**	**—**	**(742,390)**
2019 JPY Medium Term Notes	AUD/JPY	**75.2220**	**—**	**—**	**—**	**(132,940)**
2020 EUR Medium Term Notes	AUD/EUR	**0.5895**	**—**	**—**	**—**	**(1,017,812)**
2021 EUR Medium Term Notes	AUD/EUR	**0.6464**	**—**	**—**	**—**	**(1,701,733)**
2021 GBP Medium Term Notes	AUD/GBP	**0.5530**	**—**	**—**	**—**	**(452,080)**
Pay USD / receive foreign currency						
2015 EUR Medium Term Notes	USD/EUR	**0.9514**	**—**	**—**	**—**	**(911,379)**
2015 GBP Medium Term Notes	USD/GBP	**0.6773**	**—**	**—**	**—**	**(1,181,751)**
			—	**—**	**(535,988)**	**(7,248,588)**
2020						
Pay AUD / receive foreign currency						
2007 USPP Notes	AUD/USD	0.8068	—	(153,694)	—	—
2012 US144A	AUD/USD	1.0198	—	—	(735,438)	—
2012 GBP Medium Term Notes	AUD/GBP	0.6530	—	—	(535,988)	—
2015 EUR Medium Term Notes	AUD/EUR	0.6183	—	(1,132,141)	—	—
2017 US144A	AUD/USD	0.7668	—	—	—	(1,108,503)
2019 GBP Medium Term Notes	AUD/GBP	0.5388	—	—	—	(742,390)
2019 JPY Medium Term Notes	AUD/JPY	75.2220	—	—	—	(132,940)
2020 EUR Medium Term Notes	AUD/EUR	0.5895	—	—	—	(1,017,812)
Pay USD / receive foreign currency						
2015 EUR Medium Term Notes	USD/EUR	0.9514	—	—	—	(990,741)
2015 GBP Medium Term Notes	USD/GBP	0.6773	—	—	—	(1,284,658)
			—	(1,285,835)	(1,271,426)	(5,277,044)

Foreign currency denominated borrowings

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

Foreign currency sensitivity analysis

The analysis below shows the effect on profit and total equity of retranslating cash, receivables, payables and interest-bearing liabilities denominated in USD, JPY, GBP, EUR and SEK 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.

- There would be no impact on net profit as all foreign currency exposures are fully hedged (2020: nil); and
- Equity reserves would decrease by $1,028.0 million with a 20 percent depreciation of the A$ or increase by $685.6 million with a 20 percent increase in foreign exchange rates (2020: decrease by $1,229.6 million or increase by $820.1 million respectively).

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19. Financial risk management continued

a) Market risk continued

Interest rate risk

APA Group's interest rate risk is derived predominately from borrowings subject to floating interest rates. 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. Exposure to financial assets is limited to cash and cash equivalents amounting to $652.4 million as at 30 June 2021 (2020: $1,172.8 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	
	2021 % p.a.	2020 % p.a.	**2021 $000**	2020 $000	**2021 $000**	2020 $000
Cash flow hedges – Pay fixed AUD interest – receive floating AUD or fixed foreign currency						
Less than 1 year	**—**	—	**—**	—	**—**	—
1 year to 2 years	**—**	4.65	**—**	1,285,835	**—**	(7,622)
2 years to 5 years [(1)]	**4.25**	4.03	**535,988**	1,271,426	**69,513**	382,490
5 years and more [(1)]	**2.94**	3.66	**7,248,588**	5,277,044	**(262,750)**	(354,157)
			7,784,576	7,834,305	**(193,237)**	20,711

1) This amount includes a notional amount of USD 1.6 billion (2020: USD 1.6 billion) which is subject to USD interest rate risk.

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

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

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19. Financial risk management continued

a) Market risk continued

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

	Fair value of hedge instrument		Fair value of hedge item		Reserve balance	
	2021 $000	2020 $000	**2021 $000**	2020 $000	**2021 $000**	2020 $000
Foreign exchange risk						
Hedging foreign currency borrowings (cross currency swap)	**(193,237)**	20,711	**204,225**	(5,088)	**398,468**	633,540
Hedging revenue and associated receivables (foreign currency borrowings)	**(90,663)**	(253,287)	**90,663**	253,287	**90,663**	253,287
Hedging revenue and associated receivables (FECs)	**10,876**	(22,284)	**(10,789)**	22,326	**(10,423)**	21,253
Hedging capital purchases (FECs)	**1,738**	(3,092)	**(1,739)**	3,092	**(1,738)**	3,092
	(271,286)	(257,952)	**282,360**	273,617	**476,970**	911,172

	Change in fair values of hedge instruments [1]		Change in fair values of hedged items [1]	
	2021 $000	2020 $000	**2021 $000**	2020 $000
Hedging foreign currency borrowings (cross currency swap)	**114,389**	(150,737)	**(137,314)**	164,733
Hedging revenue and associated receivables (foreign currency borrowings)	**162,624**	(35,150)	**(162,624)**	35,150
Hedging revenue and associated receivables (FECs)	**33,160**	(10,411)	**(33,115)**	10,437
Hedging capital purchases (FECs)	**4,830**	698	**(4,831)**	(708)
	315,003	(195,600)	**(337,884)**	209,612

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

	Hedge ineffectiveness gain / (loss)		Balance relating to discontinued cash flow hedges	
	2021 $000	2020 $000	**2021 $000**	2020 $000
Foreign exchange risk				
Hedging foreign currency borrowings (cross currency swap)	**(926)**	(417)	**2,349**	17,906
Hedging revenue and associated receivables (FECs)	**87**	—	**—**	—
	(839)	(417)	**2,349**	17,906

	2021 $000	2020 $000	**2021 $000**	2020 $000
Interest rate risk				
Hedging US$ denominated borrowings (interest rate swap)	**—**	—	**33,108**	46,289
	—	—	**33,108**	46,289

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Capital Management

19. Financial risk management continued

a) Market risk continued

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments held. A 100 basis point increase or decrease is used and represents management's assessment of the greatest possible change in interest rates 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 $46,784,000 with a 100 basis point decrease in interest rates or decrease by $4,943,000 with a 100 basis point increase in interest rates (2020: increase by $15,776,000 or increase by $4,528,000 respectively). This is due to the changes in the fair value of derivative interest instruments.

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

Price risk – equity price

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

Price risk – electricity price

APA Group is exposed to electricity price risk arising from a contract for difference in an electricity sales agreement with a customer. The contract guarantees the Group a fixed price for electricity offtake. The key assumptions of the contract for difference are provided in the fair value of financial instrument section.

b) Credit risk

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

Credit risk management

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

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.

2021	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)
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.

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

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19. Financial risk management continued

b) Credit risk continued

Cross guarantee

In accordance with a deed of cross guarantee, APT Pipelines Limited, a subsidiary of APA Group, has agreed to provide financial support, when and as required, to all wholly-owned controlled entities with either a deficit in shareholders' funds or an excess of current liabilities over current assets. The fair value of the financial guarantee as at 30 June 2021 has been determined to be immaterial and no liability has been recorded (2020: $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 table following are APA Group's remaining contractual maturities for its non-derivative financial liabilities. The table is presented based on the undiscounted cash flows of financial liabilities taking account of the earliest date on which APA Group can be required to pay. The table includes both interest and principal cash flows.

The table below shows the undiscounted Australian dollar cash flows associated with the AUD and foreign currency denominated notes, cross currency swaps and fixed interest rate swaps in aggregate.

2021	Maturity	Average interest rate % p.a.	Less than 1 year $000	1 - 5 years $000	More than 5 years $000
Unsecured financial liabilities					
Trade and other payables		—	314,560	—	—
Unsecured bank borrowings (1)		—	—	—	—
Denominated in A$					
Other financial liabilities			3,146	9,349	2,063
Denominated in US$					
Guaranteed Senior Notes (2)					
Denominated in A$					
2016 AUD Medium Term Notes	20-Oct-23	3.75	7,500	211,250	—
Denominated in US$					
2015 US 144A (3)	23-Mar-25	4.20	61,629	1,652,409	—
2015 US 144A (3)	23-Mar-35	5.00	20,009	80,037	580,493
2017 US 144A	15-Jul-27	4.25	59,037	234,380	1,196,239
Denominated in stated foreign currency					
2012 GBP Medium Term Notes	26-Nov-24	4.25	39,459	634,904	—
2015 GBP Medium Term Notes (3)	22-Mar-30	3.50	52,992	212,073	1,393,824
2015 EUR Medium Term Notes (3)	22-Mar-27	2.00	40,059	160,237	951,438
2019 GBP Medium Term Notes	18-Jul-31	3.13	33,595	135,026	927,438
2019 JPY Medium Term Notes	13-Jun-34	1.03	5,606	22,518	177,913
2020 EUR Medium Term Notes	15-Jul-30	2.00	39,666	157,155	1,194,801
2021 EUR Medium Term Notes	15-Mar-29	0.75	27,388	109,702	1,010,382
2021 EUR Medium Term Notes	15-Mar-33	1.25	29,249	117,155	978,336
2021 GBP Medium Term Notes	15-Mar-36	2.50	19,184	76,842	644,132
			753,079	3,813,037	9,057,059

1) Bank facilities mature or expire on 16 May 2022 ($50 million limit), 18 July 2022 ($150 million limit), 30 June 2023 ($500 million limit), 31 December 2023 ($500 million limit) and 19 December 2025 ($50 million limit).
2) Rates shown are the coupon rate in the currency of issuance.
3) Facilities are denominated in or fully swapped by way of CCIRS into US$. Cashflows represent the US$ cashflow translated at the USD/AUD spot rate as at 30 June 2021. These amounts are fully hedged by FECs or future US$ revenues.

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19. Financial risk management continued

b) Credit risk continued

2020	Maturity	Average interest rate % p.a.	Less than 1 year $000	1 - 5 years $000	More than 5 years $000
Unsecured financial liabilities					
Trade and other payables		—	308,764	—	—
Unsecured bank borrowings [1]		—	—	—	—
Denominated in A$					
Other financial liabilities			3,610	10,924	3,634
Denominated in US$					
Other financial liabilities [2]			8,473	27,355	18,900
Guaranteed Senior Notes [3]					
Denominated in A$					
2007 Series G	15-May-22	7.45	6,002	86,584	—
2007 Series H	15-May-22	7.45	4,617	66,603	—
2010 AUD Medium Term Notes	22-Jul-20	7.75	311,625	—	—
2016 AUD Medium Term Notes	20-Oct-23	3.75	7,500	218,750	—
Denominated in US$					
2007 Series F	15-May-22	6.14	11,354	165,079	—
2012 US 144A	11-Oct-22	3.88	48,854	809,057	—
2015 US 144A [2]	23-Mar-25	4.20	66,995	1,863,295	—
2015 US 144A [2]	23-Mar-35	5.00	21,752	87,007	652,794
2017 US 144A	15-Jul-27	4.25	58,812	234,765	1,254,891
Denominated in stated foreign currency					
2012 GBP Medium Term Notes	26-Nov-24	4.25	39,459	674,363	—
2015 GBP Medium Term Notes [2]	22-Mar-30	3.50	57,606	230,528	1,572,792
2015 EUR Medium Term Notes	22-Mar-22	1.38	50,290	1,182,555	—
2015 EUR Medium Term Notes [2]	22-Mar-27	2.00	43,548	174,190	1,077,836
2019 GBP Medium Term Notes	18-Jul-31	3.13	33,595	135,026	961,033
2019 JPY Medium Term Notes	13-Jun-34	1.03	5,622	22,471	183,566
2020 EUR Medium Term Notes	15-Jul-30	2.00	28,025	157,479	1,234,143
			1,116,503	6,146,031	6,959,589

1) Bank facilities mature or expire on 19 December 2020 ($100 million limit), 16 May 2022 ($50 million limit), 18 July 2022 ($150 million limit), 30 June 2023 ($500 million limit) and 31 December 2023 ($500 million limit).
2) Facilities are denominated in or fully swapped by way of CCIRS into US$. Cashflows represent the US$ cashflow translated at the USD/AUD spot rate as at 30 June 2020. 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.

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19. Financial risk management continued

b) Credit risk 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 2021 (2020: 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.

Contract for difference

The financial statements include a contract for difference arising from an electricity sales agreement with a customer that guarantees the Group a fixed price for electricity offtake for the agreed term which is measured at fair value. The fair value of the contract for difference is derived from internal discounted cash flow valuation methodology, which includes some assumptions that are not able to be supported by observable market prices or rates.

In determining the fair value, the following assumptions were used:

- Estimated long term forecast electricity pool prices are applied as market prices are not readily observable for the corresponding term;
- Forecast electricity volumes are estimated based on an internal forecast output model;
- The discount rates are based on observable market rates for risk-free instruments of the appropriate term;
- Credit adjustments are applied to the discount rates to reflect the risk of default by either the Group or a specific counterparty. Where a counterparty specific credit curve is not observable, an estimated curve is applied which takes into consideration the credit rating of the counterparty and its industry; and
- These instruments are classified in the fair value hierarchy at Level 3.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
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Capital Management

19. Financial risk management continued

b) Credit risk continued

Fair value hierarchy

2021	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets measured at fair value				
Cross currency interest rate swap contracts used for hedging	**—**	**193,004**	**—**	**193,004**
Foreign currency forward exchange contracts used for hedging	**—**	**22,724**	**—**	**22,724**
Contract for difference	**—**	**—**	**29,742**	**29,742**
	—	**215,728**	**29,742**	**245,470**
Financial liabilities measured at fair value				
Equity forwards designated as fair value through profit or loss	**—**	**2,211**	**—**	**2,211**
Cross currency interest rate swap contracts used for hedging	**—**	**386,241**	**—**	**386,241**
Foreign currency forward exchange contracts used for hedging	**—**	**10,110**	**—**	**10,110**
Indexed revenue contract	**—**	**3,365**	**—**	**3,365**
Contract for difference	**—**	**—**	**1,216**	**1,216**
	—	**401,927**	**1,216**	**403,143**

2020	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets measured at fair value				
Equity forwards designated as fair value through profit or loss	—	1,667	—	1,667
Cross currency interest rate swap contracts used for hedging	—	557,336	—	557,336
Foreign currency forward exchange contracts used for hedging	—	15,236	—	15,236
Contract for difference	—	—	10,508	10,508
	—	574,239	10,508	584,747
Financial liabilities measured at fair value				
Equity forwards designated as fair value through profit or loss	—	74	—	74
Cross currency interest rate swap contracts used for hedging	—	536,625	—	536,625
Foreign currency forward exchange contracts used for hedging	—	40,612	—	40,612
Indexed revenue contract	—	8,090	—	8,090
	—	585,401	—	585,401

Reconciliation of Level 3 fair value measurements

	2021 $000	2020 $000
Opening balance	**10,508**	1,742
Revaluation	**13,943**	9,288
Settlement	**4,075**	(522)
Closing balance	**28,526**	10,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
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Capital Management

19. Financial risk management continued

b) Credit risk continued

Fair value measurements of financial instruments measured at amortised cost

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

	Carrying amount		Fair value (Level 2) [1]	
	2021 $000	2020 $000	**2021 $000**	2020 $000
Financial liabilities				
Unsecured long term Private Placement Notes	**–**	322,353	**–**	351,357
Unsecured Australian Dollar Medium Term Notes	**200,000**	500,000	**212,150**	515,311
Unsecured Japanese Yen Medium Term Notes	**120,079**	134,338	**123,105**	136,838
Unsecured US Dollar 144A Medium Term Notes	**3,001,400**	4,350,348	**3,405,782**	4,821,607
Unsecured British Pound Medium Term Notes	**2,945,695**	2,423,481	**3,173,349**	2,620,897
Unsecured Euro Medium Term Notes	**3,715,047**	3,174,688	**3,790,914**	3,253,322
	9,982,221	10,905,208	**10,705,300**	11,699,332

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

20. Other financial instruments

	Assets		Liabilities	
	2021 $000	2020 $000	**2021 $000**	2020 $000
Derivatives at fair value:				
Contract for difference	**3,885**	2,813	**–**	–
Equity forward contracts	**–**	1,336	**498**	–
Derivatives at fair value designated as hedging instruments:				
Cross currency interest rate swaps – cash flow hedges	**19,463**	18,343	**158,433**	159,305
Foreign exchange contracts – cash flow hedges	**22,684**	9,971	**10,100**	27,042
Financial items carried at amortised cost:				
Redeemable preference shares	**10,400**	–	**–**	–
Redeemable preference share interest	**285**	285	**–**	–
Current	**56,717**	32,748	**169,031**	186,347
Derivatives at fair value:				
Contract for difference	**25,857**	7,695	**1,216**	–
Equity forward contracts	**–**	331	**1,713**	74
Indexed revenue contracts	**–**	–	**3,365**	8,090
Derivatives at fair value designated as hedging instruments:				
Cross currency interest rate swaps – cash flow hedges	**193,004**	557,336	**255,813**	405,904
Foreign exchange contracts – cash flow hedges	**39**	5,265	**10**	13,570
Financial items carried at amortised cost:				
Redeemable preference shares	**–**	10,400	**–**	–
Non-current	**218,900**	581,027	**262,117**	427,638

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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20. Other financial instruments continued

Recognition and measurement

Classification of financial assets

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

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

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

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

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

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

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

Fair value measurement

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

Hedge accounting

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

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

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

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

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

IBOR Replacement Impact

AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform Phase 2 was issued in September 2020 and will be effective for APA Group from 1 July 2021. Phase 2 amendments enable the Group to reflect the effects of transitioning IBORs to risk free rates (RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. APA Group does not have any debt or derivative instruments directly linked to US LIBOR, EURIBOR, GBP LIBOR or JPY LIBOR (collectively 'IBORs'). APA Group only has an indirect exposure to the IBORs in relation to the valuation of Cross Currency Interest Rate Swaps that are designated in hedging relationships.

APA Group's Capital Markets department will work closely with banks and swap counterparties to review the process of replacing the IBORs with replacement RFRs and implications on the pricing and valuation of existing hedging instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
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Capital Management

20. Other financial instruments continued

Recognition and measurement continued

Cash flow hedges

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

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

APA Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

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

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

APA Group separates the foreign currency basis spread from a financial instrument and excludes it from the designation of that financial instrument as the hedging instrument. Changes in the value of the undesignated aligned foreign currency basis spread associated with cross currency interest rate swaps are deferred in other comprehensive income.

Cash flow hedge and cost of hedging reserve

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

The cost of hedging reserve represents the effect of the changes in fair value of the forward currency basis spread of a financial instrument when the foreign currency basis spread of a financial instrument is excluded from the designation of that financial instrument as the hedging instrument (consistent with APA Group's accounting policy to recognise non-designated component of foreign currency derivative in equity). The changes in fair value of the foreign currency basis spread of a financial instrument, in relation to a time-period related hedged item accumulated in the cash flow hedging reserve, are amortised to profit or loss on a rational basis over the term of the hedging relationship.

	2021 $000	2020 $000
Balance at beginning of financial year	**(700,786)**	(608,016)
Gain/(loss) recognised taken to equity:		
Gain/(loss) arising on changes in fair value of hedging instruments	**421,547**	(183,107)
Changes in fair value of foreign currency basis spread during the year	**(46,941)**	(23,757)
Share of hedge reserve of associate	**12,420**	(5,848)
Amount reclassified to P&L for forecast transactions no longer expected to occur	**61,289**	—
Amount reclassified to P&L for effective hedges	**28,916**	80,184
Tax effect	**(143,169)**	39,758
Balance at end of financial year	**(366,724)**	(700,786)

The foreign currency basis spread reserve balance at beginning of financial year is ($58.2 million) and at end of financial year is ($70.0 million) in 2021 (2020: ($56.2m) and ($58.2m) respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
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Capital Management

20. Other financial instruments continued

Recognition and measurement continued

Hedge ineffectiveness

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

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

Hedge ineffectiveness for cross currency interest rate swaps is assessed using the same principles as for hedges of foreign currency capital equipment purchases. It may occur due to the credit value/debit value adjustment on the swap contracts which is not matched by the debts.

Impairment of financial assets

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

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

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

APA Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. Aside from the additional disclosure requirements in note 19, the history of collection rates and forward-looking information that is available without undue cost or effort shows that APA Group does not have an expected loss on collection of debtors or loans.

Significant increase in credit risk

An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating.

Definition of default

When there is a breach of financial covenants by the debtor.

Write-off policy

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

21. Issued capital

	2021 $000	2020 $000
Units		
1,179,893,848 securities, fully paid (2020: 1,179,893,848 securities, fully paid) [(1)]	**2,571,420**	3,103,806

	2021 No. of units 000	**2021 $000**	2020 No. of units 000	2020 $000
Movements				
Balance at beginning of financial year	**1,179,894**	**2,902,123**	1,179,894	3,103,806
Capital distributions paid (note 8)	**—**	**(330,703)**	—	(201,683)
Balance at end of financial year	**1,179,894**	**2,571,420**	1,179,894	2,902,123

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
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Group Structure

22. Non-controlling interests

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

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

	2021 $000	2020 $000
Financial position		
Current assets	894	852
Non-current assets	784,171	911,704
Total assets	785,065	912,556
Current liabilities	10	25
Total liabilities	10	25
Net assets	785,055	912,531
Equity attributable to non-controlling interests	785,055	912,531
Financial performance		
Revenue	42,914	53,033
Expenses	(13)	(12)
Profit for the year	42,901	53,021
Total comprehensive income allocated to non-controlling interests for the year	42,901	53,021
Cash flows		
Net cash provided by operating activities	43,741	53,834
Net cash provided by investing activities	126,637	80,931
Distributions paid to non-controlling interests	(170,377)	(134,765)
Net cash used in financing activities	(170,377)	(134,765)

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

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

	2021 $000	2020 $000
APT Investment Trust	785,055	912,531
	785,055	912,531
APT Investment Trust		
Issued capital:		
Balance at beginning of financial year	887,845	964,219
Distribution – capital return (note 8)	(122,532)	(76,374)
	765,313	887,845
Retained earnings:		
Balance at beginning of financial year	24,686	30,056
Net profit attributable to APTIT unitholders	42,901	53,021
Distributions paid (note 8)	(47,845)	(58,391)
	19,742	24,686

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Australian Pipeline Trust and its Controlled Entities
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Group Structure

23. Joint arrangements and associates

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

			Ownership interest %	
Name of entity	Principal activity	Country of incorporation	**2021**	2020
Joint ventures:				
SEA Gas	Gas transmission	Australia	**50.00**	50.00
SEA Gas (Mortlake)	Gas transmission	Australia	**50.00**	50.00
Energy Infrastructure Investments	Energy infrastructure	Australia	**19.90**	19.90
EII 2	Power generation (wind)	Australia	**20.20**	20.20
Associates:				
GDI (EII)	Gas distribution	Australia	**20.00**	20.00

	2021 $000	2020 $000
Investment in joint ventures and associates using the equity method	**240,201**	226,380
Joint Ventures		
Aggregate carrying amount of investment	**217,702**	204,778
APA Group's aggregated share of:		
Profit from continuing operations	**25,265**	25,863
Other comprehensive income	**10,226**	(4,178)
Total comprehensive income	**35,491**	21,685
Associates		
Aggregate carrying amount of investment	**22,499**	21,602
APA Group's aggregated share of:		
Profit from continuing operations	**4,512**	4,814
Other comprehensive income	**2,194**	(1,669)
Total comprehensive income	**6,706**	3,145

Investment in associates

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

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

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

Carrying value of the investment in joint arrangement and associates are subject to impairment testing if there is objective evidence of impairment. No material indicators identified in the joint arrangements and associates as at the date of the issuance of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
For the financial year ended 30 June 2021

Group Structure

23. Joint arrangements and associates continued

Contingent liabilities and capital commitments

APA Group's share of the contingent liabilities, capital commitments and other expenditure commitments of joint operations is disclosed in note 25.

APA Group is a venturer in the following joint oper ations:

		Output interest	
Name of venture	Principal activity	**2021 %**	2020 %
Goldfields Gas Transmission [1]	Gas pipeline operation – Western Australia	**88.2**	88.2
Mid West Pipeline [2]	Gas pipeline operation – Western Australia	**50.0**	50.0

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

Interest in joint arrangements

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

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

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

24. Subsidiaries

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

		Ownership interest	
Name of entity	Country of registration/incorporation	**2021 %**	2020 %
Parent entity			
Australian Pipeline Trust [1]			
Subsidiaries			
Agex Pty. Ltd. [2],[3]	Australia	**100**	100
APA (BWF Holdco) Pty Ltd [2],[3]	Australia	**100**	100
APA (EDWF Holdco) Pty Ltd [2],[3]	Australia	**100**	100
APA (EPX) Pty Limited [2],[3]	Australia	**100**	100
APA (NBH) Pty Limited [2],[3]	Australia	**100**	100
APA (Pilbara Pipeline) Pty Ltd [2],[3]	Australia	**100**	100
APA (SWQP) Pty Limited [2],[3]	Australia	**100**	100
APA (WA) One Pty Limited [2],[3]	Australia	**100**	100
APA AIS 1 Pty Limited [2],[3]	Australia	**100**	100
APA AIS 2 Pty Ltd [2],[3]	Australia	**100**	100
APA AIS Pty Limited [2],[3]	Australia	**100**	100
APA AM (Allgas) Pty Limited [2],[3]	Australia	**100**	100
APA BIDCO Pty Limited [2],[3]	Australia	**100**	100
APA Biobond Pty Limited [2],[3]	Australia	**100**	100
APA Country Pipelines Pty Limited [2],[3]	Australia	**100**	100
APA DPS Holdings Pty Limited [2],[3]	Australia	**100**	100
APA DPS2 Pty Limited [2],[3]	Australia	**100**	100
APA East Pipelines Pty Limited [2],[3]	Australia	**100**	100
APA EE Australia Pty Limited [2],[3]	Australia	**100**	100
APA EE Corporate Shared Services Pty Limited [2],[3]	Australia	**100**	100
APA EE Holdings Pty Limited [2],[3]	Australia	**100**	100
APA EE Pty Limited [2],[3]	Australia	**100**	100
APA Ethane Pty Limited [2],[3]	Australia	**100**	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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Group Structure

24. Subsidiaries continued

Name of entity	Country of registration/incorporation	Ownership interest 2021 %	Ownership interest 2020 %
APA Operations (EII) Pty Limited (2),(3)	Australia	**100**	100
APA Facilities Management Pty Limited (2),(3)	Australia	**100**	100
APA Midstream Holdings Pty Limited (2),(3)	Australia	**100**	100
APA Operations Pty Limited (2),(3)	Australia	**100**	100
APA Orbost Gas Plant Pty Ltd (2),(3)	Australia	**100**	100
APA Pipelines Investments (BWP) Pty Limited (2),(3)	Australia	**100**	100
APA Power Holdings Pty Limited (2),(3)	Australia	**100**	100
APA Power PF Pty Limited (2),(3)	Australia	**100**	100
APA Reedy Creek Wallumbilla Pty Limited (2),(3)	Australia	**100**	100
APA SEA Gas (Mortlake) Holdings Pty Ltd (2),(3)	Australia	**100**	100
APA SEA Gas (Mortlake) Pty Ltd (2)	Australia	**100**	100
APA Services (Int) Inc.	United States	**100**	100
APA Sub Trust No 1 (2),(4)	—	**100**	100
APA Sub Trust No 2 (2),(4)	—	**100**	100
APA Sub Trust No 3 (2),(4)	—	**100**	100
APA Transmission Pty Limited (2),(3)	Australia	**100**	100
APA VTS A Pty Limited (2),(3)	Australia	**100**	100
APA VTS Australia (Holdings) Pty Limited (2),(3)	Australia	**100**	100
APA VTS Australia (NSW) Pty Limited (2),(3)	Australia	**100**	100
APA VTS Australia (Operations) Pty Limited (2),(3)	Australia	**100**	100
APA VTS Australia Pty Limited (2),(3)	Australia	**100**	100
APA VTS B Pty Limited (2),(3)	Australia	**100**	100
APA Western Slopes Pipeline Pty Limited (2),(3)	Australia	**100**	100
APA WGP Pty Ltd (2),(3)	Australia	**100**	100
APT (MIT) Services Pty Limited (2),(3)	Australia	**100**	100
APT AM (Stratus) Pty Limited (2),(3)	Australia	**100**	100
APT AM Employment Pty Limited (2),(3)	Australia	**100**	100
APT AM Holdings Pty Limited (2),(3)	Australia	**100**	100
APT Facility Management Pty Limited (2),(3)	Australia	**100**	100
APT Goldfields Pty Ltd (2),(3)	Australia	**100**	100
APT Management Services Pty Limited (2),(3)	Australia	**100**	100
APT O&M Holdings Pty Ltd (2),(3)	Australia	**100**	100
APT O&M Services (QLD) Pty Ltd (2),(3)	Australia	**100**	100
APT O&M Services Pty Ltd (2),(3)	Australia	**100**	100
APT Parmelia Holdings Pty Ltd (2),(3)	Australia	**100**	100
APT Parmelia Pty Ltd (2),(3)	Australia	**100**	100
APT Parmelia Trust (2),(4)	Australia	**100**	100
APT Petroleum Pipelines Holdings Pty Limited (2),(3)	Australia	**100**	100
APT Petroleum Pipelines Pty Limited (2),(3)	Australia	**100**	100
APT Pipelines (NSW) Pty Limited (2),(3)	Australia	**100**	100
APT Pipelines (NT) Pty Limited (2),(3)	Australia	**100**	100
APT Pipelines (QLD) Pty Limited (2),(3)	Australia	**100**	100
APT Pipelines (SA) Pty Limited (2),(3)	Australia	**100**	100
APT Pipelines (WA) Pty Limited (2),(3)	Australia	**100**	100
APT Pipelines Investments (NSW) Pty Limited (2),(3)	Australia	**100**	100
APT Pipelines Investments (WA) Pty Limited (2),(3)	Australia	**100**	100
APT Pipelines Limited (2),(3)	Australia	**100**	100
APT Sea Gas Holdings Pty Limited (2),(3)	Australia	**100**	100
APT SPV2 Pty Ltd (2)	Australia	**100**	100
APT SPV3 Pty Ltd (2)	Australia	**100**	100
APA US Investments Inc.	United States	**100**	—
Australian Pipeline Limited (2)	Australia	**100**	100
Central Ranges Pipeline Pty Ltd (2),(3)	Australia	**100**	100
Darling Downs Solar Farm Pty Ltd (2),(3)	Australia	**100**	100
Diamantina Holding Company Pty Limited (2),(3)	Australia	**100**	100
Diamantina Power Station Pty Limited (2),(3)	Australia	**100**	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
For the financial year ended 30 June 2021

Group Structure

24. Subsidiaries continued

Name of entity	Country of registration/incorporation	Ownership interest 2021 %	Ownership interest 2020 %
East Australian Pipeline Pty Limited (2),(3)	Australia	**100**	100
EDWF Holdings 1 Pty Ltd (2),(3)	Australia	**100**	100
EDWF Holdings 2 Pty Ltd (2),(3)	Australia	**100**	100
EDWF Manager Pty Ltd (2),(3)	Australia	**100**	100
Epic Energy East Pipelines Trust (2),(4)	—	**100**	100
EPX Holdco Pty Limited (2),(3)	Australia	**100**	100
EPX Member Pty Limited (2),(3)	Australia	**100**	100
EPX Trust (2),(4)	—	**100**	100
Ethane Pipeline Income Financing Trust (2),(4)	—	**100**	100
Ethane Pipeline Income Trust (2),(4)	—	**100**	100
Gasinvest Australia Pty Ltd (2),(3)	Australia	**100**	100
GasNet A Trust (4)	—	**100**	100
GasNet Australia Investments Trust (4)	—	**100**	100
GasNet Australia Trust (2),(4)	—	**100**	100
Goldfields Gas Transmission Pty Ltd (2)	Australia	**100**	100
Gorodok Pty. Ltd. (2),(3)	Australia	**100**	100
Griffin Windfarm 2 Pty Ltd (2)	Australia	**100**	100
Moomba to Sydney Ethane Pipeline Trust (2),(4)	—	**100**	100
N.T. Gas Distribution Pty Limited (2),(3)	Australia	**100**	100
N.T. Gas Easements Pty. Limited (2),(3)	Australia	**100**	100
N.T. Gas Pty Limited	Australia	**96**	96
Northern Goldfiends Interconnect Pty Ltd (2),(3)	Australia	**100**	—
Roverton Pty. Ltd. (2),(3)	Australia	**100**	100
SCP Investments (No. 1) Pty Limited (2),(3)	Australia	**100**	100
SCP Investments (No. 2) Pty Limited (2),(3)	Australia	**100**	100
SCP Investments (No. 3) Pty Limited (2),(3)	Australia	**100**	100
Sopic Pty. Ltd. (2),(3)	Australia	**100**	100
Southern Cross Pipelines (NPL) Australia Pty Limited (2),(3)	Australia	**100**	100
Southern Cross Pipelines Australia Pty Limited (2),(3)	Australia	**100**	100
Trans Australia Pipeline Pty Ltd (2),(3)	Australia	**100**	100
Votraint No. 1606 Pty Limited (2)	Australia	**100**	100
Votraint No. 1613 Pty Limited (2)	Australia	**100**	100
Western Australian Gas Transmission Company 1 Pty Ltd (2),(3)	Australia	**100**	100
Wind Portfolio Pty Ltd (2),(3)	Australia	**100**	100

1) Australian Pipeline Trust is the head entity within the APA tax-consolidated group.
2) These entities are members of the APA tax-consolidated group.
3) These wholly-owned subsidiaries have entered into a deed of cross guarantee with APT Pipelines Limited pursuant to ASIC Corporations Instrument 2016/785 and are relieved from the requirement to prepare and lodge an audited financial report.
4) These trusts are unincorporated and not required to be registered.

Other

25. Commitments and contingencies

	2021 $000	2020 $000
Capital expenditure commitments		
APA Group – plant and equipment	**231,871**	168,391
APA Group's share of jointly controlled operations – plant and equipment	**19,708**	11,107
	251,579	179,498
Contingent liabilities		
Bank guarantees	**46,207**	51,483

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
For the financial year ended 30 June 2021

Other

25. Commitments and contingencies continued

APA Group is subject to a range of operational matters, which can at times raise exposure to assets and liabilities that are uncertain and cannot be measured reliably. This includes our exposure to matters such as regulatory requirements, changes in law, climate change policy, changes to licencing and recognised practising codes including health, safety and environment, employee entitlements, environmental laws and regulations, occupational health and safety requirements, technical and safety standards and asset construction and operation compliance requirements. The preparation of the financial statements requires management to make judgements and estimates and form assumptions that affect the amounts of contingent assets and liabilities reported in the financial statements.

These judgements, estimates and assumptions are based on the most current facts and circumstances and are reassessed on an ongoing basis, the results of which form the basis of the reported amounts that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. This may materially affect financial results and the financial position to be reported in future periods. APA Group continues to assess these judgements, estimates and assumptions relating to the disclosure of contingent assets and liabilities.

Contingent assets and liabilities relate predominantly to possible benefits or obligations whose existence will only be confirmed by uncertain future events and present obligations where the transfer of economic resources is not probable or cannot be reliably estimated. Therefore such amounts are not recognised in the financial statements.

On 18 May 2021, a statement of claim was filed against APA Group in respect of construction of the Orbost Gas Processing Plant. The statement of claim is subject to significant uncertainty, and it is not currently possible to make a reasonable estimate of the outcome, quantum or timing of any potential determination as at 30 June 2021.

As at 30 June 2021 and 30 June 2020 APA Group had no material contingent liabilities, other than those disclosed above.

APA Group had no contingent assets as at 30 June 2021 and 30 June 2020.

26. Director and Executive Key Management Personnel remuneration

Remuneration of Directors

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

	2021 $	2020 $
Short-term employment benefits	**1,747,871**	1,549,332
Post-employment benefits	**166,046**	147,185
Total remuneration: Non-Executive Directors	**1,913,917**	1,696,517
Short-term employment benefits	**2,531,865**	2,395,588
Post-employment benefits	**25,000**	25,453
Cash settled security-based payments	**232,375**	1,879,646
Equity settled security-based payments	**715,473**	368,121
Total remuneration: Executive Director [1]	**3,504,713**	4,668,808
Total remuneration: Directors	**5,418,630**	6,365,325
Remuneration of Executive Key Management Personnel [1],[2]		
The aggregate remuneration of Executive Key Management Personnel of APA Group is set out below:		
Short-term employment benefits	**9,769,520**	6,179,703
Post-employment benefits	**170,832**	88,123
Cash settled security-based payments	**1,117,783**	2,891,305
Equity settled security-based payments	**1,970,322**	675,161
Total remuneration: Executive Key Management Personnel	**13,028,457**	9,834,292

1) In FY20, the remuneration for the former Chief Executive Officer and Managing Director, Michael (Mick) McCormack to 5 July 2019 and current Chief Executive Officer and Managing Director, Rob Wheals from 6 July 2019, are included in both the remuneration disclosure for Directors and Executive Key Management Personnel.

2) In FY21, the remuneration for the former Chief Financial Officer, Peter Fredricson to 31 December 2020, current Chief Financial Officer, Adam Watson from 16 November 2020, and Group Executive Strategy & Commercial, Julian Peck from 20 August 2020, are included in the remuneration disclosure for Executive Key Management Personnel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
For the financial year ended 30 June 2021

Other

27. Remuneration of external auditor

	2021 $	2020 $
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
Audit or review of the financial reports:		
Group	**754,900**	691,000
Subsidiaries	**8,300**	8,100
Total audit or review of the financial reports	**763,200**	699,100
Audit or review of the regulatory financial reporting to the Australian Energy Regulator and Economic Regulation Authority		
Subsidiaries (1)	**911,766**	2,170,000
Total audit or review of the financial reports	**911,766**	2,170,000
Audit or review of the National Greenhouse and Energy Reporting (2)		
Group	**224,258**	–
Subsidiaries	**30,000**	–
Total audit or review of the National Greenhouse and Energy Reporting	**254,258**	–
Statutory assurance services required by legislation to be provided by the auditor		
Agreed-upon procedures in relation to ASIC Regulatory Guide 231 requirements (3)	**11,100**	84,800
ASIC Compliance plan audit	**21,000**	20,500
Financial Services Licence audit	**8,300**	8,100
Total statutory assurance services required by legislation to be provided by the auditor	**40,400**	113,400
Other assurance services (4)	**534,253**	106,600
Total remuneration of external auditor	**2,503,877**	3,089,100

1) Service provided in FY20 includes one-off procedures covering 7-year historical period. Represent total fees for contracted services, partly incurred at period end.
2) Service provided includes assurance procedures on the energy and emissions reports and submissions required under the relevant National Greenhouse and Energy Reporting legislations, and review of APA Group's National Greenhouse and Energy Reporting systems and controls.
3) Service provided includes Agreed-upon procedures in relation to ASIC Regulatory Guide 231 requirements (FY20 includes triennial procedures required under RG231, procedures last undertaken in FY17).
4) Services provided were in accordance with the external auditor independence policy. Other assurance services mainly comprise assurance services in relation to corporate funding activities for debt and potential equity raising.

28. Related party transactions

a) Equity interest in related parties

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

b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited.

c) Transactions with related parties within APA Group

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

- Dividends;
- Asset lease rentals;
- Loans advanced and payments received on long-term inter-entity loans;
- Management fees;
- Operational services provided between entities; and
- Payments of distributions.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
For the financial year ended 30 June 2021

Other

28. Related party transactions continued

Management fees of $8,529,313 (2020: $5,909,078) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of APA Group. No amounts were paid directly by APA Group to the Directors of the Responsible Entity, except as disclosed at note 26.

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

d) Transactions with other associates and joint ventures

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

2021	Dividends from related parties $000	Sales to related parties $000	Purchases from related parties $000	Amount owed by related parties $000	Amount owed to related parties $000
SEA Gas	**14,050**	**2,253**	**—**	**28**	**—**
Energy Infrastructure Investments	**4,494**	**31,855**	**—**	**5,506**	**—**
EII 2	**4,023**	**1,071**	**—**	**351**	**—**
GDI (EII)	**5,809**	**50,522**	**—**	**5,804**	**—**
	28,376	**85,701**	**—**	**11,689**	**—**
2020					
SEA Gas	49,162	6,666	86	23	—
Energy Infrastructure Investments	3,055	45,666	—	7,085	—
EII 2	3,933	803	—	343	—
GDI (EII)	6,129	53,715	—	5,534	—
	62,279	106,850	86	12,985	—

29. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information below, are the same as those applied in the consolidated financial statements.

	2021 $000	2020 $000
Financial position		
Assets		
Current assets	**1,997,226**	2,361,345
Non-current assets	**660,498**	678,738
Total assets	**2,657,724**	3,040,083
Liabilities		
Current liabilities	**76,809**	128,854
Total liabilities	**76,809**	128,854
Net assets	**2,580,915**	2,911,229
Equity		
Issued capital	**2,571,420**	2,902,123
Retained earnings	**9,495**	9,106
Total equity	**2,580,915**	2,911,229
Financial performance		
Profit for the year	**101,055**	238,228
Total comprehensive income	**101,055**	238,228

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Australian Pipeline Trust and its Controlled Entities
For the financial year ended 30 June 2021

Other

29. Parent entity information continued

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

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

Due to the contingent nature of these financial guarantees no liability has been recorded (2020: $nil).

Contingent liabilities of the parent entity

No contingent liabilities have been identified in relation to the parent entity.

30. Adoption of new and revised Accounting Standards

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The APA Group has adopted the following new standards on their applicable start date.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Adoption date
AASB 2018-6 Amendments – Definition of a Business	1 January 2020	1 July 2020
AASB 2019-3 Amendments – Interest Rate Benchmark Reform	1 January 2020	1 July 2020
AASB 2020-8 Amendments – Interest Rate Benchmark Reform Phase 2	1 January 2021	1 July 2020
Amendments to AASB 116 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022	1 July 2020

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

AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform & AASB 2020-8 Amendments – Interest Rate Benchmark Reform Phase 2

The impact of Interbank Offered Rate (IBOR) reform is considered immaterial as all long term borrowings are at fixed rate and AASB has provided relief to continue the application of hedge accounting. APA Group will continue to monitor the development and outcomes of the reform.

Standards and Interpretations issued not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations on issue but not yet effective are not expected to have material impact on APA Group's accounting policies or any of the amounts recognised in the financial statements.

31. Events occurring after reporting date

On 25 August 2021, the Directors declared a final distribution of 27.00 cents per security ($318.6 million) for APA Group. This is comprised of a distribution of 18.63 cents per security from APT and a distribution of 8.37 cents per security from APTIT. The APT distribution represents 18.63 cents per security capital distribution. The APTIT distribution represents a 1.67 cent per security unfranked profit distribution and a 6.70 cents per security capital distribution. The distribution will be paid on 15 September 2021.

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

Other than the events disclosed above, there have not been any events or transactions that have occurred subsequent to year end that would require adjustment to or disclosure in the financial statements.

DECLARATION BY THE DIRECTORS OF AUSTRALIAN PIPELINE LIMITED

Australian Pipeline Trust and its Controlled Entities
For the financial year ended 30 June 2021

The Directors declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that Australian Pipeline Trust will be able to pay its debts as and when they become due and payable;

b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of APA Group;

c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

d) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors

Michael Fraser
Chairman

Robert Wheals
CEO and Managing Director

Sydney, 25 August 2021

AUDITOR'S INDEPENDENCE DECLARATION

To Australian Pipeline Limited as Responsible Entity for Australian Pipeline Trust
Australian Pipeline Trust and its Controlled Entities

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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25 August 2021

The Directors
Australian Pipeline Limited
as Responsible entity for Australian Pipeline Trust
Level 25, 580 George Street
Sydney NSW 2000

Dear Directors

Auditor's Independence Declaration to Australian Pipeline Limited as Responsible Entity for Australian Pipeline Trust

In accordance with section 307C of the *Corporations Act 2001*, we are pleased to provide the following declaration of independence to the directors of Australian Pipeline Limited as Responsible Entity for Australian Pipeline Trust.

As lead audit partners for the audit of the financial statements of Australian Pipeline Trust for the financial year ended 30 June 2021, we declare that to the best of our knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

Jamie Gatt	Taralyn Elliott
Partner	Partner
Chartered Accountants	Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Australian Pipeline Trust
Australian Pipeline Trust and its Controlled Entities

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the Unitholders of Australian Pipeline Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Pipeline Trust (the "Trust") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Pipeline Limited (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

INDEPENDENT AUDITOR'S REPORT continued

To the Unitholders of Australian Pipeline Trust
Australian Pipeline Trust and its Controlled Entities

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Orbost Gas Processing Plant (Orbost) recoverable amount assessment
 	
As at 30 June 2021 the carrying amount of Orbost, included in Property, Plant and Equipment was $225.7 million as disclosed in Note 11 and Note 13.
 	
An impairment charge of $249.3 million was recorded as at 31 December 2020 to the Orbost Gas Processing Plant. The assessment of the recoverable amount requires the exercise of significant judgement in respect of assumptions such as forecast revenue, processing capacity, inflation rates, operating costs, capital expenditure and discount rates.
	Our procedures, performed in conjunction with our valuation specialists, included, but were not limited to:
	
	• Understanding the appropriateness of management's key controls over the determination of the recoverable amount;
	• Challenging the Group's assumptions and estimates used to determine the recoverable amount, including:
	  ▪ forecast revenue with reference to:
	    - processing capacity of the plant;
	    - uncontracted capacity;
	    - inflation rates with reference to external data;
	    - forecast operating costs;
	    - forecast capital expenditure;
	  ▪ discount rates with reference to:
	    - external data;
	    - our independently developed discount rates;
	• Testing the mathematical accuracy of the cash flow model and the impairment charge;
	• Agreeing relevant data in the cash flow model to board approved budgets and forecasts; and
	• Evaluating management's sensitivity analysis in relation to key assumptions.
	
	We also assessed the appropriateness of the disclosures in Note 13 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Australian Pipeline Trust
Australian Pipeline Trust and its Controlled Entities

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Derivative transactions and the application of hedge accounting for the Wallumbilla Gladstone Pipeline (WGP) As disclosed in Note 19 and 20, revenue in respect of the WGP contract is denominated in US dollars and is contracted to be received until 2035. The Group manages the currency risk on this US dollar revenue by using: • US dollar borrowings (as a natural hedge of future US dollar revenue); • Cross currency interest rate swaps used to convert foreign currency denominated borrowings (in British Pounds and Euros) to US dollars; and • Foreign currency forward contracts to hedge the portion of the exchange rate risk not covered by the US dollar borrowings and cross currency interest rate swaps. The Group applies hedge accounting for the derivatives and associated US dollar borrowings. The application of hedge accounting in relation to the WGP revenue and borrowings is complex, as the revenue and the instruments used as hedges have different cash flow profiles. Furthermore, these cross currency interest rate swaps need to be bifurcated into separate currency pairs for the application of hedge accounting.	Our procedures, performed in conjunction with our treasury specialists, included, but were not limited to: • Understanding management's key controls over the recording of derivative transactions and the application of hedge accounting; • Evaluating the appropriateness of management's valuation methodologies applied and testing, on sample basis, the valuation of the derivative financial instruments; • Testing, on a sample basis, the application of hedge accounting and evaluating that the financial instruments qualified for hedge accounting in accordance with the *AASB 9 Financial Instruments;* • Testing the hedge effectiveness assessment, taking into consideration the different cash flow profiles of the US Dollar revenue and hedges and the requirement to split the cross-currency interest rate swaps; and • Testing that the effective portion of the fair value movement in the US Dollar borrowings and derivatives are appropriately deferred in reserves. We also assessed the appropriateness of the disclosures in Note 19 and 20 to the financial statements.

Other Information

The directors of the Responsible Entity (the "Directors") are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

INDEPENDENT AUDITOR'S REPORT continued

To the Unitholders of Australian Pipeline Trust
Australian Pipeline Trust and its Controlled Entities

Deloitte.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Australian Pipeline Trust
Australian Pipeline Trust and its Controlled Entities

Deloitte.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report of Australian Pipeline Limited as responsible entity of Australian Pipeline Trust included on pages 40 to 55 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Australian Pipeline Limited for the year ended 30 June 2021, has been prepared in accordance with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors have voluntarily presented the Remuneration Report of the Responsible Entity of Australian Pipeline Trust which has been prepared in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie Gatt
Partner
Chartered Accountants
Sydney, 25 August 2021

TElliott

Taralyn Elliott
Partner
Chartered Accountants
Sydney, 25 August 2021

DIRECTORS' REPORT

APT Investment Trust and its Controlled Entities

APT Investment Trust Directors' Report

The Directors of Australian Pipeline Limited ("Responsible Entity") submit their report and the annual financial report of APT Investment Trust ("APTIT") and its controlled entities (together "Consolidated Entity") for the financial year ended 30 June 2021. This report refers to the consolidated results of APTIT, one of the two stapled entities of APA Group, with the other stapled entity being Australian Pipeline Trust (together "APA").

1. Directors

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

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

The Company Secretaries of the Responsible Entity during the year and since the year end are Nevenka Codevelle and Amanda Cheney.

2. Principal Activities

The Consolidated Entity operates as an investment and financing entity within the APA Group.

3. State of Affairs

On 16 November 2020, Adam Watson commenced as APA's Chief Financial Officer, as a result of Peter Fredricson's retirement on 31 December 2020.

4. Subsequent Events

On 25 August 2021, the Directors declared a final distribution of 8.37 cents per unit ($98.7 million). The distribution represents a 1.67 cents per unit profit distribution and a 6.70 cents per unit capital distribution. The distribution is expected to be paid on 15 September 2021.

Other than what is noted above and as disclosed elsewhere in this report, there has not arisen in the interval between the end of the full year ended 30 June 2021 and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs, in future financial years.

5. Review and Results of Operations

The Consolidated Entity reported net profit after tax of 42.9 million (FY20: $53.0 million) for the year ended 30 June 2021 and total revenue of $42.9 million (FY20: $53.0 million).

6. Distributions

Distributions paid to Securityholders during the financial year were:

	Final FY20 distribution payable 16 September 2020		Interim FY21 distribution paid 17 March 2021	
	Cents per security	Total distribution $000	Cents per security	Total distribution $000
APTIT profit distribution	2.09	30,056	1.97	23,159
APTIT capital distribution	4.64	47,002	5.74	67,840
Total	**6.73**	**77,058**	**7.71**	**90,999**

DIRECTORS' REPORT continued

APT Investment Trust and its Controlled Entities

6. Distributions continued

On 25 August 2021, the Directors declared a final distribution for APTIT for the financial year of 8.37 cents per security which is payable on 15 September 2021 and will comprise the following components:

	Final FY21 distribution payable 15 September 2021	
	Cents per security	Total distribution $000
APTIT profit distribution	1.67	19,742
APTIT capital distribution	6.70	79,010
Total	**8.37**	**98,752**

Distribution information is presented on an accounting classification basis. The APA Group Annual Tax Statement (to be released in September 2021) and Annual Tax Return Guide will provide the classification of distribution components for the purposes of preparation of Securityholder income tax returns.

To assist APA Securityholders who wish to submit their annual tax return prior to receiving their annual APA Tax Statement in mid September, APA has developed an online tax estimator tool.

The Estimator tool will generate pro forma tax return inputs based on information entered by Securityholders and therefore should be considered "indicative only" as compared to the confirmed accurate information contained in APA's Annual Tax Statement. Securityholders should use their annual tax statement to complete their final tax return for the relevant tax year and consult professional and financial services advisors for help relating to their individual particular tax or financial position. The Tax Estimator will be available under the Investor section on APA's website following confirmation by the Board via an ASX release of the final FY21 distribution (https://www.apa.com.au/investors/mysecurities/ apa-annual-tax-statement-estimator/).

7. Directors

7.1 Information on Directors and Company Secretaries

See pages 06 to 07 for information relating to qualifications and experience of the Directors and Company Secretary Nevenka Codevelle. Information on APA's additional Company Secretary

Amanda Cheney is below:

Amanda Cheney LLB (Hons) BArts General Counsel & Company Secretary (Effective 25 February 2020)	Amanda has been with APA Group since August 2012 and holds the role of General Counsel and Company Secretary. Amanda has over 18 years' experience in energy and infrastructure industries, having worked as a senior lawyer in Australia and overseas. She holds a Graduate Diploma of Applied Corporate Governance and is a Fellow of the Governance Institute of Australia.

7.2 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 are as follows:

Name	Company	Period of directorship
Michael Fraser	Aurizon Holdings Limited	Since February 2016
Robert Wheals	—	—
Steven Crane	nib holdings limited SCA Property Group	September 2010 to July 2021 Since December 2018
James Fazzino	Tassal Group Limited	Since May 2020
Debra Goodin	Senex Energy Limited oOh!media Limited Atlas Arteria Limited	May 2014 to November 2020 November 2014 to February 2020 Since September 2017, Chair since November 2020
Shirley In't Veld	Northern Star Resources Limited Alumina Limited Venturex Resources Limited	September 2016 to June 2021 Since August 2020 Since July 2021
Rhoda Phillippo	Vocus Group Ltd	March 2015 (previously as M2 Group Ltd) to August 2018
Peter Wasow	Oz Minerals Limited	Since November 2017

DIRECTORS' REPORT continued

APT Investment Trust and its Controlled Entities

7. Directors continued

7.3 Directors' meetings

During the financial year, 21 Board meetings, four Audit and Risk Management Committee meetings, four People and Remuneration Committee meetings, four Health Safety, Environment and Heritage Committee meetings and nil Nomination Committee meetings were held. The following table sets out the number of meetings attended by each Director while they were a Director or a committee member:

	Board		People & Remuneration Committee		Audit & Risk Management Committee		Health Safety, Environment & Heritage Committee		Nomination Committee (1)	
Directors	A	B	A	B	A	B	A	B	A	B
Michael Fraser	21	21	—	—	4	4	—	—	—	—
Robert Wheals	21	21	—	—	—	—	—	—	—	—
Steven Crane	21	21	4	4	4	4	—	—	—	—
James Fazzino	21	21	—	—	4	4	4	4	—	—
Debra Goodin	21	21	—	—	4	4	4	4	—	—
Shirley In't Veld	21	20	4	4	—	—	4	4	—	—
Peter Wasow	21	21	4	4	4	4	—	—	—	—
Rhoda Phillippo	21	20	4	4	—	—	4	3	—	—

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.

1) The Nominations Committee is required by its Charter to meet at least two times each year. No meetings were held in the Reporting Period, following the high frequency of meetings during the preceding period, and scheduled meeting to be held in August 2021 (and later this calendar year).

7.4 Directors' security holdings

The aggregate number of APA securities held directly, indirectly or beneficially by Directors or their Director related entities at 30 June 2021 is 318,468 (FY20: 385,260).

The following table sets out Directors' relevant interests in APA securities as at 30 June 2021:

Directors	Fully paid securities as at 1 July 2020	Securities acquired	Securities disposed	Fully paid securities as at 30 June 2021
Michael Fraser	102,942	—	—	102,942
Robert Wheals	46,388	28,208	—	74,596
Steven Crane	130,000	—	100,000	30,000
Debra Goodin	24,179	—	—	24,179
James Fazzino	30,751	—	—	30,751
Shirley In't Veld	25,000	—	—	25,000
Peter Wasow	26,000	—	—	26,000
Rhoda Phillippo	—	5,000	—	5,000
	385,260	**33,208**	**—**	**318,468**

As at 30 June 2021, Robert Wheals held 432,966 performance rights granted under APA Group's long term incentive plan. Each performance right is a right to receive one ordinary stapled security in APA subject to satisfaction of certain performance hurdles. Further information can be found in APA's Remuneration Report on pages 40 to 55.

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

8. Options Granted

In this report, the term "APA securities" refers to stapled securities each comprising a unit in Australian Pipeline Trust stapled to a unit in APT Investment Trust and traded on the Australian Securities Exchange (ASX) under the code "APA".

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

DIRECTORS' REPORT continued

APT Investment Trust and its Controlled Entities

9. Indemnification of Officers

During the financial year, the Responsible Entity ensured a premium was paid in respect of a contract insuring the Directors and Officers of the Responsible Entity and any APA Group entity against any liability incurred in performing those roles to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits specific disclosure of the nature of the liability and the amount of the premium.

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

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

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

10. Information Required for Registered Schemes

Fees paid to the Responsible Entity and its associates (including Directors and Secretaries of the Responsible Entity, related bodies corporate and Directors and Secretaries of related bodies corporate) out of APA scheme property during the financial year are disclosed in note 18 to the financial statements.

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

The number of APTIT units issued during the financial year, and the number of APTIT units on issue at the end of the financial year, are disclosed in note 13 to the financial statements.

The value of the Consolidated Entity's assets as at the end of the financial year is disclosed in the balance sheet in total assets, and the basis of valuation is disclosed in the notes to the financial statements.

11. Auditor's Independence Declaration

A copy of the independence declaration of the auditor, Deloitte Touche Tohmatsu ("Auditor") as required under section 307C of the Corporations Act 2001 is included at page 139.

12. Rounding of Amounts

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

13. Authorisation

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

On behalf of the Directors

Michael Fraser
Chairman

Robert Wheals
CEO and Managing Director

Sydney, 25 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

APT Investment Trust and its Controlled Entities
For the financial year ended 30 June 2021

	Note	2021 $000	2020 $000
Revenue	4	**42,914**	53,033
Expenses	4	**(13)**	(12)
Profit before tax		**42,901**	53,021
Income tax expense	5	**—**	—
Profit for the year		**42,901**	53,021
Other comprehensive income			
Total comprehensive income for the year		**42,901**	53,021
Profit attributable to:			
Unitholders of the parent		**42,901**	53,021
		42,901	53,021
Total comprehensive income attributable to:			
Unitholders of the parent		**42,901**	53,021
Earnings per unit		**2021**	2020
Basic and diluted (cents per unit)	6	**3.6**	4.5

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

APT Investment Trust and its Controlled Entities
As at 30 June 2021

	Note	2021 $000	2020 $000
Current assets			
Receivables	8	**894**	852
Non-current assets			
Receivables	8	**5,177**	6,073
Other financial assets	11	**778,994**	905,631
Non-current assets		**784,171**	911,704
Total assets		**785,065**	912,556
Current liabilities			
Trade and other payables	9	**10**	25
Total liabilities		**10**	25
Net assets		**785,055**	912,531
Equity			
Issued capital	13	**765,313**	887,845
Retained earnings		**19,742**	24,686
Total equity		**785,055**	912,531

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

APT Investment Trust and its Controlled Entities
For the financial year ended 30 June 2021

	Note	Issued capital $000	Retained earnings $000	Total $000
Balance at 1 July 2019		964,219	30,056	994,275
Profit for the year		—	53,021	53,021
Total comprehensive income for the year		—	53,021	53,021
Distributions to unitholders	7	(76,374)	(58,391)	(134,765)
Balance at 30 June 2020		887,845	24,686	912,531
Balance at 1 July 2020		**887,845**	**24,686**	**912,531**
Profit for the year		**—**	**42,901**	**42,901**
Total comprehensive income for the year		**—**	**42,901**	**42,901**
Distributions to unitholders	7	**(122,532)**	**(47,845)**	**(170,377)**
Balance at 30 June 2021		**765,313**	**19,742**	**785,055**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

APT Investment Trust and its Controlled Entities
For the financial year ended 30 June 2021

	2021 $000	2020 $000
Cash flows from operating activities		
Trust distribution – related party	**22,735**	24,373
Interest received – related parties	**19,513**	27,948
Proceeds from repayments of finance leases	**1,167**	1,167
Receipts from customers	**350**	358
Payments to suppliers	**(25)**	(12)
Net cash provided by operating activities	**43,740**	53,834
Cash flows from investing activities		
Receipts from related parties	**126,637**	80,931
Net cash provided by investing activities	**126,637**	80,931
Cash flows from financing activities		
Distributions to unitholders	**(170,377)**	(134,765)
Net cash used in financing activities	**(170,377)**	(134,765)
Net increase in cash and cash equivalents	**—**	—
Cash and cash equivalents at beginning of financial year	**—**	—
Cash and cash equivalents at end of financial year	**—**	—

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

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

APT Investment Trust and its Controlled Entities
For the financial year ended 30 June 2021

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

APT Investment Trust and its Controlled Entities
For the financial year ended 30 June 2021

Basis of Preparation

2. General information

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

This financial report represents the consolidated financial statements of APTIT and its controlled entities (together the "Consolidated Entity"). For the purposes of preparing the consolidated financial report, the Consolidated Entity is a for-profit entity.

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

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

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

APTIT operates as an investment entity within APA Group.

The financial report for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 25 August 2021.

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

The financial report has been prepared on the basis of historical cost, except for the revaluation of financial instruments. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) in accordance with ASIC Corporations Instrument 2016/191, unless otherwise stated.

Financial Performance

3. Segment information

The Consolidated Entity has one reportable segment being energy infrastructure investment.

The Consolidated Entity is an investing entity within the Australian Pipeline Trust stapled group. As the Trust only operates in one segment, it has not disclosed segment information separately.

4. Profit from operations

Profit before income tax includes the following items of income and expense:

	2021 $000	2020 $000
Revenue		
Distributions		
Trust distribution – related party	**22,735**	24,373
	22,735	24,373
Finance income		
Interest – related parties	**19,513**	27,948
Finance lease income – related party	**315**	355
	19,828	28,303
Other revenue		
Other	**351**	357
Total revenue	**42,914**	53,033
Expenses		
Audit fees	**(13)**	(12)
Total expenses	**(13)**	(12)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

APT Investment Trust and its Controlled Entities
For the financial year ended 30 June 2021

Financial Performance

4. Profit from operations continued

Revenue is recognised at an amount that reflects the consideration to which the Consolidated Entity expects to be entitled. Amounts disclosed as revenue are net of duties and taxes paid. Revenue is recognised for the major business activities as follows:

– Interest revenue, which is recognised as it accrues and is determined using the effective interest method;
– Distribution revenue, which is recognised when the right to receive a distribution has been established; and
– Finance lease income, which is recognised when receivable.

5. Income tax

Income tax expense is not brought to account in respect of APTIT as, pursuant to Australian taxation laws, APTIT is not liable for income tax provided that its realised taxable income (including any assessable realised capital gains) is fully distributed to its unitholders each year.

6. Earnings per unit

	2021 cents	2020 cents
Basic and diluted earnings per unit	**3.6**	4.5

The earnings and weighted average number of units used in the calculation of basic and diluted earnings per unit are as follows:

	2021 $000	2020 $000
Net profit attributable to unitholders for calculating basic and diluted earnings per unit	**42,901**	53,021

	2021 No. of units 000	2020 No. of units 000
Adjusted weighted average number of ordinary units used in the calculation of:		
Basic earnings per unit	**1,179,894**	1,179,894
Diluted earnings per unit [(1)]	**1,180,723**	1,180,188

1) Includes 1.3 million (2020: 0.5 million) performance rights granted under long-term incentive plan. Each performance right is a right to receive one ordinary stapled security in APA subject to satisfaction of certain performance hurdles and board approval. Further information can be found in the most recent annual report. APA has historically instructed Link Market Services to acquire securities on-market to minimise dilution of existing securityholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

APT Investment Trust and its Controlled Entities
For the financial year ended 30 June 2021

Financial Performance

7. Distributions

	2021 cents per unit	2021 Total $000	2020 cents per unit	2020 Total $000
Recognised amounts				
Final FY20 distribution payable on 16 September 2020 [(1)]				
(30 June 2019: Final FY19 distribution paid on 11 September 2019)				
Profit distribution [(2)]	**2.09**	**24,686**	2.55	30,056
Capital distribution	**4.64**	**54,692**	3.98	47,002
	6.73	**79,378**	6.53	77,058
Interim distribution paid on 17 March 2021 [(1)]				
(31 December 2019: Interim distribution paid on 11 March 2020)				
Profit distribution [(2)]	**1.97**	**23,159**	2.40	28,335
Capital distribution	**5.74**	**67,840**	2.49	29,372
	7.71	**90,999**	4.89	57,707
Total distributions recognised				
Profit distributions [(2)]	**4.06**	**47,845**	4.95	58,391
Capital distributions (note 13)	**10.38**	**122,532**	6.47	76,374
	14.44	**170,377**	11.42	134,765
Unrecognised amounts				
Final FY21 distribution payable on 15 September 2021 [(1)]				
(30 June 2020: Final FY20 distribution payable on 16 September 2020)				
Profit distribution [(2)]	**1.67**	**19,742**	2.09	24,686
Capital distribution	**6.70**	**79,010**	4.64	54,692
	8.37	**98,752**	6.73	79,378

1) Record date 30 June 2021.
2) Profit distributions unfranked (30 June 2020 and 31 December 2019: 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.

Operating Assets and Liabilities

8. Receivables

	2021 $000	2020 $000
Finance lease receivable – related party (note 10)	**894**	852
Current	**894**	852
Finance lease receivable – related party (note 10)	**5,177**	6,073
Non-current	**5,177**	6,073

In determining the recoverability of a receivable, the Consolidated Entity considers any change in the credit quality of the receivable from the date the credit was initially granted up to the reporting date. The directors believe that there is no expected credit loss required.

None of the above receivables is past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

APT Investment Trust and its Controlled Entities
For the financial year ended 30 June 2021

Operating Assets and Liabilities

9. Payables

	2021 $000	2020 $000
Other payables	**10**	25

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

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

10. Leases

Consolidated Entity as lessor

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

Finance lease receivables relate to the lease of a pipeline lateral.

There are no contingent rental payments due.

Finance lease receivables

	2021 $000	2020 $000
Not longer than 1 year	**1,167**	1,167
Longer than 1 year and not longer than 5 years	**5,837**	4,669
Longer than 5 years	**—**	2,335
Minimum future lease payments receivable [1]	**7,004**	8,171
Less: Future finance income	**(933)**	(1,246)
Present value of lease receivables	**6,071**	6,925
Included in the Consolidated Statement of Financial Position as part of:		
Current receivables (note 8)	**894**	852
Non-current receivables (note 8)	**5,177**	6,073
	6,071	6,925

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

The Consolidated Entity does not have any operating leases where it is the lessor.

Amounts due from a lessee under a finance lease are recorded as receivables. Finance lease receivables are initially recognised at the amount equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease receipts are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Capital Management

11. Other financial assets

	2021 $000	2020 $000
Non-current		
Advance to related party	**671,615**	798,252
Investment in related party	**107,379**	107,379
	778,994	905,631

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

APT Investment Trust and its Controlled Entities
For the financial year ended 30 June 2021

Capital Management

11. Other financial assets continued

Investment in related party

The investment in related party reflects GasNet Australia Investments Trust's ("GAIT") investment in 100% of the B Class units in GasNet A Trust. The B Class units give GAIT preferred rights to the income and invested capital of GasNet A Trust, but hold no voting rights. The A Class unitholder may however suspend for a period or terminate all of the B Class unitholder rights to distributions of income and capital, with the exception of the initial investment. As such, GAIT neither controls nor has a significant influence over GasNet A Trust. GasNet Australia Trust, a related party wholly owned by APA Group, owns 100% of the A Class units in GasNet A Trust and, accordingly, GasNet A Trust is included in the consolidation of the APA Group.

The investment in B Class units is measured at fair value through profit or loss. The measurement of fair value takes into consideration the fact that the A Class unitholders have discretion over the return on the initial capital invested and the instrument can be called on demand. Therefore, fair value is measured based on the amount that can be called on demand, adjusted for the credit and liquidity risk of GasNet A Trust. As the impact of credit and liquidity risk is not significant, the fair value of the B Class units is not materially different to the amount of capital invested.

The Consolidated Entity does not intend to dispose of its interest in GasNet A Trust.

Classification of financial assets

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

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

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

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

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

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Receivables and loans

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

Impairment of financial assets

In relation to the impairment of financial assets, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The Consolidated Entity applies an expected credit loss (ECL) model to account for ECL and changes in these ECL at each reporting date to reflect changes in credit risk since initial recognition of a financial asset.

The Consolidated Entity recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost, for example, loans advanced to related parties and receivables. For finance lease receivables, the Consolidated Entity applies the simplified approach to assessing ECL. Under the simplified approach, ECL on these financial assets is estimated using a provision matrix. This matrix is based on the Consolidated Entity's historical credit losses and reasonable and supportable information that is available without undue cost.

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

The Consolidated Entity recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. Aside from the additional disclosure requirements, the history of collection rates and forward-looking information that is available without undue cost or effort shows that the Consolidated Entity does not have an expected loss on collection of debtors or loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

APT Investment Trust and its Controlled Entities
For the financial year ended 30 June 2021

Capital Management

12. Financial risk management

The Consolidated Entity's corporate Treasury department is responsible for the overall management of the Consolidated Entity's capital raising activities, liquidity, lender relationships and engagement, debt portfolio management, interest rate and foreign exchange hedging, credit rating maintenance and third party indemnities (bank guarantees) within risk management parameters reviewed by the Board.

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

a) Market risk including currency risk, interest rate risk and price risk;
b) Credit risk; and
c) Liquidity risk.

Risk	Sources	Risk management framework	Financial exposure
Market	Commercial transactions in foreign currency and funding activities	The Audit and Risk Management Committee ("ARMC") approves written principles for overall risk management, as well as policies covering specific areas such as liquidity risk, funding risk, foreign currency risk, interest rate risk and credit risk. The Consolidated Entity's ARMC ensures there is an appropriate Risk Management Policy for the management of treasury risk and compliance with the policy through the review of monthly reporting to the Board from the Treasury department.	Refer to market risk section.
Credit	Cash, receivables, interest bearing liabilities and hedging		The carrying amount of financial assets recorded in the financial statements, net of any collateral held or bank guarantees held by the Consolidated Entity, represents the Consolidated Entity's maximum exposure to credit risk in relation to those assets.
Liquidity	Payables		Refer to liquidity risk section.

a) Market risk

The Consolidated Entity's activities exposure is primarily to the financial risk of changes in interest rates. There has been no change to the Consolidated Entity's exposure to market risk or the manner in which it manages and measures the risk from the previous year.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on loans with related parties. A 100 basis points increase or decrease is used and represents management's assessment of the greatest possible change in interest rates within a given period of time. At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were constant, the Consolidated Entity's net profit would increase by $3,656,000 or decrease by $3,618,000 (2020: increase by $4,901,000 or decrease by $4,854,000 respectively). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate inter-entity balances. The sensitivity has decreased due to lower inter-entity balances.

b) Credit risk

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

Credit risk management

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

Overview of the Consolidated Entity's exposure to credit risk

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

c) Liquidity risk

The Consolidated Entity's exposure to liquidity risk is limited to other payables of $10,000 (2020: $25,000), all of which are due in less than 1 year (2020: less than 1 year).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

APT Investment Trust and its Controlled Entities
For the financial year ended 30 June 2021

Capital Management

13. Issued capital

	2021 $000	2020 $000
Units		
1,179,893,848 units, fully paid (2020: 1,179,893,848 units, fully paid) [1]	**765,313**	887,845

	2021 No. of units 000	2021 $000	2020 No. of units 000	2020 $000
Movements				
Balance at beginning of financial year	**1,179,894**	**887,845**	1,179,894	964,219
Capital distributions paid (note 7)	**—**	**(122,532)**	—	(76,374)
Balance at end of financial year	**1,179,894**	**765,313**	1,179,894	887,845

1) Fully paid units carry one vote per unit and carry the right to distributions.

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

Group Structure

14 Subsidiaries

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

		Ownership interest	
Name of entity	Country of registration	2021 %	2020 %
Parent entity			
APT Investment Trust			
Subsidiary			
GasNet Australia Investments Trust	Australia	**100**	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

APT Investment Trust and its Controlled Entities
For the financial year ended 30 June 2021

Other

15. Commitments and contingencies

The Consolidated Entity had no material contingent assets, liabilities and commitments as at 30 June 2021 and 30 June 2020.

16. Director and Executive Key Management Personnel remuneration

Remuneration of Directors

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

	2021 $	2020 $
Short-term employment benefits	**1,747,871**	1,549,332
Post-employment benefits	**166,046**	147,185
Total remuneration: Non-Executive Directors	**1,913,917**	1,696,517
Short-term employment benefits	**2,531,865**	2,395,588
Post-employment benefits	**25,000**	25,453
Cash settled security-based payments	**232,375**	1,879,646
Equity settled security-based payments	**715,473**	368,121
Total remuneration: Executive Director (1)	**3,504,713**	4,668,808
Total Remuneration: Directors	**5,418,630**	6,365,325
Remuneration of Executive Key Management Personnel (1)		
The aggregate remuneration of Executive Key Management Personnel of the Consolidated Entity is set out below:		
Short-term employment benefits	**9,769,520**	6,179,703
Post-employment benefits	**170,832**	88,123
Cash settled security-based payments	**1,117,783**	2,891,305
Equity settled security-based payments	**1,970,322**	675,161
Total remuneration: Executive Key Management Personnel	**13,028,457**	9,834,292

1) The remuneration for the former Chief Executive Officer and Managing Director, Michael (Mick) McCormack to 5 July 2019 and current Chief Executive Officer and Managing Director, Rob Wheals from 6 July 2019, are included in both the remuneration disclosure for Directors and Executive Key Management Personnel.

17. Remuneration of external auditor

Amounts received or due and receivable by Deloitte Touche Tohmatsu for:

	2021 $	2020 $
Audit or review of the financial reports		
Group	**6,400**	6,300
Total audit or review of the financial reports	**6,400**	6,300
Statutory assurance services required by legislation to be provided by the auditor		
ASIC Compliance plan audit	**6,100**	6,000
Total statutory assurance services required by legislation to be provided by the auditor	**6,100**	6,000
Total remuneration of external auditor	**12,500**	12,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

APT Investment Trust and its Controlled Entities
For the financial year ended 30 June 2021

Other

18. Related party transactions

a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in note 14.

b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited (2020: 100% owned by APT Pipelines Limited).

c) Transactions with related parties within the Consolidated Entity

During the financial year, the following transactions occurred between the Trust and its other related parties:

- loans advanced and payments received on long-term inter-entity loans; and
- payments of distributions.

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

Refer to note 14 for details of the entities that comprise the Consolidated Entity.

d) Transactions with other related parties

APTIT and its controlled entities have a loan receivable balance with another entity in APA. This loan is repayable on agreement between the parties. Interest is recognised by applying the effective interest method, agreed between the parties at the end of each month and is determined by reference to market rates.

The following balances arising from transactions between APTIT and its other related parties are outstanding at reporting date:

- current receivables totalling $894,000 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2020: $852,000);
- non-current receivables totalling $5,177,000 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2020: $6,073,000); and
- non-current receivables totalling $671,615,000 (2020: $798,252,000) are owing from a subsidiary of APT for amounts due under inter-entity loans.

Australian Pipeline Limited

Management fees of $2,025,000 (2020: $1,426,000) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of APTIT. No amounts were paid directly by APTIT to the Directors of the Responsible Entity.

Australian Pipeline Trust

Management fees of $2,025,000 (2020: $1,426,000) were reimbursed by APT.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

APT Investment Trust and its Controlled Entities
For the financial year ended 30 June 2021

Other

19. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information below, are the same as those applied in the consolidated financial statements.

	2021 $000	2020 $000
Financial position		
Assets		
Current assets	**894**	852
Non-current assets	**784,171**	911,704
Total assets	**785,065**	912,556
Liabilities		
Current liabilities	**10**	25
Total liabilities	**10**	25
Net assets	**785,055**	912,531
Equity		
Issued capital	**765,313**	887,845
Retained earnings	**19,742**	24,686
Reserves	**—**	—
Total equity	**785,055**	912,531
Financial performance		
Profit for the year	**42,901**	53,021
Other comprehensive income	**—**	—
Total comprehensive income	**42,901**	53,021

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

No guarantees have been entered into by the parent entity in relation to the debts of its subsidiaries.

Contingent liabilities of the parent entity

No contingent liabilities have been identified in relation to the parent entity.

Other

20. Adoption of new and revised Accounting Standards

Standards and Interpretations issued not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations on issue but not yet effective are not expected to have material impact on the Consolidated Entity's accounting policies or any of the amounts recognised in the financial statements.

21. Events occurring after reporting date

On 25 August 2021, the Directors declared a final distribution for the 2021 financial year of 8.37 cents per unit ($98.8 million). The distribution represents a 1.67 cents per unit unfranked profit distribution and 6.70 cents per unit capital distribution. The distribution will be paid on 15 September 2021.

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

Other than the events disclosed above, there have not been any events or transactions that have occurred subsequent to year end that would require adjustment to or disclosure in the financial statements.

DECLARATION BY THE DIRECTORS OF AUSTRALIAN PIPELINE LIMITED

APT Investment Trust and its Controlled Entities
For the financial year ended 30 June 2021

The Directors declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that APT Investment Trust will be able to pay its debts as and when they become due and payable;

b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the Consolidated Entity;

c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

d) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors

Michael Fraser
Chairman

Robert Wheals
CEO and Managing Director

Sydney, 25 August 2021

AUDITOR'S INDEPENDENCE DECLARATION

To Australian Pipeline Limited as Responsible Entity for Australian Pipeline Trust
APT Investment Trust and its Controlled Entities

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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25 August 2021

The Directors
Australian Pipeline Limited
as Responsible Entity for APT Investment Trust
Level 25, 580 George Street
Sydney NSW 2000

Dear Directors

Auditor's Independence Declaration to Australian Pipeline Limited as Responsible Entity for APT Investment Trust

In accordance with section 307C of the *Corporations Act 2001*, we are pleased to provide the following declaration of independence to the directors of Australian Pipeline Limited as Responsible Entity for APT Investment Trust.

As lead audit partners for the audit of the financial statements of APT Investment Trust for the financial year ended 30 June 2021, we declare that to the best of our knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie Gatt
Partner
Chartered Accountants

TElliott

Taralyn Elliott
Partner
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To Australian Pipeline Limited as Responsible Entity for Australian Pipeline Trust
APT Investment Trust and its Controlled Entities

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the Unitholders of APT Investment Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of APT Investment Trust (APTIT) and its controlled entity (the Consolidated Entity), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of their financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Consolidated Entity, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Other Information

The Directors of APT Investment Trust (the Directors) are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

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

INDEPENDENT AUDITOR'S REPORT

To Australian Pipeline Limited as Responsible Entity for Australian Pipeline Trust
APT Investment Trust and its Controlled Entities

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

To Australian Pipeline Limited as Responsible Entity for Australian Pipeline Trust
APT Investment Trust and its Controlled Entities

Deloitte.

- Obtain sufficient appropriate audit evidence regarding the financial information or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie Gatt
Partner
Chartered Accountants
Sydney, 25 August 2021

TElliott

Taralyn Elliott
Partner
Chartered Accountants
Sydney, 25 August 2021

ADDITIONAL INFORMATION

Additional information required by the Listing Rules of the Australian Securities Exchange Limited and not provided elsewhere in this report (the information is applicable as at 19 August 2021).

Twenty largest holders

	No. of securities	%
HSBC Custody Nominees (Australia) Limited	284,302,004	24.10
BNP Paribas Nominees Pty Ltd	165,946,523	14.06
J P Morgan Nominees Australia Pty Ltd	147,901,771	12.54
Citicorp Nominees Pty Limited	88,350,252	7.49
Custodial Services Limited	27,130,077	2.30
National Nominees Limited	21,282,074	1.80
Argo Investments Limited	11,882,525	1.01
BNP Paribas Noms Pty Ltd	9,203,286	0.78
BKI Investment Company Limited	7,775,389	0.66
BNP Paribas Nominees Pty Ltd Six Sis Ltd	7,328,827	0.62
HSBC Custody Nominees (Australia) Limited	6,697,278	0.57
Australian Foundation Investment Company Limited	4,040,000	0.34
Netwealth Investments Limited	3,813,899	0.32
Citicorp Nominees Pty Limited	3,006,935	0.25
Australian Foundation Investment Company Limited	2,625,000	0.22
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	2,495,470	0.21
Milton Corporation Limited	2,077,766	0.18
ECapital Nominees Pty Limited	1,638,573	0.14
HSBC Custody Nominees (Australia) Limited	1,542,276	0.13
AMP Life Limited	1,339,508	0.11
Total for Top 20	**800,379,433**	**67.83**

Distribution of holders

Ranges	No. of holders	%	No. of securities	%
100,001 and Over	137	0.15	832,861,602	70.59
10,001 to 100,000	7,980	8.92	159,462,994	13.52
5,001 to 10,000	11,140	12.45	79,890,747	6.77
1,001 to 5,000	36,327	40.59	93,943,262	7.96
1 to 1,000	33,916	37.89	13,735,243	1.16
Total	**89,500**	**100.00**	**1,179,893,848**	**100.00**

1,986 holders hold less than a marketable parcel of securities (market value less than $500 or 51 securities based on a market price on 19 August 2021 of $9.85).

Substantial holders

By notice dated 16 July 2021, BlackRock Group advised that it had an interest in 82,844,967 stapled securities, as at 14 July 2021.

By notice dated 8 July 2021, State Street Corporation. advised that it had an interest in 70,802,929 stapled securities, as at 6 July 2021.

By notice dated 1 December 2020, UniSuper Limited as trustee for UniSuper and UniSuper Management Pty Limited advised that it had an interest in 168,380,843 stapled securities, as at 27 November 2020.

By notice dated 10 March 2020, Vanguard Group advised that it had an interest in 71,349,836 stapled securities, as at 4 March 2020.

Voting rights

On a show hands, each holder has one vote.

On a poll, each holder has one vote for each dollar of the value of the total interests they have in the scheme.

On-market buy-back

There is no current on-market buy-back.

FIVE YEAR SUMMARY

		2021	2020 [1]	2019 [1]	2018 [1]	2017
Financial Performance (Statutory)						
Revenue	$m	**2605.3**	2,590.6	2,452.2	2,386.7	2,326.4
Revenue excluding pass-through [2]	$m	**2144.5**	2,129.5	2,031.0	1,941.4	1,888.3
Underlying EBITDA [3]	$m	**1,633.0**	1,653.9	1,573.8	1,518.5	1,470.1
Total Report EBITDA [3]	$m	**1,643.0**	1,656.0	1,569.0	1,518.0	1,470.1
Depreciation and amortisation expense	$m	**(674.4)**	(650.8)	(611.3)	(578.9)	(570.0)
Reported EBIT [3]	$m	**968.7**	1,005.2	957.7	939.1	900.1
Net Interest expense [3]	$m	**(504.8)**	(507.8)	(497.4)	(509.7)	(513.8)
Tax (expense) / benefit	$m	**(62.9)**	(185.6)	(175.6)	(164.9)	(149.5)
Profit after tax including significant items	$m	**3.7**	311.8	284.7	264.5	236.8
Significant items – after income tax	$m	**(278.1)**	—	—	—	—
Profit after tax excluding significant items	$m	**281.8**	311.8	284.7	264.5	236.8
Financial Position						
Total assets	$m	**14,742.9**	15,994.3	15,429.2	15,226.7	15,045.9
Total drawn debt [4]	$m	**9,665.7**	9,983.6	9,352.1	8,810.4	9,249.7
Total equity	$m	**2,969.2**	3,214.9	3,596.1	4,126.5	3,978.2
Operating Cash Flow						
Operating cash flow [5]	$m	**1,051.0**	1,087.5	1,007.3	1,031.1	973.9
Free cash flow [6]	$m	**901.9**	956.6	893.7	919.0	905.1
Key Financial Ratios						
Earnings per security including significant items [7]	cents	**0.3**	26.4	24.1	23.3	21.2
Free cash flow per security [7]	cents	**76.4**	81.1	75.7	80.8	80.9
Distribution per security	cents	**51.0**	50.0	47.0	45.0	43.5
Funds From Operations to Net Debt	%	**11.3**	12.2	10.7	10.7	10.8
Funds From Operations to Interest	times	**3.1**	3.3	3.0	3.0	3.0
Weighted average number of securities [7]	m	**1,179.9**	1,179.9	1,179.9	1,136.9	1,118.5
EBITDA by Segment (Excluding Significant Items)						
Underlying EBITDA [3]						
Energy Infrastructure						
East Coast Gas	$m	**627.5**	648.8	650.4	655.3	643.6
West Coast Gas	$m	**270.8**	271.5	236.4	214.1	212.3
Wallumbilla Gladstone Pipeline	$m	**549.7**	538.9	542.4	515.9	488.0
Power Generation	$m	**174.6**	170.6	143.3	111.8	109.8
Asset Management	$m	**80.3**	63.3	53.0	66.2	58.7
Energy Investments	$m	**30.9**	35.7	28.4	23.1	24.4
Corporate costs	$m	**(100.8)**	(75.0)	(80.1)	(67.9)	(66.7)
Divested businesses	$m	**—**	—	—	—	—

1) Restated as a result of change in the APA Group's accounting policy following the IFRS Interpretations Committee's ("IFRIC") Agenda Decision published in April 2021 related to accounting for Software-as-a-Service ("SaaS") arrangements.
2) Pass-through revenue is revenue on which no margin is earned. Pass-through revenue arises in the asset management operations in respect of costs incurred and passed on to Australian Gas Networks Limited (AGN) and GDI in respect of the operation of the AGN and GDI assets respectively.
3) Excludes significant items.
4) APA's liability to repay debt at relevant due dates of the drawn facilities. This amount represents current and non-current borrowings as per balance sheet and is adjusted for deferred borrowing costs, the effect of unwinding of discount, unrealised foreign exchange differences reported in equity and deducting other financial liabilities that are reported as part of borrowings in the balance sheet.
5) Operating cash flow = net cash from operations after interest and tax payments.
6) Free cash flow is operating cash flow less SIB capex (SIB capex includes operational assets lifecycle replacement costs and technology lifecycle costs).
7) On the 23 March 2018, APA Group issued 65,586,479 new ordinary securities on completion of the fully underwritten pro-rata accelerated institutional tradeable renounceable entitlement offer, resulting in total securities on issue as at 30 June 2018 of 1,179,893,848. The entitlement offer was offered at $7.70 per security, a discount to APA Group's closing market price of $8.26 per security on the 23 February 2018, the last trading day before the record date of 26 February 2018. The numbers of securities used for calculation of earnings per security and operating cash flow per security from FY17 to FY18 have been adjusted. An adjustment factor of 1.0038 has been calculated, being the closing market price per security on 23 February 2018, divided by the theoretical ex-rights price (TERP) of $8.23 per security.

INVESTOR INFORMATION

Calendar of events	
Final distribution FY21 record date	30 June 2021
Final distribution FY21 payment date	15 September 2021
Annual meeting	21 October 2021
Interim results announcement	23 February 2022 (1)
Interim distribution FY22 record date	31 December 2021 (1)
Interim distribution FY22 payment date	17 March 2022 (1)

1) Subject to change.

Annual meeting details

Date: Thursday, 21 October 2021
Time: 10.30 am

To be held as a virtual meeting at https://agmlive.link/APA21

Please refer to the APA Group Notice of Meeting or the APA Group website for information

ASX listing

An APA Group security comprises a unit in Australian Pipeline Trust and a unit in APT Investment Trust. These units are stapled together to form a stapled security which is listed on the ASX (ASX Code: APA). Australian Pipeline Limited is the Responsible Entity of those trusts.

APA group responsible entity and registered office

Australian Pipeline Limited

ACN 091 344 704
Level 25, 580 George Street,
Sydney NSW 2000

PO Box R41,
Royal Exchange NSW 1225

Telephone: +61 2 9693 0000
Facsimile: +61 2 9693 0093

Website: apa.com.au

APA Group registry

Link Market Services Limited

Level 12, 680 George Street,
Sydney NSW 2000

Locked Bag A14,
Sydney South NSW 1235

Telephone: +61 1800 992 312
Facsimile: +61 2 9287 0303

Email: apagroup@linkmarketservices.com.au

Website: linkmarketservices.com.au

Securityholder details

It is important that Securityholders notify the APA Group registry immediately if there is a change to their address or banking arrangements. Securityholders with enquiries should also contact the APA Group registry.

Distribution payments

Distributions will be paid semi-annually in March and September. Securityholders will receive annual tax statements with the final distribution in September. Payment to Securityholders residing in Australia and New Zealand will be made only by direct credit into an Australian or New Zealand bank account. Securityholders with enquires should contact the APA Group registry.

Online information

Further information on APA is available at apa.com.au, including:

- Results, market releases and news
- Asset and business information
- Corporate responsibility and sustainability reporting
- Securityholder information such as the current APA security price, distribution and tax information.

Electronic communication

Securityholders can elect to receive communication electronically by registering their email address with the APA Group registry. Electing to receive annual reports electronically will reduce the adverse impact we have on the environment.

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