



APA GROUP
TAX TRANSPARENCY REPORT
2019

As a leading energy infrastructure business in Australia, APA Group (APA) is committed to meeting the highest standards of tax governance. Compliance with all State and Federal tax laws is mandatory.

As part of this commitment APA has voluntarily adopted the Board of Taxation's Tax Transparency Code and therefore releases a Tax Transparency Report for each year ended 30 June.

Tax Governance and Oversight

Responsibility for tax risk resides with the APA Board. Levels of delegated tax risk and responsibility are specified in the APA Delegated Limits of Authority policy.

APA's tax governance framework, which forms part of APA's Enterprise Risk Management Framework, includes documented formal tax policies, guides and procedures that are reviewed and updated annually. APA has appropriate systems, processes and controls in place to identify, monitor, manage and escalate tax risks arising from material transactions undertaken and in its business affairs generally.

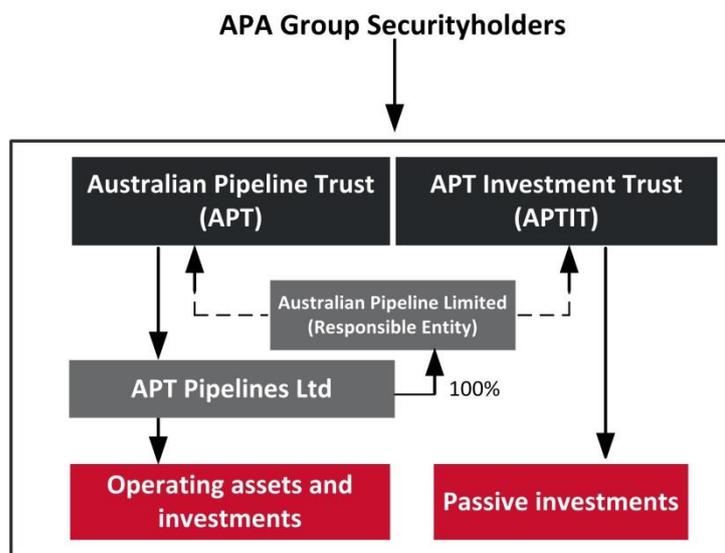
APA has an experienced in-house tax team that reports six monthly to the Audit and Risk Management Committee of the Board confirming that material tax risks have been identified and dealt with in accordance with the APA Tax Policy. Additional oversight is provided by APA's internal and external auditors. In addition APA regularly uses a range of highly qualified external taxation advisers, typically from the "Big 4" accounting firms to provide specific advice in respect of tax risks arising in respect of material transactions.

Tax Risk Profile

Consistent with its approach to its business, APA considers itself to be a low risk tax payer. Where there is a choice between an aggressive tax position, and a more conservative position, APA will take the more conservative approach.



APA Group Structure



APA Group is a stapled trust structure comprising Australian Pipeline Trust (APT) and APT Investment Trust (APTIT). APA Group operates in Australia. A single subsidiary is resident in the United States. Service fees for the United States subsidiary have been charged and documented using an appropriate arm's length methodology. No businesses are conducted in or through tax haven jurisdictions.

APT is a Division 6C public trading trust which is treated as if it were a company for tax purposes. APT carries on APA's active businesses and is the head of the APT tax consolidated group (APT TCG). As head of the APT TCG, APT is liable for corporate tax of 30% in respect of its business activities.

APTIT is a Division 6 "flow through" trust which owns a land asset used by APT and provides some funding to APT. Cross staple charges of rent and interest by APTIT are at appropriate arm's length market rates. Net income derived by APTIT is fully distributed annually to APA securityholders on a "present entitlement" basis and is taxed in their hands at their applicable marginal tax rates.

APA Group Distributions

APA makes distributions to securityholders based on available operating cash flows. Distributions are made on a profits first basis. Where there are insufficient profits in any period, returns of capital are made to securityholders.

Australian resident securityholders are subject to income tax at their applicable tax rate on APT profit distributions received. Where tax has been paid by APT, profit distributions will include applicable franking credits which can be used by securityholders to offset their tax liabilities.



Where tax has not been paid by APT, profit distributions will generally be fully taxed in the hands of resident securityholders⁽¹⁾. This is consistent with Australia's dividend imputation regime whereby company profits are only taxed once at a relevant securityholder's applicable marginal rate.

Non-resident securityholders are subject to withholding tax of up to 30% on unfranked APT profit distributions. No withholding tax is deducted from franked APT profit distributions.

APTIT profit distributions are taxed in the hands of Australian resident securityholders at their applicable marginal tax rate.

Non-resident securityholders are subject to withholding tax of 10% on APTIT profit distributions.

Returns of capital by APT and APTIT are "tax deferred" to securityholders. This means that the amount of the capital return reduces the cost base of the units held with tax only being paid once the cost base reduces below nil or the units are sold for consideration in excess of the reduced cost base.

Distributions paid by APA during the 2019 financial year totalled \$536.8 million. This comprised APT franked profit distributions of \$193.5 million, APT unfranked profit distributions of \$24.0 million, APTIT profit distributions of \$69.2 million and a return of capital of \$250.1 million. The APT unfranked profit distributions and the APTIT profit distributions will be either fully taxed in the hands of Australian resident securityholders or were subject to withholding tax at relevant rates in the hands of non-resident securityholders.

⁽¹⁾ Securityholders should always consider their own tax position in determining assessability of APA distributions and should seek their own tax advice.



**Reconciliation of Accounting Profit to Income Tax Expense
Financial Year 2019**

	\$000
Profit before tax	464,980
Income tax expense calculated at 30%	(139,494)
Non-assessable trust income (APTIT)	19,521
Non deductible expenses ⁽²⁾	(58,404)
Non assessable income	83
	(178,294)
Franking credits received	105
Previously unrecognised tax losses	853
Adjustment recognised in the current year in relation to the current tax of prior years	104
R&D Tax incentive	264
Income Tax Expense	(176,968)

Effective Tax Rate Financial Year 2019

The accounting effective tax rate for 2019 is 38.0%.

⁽²⁾ Predominantly amortisation/write off of contract intangibles that are not deductible for tax



Reconciliation from Income Tax Expense to Income Tax Payable

Financial Year 2019

	\$000
Profit/(loss) Before Tax	464,980
Adjustments made in determining income tax expense ⁽³⁾	129,333
Adjusted Profit Before Tax	594,312
Accounting depreciation	428,460
Tax depreciation	(684,546)
Capitalised interest deductible for tax purposes	(31,468)
Movement in provisions and accruals	17,288
Movement in prepayments	(1,057)
Capital expenditure deductible for tax over 5 years	(9,797)
Hedging adjustments	1,027
Revenue assessable for tax in prior periods but deferred in accounts	(4,247)
Other adjustments	6,657
Gross Taxable Income	316,628
Transferred tax losses utilised	(75,537)
Taxable income after loss utilisation	241,091
Tax @ 30%	72,327
Imputation Credit Offset	(105)
R&D Tax Offset	(462)
Income Tax Payable in respect of the FY19 tax year	71,760

⁽³⁾ Generally non-deductible amortisation of contract intangibles offset by non-assessable trust income (APTIT)



The most significant tax timing difference in the above reconciliation is the capped 20 year tax life allowed by Australian tax laws to gas transmission and distribution assets. These capped lives result in accelerated tax depreciation being claimed on APA's long life pipeline assets over a 20 year effective life as opposed to an accounting effective life of, generally, around 40 years. Included in the tax depreciation claimed is \$79 million of expenditure that was capitalised for accounting purposes but that is immediately deductible in 2019 for tax purposes.

Taxes Paid/Payable

The table below shows taxes paid or payable by APA either in its own capacity or on behalf of employees/contractors/customers in respect of the year ended 30 June 2019. All taxes shown are payable in Australia with the exception of \$0.1 million income tax which is payable in the United States.

	\$000
Corporate Income Tax ⁽⁴⁾	71,760
Goods & Services Tax	113,931
Fringe Benefits Tax	991
Payroll Taxes	14,038
Employee Pay-As-You-Go Withholding	81,027
Land Tax	325
Excise	3,386
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Total Taxes Payable/Paid	285,458
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⁽⁴⁾ Payable by 1 December 2019