



# 2019 TAX CONTRIBUTION REPORT

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Year ended 30 June 2019

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## HOW WE REPORT

At Australia Pacific LNG (APLNG), our corporate reporting suite is comprised of our Annual Report for the consolidated entity and 3 subsidiary companies of Australia Pacific LNG Pty Limited. Our 2019 reports are lodged with ASIC.

- Annual Report for Australia Pacific LNG Pty Limited
- Annual Report for Australia Pacific LNG Holdings Pty Limited
- Annual Report for Australia Pacific LNG Processing Pty Limited
- Annual Report for Australia Pacific LNG (Shared Facilities) Pty Limited

This year is the second edition of our Tax Contribution Report.

## MESSAGE FROM THE CHIEF FINANCIAL OFFICER

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I am pleased to present APLNG's 2019 Tax Contribution Report detailing the taxes that the business paid in the 2019 financial year. Our disclosure in this report aligns with the recommendations of the Board of Taxation's voluntary Tax Transparency Code which aims to increase transparency around how much tax businesses pay and why.

We are proud of the significant contribution we make to the communities in which we operate. Through the development and operation of our upstream and downstream facilities we create significant economic value for the country. Our operations contribute to Australia's economic growth through local employment, the procurement of local goods and services where possible, and ongoing infrastructure investments. We also pay a significant amount of royalties to the Queensland government in relation to our domestic sales and export of LNG and various other indirect state taxes such as Stamp Duties and Q-leave.

Our business delivered a solid operational performance in the 2019 financial year. However, the utilisation of available tax losses and offsets generated during the year and in prior years meant that APLNG would pay no corporate income tax relating to the 2019 financial year.

**Tim Horneman**  
Chief Financial Officer

## WHO WE ARE

APLNG is an incorporated joint venture in which Origin Energy Limited (Origin Energy), ConocoPhillips Australia Pacific LNG Pty Ltd (ConocoPhillips) and Sinopec Australia Pacific LNG Pty Ltd (SAPLNG) hold interests.

APLNG is one of the largest producers of natural gas in eastern Australia, supplying gas to the international LNG market in addition to the Australian east coast gas market. Australia Pacific LNG supplies gas directly to industrial customers in Queensland and also sells to retailers that supply the domestic east coast gas market.

APLNG's activities include:

- further development of APLNG's gas fields in the Surat and Bowen Basins in southwestern and central Queensland
- operation and maintenance of the 530 km high pressure gas pipeline from the gas fields to the LNG facility near Gladstone in Queensland
- operation and maintenance of the LNG facility on Curtis Island near Gladstone, which has two trains with a combined design nameplate processing capacity of approximately 9.0 million tonnes per annum (Mtpa).

## DISTRIBUTION OF ECONOMIC VALUE

The operation of APLNG's business benefits local, regional and national communities through:

- Procurement of goods and services from local suppliers when possible;
- Creation of employment opportunities;
- Investment in community initiatives and local infrastructure;
- Wages to our employees and payments to contractors; and
- Payment of rates and royalties to federal and state governments.

## APLNG'S TAX POLICY AND RISK MANAGEMENT FRAMEWORK

APLNG complies with all tax laws and regulations applicable in the countries in which we operate and seeks to mitigate tax risks associated with our activities in line with the Australia Tax Office's (ATO) Risk Management and Governance Review Guide.

The management of tax risk is an important component of APLNG's compliance approach managed via our risk management framework. The Board reviews our risk management framework annually and material risks are reported to the Management Risk Committee on a quarterly basis.

The APLNG Board does not support activities which seek to aggressively structure the company's tax position. Tax effect accounting results, significant legislative change or court decisions affecting our tax affairs and uncertain tax positions must be reported to the Board at a minimum during each half year reporting period.

These matters are also then included in monthly finance reports provided to the Board. APLNG tax's obligations are managed by Origin Energy in Origin Energy's capacity as corporate service provider to APLNG. Origin Energy's tax risk directive focuses on the identification and assessment of tax risks, and tax related responsibilities and accountabilities across the business. Origin Energy's tax function reviews any new or non-recurring APLNG transaction above a determined threshold, any transaction that has a material non-financial impact, any transaction that impacts the APLNG group's equity and any change in processes involving financial transactions.

For major transactions whose tax implications will have a material financial impact on the company, we seek to obtain binding rulings from revenue authorities. If we rely on public rulings, transactions must comply with the conditions of these rulings, so that APLNG is assured of the appropriate tax treatment. Where we hold a joint venture interest, the company's representation on joint venture boards and operating committees help to align the joint venture entity with our position.

## THE AUSTRALIAN TAX CONSOLIDATED GROUP

APLNG and its subsidiaries only have operations in Australia. APLNG lodges a single Australian tax return which consolidates the results of all of its wholly owned Australian resident companies.

APLNG changed its functional currency from Australian Dollars ('AUD') to United States Dollars ('USD') from 1 July 2016 as required under accounting standards. Also, with effect from the same date APLNG elected to change its functional currency from AUD to USD for income tax purposes.

As a result of the change in functional currency for accounting purposes, APLNG elected to present the APLNG Group's financial statements in USD presentation currency from 1 July 2016. Although APLNG's presentation currency in its financial accounts is USD, the company is required to disclose amounts in its Australian tax return in AUD and has done so using the ATO's published average foreign exchange rate for the year ended 30 June 2019.

## APLNG'S ENGAGEMENT WITH THE AUSTRALIAN TAX OFFICE

We have been classified as a key taxpayer by the ATO pursuant to its Top 100 risk categorisation approach, which means that APLNG's operations are assessed as having a significant effect on the tax system but also that the ATO considers that APLNG has a lower risk level relative to other taxpayers in the top 100 population.

APLNG engages with the ATO and state revenue authorities on a regular basis to confirm compliance with the tax law.

In November 2019, pursuant to its justified trust initiative<sup>1</sup> the ATO stated that in respect to the 2018 income tax year, "...we have obtained assurance that your organisation paid the right amount of Australian income tax for the income year reviewed. In recognition of achieving this high level of assurance we will discuss and agree upon an approach which maintains this confidence and lessens the scope and intensity of our on-going engagement."

<sup>1</sup> The justified trust initiative involves a comprehensive review of a taxpayer by the ATO with objective evidence that would lead a reasonable person to conclude the taxpayer paid the right amount of tax. This is a higher level of assurance than confirming that certain risks do not arise. For further information on justified trust, please refer to the ATO's website, [www.ato.gov.au/business/large-business/justified-trust/](http://www.ato.gov.au/business/large-business/justified-trust/)

## INTERNATIONAL DEALINGS

All of the APLNG group's cross border related party dealings are conducted on an arm's length basis and are supported by contemporaneous documentation. These dealings can be classified into the following.

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### THREE KEY CATEGORIES

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- 1** Sale of LNG to a Hong Kong subsidiary of the Chinese parent of SAPLNG pursuant to a long-term LNG sales agreement;
  - 2** A loan from China EXIM as part of a syndicated facility agreement including other unrelated lenders (Note: this loan was refinanced during the 2019 tax year and ended the lending relationship); and
  - 3** Insurance obtained by the APLNG group from a US captive insurer which is a subsidiary company of the US parent of ConocoPhillips.
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## APLNG'S EFFECTIVE TAX RATE

The APLNG group effective income tax rate for the 30 June 2019 tax year on the statutory accounting profit was 30 per cent. For the 30 June 2018 tax year, the effective tax rate was 29 per cent. The minor variance from the corporate tax rate of 30 per cent during the 2018 tax year is primarily due to the research and development tax offset.

## TAXES PAID BY APLNG

During the 2019 financial year, we paid \$284 million in government petroleum royalties (2018: \$116 million).

Due to the utilisation of available tax losses and offsets generated during the year and in prior years APLNG paid no corporate income tax relating to the 2019 financial year.

## RECONCILIATION OF ACCOUNTING PROFIT TO TAX EXPENSE

This section provides details of the APLNG group accounting profit before tax to income tax expense.

### RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSE

	2019 \$MILLION AUD	2018 \$MILLION AUD
<b>Reconciliation between tax expense and pre-tax net (Loss)/profit</b>		
(Loss)/profit from continuing operations before income tax	2,276	782
	<b>2,276</b>	<b>782</b>
<b>Income tax using the domestic corporation tax rate of 30 per cent</b>	<b>683</b>	<b>235</b>
<i>Increase/(decrease) in income tax expense due to:</i>		
Research and Development concession	(3)	(3)
Other	-	(9)
<b>Total non-temporary income tax expense adjustments</b>	<b>(3)</b>	<b>(12)</b>
Under provided in prior years - current and deferred	-	3
<b>Total Income Tax Expense/(Benefit)</b>	<b>680</b>	<b>225</b>
Accounting effective company tax rate (statutory profit)	30%	29%



## **DIRECTORY APLNG**

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### **REGISTERED OFFICE**

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### **SECRETARY**

Helen Hardy

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### **AUDITOR for the relevant year**

KPMG

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