



Channel

Infrastructure NZ

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

		GROUP 30 June 2022	GROUP 30 June 2021 (restated)
	NOTE	\$000	\$000
CONTINUING OPERATIONS			
INCOME			
Revenue	3,4	29,831	1,684
TOTAL INCOME		29,831	1,684
EXPENSES			
Energy and utility costs		2,301	-
Materials and contractor payments		1,500	542
Salaries, wages and benefits	12	2,343	1,394
Administration and other costs		4,015	582
TOTAL EXPENSES		10,159	2,518
EARNINGS BEFORE DEPRECIATION, FINANCE COSTS AND INCOME TAX		19,672	(834)
Depreciation and disposal costs	8	8,285	556
TOTAL DEPRECIATION AND DISPOSAL COSTS		8,285	556
NET PROFIT / (LOSS) BEFORE FINANCE COSTS AND INCOME TAX		11,387	(1,390)
Finance income		(71)	(1)
Finance costs		3,692	-
NET FINANCE COSTS / (INCOME)		3,621	(1)
NET PROFIT / (LOSS) BEFORE INCOME TAX		7,766	(1,389)
Income tax		2,139	(191)
NET PROFIT / (LOSS) AFTER INCOME TAX FROM CONTINUING OPERATIONS		5,627	(1,198)
Net profit / (loss) after income tax from discontinued operations	2	11,557	(3,716)
NET PROFIT / (LOSS) AFTER INCOME TAX		17,184	(4,914)
ATTRIBUTABLE TO:			
Owners of the Parent		17,184	(4,914)
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS			
Basic and diluted earnings per share from continuing operations		1.5	(0.4)
Basic and diluted earnings per share		4.6	(1.6)

THE ABOVE CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT IS TO BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

		GROUP 30 June 2022	GROUP 30 June 2021 (restated)
	NOTE	\$000	\$000
NET PROFIT/(LOSS) AFTER INCOME TAX		17,184	(4,914)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to the Income Statement			
Defined benefit plan and medical scheme actuarial gain	12	656	15,615
Deferred tax		(184)	(4,372)
Total items that will not be reclassified to the Income Statement		472	11,243
Items that may be subsequently reclassified to the Income Statement			
Movement in cash flow hedge reserve		11,007	9,433
Deferred tax		(3,082)	(2,641)
Total items that may be subsequently reclassified to the Income Statement		7,925	6,792
TOTAL OTHER COMPREHENSIVE INCOME, AFTER INCOME TAX		8,397	18,035
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, AFTER INCOME TAX		25,581	13,121
ATTRIBUTABLE TO:			
Owners of the Parent		25,581	13,121

THE ABOVE CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME IS TO BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Consolidated Balance Sheet

AS AT 30 JUNE 2022 (UNAUDITED)

	NOTE	GROUP 30 June 2022 \$000	GROUP 31 December 2021 \$000
ASSETS			
Cash and cash equivalents		8,046	16,069
Trade and other receivables	10	25,740	139,847
Income tax receivable		108	684
Derivative financial instruments		6,650	5,263
Inventories		1,256	2,015
TOTAL CURRENT ASSETS		41,800	163,878
NON-CURRENT ASSETS			
Inventories		3,919	3,719
Derivative financial instruments		11,299	4,875
Intangibles		22,362	27,059
Property, plant and equipment	8	867,842	869,137
Investment property		6,200	6,200
Right-of-use assets		616	650
Deferred tax assets	13	175,720	82,059
TOTAL NON-CURRENT ASSETS		1,087,958	993,699
TOTAL ASSETS		1,129,758	1,157,577
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	33,665	155,167
Derivative financial instruments		-	387
Lease liabilities		959	805
Employee benefits	12	2,907	9,937
Provisions	11	67,234	87,088
TOTAL CURRENT LIABILITIES		104,765	253,384
NON-CURRENT LIABILITIES			
Derivative financial instruments		1,690	-
Borrowings	7	223,330	199,698
Lease liabilities		1,568	1,600
Employee benefits	12	7,841	7,953
Provisions	11	63,768	98,349
Deferred tax liabilities	13	204,392	101,105
TOTAL NON-CURRENT LIABILITIES		502,589	408,705
TOTAL LIABILITIES		607,354	662,089
NET ASSETS		522,404	495,488

Consolidated Balance Sheet (continued)

AS AT 30 JUNE 2022 (UNAUDITED)

		GROUP 30 June 2022	GROUP 31 December 2021
	NOTE	\$000	\$000
EQUITY			
Contributed equity	6	314,504	313,974
Revaluation reserve		422,771	422,771
Treasury stock	6	(1,462)	(1,168)
Employee share entitlement reserve	6	2,685	1,586
Cash flow hedge reserve		11,633	3,708
Retained earnings		(227,727)	(245,383)
TOTAL EQUITY		522,404	495,488

The Board of Directors of Channel Infrastructure Limited authorised these financial statements for issue on 24 August 2022.

For and on behalf of the Board:



J B Miller
Chair of the Board



A M Molloy
Chair of the Audit and Finance Committee

THE ABOVE CONDENSED CONSOLIDATED INTERIM BALANCE SHEET IS TO BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Consolidated Statement of Changes in Equity

AS AT 30 JUNE 2022 (UNAUDITED)

	CONTRIBUTED EQUITY	REVALUATION RESERVE	TREASURY STOCK	EMPLOYEE SHARE SCHEME ENTITLEMENT RESERVE	CASH FLOW HEDGE RESERVE	RETAINED EARNINGS	TOTAL EQUITY
NOTE	\$000	\$000	\$000	\$000	\$000	\$000	\$000
AT 1 JANUARY 2021	266,057	-	(896)	779	5,298	292,692	563,930
COMPREHENSIVE INCOME							
Net loss after income tax	-	-	-	-	-	(4,914)	(4,914)
Other comprehensive income							
Movement in cash flow hedge reserve	-	-	-	-	9,433	-	9,433
Defined benefit actuarial gain	12	-	-	-	-	15,615	15,615
Deferred tax on other comprehensive income	-	-	-	-	(2,641)	(4,372)	(7,013)
TOTAL OTHER COMPREHENSIVE GAIN, AFTER INCOME TAX	-	-	-	-	6,792	11,243	18,035
TRANSACTIONS WITH OWNERS OF THE PARENT							
Equity-settled share-based payments	-	-	-	478	-	-	478
Shares vested to employees	-	-	272	(272)	-	-	-
Treasury shares purchased	276	-	(276)	-	-	-	-
Unclaimed dividends written back	-	-	-	-	-	(26)	(26)
TOTAL TRANSACTIONS WITH OWNERS OF THE PARENT	276	-	(4)	206	-	(26)	452
AT 30 JUNE 2021	266,333	-	(900)	985	12,090	298,995	577,503

THE ABOVE CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY IS TO BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Consolidated Statement of Changes in Equity

AS AT 30 JUNE 2022 (UNAUDITED)

	CONTRIBUTED EQUITY	REVALUATION RESERVE	TREASURY STOCK	EMPLOYEE SHARE SCHEME ENTITLEMENT RESERVE	CASH FLOW HEDGE RESERVE	RETAINED EARNINGS	TOTAL EQUITY
NOTE	\$000	\$000	\$000	\$000	\$000	\$000	\$000
AT 1 JANUARY 2022	313,974	422,771	(1,168)	1,586	3,708	(245,383)	495,488
COMPREHENSIVE INCOME							
Net profit after income tax	-	-	-	-	-	17,184	17,184
Other comprehensive income							
Movement in cash flow hedge reserve	-	-	-	-	11,007	-	11,007
Defined benefit actuarial gain	12	-	-	-	-	656	656
Deferred tax on other comprehensive income	-	-	-	-	(3,082)	(184)	(3,266)
TOTAL OTHER COMPREHENSIVE GAIN, AFTER INCOME TAX	-	-	-	-	7,925	472	8,397
TRANSACTIONS WITH OWNERS OF THE PARENT							
Equity-settled share-based payments	-	-	-	1,335	-	-	1,335
Shares vested to employees	-	-	236	(236)	-	-	-
Treasury shares issued	530	-	(530)	-	-	-	-
TOTAL TRANSACTIONS WITH OWNERS OF THE PARENT	530	-	(294)	1,099	-	-	1,335
AT 30 JUNE 2022	314,504	422,771	(1,462)	2,685	11,633	(227,727)	522,404

THE ABOVE CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY IS TO BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

	NOTE	GROUP 30 June 2022 \$000	GROUP 30 June 2021 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		99,572	114,036
Payment for supplies and expenses		(60,907)	(57,369)
Payments to employees		(46,332)	(28,719)
CASH (USED BY) / GENERATED FROM OPERATIONS		(7,667)	27,948
Interest received		113	47
Interest paid		(6,498)	(4,808)
Net GST paid		(1,352)	(813)
Income tax received		576	-
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES		(14,828)	22,374
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		459	-
Proceeds from sale of intangible assets		2,413	-
Payments for property, plant and equipment		(18,858)	(20,811)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(15,986)	(20,811)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans and borrowings		(75,000)	(10,000)
Proceeds from bond issuance		98,111	-
Lease payments		(320)	(352)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES		22,791	(10,352)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,023)	(8,789)
Cash and cash equivalents at the beginning of the period		16,069	43,289
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		8,046	34,500

THE ABOVE CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS IS TO BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

Reporting entity

Channel Infrastructure NZ Limited (previously The New Zealand Refining Company Limited, trading as Refining NZ) (hereinafter as 'Parent', 'Company', or 'Channel Infrastructure') is a profit-oriented company registered under the Companies Act 1993 and an FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013. Channel Infrastructure is listed, and its ordinary shares are quoted under the ticker CHI (previously NZR) on the NZX Main Board Equity Market ('NZX Main Board') and its subordinated notes (ticker CHI010) and corporate bonds (ticker CHI020) are quoted on the NZX Debt Market.

The condensed consolidated interim financial statements (hereinafter 'financial statements') for the six months ended 30 June 2022 presented are those of Channel Infrastructure together with its subsidiaries ('the Group'). Subsidiaries are all entities over which the Group has control and includes Channel Terminal Services Limited, Independent Petroleum Laboratory Limited, Maranga Ra Holdings Limited and CHI Future Developments Limited.

Basis of preparation

These financial statements as at and for the six months ended 30 June 2022 comply with the generally accepted accounting practice in New Zealand ('NZ GAAP') and have been prepared in accordance with New Zealand Equivalents to International Accounting Standard ('NZ IAS') 34: *Interim Financial Reporting* and International Accounting Standard ('IAS') 34: *Interim Financial Reporting* and, consequently, do not include all the information required to be disclosed in annual consolidated financial statements. These financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021.

Comparatives in the consolidated income statement have been restated due to the presentation of oil refining activities as 'discontinued operations' (refer Note 2 for further information). The financial performance for the six months to 30 June 2021 reflects the operations of Independent Petroleum Laboratory with revenue reported after elimination of intercompany transactions with discontinued operations.

Accounting policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the previously published audited consolidated financial statements as at and for the year ended 31 December 2021. There were no new standards, interpretations and amendments effective from 1 January 2022 that would have a material impact on the Group.

Use of judgements and estimates

The preparation of financial statements requires directors to make certain judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

The following areas involve judgements, estimates and assumptions that can significantly affect the amounts recognised in the financial statements:

- **Fair value and useful lives of property, plant and equipment** – in 2021 the Group adopted the fair value model as the measurement base for property, plant and equipment (refer to the 2021 financial statements for further details). The Group reassessed the remaining useful lives of its infrastructure assets effective from 1 January 2022 resulting in changes to remaining lives of certain assets (refer Note 8 for further information).

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

- **Recoverability of tax losses** – in the six months ended 30 June 2022, the Group generated a tax loss of c.\$393.0 million, increasing the balance of total available losses (including losses from prior years) to c.\$467 million at 30 June 2022. A deferred tax asset in respect of these unutilised tax losses has been recognised.

On the basis that at least 49% continuity of shareholding is maintained, or if there were to be a breach of shareholder continuity, that the Company could satisfy the Business Continuity Test (dependent on 'there being no major' or a 'permitted major' change in the business), Management and the Board believe that future taxable profits will be available against which the losses can be offset and therefore the deferred tax asset realised.

- **Provisions** – consistent with the 2021 financial statements, the Group continues to recognise several provisions in relation to the conversion of the refinery into a dedicated fuels import terminal operation (refer to Note 11 for further information).
- **Discontinued operations** – in March 2022 the Group ceased refining operations and commenced operations as a dedicated fuels import terminal from 1 April 2022. This has resulted in the refining cash generating unit being classified as 'discontinued operations'.

The results from discontinued operations (as presented in Note 2) include processing fees, pipeline fees and other refining income earned under the Processing Agreements, and Wiri land and terminal lease income to 31 March 2022, and the associated operating costs.

The results from continuing operations include import terminal fees earned under the Terminal Services Agreements and Private Storage Agreements and Wiri land and terminal lease income from 1 April 2022, and the associated operating costs, as well as the results of Independent Petroleum Laboratory for the six months to 30 June 2022.

1 COVID-19

Pipeline throughputs in the six months ended 30 June 2022 were 1,132 million litres, comparable to the previous corresponding period and 30% lower than the 2019 corresponding period (pre-COVID-19).

Although pipeline volumes during the period remained lower than pre-COVID-19 levels (predominately due to lower demand for jet fuel from the Auckland International Airport), following the phased reopening of borders from February 2022 jet fuel demand has recovered from c.30% to above 50% of pre-COVID-19 levels in July 2022.

2 Discontinued operations

Following the strategic review undertaken by the Company and the Final Investment Decision taken by the Board to proceed with the conversion to an import terminal (as detailed in the 2021 consolidated financial statements), the Group ceased refining operations in March 2022, and commenced operations as a dedicated fuels import terminal from 1 April 2022.

The cessation of refining activities in March 2022 has resulted in refining operations being classified as 'discontinued operations', and are outlined in the below table:

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

	NOTE	GROUP 30 June 2022 \$000	GROUP 30 June 2021 \$000
DISCONTINUED OPERATIONS			
INCOME			
Revenue	3	69,001	113,746
TOTAL INCOME		69,001	113,746
EXPENSES			
Purchase of process materials and utilities		18,240	35,555
Materials and contractor payments		4,082	7,674
Salaries, wages and benefits		13,073	14,739
Administration and other costs		7,147	13,439
TOTAL EXPENSES		42,542	71,407
EARNINGS BEFORE DEPRECIATION, CONVERSION COSTS, FINANCE COSTS AND INCOME TAX		26,459	42,339
Depreciation and disposal costs	8	7,907	41,225
Conversion costs	11	(1,659)	-
TOTAL DEPRECIATION, DISPOSALS AND CONVERSION COSTS		6,248	41,225
NET PROFIT / (LOSS) BEFORE FINANCE COSTS AND INCOME TAX		20,211	1,114
Finance income		(42)	(46)
Finance costs	11	4,302	5,469
NET FINANCE COSTS		4,260	5,423
NET PROFIT / (LOSS) BEFORE INCOME TAX		15,951	(4,309)
Income Tax		4,394	(594)
NET PROFIT / (LOSS) AFTER INCOME TAX		11,557	(3,715)

The Consolidated Statement of Cash Flows includes the following amounts attributed to discontinued operations:

	30 June 2022 \$000	30 June 2021 \$000
CASH FLOWS (USED IN) / FROM DISCONTINUED OPERATIONS		
Net cash (used in) / from operating activities	(26,602)	1,631
Net cash (used in) investing activities	-	(19,969)
Net cash (used in) / from financing activities	-	-
NET CASH FLOWS USED IN DISCONTINUED ACTIVITIES FOR THE PERIOD	(26,602)	(18,338)

Total operating and capital costs associated with the refinery's shutdown and decommissioning, and the import terminal conversion are expected to be in the range of \$200 to \$220 million incurred over approximately four years, and c.\$50 to \$60 million of demolition costs longer-term. The Company recognised provisions for operating conversion costs in the 31 December 2021 financial statements – refer to Note 11 for further details of the movement in these provisions.

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

3 Income

Import terminal and associated fees are recognised over time as services are delivered. An output method is applied to measure progress of the services provided. The revenue is recognised in the amounts invoiced, applying the practical expedient in NZ IFRS 15, reflecting actual volumes delivered, adjusted for minimum fee (take-or-pay) when applicable.

Rental income from operating leases (including Wiri Oil terminal rental) is recognised on a straight-line basis in accordance with the substance of the relevant agreements.

There is no significant judgement involved in the price determination and allocation. The Group does not have contracts with customers where significant financing components, non-cash considerations or consideration payable to customers, obligations for refunds or specific warranties would exist.

	GROUP 30 June 2022	GROUP 30 June 2021 (restated)
NOTE	\$000	\$000
CONTINUING OPERATIONS		
Import terminal revenue	25,740	-
Wiri land and terminal lease income	1,632	-
Laboratory and other revenue	2,459	1,684
TOTAL REVENUE FROM CONTINUING OPERATIONS	29,831	1,684
DISCONTINUED OPERATIONS		
Processing fees	47,312	69,602
Natural Gas recovery	4,737	11,822
Pipeline and terminalling fee revenue	5,987	20,204
Wiri land and terminal lease income	1,631	3,263
Other refining related income	9,334	8,855
TOTAL REVENUE FROM DISCONTINUED OPERATIONS	2 69,001	113,746
TOTAL REVENUE	98,832	115,430

4 Segment information

Management reviews the Group's performance of operating segments primarily based on revenue and adjusted earnings before depreciation and amortisation, conversion costs, net finance costs and tax expense ('Adjusted EBITDA'). For a reconciliation between the Non-GAAP measure, Adjusted EBITDA, to the reported net profit/loss after tax refer to Note 16. Assets and liabilities information, depreciation, finance income and costs and income taxes are managed on a Group basis and are therefore not presented as part of the segment information.

Effective 1 April 2022, Management has identified one reportable segment, Infrastructure, which comprises the dedicated fuels import terminal system (including jetty infrastructure at Marsden Point, storage tanks, and Marsden Point to Auckland pipeline), Wiri land and terminal leases and the fuel testing laboratory.

Prior to 31 March 2022, the Group also identified Oil refining segment which was classified as discontinued following the cessation of refining operations as outlined in Note 2.

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

Segment results

30 June 2022		Infrastructure	Oil Refining	Total
	NOTE	\$000	\$000	\$000
CONTINUING OPERATIONS				
External customer		29,831	-	29,831
Inter-segment		1,272	-	1,272
TOTAL REVENUE FROM CONTINUING OPERATIONS		31,103	-	31,103
DISCONTINUED OPERATIONS				
External customer		142	68,859	69,001
Inter-segment		-	-	-
TOTAL REVENUE FROM DISCONTINUED OPERATIONS		142	68,859	69,001
TOTAL REVENUE*		31,245	68,859	100,104
ADJUSTED EBITDA**	16	19,743	29,333	49,076
30 June 2021 (restated)				
	NOTE	\$000	\$000	\$000
CONTINUING OPERATIONS				
External customer		1,684	-	1,684
Inter-segment		2,066	-	2,066
TOTAL REVENUE FROM CONTINUING OPERATIONS		3,750	-	3,750
DISCONTINUED OPERATIONS				
External customer		-	113,746	113,746
Inter-segment		-	-	-
TOTAL REVENUE FROM DISCONTINUED OPERATIONS		-	113,746	113,746
TOTAL REVENUE*		3,750	113,746	117,496
ADJUSTED EBITDA**	16	(833)	35,374	34,541

(*) prior to consolidation eliminations

(**) Adjusted EBITDA is adjusted earnings before depreciation, conversion costs, finance costs and income tax

5 Related parties

The Group entered into transactions with related parties, primarily processing and distribution revenues under the Processing Agreements until 31 March 2022 and import terminal and related revenue under the Terminal Services and Private Storage Agreements from 1 April 2022.

Details of related parties and the types of transactions entered into during the period ended 30 June 2022 are consistent with those disclosed in the audited financial statements for the year ended 31 December 2021 (refer in particular to Note 5 of the 2021 consolidated financial statements).

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

6 Equity

The issued capital of the Company is represented by 372,725,917 ordinary shares (31 December 2021: 372,223,477) issued and fully paid, less 1,031,802 (2021: 1,175,163) treasury shares held by CRS Nominees Limited. All ordinary shares rank equally with one vote attached to each ordinary share.

On 10 May 2022 the Company issued to the Chief Executive Officer (CEO) 232,991 share rights under the Company's Share Rights Plan. The Share Rights will convert on a 1:1 basis for nil cash consideration into fully paid ordinary shares on the third anniversary of the award (unless extended to the fourth anniversary), subject to the achievement of the outcomes sought from the material decisions made by the Board as part of the Strategic Review process, to the reasonable satisfaction of the Board. Vesting is also subject to the CEO remaining employed in her current role except in certain no-fault terminations provided the above performance condition is satisfied. The shares will be issued (or transferred in accordance with the terms of the Channel Infrastructure Share Rights Plan) in respect of vested Share Rights as soon as reasonably practicable after vesting.

On 13 April 2022, the Company issued 502,440 ordinary shares, at an issue price of \$1.055 per share, pursuant to the Employee Share Purchase Scheme. The shares are held on trust by CRS Nominees as Trustee until they are withdrawn by the employees following a restricted period of three years.

The total cost of the shares and share rights under the share schemes (including the Share Rights Plan and Employee Share Purchase Scheme) recognised in the six months to 30 June 2022 was \$1.3 million (30 June 2021: \$0.1 million) with a corresponding increase in Share Scheme Entitlement Reserve, noting that the cost recognised in 2022 is higher due to some employees being made redundant, which resulted in earlier recognition of the costs associated with the share schemes.

7 Borrowings

In April 2022 Channel Infrastructure extended \$120 million of its existing bank facilities out to December 2023.

In May 2022, Channel Infrastructure issued \$100 million of unsecured, unsubordinated, fixed rate retail bonds for a term of five years, maturing on 20 May 2027. The bonds are quoted on the NZDX. The net proceeds from the retail bonds provided diversification of funding that aligns with an infrastructure business, and were applied towards repaying a portion of Channel Infrastructure's existing bank debt and to replace some of its bank facilities which were subsequently cancelled.

As at 30 June 2022 the total available debt funding facilities amounted to \$375 million (including the Company's \$75 million subordinated notes and \$100 million retail bonds on issue).

The table below outlines the maturity profile of the facilities as at 30 June 2022:

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

	MATURITY DATE	GROUP 30 June 2022 \$000	GROUP 30 June 2021 \$000
BORROWINGS			
Non-current borrowings:			
Revolving cash advances	Mar-23	-	50,000
Revolving cash advances	Jun-24	-	25,000
Revolving cash advances	Mar-25	25,000	50,000
Revolving cash advances	Dec-23	25,000	-
Subordinated notes *	Mar-34	74,728	74,698
Retail bonds *	May-27	98,602	-
Total non-current borrowings		223,330	199,698
TOTAL BORROWINGS		223,330	199,698
UNDRAWN FACILITIES			
Revolving cash advances	Mar-22	-	40,000
Revolving cash advances	Dec-22	-	15,000
Revolving cash advances	Mar-23	-	95,000
Revolving cash advances	Dec-23	80,000	-
Revolving cash advances	Jun-24	-	15,000
Revolving cash advances	Mar-25	70,000	45,000
TOTAL UNDRAWN BORROWING FACILITIES		150,000	210,000

(*) The difference between the carrying value of the subordinated notes and retail bonds and their respective face values is due to unamortised issue costs and accrued interest. While the expiry of the subordinated notes is on 1 March 2034, the first election date is in March 2024, when the Company may elect to either redeem the notes or to offer new conditions to the noteholders.

The carrying amounts of bank borrowings approximate their fair value. The borrowings are unsecured. The Parent borrows under a negative pledge arrangement which requires certain certificates and covenants. All these requirements have been met and no breaches of these covenants are forecast for the next twelve months.

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

8 Property, plant and equipment, right-of-use assets and intangibles

During the six months ended 30 June 2022 the Group acquired property, plant and equipment with a cost of \$18.4 million (31 December 2021: \$35.1 million).

The remaining useful lives of the Group's property, plant and equipment have been reviewed resulting in changes to the remaining lives of certain import terminal system assets outlined below:

	REMAINING USEFUL LIVES
Buildings	2-30 years
Jetties	14-45 years
Tanks	20-45 years
Other Assets	1-80 years
Marsden Point to Auckland Pipeline and other assets	5-45 years

During the six months ended 30 June 2022 the Group has recognised c.\$16 million of depreciation expense and expects to recognise c.\$32m (of which c.\$8 million is included as part of the discontinued operations) in the 12 months to 31 December 2022, reflective of the impact of the changes of remaining useful lives.

9 Contractual commitments

Commitments are related to asset purchases and other on-going contractual commitments as at the reporting date but not provided for in the financial statements. As at 30 June 2022 the contractual commitments amounted to \$13.3 million (31 December 2021: \$21.5 million).

10 Trade and other receivables and payables

Significant reduction in trade and other receivables and payables results from there being no excise duty receivable and payable at 30 June 2022 (31 December 2021: \$114.2 million of excise duty receivable and payable). Following the commencement of import terminal operations, the Marsden Point site is no longer a Customs Controlled Area and therefore the Company ceased to collect (on behalf of its customers), and to pay excise duty to New Zealand Customs Service.

11 Provisions

Provisions relate to the costs associated with the refinery decommissioning, demolition and restoration, and workforce and other provisions – refer Note 15 of the 2021 consolidated financial statements for further details.

During the six months ended 30 June 2022 provisions have reduced by \$54.4 million compared to 31 December 2021 due to the following:

- Reduction by c.\$46 million due to utilisation of previously recognised provisions (including \$25 million of shut-down and decommissioning costs, and \$21 million of workforce transition and other costs);
- Reduction by c.\$11 million due to increase in discount rates (including \$8 million relating to conversion provisions and \$3 million to other provisions) that now range from 3.3 to 4.2% (31 December 2021: 1.3 to 3.1%); and
- Increase in provisions by c.\$3 million, which includes \$1 million due to discount unwinding (with the corresponding impact on financing costs of the discontinued operations).

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

12 Employee benefits

Employee benefits comprise defined benefit pension and medical plan, wages, salaries, annual leave, and long-service leave and retirement bonuses. The decrease in employee liabilities at 30 June is principally due to the lower annual leave liability of the reduced workforce.

Defined benefit pension and medical plan liabilities reduced during the six months ended 30 June 2022 due to a higher discount rate – 4.1% at 30 June 2022 compared to 2.8% at 31 December 2021. Other actuarial assumptions used in the 30 June 2022 valuation were largely consistent with those adopted as at 31 December 2021.

The total amount recognised in the Income Statement and Other Comprehensive Income is as follows:

	NOTE	GROUP 30 June 2022 \$000	GROUP 30 June 2021 \$000
Service cost		(721)	(884)
Net interest cost		(46)	(34)
Settlement gain		78	6,762
Contributions tax		(328)	1,574
PLAN (EXPENSE) / INCOME IN INCOME STATEMENT		(1,017)	7,418
Actuarial gains		8,098	5,495
Actual return on plan assets (lower) / greater than discount rate		(7,468)	5,038
Contributions tax		26	5,082
TOTAL RECOGNISED IN OTHER COMPREHENSIVE INCOME WITH CONTRIBUTIONS TAX		656	15,615

13 Deferred tax

The deferred tax asset in the consolidated balance sheet of \$176 million includes \$131 million associated in respect of accumulated tax losses of \$467 million. The increase in tax losses in 2022 reflects the crystallisation of the tax losses associated with the write-off of refining assets after the cessation of refining operations.

The deferred tax liability is predominantly associated with property, plant and equipment which, for accounting purposes is held at fair value, while for tax purposes at historical cost.

14 Contingencies

Apart from contingencies disclosed in Notes 15 and 24 to the 2021 financial statements, the Group had no contingent liabilities as at 30 June 2022.

15 Events after balance date

There were no significant events after balance date.

16 Non-GAAP disclosures

Channel Infrastructure's standard profit measure prepared under New Zealand Generally Accepted Accounting Practice (NZ GAAP) is net profit/(loss) after tax. Channel Infrastructure has used non-GAAP measures when discussing financial performance in these financial statements. The Directors and the Management believe that these measures provide useful information as they are used internally to evaluate segmental and total Group performance, to establish operating and capital budgets as well as being used for bank covenant purposes.

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand equivalents to International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures included in this report are not comparable with those used by other companies. They should not be used in isolation or as a substitute for GAAP profit measures as reported by Channel Infrastructure in accordance with NZ IFRS. Terms are defined as follows:

Reported EBITDA:	Reported earnings before depreciation and disposal costs, finance costs and income tax.
Adjusted EBITDA	Reported EBITDA adjusted for other non-cash expenses and used for bank covenant purposes.

The below reconciliation is for the results of both continuing and discontinued operations:

	GROUP 30 June 2022	GROUP 30 June 2021
NOTE	\$000	\$000
Reported net profit / (loss) after tax for the period (GAAP)	17,184	(4,914)
Add back:		
Income tax	6,533	(785)
Net finance costs	7,881	5,422
Conversion costs	(1,659)	-
Depreciation and disposal costs	16,192	41,781
Reported EBITDA	46,131	41,504
Add back non-cash expenses:		
Defined benefit pension fund (including settlement)	1,017	(7,418)
Non-cash share rights cost	1,335	115
Other non-cash expenses	593	340
Adjusted EBITDA	49,076	34,541

Corporate Directory

Registered Office

Marsden Point
Ruakaka

Mailing Address

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Whangarei 0148
Telephone: +64 9 432 5100

Website

www.channelnz.com

Share Register

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
Telephone: +64 9 488 8777
enquiry@computershare.co.nz

Bankers

ANZ Bank New Zealand Limited
Bank of New Zealand

Auditor

Ernst & Young

Managing your shareholding online

To change your address, update your payment instructions and to view your registered details including transactions, please visit: www.computershare.co.nz/investorcentre

Please assist our registrar by quoting your CSN or shareholder number.

Chairman

S C Allen (Independent Director) (resigned effective 1 July 2022)
J B Miller (Independent Director) (since 1 July 2022)

Independent Directors

A Holmes (appointed on 4 April 2022)
A M Molloy (appointed on 4 April 2022)
V C M Stoddart
P A Zealand

Non-Independent Directors

J Bourke (ceased on 10 May 2022)
N L Jones
L Nation

Chief Executive Officer

N M James

General Counsel & Company Secretary

C D Bougen