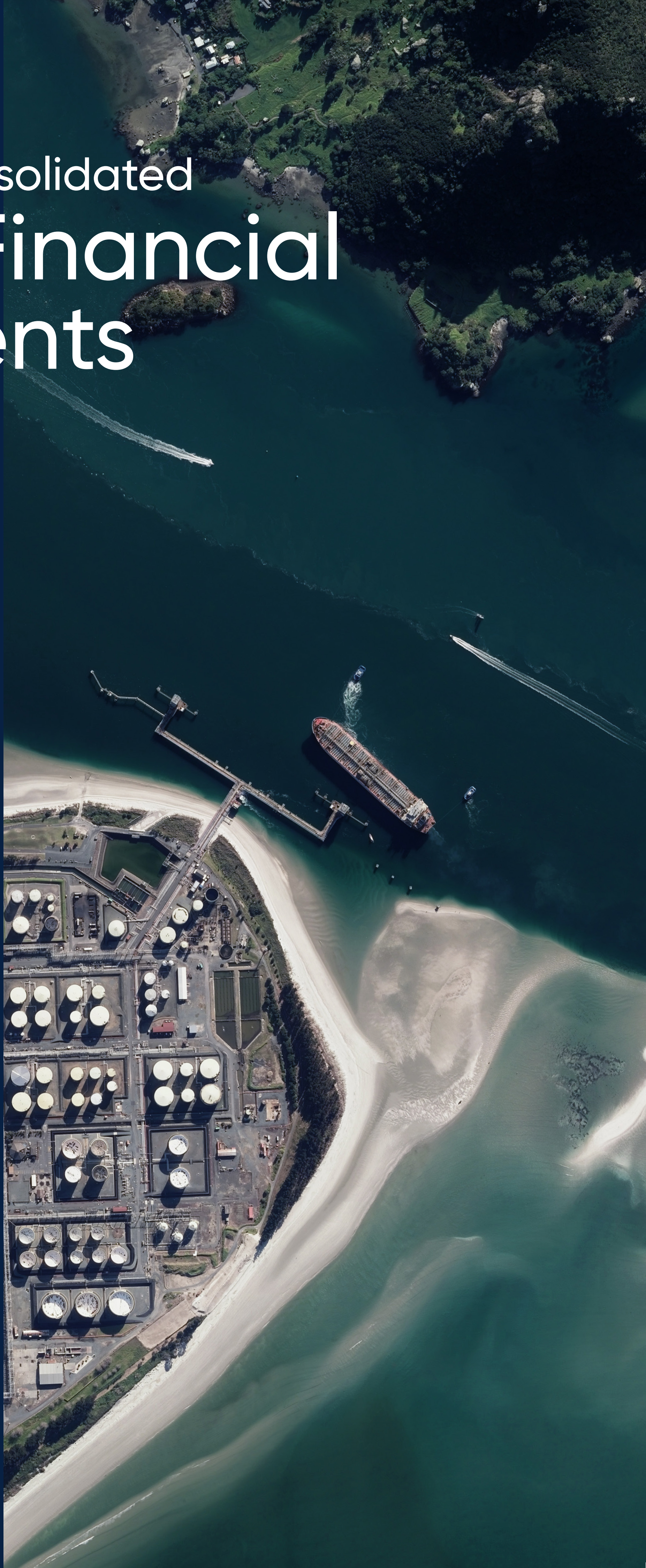
Condensed Consolidated

Interim Financial Statements

For the six months ended 30 June 2023



Channel

Infrastructure NZ

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Condensed Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

	NOTE	GROUP 30 June 2023 $000	GROUP 30 June 2022 $000
CONTINUING OPERATIONS			
INCOME			
Revenue	2	**64,420**	29,831
TOTAL INCOME		**64,420**	29,831
EXPENSES			
Energy and utility costs		**6,058**	2,042
Materials and contractor payments		**4,130**	2,708
Salaries, wages and benefits		**5,772**	2,343
Administration and other costs		**4,923**	3,066
TOTAL EXPENSES		**20,883**	10,159
EARNINGS BEFORE DEPRECIATION, FINANCE COSTS AND INCOME TAX		**43,537**	19,672
Depreciation and disposal costs	7	**16,233**	8,285
TOTAL DEPRECIATION AND DISPOSAL COSTS		**16,233**	8,285
NET PROFIT BEFORE FINANCE COSTS AND INCOME TAX		**27,304**	11,387
Finance income		**(114)**	(71)
Finance costs		**7,296**	3,692
NET FINANCE COSTS		**7,182**	3,621
NET PROFIT BEFORE INCOME TAX		**20,122**	7,766
Income tax		**5,640**	2,139
NET PROFIT AFTER INCOME TAX FROM CONTINUING OPERATIONS		**14,482**	5,627
Net (loss) / profit after income tax from discontinued operations	1	**(3,061)**	11,557
NET PROFIT AFTER INCOME TAX		**11,421**	17,184
ATTRIBUTABLE TO:			
Owners of the Parent		**11,421**	17,184

EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS	**CENTS**	**CENTS**
Basic and diluted earnings per share from continuing operations	**3.9**	1.5
Basic and diluted earnings per share	**3.0**	4.6

The above Condensed Consolidated Income Statement is to be read in conjunction with the notes on pages 11 to 19.

Condensed Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

	GROUP 30 June 2023 $000	GROUP 30 June 2022 $000
NET PROFIT AFTER INCOME TAX	**11,421**	17,184
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to the Income Statement		
Defined benefit plan and medical scheme actuarial gain	**2,532**	656
Deferred tax	**(709)**	(184)
Total items that will not be reclassified to the Income Statement	**1,823**	472
Items that may be subsequently reclassified to the Income Statement		
Movement in cash flow hedge reserve	**(2,048)**	11,007
Deferred tax	**573**	(3,082)
Total items that may be subsequently reclassified to the Income Statement	**(1,475)**	7,925
TOTAL OTHER COMPREHENSIVE INCOME, AFTER INCOME TAX	**348**	8,397
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, AFTER INCOME TAX	**11,769**	25,581
ATTRIBUTABLE TO:		
Owners of the Parent	**11,769**	25,581

The above Condensed Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes on pages 11 to 19.

Condensed Consolidated Balance Sheet

AS AT 30 JUNE 2023 (UNAUDITED)

	NOTE	GROUP 30 June 2023 $000	GROUP 31 December 2022 $000
ASSETS			
Cash and cash equivalents		**1,897**	2,386
Trade and other receivables		**21,118**	23,047
Derivative financial instruments		**1,438**	33
Inventories		**5,569**	5,057
TOTAL CURRENT ASSETS		**30,022**	30,523
NON-CURRENT ASSETS			
Derivative financial instruments		**11,752**	14,143
Intangibles		**6,751**	5,909
Property, plant and equipment	7	**890,100**	876,054
Other assets		**18,140**	19,714
Right-of-use assets		**299**	585
TOTAL NON-CURRENT ASSETS		**927,042**	916,405
TOTAL ASSETS		**957,064**	946,928
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**19,022**	19,334
Borrowings	6	**74,822**	-
Derivative financial instruments		**410**	934
Lease liabilities		**62**	62
Employee benefits		**1,621**	877
Provisions	9	**14,351**	34,693
TOTAL CURRENT LIABILITIES		**110,288**	55,900
NON-CURRENT LIABILITIES			
Borrowings	6	**222,454**	259,583
Lease liabilities		**534**	557
Provisions	9	**75,729**	70,498
Employee benefits		**3,429**	5,878
Deferred tax liabilities		**40,490**	36,020
TOTAL NON-CURRENT LIABILITIES		**342,636**	372,536
TOTAL LIABILITIES		**452,924**	428,436
NET ASSETS		**504,140**	518,492

	NOTE	GROUP 30 June 2023 $000	GROUP 31 December 2022 $000
EQUITY			
Contributed equity	5	**318,123**	314,504
Revaluation reserve		**422,771**	422,771
Treasury stock		**(1,317)**	(1,462)
Employee share entitlement reserve		**864**	4,240
Cash flow hedge reserve		**8,650**	10,125
Retained earnings		**(244,951)**	(231,686)
TOTAL EQUITY		**504,140**	518,492

The Board of Directors of Channel Infrastructure NZ Limited authorised these financial statements for issue on 22 August 2023.

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 Balance Sheet is to be read in conjunction with the notes on pages 11 to 19.

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

	CONTRIBUTED EQUITY	REVALUATION RESERVE	TREASURY STOCK	EMPLOYEE SHARE ENTITLEMENT RESERVE	CASH FLOW HEDGE RESERVE	RETAINED EARNINGS	TOTAL EQUITY
	$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	-	-	-	-	-	656	656
Deferred tax on other comprehensive income	-	-	-	-	(3,082)	(184)	(3,266)
TOTAL OTHER COMPREHENSIVE INCOME, 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 purchased	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

	CONTRIBUTED EQUITY $000	REVALUATION RESERVE $000	TREASURY STOCK $000	EMPLOYEE SHARE ENTITLEMENT RESERVE $000	CASH FLOW HEDGE RESERVE $000	RETAINED EARNINGS $000	TOTAL EQUITY $000
AT 1 JANUARY 2023	314,504	422,771	(1,462)	4,240	10,125	(231,686)	518,492
COMPREHENSIVE INCOME							
Net profit after income tax	-	-	-	-	-	11,421	11,421
Other comprehensive income							
Movement in cash flow hedge reserve	-	-	-	-	(2,048)	-	(2,048)
Defined benefit actuarial gain	-	-	-	-	-	2,532	2,532
Deferred tax on other comprehensive income	-	-	-	-	573	(709)	(136)
TOTAL OTHER COMPREHENSIVE INCOME, AFTER INCOME TAX	-	-	-	-	(1,475)	1,823	348
TRANSACTIONS WITH OWNERS OF THE PARENT							
Equity-settled share-based payments	-	-	-	388	-	-	388
Shares vested to employees	3,529	-	235	(3,764)	-	-	-
Treasury shares issued	90	-	(90)	-	-	-	-
Dividend paid	-	-	-	-	-	(26,509)	(26,509)
TOTAL TRANSACTIONS WITH OWNERS OF THE PARENT	3,619	-	145	(3,376)	-	(26,509)	(26,121)
AT 30 JUNE 2023	318,123	422,771	(1,317)	864	8,650	(244,951)	504,140

The above Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the notes on pages 11 to 19.

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

	GROUP 30 June 2023 $000	GROUP 30 June 2022 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**65,126**	99,572
Payment for supplies and expenses	**(32,569)**	(60,907)
Payments to employees	**(5,628)**	(46,332)
Interest received	**308**	113
Interest paid	**(7,502)**	(6,498)
Net GST paid	**1,529**	(1,352)
Income tax paid	**-**	576
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	**21,264**	(14,828)
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	**(32,743)**	(18,858)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(32,743)**	(15,986)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from/(repayment of) loans and borrowings	**37,499**	(75,000)
Proceeds from bond issuance	**-**	98,111
Dividends paid	**(26,509)**	-
Lease payments	**-**	(320)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**10,990**	22,791
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(489)**	(8,023)
Cash and cash equivalents at the beginning of the period	**2,386**	16,069
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**1,897**	8,046

The above Condensed Consolidated Cash Flow Statement is to be read in conjunction with the notes on pages 11 to 19.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

Reporting Entity

Channel Infrastructure NZ Limited (previously The New Zealand Refining Company Limited, trading as Refining NZ) ('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 2023 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 Rā Holdings Limited and CHI Future Developments Limited.

Basis of Preparation

These financial statements as at and for the six months ended 30 June 2023 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 2022.

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 2022. The Group has changed the way that it classifies certain operating expenses in the current reporting period; the 2022 comparatives have been updated to be consistent with the new classification and to improve comparability between reporting periods.

The XRB has issued a number of other standards, amendments and interpretations which are not yet effective, of which an impact on the Group's consolidated financial statements is not considered to be material.

Use of Judgements and Estimates

The preparation of financial statements requires Directors and Management 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 consolidated financial statements:

- **Fair value 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). Management and the Board has assessed the fair value of property, plant and equipment and concluded that it does not differ materially from its carrying value.
- **Assets held for sale** – the Group continues to report decommissioned refinery assets that are subject to a conditional sale agreement, as property, plant and equipment, rather than as assets held for sale. (Refer to Note 11 for further details).
- **Provisions –** consistent with the 2022 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 9 for further details).
- **Recoverability of tax losses –** the Group's accumulated tax losses amount to c.$521 million at 30 June 2023 . A deferred tax asset in respect of these unutilised tax losses is recognised, having regard to the Shareholder and Business Continuity Tests and an assessment of future taxable profits available against which the tax losses can be recovered, and therefore the deferred tax asset realised.
- **Discontinued operations –** the Group continues to present the results from discontinued operations associated with the refining operations which ceased in March 2022. For further details including judgements relating to the processing fees refer to Note 1 .

1 Discontinued Operations

The Group's results from discontinued operations relate to refining operations which ceased in March 2022. In the six months ended 30 June 2023 the results included, amongst others, revenue from scrap metal sales and on-going costs associated with refining operations, including for example, retiree medical scheme costs and costs associated with the sale of permanently decommissioned refining plant. Conversion costs reflect those costs attributed to the transition to an import terminal and include the reassessment of long-term provisions (including demolition) due to cost re-estimation and/or changes in discounts rates.

The comparatives 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. Note, processing fees earned to March 2022 were determined by the Company in accordance with the terms of the Processing Agreements with each customer. The Company is currently in dispute with some related-party customers in relation to 2022 processing fees associated with the cessation of refining activities, with these disputes having been referred to arbitration. As disclosed in the 2022 consolidated financial statements (Note 1), the Company's maximum exposure to the disputes is limited by the operation of the Processing Fee Floor (i.e. revenue recognised in quarter one 2022 in excess of the fee floor was c.$11 million).

	Note	GROUP 30 June 2023 $000	GROUP 30 June 2022 $000
DISCONTINUED OPERATIONS			
INCOME			
Refining revenue	2	**(1,238)**	69,001
TOTAL INCOME		**(1,238)**	69,001
EXPENSES			
Purchase of process materials and utilities		**-**	18,240
Materials and contractor payments		**-**	4,082
Salaries, wages and benefits		**650**	13,073
Administration and other costs		**787**	7,147
TOTAL EXPENSES		**1,437**	42,542
EARNINGS BEFORE DEPRECIATION, CONVERSION COSTS, FINANCE COSTS AND INCOME TAX		**(2,675)**	26,459
Depreciation and disposal costs		**-**	7,907
Conversion costs		**476**	(1,659)
TOTAL DEPRECIATION, DISPOSALS AND CONVERSION COSTS		**476**	6,248
NET (LOSS)/PROFIT BEFORE FINANCE COSTS AND INCOME TAX		**(3,151)**	20,211
Finance income		**-**	(42)
Finance costs	9	**1,073**	4,302
NET FINANCE COSTS		**1,073**	4,260
NET (LOSS)/PROFIT BEFORE INCOME TAX		**(4,224)**	15,951
Income tax		**(1,163)**	4,394
NET (LOSS)/PROFIT AFTER INCOME TAX		**(3,061)**	11,557

CASH FLOW USED IN DISCONTINUED OPERATIONS INCLUDED IN THE GROUP STATEMENT OF CASH FLOWS		
Net cash used in operating activities	**(17,899)**	(26,602)
NET CASH FLOW USED IN DISCONTINUED ACTIVITIES FOR THE PERIOD	**(17,899)**	(26,602)

2 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 throughput, adjusted for minimum fee (take-or-pay) when applicable.

Rental income from operating leases (including Wiri 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 with respect to terminal fees. 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.

The decrease in processing fee revenue recorded in the six months ended 30 June 2023, reflects changes to pricing benchmarks and the assessed impact to the gross refining margin reported in the prior comparative period.

	NOTE	GROUP 30 June 2023 $000	GROUP 30 June 2022 $000
CONTINUING OPERATIONS			
Import terminal revenue		**58,237**	25,740
Wiri land and terminal lease income		**3,248**	1,632
Laboratory and other revenue		**2,935**	2,459
TOTAL REVENUE FROM CONTINUING OPERATIONS		**64,420**	29,831
DISCONTINUED OPERATIONS			
Processing fees		**(1,620)**	47,312
Natural Gas recovery		**-**	4,737
Pipeline and terminalling fee revenue		**-**	5,987
Wiri land and terminal lease income		**-**	1,631
Other refining related income		**382**	9,334
TOTAL REVENUE FROM DISCONTINUED OPERATIONS	1	**(1,238)**	69,001
TOTAL REVENUE		**63,182**	98,832

3 Segment Reporting

(a) Identification and description of reportable segments and reporting measures

Management reviews the Group's performance of operating segments primarily based on revenue and adjusted earnings before depreciation, finance costs and income tax ('Adjusted EBITDA'). For a reconciliation between the Non-GAAP measure, Adjusted EBITDA, to the reported EBITDA refer to Note 12. 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 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), and Wiri land and terminal leases from 1 April 2022 and the fuel testing laboratory for the full period. The oil refining segment represents results from refining and pipeline operations and Wiri land and terminal leases until 31 March 2022 when the refining business has been discontinued and classified as discontinued operations (as disclosed under Note 1).

(b) Segment results

	NOTE	Infrastructure $000	Oil Refining $000	Total $000
30 JUNE 2023				
CONTINUING OPERATIONS				
External customer	2	**64,420**	**-**	**64,420**
Inter-segment		**635**	**-**	**635**
TOTAL REVENUE FROM CONTINUING OPERATIONS		**65,055**	**-**	**65,055**
DISCONTINUED OPERATIONS				
External customer	2	**-**	**(1,238)**	**(1,238)**
TOTAL REVENUE FROM DISCONTINUED OPERATIONS		**-**	**(1,238)**	**(1,238)**
TOTAL REVENUE[1]		**65,055**	**(1,238)**	**63,817**
ADJUSTED EBITDA[2]		**43,537**	**(2,066)**	**41,471**
30 JUNE 2022				
CONTINUING OPERATIONS				
External customer	2	29,831	-	29,831
Inter-segment		1,272	-	1,272
TOTAL REVENUE FROM CONTINUING OPERATIONS		31,103	-	31,103
DISCONTINUED OPERATIONS				
External customer	2	142	68,859	69,001
TOTAL REVENUE FROM DISCONTINUED OPERATIONS		142	68,859	69,001
TOTAL REVENUE[1]		31,245	68,859	100,104
ADJUSTED EBITDA[2]		19,743	29,333	49,076

1 Prior to consolidation eliminations

2 Refer to Note 12

4 Related Parties

The Group entered into transactions with related parties, primarily import terminal and related revenue under the Terminal Services and Private Storage Agreements. Details of related parties and the types of transactions entered into during the six month period ended 30 June 2023 are consistent with those disclosed in the audited financial statements for the year ended 31 December 2022 (refer in particular to Note 4 of the 2022 consolidated financial statements).

5 Equity

Contributed equity

The issued capital of the Company is represented by 378,756,041 ordinary shares (31 December 2022: 372,725,917) issued and fully paid, less 377,885 (2022: 1,031,802) treasury shares held by CRS Nominees Limited. All ordinary shares rank equally with one vote attached to each ordinary share.

Movements in the contributed equity comprise:

Issued and Fully Paid Shares 1 January 2023	**372,725,917**
Vesting of share rights issued in 2021	3,309,279
In January and February 2023, the Company issued two tranches of shares with respect to the share rights issued in 2021 to incentivise and retain selected key management for the safe delivery of the conversion project: • The first tranche of share rights vested on 1 January 2023 in accordance with their terms and 1,931,890 shares in the Company were issued to the awardees on 4 January 2023. • The second tranche of share rights vested on 28 February 2023 in accordance with their terms and 1,377,389 shares in the Company were issued (including 282,253 shares to the former CEO).	
Vesting of former CEO's share performance rights	2,661,773
On 23 February 2023 the Board determined that the unvested share rights of former Chief Executive Officer (CEO), Naomi James, would vest upon cessation of her employment as CEO on 6 March 2023 as the outcomes contemplated by the vesting conditions were delivered. Accordingly, on 7 March 2023 the Company issued 2,661,773 ordinary shares to Ms James.	
Employee Share Purchase Scheme	59,072
On 17 April 2023, the Company issued 59,072 ordinary shares, at an issue price of $1.527 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.	
Issued and Fully Paid Shares 30 June 2023	**378,756,041**

Share performance rights issued

On 27 March 2023 the Company issued 337,975 share rights to CEO, Rob Buchanan, under the Company's Share Rights Plan . Each Share Right converts on a 1:1 basis for nil cash consideration into fully paid ordinary shares on 27 February 2028, subject to the satisfaction of a performance condition and workplace safety condition (each as confirmed by the Board). Vesting is also subject to the CEO remaining retained except in certain no fault terminations provided the above performance condition and workplace safety condition are satisfied.

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 2023 was $0.4 million (30 June 2022: $1.3 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.

Dividends

The Group has declared a fully imputed ordinary interim dividend of 4.2 cents per share payable on 20 September 2023 (no interim dividend was paid or declared in 2022, and a fully imputed final dividend of 5 cents per share and a fully imputed special dividend of 2 cents per share was declared from the 2022 financial results, and paid on 20 March 2023).

As at 30 June 2023 imputation credits available to shareholders, subject to 66 per cent shareholder continuity, amount to $9.8 million being an equivalent of c.6.7 cents per share of fully imputed dividends (31 December 2022: $20.3 million).

6 Borrowings

As at 30 June 2023 the total available debt funding facilities amounted to $380 million (including the Company's $75 million subordinated notes, $100 million retail bonds on issue and $205 million bank facilities).

The carrying amounts of borrowings approximate their fair value. The borrowings are unsecured. The Parent can determine which revolving cash advance facility will be drawn to meet funding requirements. The Parent borrows under a Common Terms Deed which requires certain certificates and covenants.

The table below outlines the maturity profile of the facilities as at 30 June 2023:

	MATURITY DATE	GROUP 30 JUNE 2023 $000	GROUP 31 DECEMBER 2022 $000
BORROWINGS			
Current borrowings:			
Subordinated notes	Mar-34[1]	**74,822**	-
Total current bank borrowings		**74,822**	-
Non-current borrowings:			
Revolving cash advances	Nov-25	**65,000**	50,000
Revolving cash advances	Nov-26	**28,500**	16,000
Revolving cash advances	Nov-27	**30,000**	20,000
Subordinated notes	Mar-34	**-**	74,791
Retail bonds	May-27	**98,954**	98,792
Total non-current borrowings		**222,454**	259,583
TOTAL BORROWINGS		**297,276**	259,583
UNDRAWN FACILITIES			
Revolving cash advances	Nov-25	**-**	15,000
Revolving cash advances	Nov-26	**46,500**	59,000
Revolving cash advances	Nov-27	**35,000**	45,000
TOTAL UNDRAWN BORROWING FACILITIES		**81,500**	119,000

1 While the expiry of the subordinated notes is on 1 March 2034, the first election date is on 1 March 2024 ("Election Date") and therefore the balance is disclosed as current borrowings as at 30 June 2023. The Company may give notice at least 30 business days prior to the Election Date to either redeem the subordinated notes or to run an election process and offer new conditions.

7 Property, Plant and Equipment

Revaluation of property, plant and equipment

All property, plant and equipment is recognised at fair value less accumulated depreciation, except capital work in progress which is recognised at historical cost.

As at 30 June 2023 Management has assessed the fair values of property, plant and equipment of the import terminal system and concluded that it does not differ materially from its carrying value. As such no adjustment to the carrying amounts associated with the import terminal system was made during the reporting period. The previous valuation was carried out by PwC, a qualified independent valuer, as at 31 December 2021.

The remaining useful lives of the Group's property, plant and equipment are outlined below:

	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

Depreciation

During the six months ended 30 June 2023 the Group has recognised c.$16 million of depreciation expense.
(30 June 2022: $16 million, disclosed as $8 million continuing operations and $8 million discontinued operations.)

8 Contractual Commitments

Commitments are related to asset purchases and other ongoing contractual commitments as at the reporting date but not provided for in the consolidated financial statements. As at 30 June 2023, the total contractual commitments amounted to $42 million (31 December 2022: $34 million), and are primarily related to import terminal conversion project costs.

9 Provisions

Provisions relate to the costs associated with the refinery decommissioning, demolition and restoration, and workforce and other provisions – refer Note 14 of the 2022 consolidated financial statements for further details.

During the six months ended 30 June 2023 provisions have reduced by c.$15 million compared to 31 December 2022 due to the following:

- Reduction of c.$16 million due to utilisation of previously recognised provisions (including $14 million of shut-down and decommissioning costs, and $2 million of workforce transition and other costs);

- Reduction of c.$0.3 million due to an increase in discount rates that now range from 4.6 to 5.4% (31 December 2022: 3.3 to 4.2%); and

- Increase in provisions by c.$1.1 million, being discount unwinding (with the corresponding impact on financing costs of the discontinued operations). Refer to Note 1.

10 Contingencies

From time to time, the Group has legal claims and exposures that arise from contracts and the Group's business in respect of which no provision has been made. Where it is more likely than not that such a litigation will result in an outflow of resources that is already reasonably estimated, a provision is recorded.

Apart from the contingency disclosed in Note 14 of the 2022 consolidated financial statements relating to conditions attached to the site resource consents, the Group had no other contingent liabilities as at 30 June 2023.

11 Events after balance date

Conditional sale agreement for decommissioned assets

On 8 July 2023, the Company entered into an Asset Sale Agreement with US-based Seadra Energy Incorporated ("Seadra"), granting Seadra an option to purchase permanently decommissioned parts of the former refinery. Under the agreement, Seadra will have up to six months to consider the purchase of certain assets from the hydrocracking complex, in consideration for a non-refundable option payment of US$4.0 million. This option payment was received on 11 July 2023.

Seadra may choose not to pursue the purchase or may renew the option for an additional six months for a further non-refundable payment of US$0.5 million. Should Seadra elect to exercise the option, subject to meeting certain conditions, the purchase price for the assets agreed between the parties is US$33.875 million (including the option payments, but prior to any transaction costs), with the balance of the purchase price to be paid in instalments throughout the expected 12-month deconstruction period.

Non-current assets are classified by the Group as assets held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable within 12 months. The Board has considered all information available and exercised their judgement to determine that the assets proposed to be sold to Seadra should not be classified as non-current assets held for sale as at 30 June 2023. This is based on the Board's knowledge and experience regarding the challenges to developing technically feasible and financially viable projects involving second-hand refining plant globally, and specifically noting the conditional nature of this agreement.

The current net book value after impairments of all decommissioned refinery plant (including the assets proposed to be sold to Seadra) is c.NZ$29 million, which will be reviewed considering any agreements relating to the sale of any refinery assets, with a consequential reduction in the refinery demolition provision (refer to note 9) yet to be assessed.

Ordinary Interim Dividend Declared

On 22 August 2023 the Board declared a fully imputed ordinary interim dividend of 4.2 cents per share as detailed in Note 5.

12 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 has used non-GAAP measures when discussing financial performance in this report. 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.

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 audited 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 in accordance with NZ IFRS. Terms are defined as follows:

Reported EBITDA from Continuing Operations:	Reported earnings before depreciation, finance costs and income tax for continuing operations as presented in the Consolidated Income Statement.
Reported EBITDA from Discontinuing Operations:	Reported earnings before depreciation, impairment, conversion costs, finance costs and income tax for discontinued operations as presented in the Consolidated Income Statement.
Adjusted EBITDA	Reported EBITDA adjusted for other non-cash and one-off expenses.

	GROUP 30 JUNE 2023 $000	**GROUP 30 JUNE 2022 $000**
Reported EBITDA from continuing operations	**43,537**	19,672
Reported EBITDA from discontinued operations	**(2,675)**	26,459
Total Reported EBITDA	**40,862**	46,131
Add back non-cash and one-off expenses:		
Post employment benefit plan expense	**221**	1,017
Employee share scheme and share rights cost	**388**	1,335
Other adjustments	**-**	593
Adjusted EBITDA	**41,471**	49,076

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ASB Bank Limited
Bank of New Zealand
China Construction Bank (New Zealand) Limited
Westpac New Zealand Limited

Chairman
J B Miller (Independent Director)

Independent Directors
A Holmes
A M Molloy
V C M Stoddart
P A Zealand

Non-Independent Directors
N L Jones
L Nation

Chief Executive Officer
R C Buchanan (from 6 March 2023)
N M James (to 6 March 2023)

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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.

Channel

Infrastructure NZ