

Condensed  
Consolidated

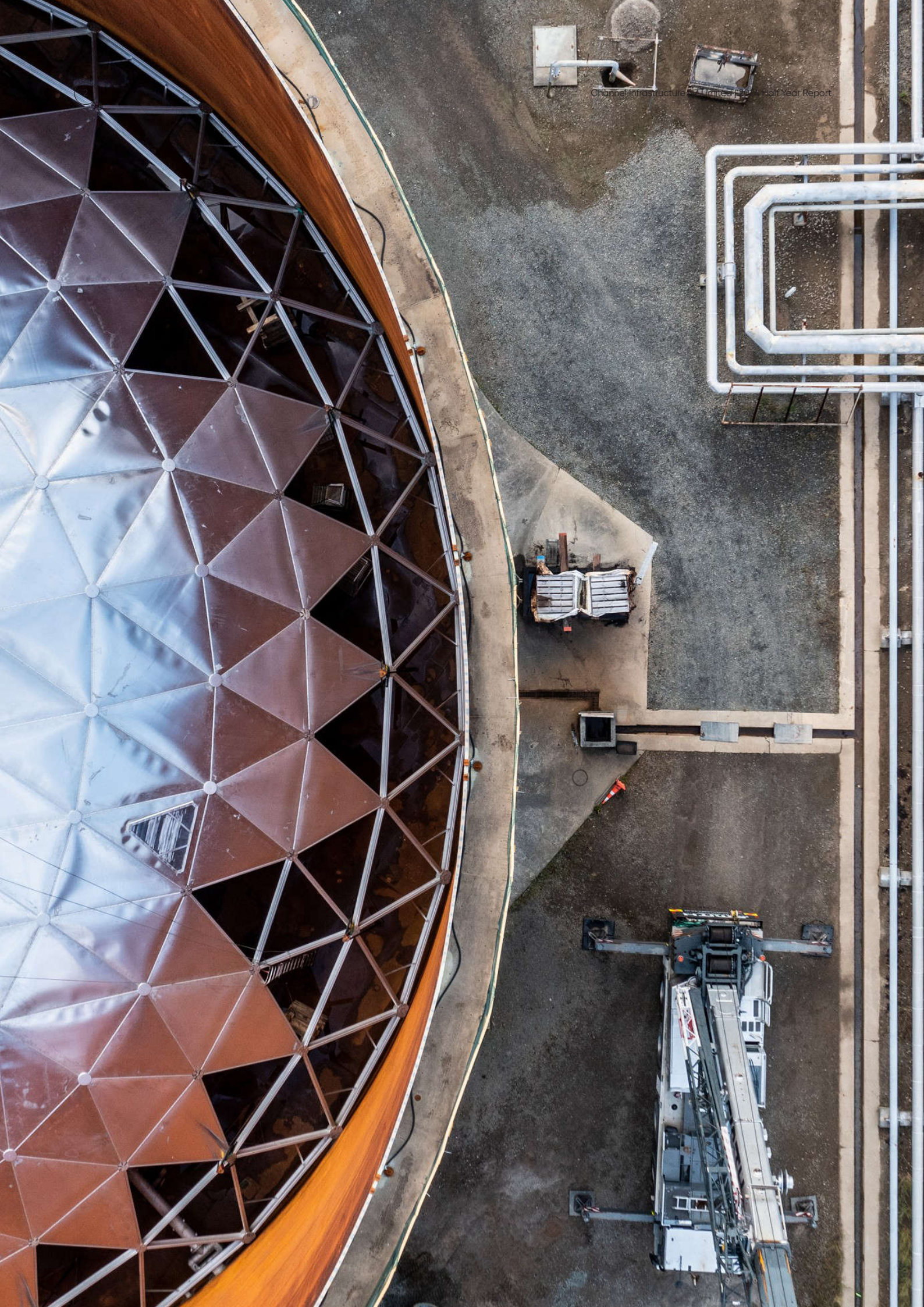
# Interim Financial Statements

For the six  
months ended  
30 June 2024



**Channel**

Infrastructure NZ



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# Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	NOTE	UNAUDITED 30 June 2024 \$000	UNAUDITED 30 June 2023 \$000
<b>CONTINUING OPERATIONS</b>			
<b>INCOME</b>			
Revenue		69,847	64,420
<b>TOTAL INCOME</b>	2	<b>69,847</b>	64,420
<b>EXPENSES</b>			
Energy and utility costs		4,801	6,058
Materials and contractor payments		4,240	4,130
Salaries, wages and benefits		6,581	5,772
Administration and other costs		6,123	4,923
<b>TOTAL EXPENSES</b>		<b>21,745</b>	20,883
<b>EARNINGS BEFORE DEPRECIATION, FINANCE COSTS AND INCOME TAX</b>	10	<b>48,102</b>	43,537
Depreciation		18,708	16,233
<b>NET PROFIT BEFORE FINANCE COSTS AND INCOME TAX</b>		<b>29,394</b>	27,304
Finance income		(157)	(114)
Finance costs		9,833	7,296
<b>NET FINANCE COSTS</b>		<b>9,676</b>	7,182
<b>NET PROFIT BEFORE INCOME TAX</b>		<b>19,718</b>	20,122
Income tax		6,899	5,640
<b>NET PROFIT AFTER INCOME TAX FROM CONTINUING OPERATIONS</b>		<b>12,819</b>	14,482
Net profit / (loss) after income tax from discontinued operations	1	3,792	(3,061)
<b>NET PROFIT AFTER INCOME TAX</b>		<b>16,611</b>	11,421
<b>ATTRIBUTABLE TO:</b>			
Owners of the Parent		16,611	11,421
<b>EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS</b>			
Basic and diluted earnings per share from continuing operations		3.4	3.9
Basic and diluted earnings per share		4.4	3.0

# Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	NOTE	UNAUDITED 30 June 2024 \$000	UNAUDITED 30 June 2023 \$000
<b>NET PROFIT AFTER INCOME TAX</b>		<b>16,611</b>	<b>11,421</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that will not be reclassified to the Income Statement</b>			
Defined benefit plan and medical scheme actuarial gain		-	2,532
Deferred tax		-	(709)
<b>Total items that will not be reclassified to the Income Statement</b>		<b>-</b>	<b>1,823</b>
<b>Items that may be subsequently reclassified to the Income Statement</b>			
Movement in cash flow hedge reserve		(308)	(2,048)
Deferred tax		86	573
<b>Total items that may be subsequently reclassified to the Income Statement</b>		<b>(222)</b>	<b>(1,475)</b>
<b>TOTAL OTHER COMPREHENSIVE (LOSS) / INCOME, AFTER INCOME TAX</b>		<b>(222)</b>	<b>348</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, AFTER INCOME TAX</b>		<b>16,389</b>	<b>11,769</b>
<b>ATTRIBUTABLE TO:</b>			
Owners of the Parent		16,389	11,769

# Consolidated Balance Sheet

AS AT 30 JUNE 2024

	UNAUDITED 30 June 2024 \$000	AUDITED 31 December 2023 \$000
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,351	4,870
Trade and other receivables	15,765	25,887
Income tax receivable	94	87
Derivative financial instruments	76	450
Inventories	5,409	5,514
<b>TOTAL CURRENT ASSETS</b>	<b>22,695</b>	<b>36,808</b>
<b>NON-CURRENT ASSETS</b>		
Derivative financial instruments	9,249	10,058
Intangibles	1,641	1,785
Property, plant and equipment	919,175	906,360
Other assets	15,093	18,114
Right-of-use assets	553	330
<b>TOTAL NON-CURRENT ASSETS</b>	<b>945,711</b>	<b>936,647</b>
<b>TOTAL ASSETS</b>	<b>968,406</b>	<b>973,455</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	19,672	20,117
Derivative financial instruments	810	603
Borrowings	-	55,779
Lease liabilities	61	79
Employee benefits	1,884	2,880
Provisions	13,838	18,526
<b>TOTAL CURRENT LIABILITIES</b>	<b>36,265</b>	<b>97,984</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	328,261	264,843
Lease liabilities	542	556
Employee benefits	3,423	3,220
Provisions	67,922	67,503
Deferred tax liabilities	45,839	40,138
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>445,987</b>	<b>376,260</b>
<b>TOTAL LIABILITIES</b>	<b>482,252</b>	<b>474,244</b>
<b>NET ASSETS</b>	<b>486,154</b>	<b>499,211</b>

	UNAUDITED 30 June 2024 \$000	AUDITED 31 December 2023 \$000
<b>EQUITY</b>		
Contributed equity	318,123	318,123
Revaluation reserve	422,771	422,771
Treasury stock	(393)	(1,317)
Employee share entitlement reserve	254	1,081
Cash flow hedge reserve	6,353	6,575
Retained earnings	(260,954)	(248,022)
<b>TOTAL EQUITY</b>	<b>486,154</b>	<b>499,211</b>

The Board of Directors of Channel Infrastructure NZ Limited authorised these financial statements for issue on 22 August 2024.

For and on behalf of the Board



**J B Miller**  
Chair of the Board



**A M Molloy**  
Chair of the Audit and Finance Committee

# Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	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 2023	314,504	422,771	(1,462)	4,240	10,125	(231,686)	518,492
<b>COMPREHENSIVE INCOME</b>							
Net profit after income tax	-	-	-	-	-	11,421	11,421
<b>Other comprehensive income</b>							
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)
<b>TOTAL OTHER COMPREHENSIVE GAIN, AFTER INCOME TAX</b>	-	-	-	-	(1,475)	1,823	348
<b>TRANSACTIONS WITH OWNERS OF THE PARENT</b>							
Equity-settled share-based payments	-	-	-	388	-	-	388
Shares vested to employees	3,529	-	235	(3,764)	-	-	-
Treasury shares issued	90	-	(90)	-	-	-	-
Dividend paid	3	-	-	-	-	(26,509)	(26,509)
<b>TOTAL TRANSACTIONS WITH OWNERS OF THE PARENT</b>	3,619	-	145	(3,376)	-	(26,509)	(26,121)
<b>AT 30 JUNE 2023 (UNAUDITED)</b>	318,123	422,771	(1,317)	864	8,650	(244,951)	504,140



	NOTE	CONTRIBUTED EQUITY \$000	REVALUATION RESERVE \$000	TREASURY STOCK \$000	EMPLOYEE SHARE SCHEME ENTITLEMENT RESERVE \$000	CASH FLOW HEDGE RESERVE \$000	RETAINED EARNINGS \$000	TOTAL EQUITY \$000
AT 1 JANUARY 2024		318,123	422,771	(1,317)	1,081	6,575	(248,022)	499,211
<b>COMPREHENSIVE INCOME</b>								
Net profit after income tax		-	-	-	-	-	16,611	16,611
<b>Other comprehensive income</b>								
Movement in cash flow hedge reserve		-	-	-	-	(308)	-	(308)
Defined benefit actuarial gain		-	-	-	-	-	-	-
Deferred tax on other comprehensive income		-	-	-	-	86	-	86
<b>TOTAL OTHER COMPREHENSIVE LOSS, AFTER INCOME TAX</b>								
		-	-	-	-	(222)	-	(222)
<b>TRANSACTIONS WITH OWNERS OF THE PARENT</b>								
Equity-settled share-based payments		-	-	-	97	-	-	97
Shares vested to employees		-	-	924	(924)	-	-	-
Treasury shares issued		-	-	-	-	-	-	-
Dividends provided or paid	3	-	-	-	-	-	(29,543)	(29,543)
<b>TOTAL TRANSACTIONS WITH OWNERS OF THE PARENT</b>								
		-	-	924	(827)	-	(29,543)	(29,446)
<b>AT 30 JUNE 2024 (UNAUDITED)</b>								
		318,123	422,771	(393)	254	6,353	(260,954)	486,154

# Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	UNAUDITED 30 June 2024 \$000	UNAUDITED 30 June 2023 \$000
<b>NOTE</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	79,774	65,126
Payment for supplies and expenses	(25,572)	(32,569)
Payments to employees	(7,479)	(5,628)
Interest received	157	308
Interest paid	(9,198)	(7,502)
Net GST (paid)/received	(869)	1,529
Income tax paid	(19)	-
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>36,794</b>	<b>21,264</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	3,533	-
Payments for property, plant and equipment	(23,270)	(32,743)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(19,737)</b>	<b>(32,743)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans and borrowings	63,900	37,499
Repayment of subordinated notes	(54,901)	-
Lease payments	(32)	-
Dividends paid	(29,543)	(26,509)
<b>NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES</b>	<b>(20,576)</b>	<b>10,990</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,519)</b>	<b>(489)</b>
Cash and cash equivalents at the beginning of the period	4,870	2,386
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>1,351</b>	<b>1,897</b>

# Notes to the Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## Reporting Entity

Channel Infrastructure NZ Limited ('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 on the NZX Main Board Equity Market ('NZX Main Board') and its corporate bonds (ticker CHI020 and CHI030) are quoted on the NZX Debt Market.

The consolidated interim financial statements (hereinafter 'financial statements') for the six months ended 30 June 2024 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 have been prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* and New Zealand Equivalents to International Accounting Standard 34: *Interim Financial Reporting*, and also in accordance with Generally Accepted Accounting Practice in New Zealand ('GAAP') applicable to for-profit entities. These financial statements do not include all the information required to be disclosed in annual consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2023.

## Accounting Policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the Group's consolidated financial statements for the year ended 31 December 2023.

## Accounting standards not yet effective

In May 2024 the External Reporting Board issued NZ IFRS 18: *Presentation and Disclosure in Financial Statements* ('NZ IFRS 18'). This accounting standard is expected to change the presentation of the Group's income statement and may introduce additional note disclosures. NZ IFRS 18 does not impact the financial position, financial performance or cash flows

of the Group. Other standards, amendments and interpretations which are not yet effective are not expected to have a material impact on the Group.

## Segment Reporting

The Group operates in 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), the Wiri land and terminal leases, and the fuel testing laboratories. The Group operates in one geographical area, New Zealand.

## Use of Judgements and Estimates

The preparation of financial statements requires judgements and estimates that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The following areas involve significant judgements and estimates:

- **Fair value of property, plant and equipment** – the Group adopts the fair value model as the measurement base for property, plant and equipment (refer to Note 5 for further details).
- **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 5 for further details).
- **Provisions** – 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 7 for further details).
- **Recoverability of tax losses** – the Group's accumulated tax losses amount to \$445 million at 30 June 2024. 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 (refer to Note 1 for further details).

# 1 Discontinued Operations

Discontinued operations relate to refining operations which ceased in March 2022.

In the six months ended 30 June 2024 the results from discontinued operations include revenue from scrap metal sales and on-going costs associated with ceasing refining operations, including retiree medical scheme costs, costs associated with the sale of permanently decommissioned refining plant and legal costs associated with settlement of historical litigation claims. Litigation claims relating to revenue recognition have been settled in the period ended 30 June 2024.

Conversion costs relate to costs associated with 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 discount rates.

Revaluation of assets relates to the change in fair value of the refining plant (refer Note 5 for further details).

	NOTE	UNAUDITED 30 June 2024 \$000	UNAUDITED 30 June 2023 \$000
<b>INCOME</b>			
Revenue	2	144	(1,238)
<b>TOTAL INCOME</b>		<b>144</b>	<b>(1,238)</b>
<b>EXPENSES</b>			
Salaries, wages and benefits		241	650
Administration and other costs		2,550	787
<b>TOTAL EXPENSES</b>		<b>2,791</b>	<b>1,437</b>
<b>NET LOSS BEFORE CONVERSION COSTS, IMPAIRMENT, FINANCE COSTS AND INCOME TAX</b>		<b>(2,647)</b>	<b>(2,675)</b>
Conversion costs		364	476
Revaluation of assets	5	(6,600)	-
<b>TOTAL CONVERSION COSTS AND IMPAIRMENT</b>		<b>(6,236)</b>	<b>476</b>
<b>NET PROFIT / (LOSS) BEFORE FINANCE COSTS AND INCOME TAX</b>		<b>3,589</b>	<b>(3,151)</b>
Finance income		-	-
Finance costs		889	1,073
<b>NET FINANCE COSTS</b>		<b>889</b>	<b>1,073</b>
<b>NET PROFIT / (LOSS) BEFORE INCOME TAX</b>		<b>2,700</b>	<b>(4,224)</b>
Income Tax		(1,092)	(1,163)
<b>NET PROFIT / (LOSS) AFTER INCOME TAX</b>		<b>3,792</b>	<b>(3,061)</b>
		<b>30 June 2024 \$000</b>	<b>30 June 2023 \$000</b>
<b>CASH FLOWS FROM / (USED IN) DISCONTINUED OPERATIONS</b>			
Net cash from/(used in) operating activities		(20)	(17,899)
Net cash from/(used in) investing activities		3,533	-
Net cash used in financing activities		-	-
<b>NET CASH FLOWS FROM / (USED IN) DISCONTINUED ACTIVITIES FOR THE PERIOD</b>		<b>3,513</b>	<b>(17,899)</b>

## 2 Income

	UNAUDITED 30 June 2024 \$000	UNAUDITED 30 June 2023 \$000
<b>CONTINUING OPERATIONS</b>		
Import terminal revenue	63,395	58,038
Wiri land and terminal lease income	3,326	3,248
Laboratory and other revenue	2,479	2,935
Other operating revenue	647	199
<b>TOTAL REVENUE FROM CONTINUING OPERATIONS</b>	<b>69,847</b>	<b>64,420</b>
<b>DISCONTINUED OPERATIONS</b>		
Processing fees	-	(1,620)
Other refining related income	144	382
<b>TOTAL REVENUE FROM DISCONTINUED OPERATIONS</b>	<b>144</b>	<b>(1,238)</b>
<b>TOTAL REVENUE</b>	<b>69,991</b>	<b>63,182</b>

### Major customers

The Group provides import terminal and pipeline services to customers under long-term Terminal Services Agreements and Private Storage Agreements. The Group has three major customers that each individually account for more than 10 per cent of the Group's revenue from continuing operations. The revenue earned from each major customer is shown below.

	UNAUDITED 30 June 2024 \$000	UNAUDITED 30 June 2023 \$000
Major customer A	21,019	17,698
Major customer B	18,633	17,198
Major customer C	25,255	24,319

### Related parties

During the period, two of the major customers provided Director services to the Company. The revenue earned from those customers during the period that they were related parties and the receivables balance outstanding related to the revenue earned are shown below.

	REVENUE		RECEIVABLES BALANCE	
	UNAUDITED 30 June 2024 \$000	UNAUDITED 30 June 2023 \$000	UNAUDITED 30 June 2024 \$000	AUDITED 31 December 2023 \$000
BP <sup>1</sup>	14,433	17,698	-	8,756
Z Energy	25,255	24,319	4,217	4,615
<b>TOTAL</b>	<b>39,688</b>	<b>42,017</b>	<b>4,217</b>	<b>13,371</b>

1

BP had a Director on the Board of the Company until 30 April 2024.

## 3 Equity

### Contributed equity

The issued capital of the Company is represented by 378,756,041 ordinary shares (31 December 2023: 378,756,041) issued and fully paid, less 335,533 (31 December 2023: 436,951) treasury shares. All ordinary shares rank equally with one vote attached to each ordinary share.

### Share performance rights issued

On 10 April 2024 the Company issued 312,559 share rights to the Corporate Lead Team (of which 175,709 were issued to the CEO) 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 following the release of the Company's financial results for the year ending 31 December 2026, subject to a workplace safety condition being satisfied and performance of the Company's Total Shareholder Return (TSR):

- 50% of the award is conditional on the performance of the Company's TSR relative to a comparator group of selected members of the NZX50 at 1 March 2024, and
- 50% of the award is conditional on the Company's TSR exceeding its cost of equity plus 0.5% compounding annually from 1 March 2024 to the vesting date.

Vesting is also subject to the participant remaining employed, except in certain "good leaver" cessation of employment scenarios at the discretion of the Board.

### Dividends

Dividend paid	30 June 2024		30 June 2023	
	UNAUDITED \$000	UNAUDITED cents per share	UNAUDITED \$000	UNAUDITED cents per share
Special dividend (FY2022)	-	-	7,574	2.0
Final dividend (FY2022)	-	-	18,935	5.0
Special dividend (FY2023)	5,681	1.5	-	-
Final dividend (FY2023)	23,862	6.3	-	-
<b>Dividend paid</b>	<b>29,543</b>	<b>7.8</b>	<b>26,509</b>	<b>7.0</b>

### Dividends declared

On 22 August 2024 the Board declared an ordinary unimputed interim dividend of 4.4 cents per share, to be paid on 20 September 2024.

The shareholder continuity requirement for imputation purposes was breached in December 2023. As at 30 June 2024 imputation credits available to shareholders are \$Nil (31 December 2023: \$Nil).

## 4 Borrowings

As at 30 June 2024 the Group had total debt funding facilities available of \$405 million (represented by \$205 million bank facilities and \$200 million retail bonds). The total debt funding facilities available have reduced from \$460 million at 31 December 2023 following the redemption of the remaining \$55 million subordinated notes on 1 March 2024.

The Group borrows under a Common Terms Deed which requires the Group to maintain an Interest Cover Ratio of at least 2.5%, and a Gearing Ratio of not more than 55%. The Group was in compliance with these financial undertakings as at the end of, and in respect of, the six months ended 30 June 2024 and the year ended 31 December 2023.

The borrowings are unsecured.

At 30 June 2024, the fair value of the retail bond CHI030 maturing in November 2029 is \$104 million compared to its carrying amount of \$100 million. The fair values of other borrowings approximate their carrying amounts.

The table below outlines the maturity profile of the facilities as at 30 June 2024:

	MATURITY DATE	UNAUDITED	AUDITED
		30 June 2024 \$000	31 December 2023 \$000
<b>BORROWINGS</b>			
<b>Current borrowings:</b>			
Subordinated notes <sup>1</sup>	Mar-24	-	55,779
<b>Total current borrowings</b>		-	55,779
<b>Non-current borrowings:</b>			
Revolving cash advances	Nov-25	64,400	65,000
Revolving cash advances	Nov-26	34,500	-
Revolving cash advances	Nov-27	30,000	-
Retail bonds - CHI020 (5.8%) <sup>1</sup>	May-27	99,364	99,173
Retail bonds - CHI030 (6.75%) <sup>1</sup>	Nov-29	99,997	100,670
<b>Total non-current borrowings</b>		<b>328,261</b>	264,843
<b>TOTAL BORROWINGS</b>		<b>328,261</b>	320,622
<b>UNDRAWN FACILITIES</b>			
Revolving cash advances	Nov-25	600	-
Revolving cash advances	Nov-26	40,500	75,000
Revolving cash advances	Nov-27	35,000	65,000
<b>TOTAL UNDRAWN BORROWING FACILITIES</b>		<b>76,100</b>	140,000

<sup>1</sup> The difference between the carrying value of the retail bonds and subordinated notes and their face values is due to unamortised issue costs and accrued interest.

	UNAUDITED	AUDITED
	30 June 2024 \$000	31 December 2023 \$000
<b>NET DEBT</b>		
Total Borrowings	328,261	320,622
Less: Fair value adjustment	(501)	(1,264)
Less: Cash and cash equivalents	(1,351)	(4,870)
<b>NET DEBT</b>	<b>326,409</b>	314,488

## 5 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.

### Valuation of property, plant and equipment

#### Import terminal assets

The import terminal assets were revalued using a discounted cash flow methodology at 31 December 2021 by PwC, a qualified independent valuer.

The key assumptions used in the valuation include the 2021 Envisory fuel demand forecasts, forecast operational and capital expenditure and discount rates. A review of the key inputs used in the 2021 valuation, updated to 30 June 2024 indicates that there has been no material change in the fair value of the import terminal assets at 30 June 2024.

#### Refining plant

The refining plant is valued at fair value less costs of disposal. The fair value is based on scrap metal prices estimated by an industry expert.

At 30 June 2024 the fair value of the refining plant was updated by the industry expert to reflect movement in metals commodity prices and costs. This resulted in recognition of a revaluation gain of \$6.6 million in discontinued operations.

### Additions

During the six months ended 30 June 2024 the Group recognised capital additions (work in progress) of \$26 million (31 December 2023: \$65.8 million). Additions in the period relate to the terminal conversion project and tank upgrades to meet contracted demand for storage.

### Depreciation

During the six months ended 30 June 2024 the Group recognised depreciation of \$18.7 million (30 June 2023: \$16.2 million).

### Conditional option 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 had an initial period of up to six months to consider the purchase of certain assets from the hydrocracking complex, in consideration for an option payment of US\$4.0 million (NZ\$6.5 million), and had the ability to renew the option to purchase for an additional six months for a further payment of US\$0.5 million (NZ\$0.8 million). In December 2023 Seadra extended the option to purchase and had until 7 July 2024 to confirm whether it would pursue the purchase. The initial option payment was received in July 2023 and the option extension payment was received in December 2023.

In July 2024, the Company granted a further extension to Seadra's option to purchase. The extension has been granted to 30 September 2024 in exchange for an additional payment of US\$0.2 million (NZ\$0.3 million).

Should Seadra elect to exercise the option to purchase, subject to meeting certain conditions, the purchase price for the assets agreed between the parties is US\$33.875 million (NZ\$55.7 million translated using the exchange rate at 30 June 2024), 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. Due to the challenges of developing technically feasible and financially viable projects involving second-hand refining plant globally, and specifically noting the agreement with Seadra is only an option to purchase, the assets proposed to be sold to Seadra have not been classified as non-current assets held for sale as at 30 June 2024.

The carrying amount of the assets subject to the agreement at 30 June 2024 is \$5.1 million and the associated demolition provision that would not be incurred by the Company should the sale complete is \$8.1 million.



## 6 Contractual Commitments

Commitments are related to asset purchases and other ongoing contractual commitments as at the reporting date but not provided for in these financial statements. As at 30 June 2024, the total contractual commitments amounted to \$32 million (31 December 2023: \$29 million).

## 7 Provisions

The movement in provisions during the six months ended 30 June 2024 is shown in the table below:

	SHUT DOWN AND DECOMMISSIONING	DEMOLITION AND RESTORATION	WORKFORCE AND OTHER PROVISIONS	TOTAL
	\$000	\$000	\$000	\$000
AT 1 JANUARY 2024	15,659	68,899	1,471	86,029
Additions - conversion related	-	1,648	-	1,648
Utilisation	(4,845)	(179)	(221)	(5,245)
Adjustment for change in discount rate	215	(2,047)	35	(1,797)
Finance costs	210	915	-	1,125
<b>AT 30 JUNE 2024</b>	<b>11,239</b>	<b>69,236</b>	<b>1,285</b>	<b>81,760</b>
Current	11,239	1,314	1,285	13,838
Non-current	-	67,922	-	67,922

## 8 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.

As a condition of the Group's resource consent for the Marsden Point site, the Group has committed to work with the Northland Regional Council ahead of time (during the 20th year of consent or at least 12 months prior to the cessation of terminal operations) to set out the actions necessary to maintain compliance in respect of the discharges of contaminants. Given the unknown nature of the future activities that may be agreed with the Northland Regional Council, no liability has been recognised in these financial statements other than the cost associated with ongoing environmental monitoring activities over a period of 20 years.

The Group had no other contingent liabilities as at 30 June 2024 (31 December 2023: Nil).

## 9 Subsequent Events

In November 2022, former employees lodged a Statement of Problem with the Employment Relations Authority (the Authority) claiming that the Company incorrectly calculated their redundancy compensation. The Authority's investigation commenced in May 2024. In August 2024, the Authority issued its determination, finding in favour of the former employees. The Company has the ability to file an appeal to the Employment Court within 28 days and is considering the appropriate course of action. The outcome of this matter is not expected to have a material impact on the financial statements as presented.

## 10 Non-GAAP measures

Channel uses several non-GAAP measures when discussing financial performance. The Directors and management believe that these measures provide useful information as they are used internally to evaluate the underlying performance of the Group.

Non-GAAP profit measures are not prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and are not uniformly defined, therefore the non-GAAP profit measures used by Channel may not be comparable with similarly titled measures used by other companies. Non-GAAP measures should not be used in isolation nor as a substitute for measures reported in accordance with NZ IFRS.

The definitions of the non-GAAP measures used by Channel and reconciliation's to the amounts presented in the Consolidated Income Statement are detailed below.

	UNAUDITED 30 June 2024 \$000	UNAUDITED 30 June 2023 \$000
<b>EBITDA from Continuing Operations:</b>	Earnings before depreciation, net finance costs and income tax from continuing operations	
<b>EBITDA from Discontinued Operations:</b>	Earnings before conversion costs, net finance costs and income tax from discontinued operations.	
CONTINUING OPERATIONS		
<b>Net profit after income tax</b>	<b>12,819</b>	14,482
Add: Depreciation	<b>18,708</b>	16,233
Add: Net finance costs	<b>9,676</b>	7,182
Add: Income tax	<b>6,899</b>	5,640
<b>EBITDA from continuing operations</b>	<b>48,102</b>	43,537
DISCONTINUED OPERATIONS		
<b>Net profit after income tax</b>	<b>3,792</b>	(3,061)
Add: Conversion costs	<b>364</b>	476
Less: Revaluation of assets	<b>(6,600)</b>	-
Add: Net finance costs	<b>889</b>	1,073
Less: Income tax	<b>(1,092)</b>	(1,163)
<b>EBITDA from discontinued operations</b>	<b>(2,647)</b>	(2,675)

# Corporate Directory

## Registered Office

Marsden Point  
Ruakaka

## Mailing Address

Private Bag 9024  
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Telephone: +64 9 432 5100

## Website

[www.channelnz.com](http://www.channelnz.com)

## General enquiries

[corporate@channelnz.com](mailto:corporate@channelnz.com)

## Investor Enquiries

[investorrelations@channelnz.com](mailto:investorrelations@channelnz.com)

## Auditor

Ernst & Young

## Bankers

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

## 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](http://www.computershare.co.nz/investorcentre) Please assist our registrar by quoting your CSN or shareholder number.

## Chair

J B Miller (Independent Director)

## Independent Directors

A Holmes  
A M Molloy  
V C M Stoddart  
F J C Underhill (from 15 March 2024)  
P A Zealand

## Non-Independent Directors

L Nation (to 30 April 2024)  
A T Brewer

## Chief Executive Officer

R C Buchanan

## General Counsel & Company Secretary

C D Bougen

## Share Register

Computershare Investor Services Limited  
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**Channel**

Infrastructure NZ