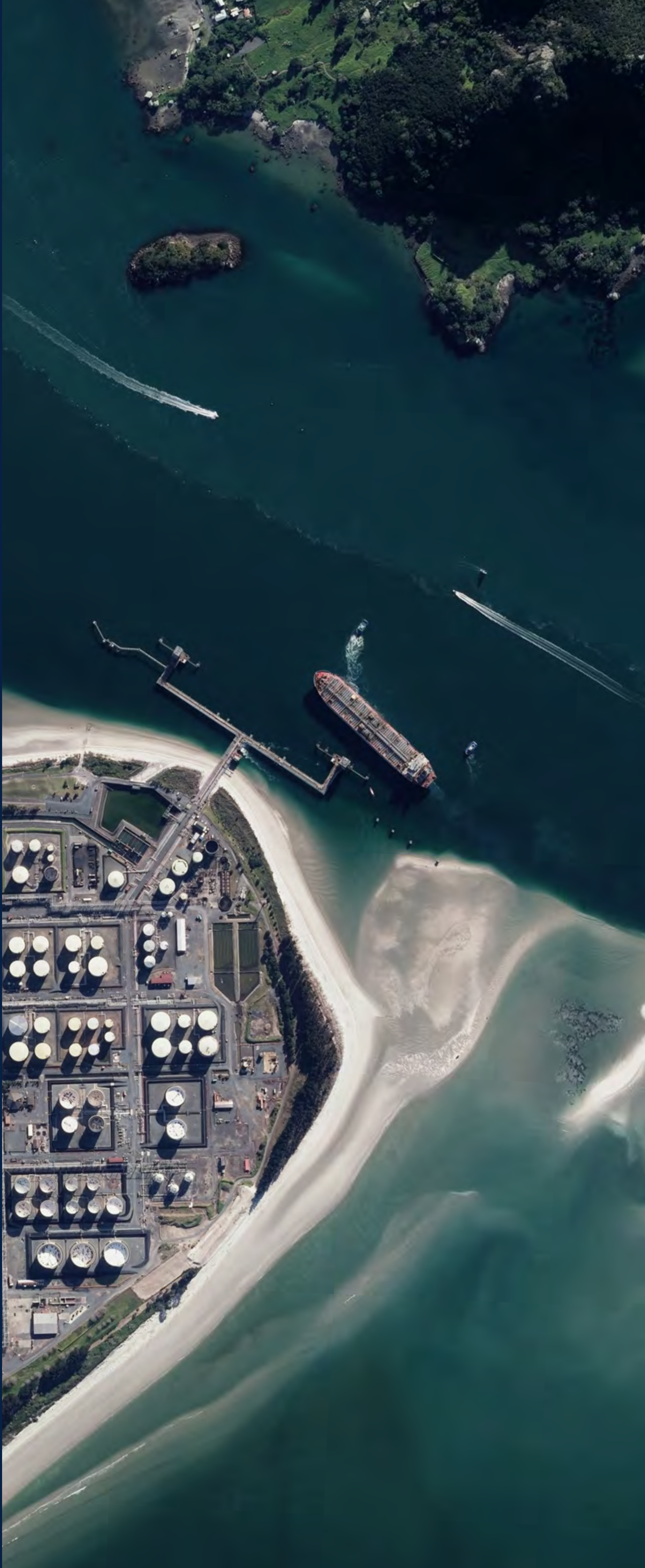
Annual Report 2022

A business transformed



Channel

Infrastructure NZ

Welcome To This Report

Annual Report Overview

This 2022 Annual Report outlines the operational and financial performance of Channel Infrastructure NZ Limited, with the results reflecting the continuing operations of the fuels' import terminal for the nine months ended 31 December 2022 and the discontinued operations of the refinery for the three months ended 31 March 2022. The transition to a new business model during the 2022 year limits the comparability of the current financial results with the previous corresponding period. This Annual Report also includes an overview of the Company's Strategy and Corporate Governance Framework and includes the annual Remuneration Report.

In this report, references to "Channel Infrastructure", the "Company", the "Group", "we", "us", "our" refer to Channel Infrastructure NZ Limited (NZX: CHI), unless otherwise stated. All dollar figures are in New Zealand (NZ) dollars unless otherwise stated.

Channel Infrastructure has used non-GAAP (Generally Accepted Accounting Principles) measures when discussing financial performance in this report. The directors and management believe that these measures provide useful information as they are used internally to evaluate business performance, to establish operational goals and to allocate resources. Non-GAAP measures are not prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS) and are not uniformly defined, therefore the non-GAAP measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by Channel Infrastructure in accordance with NZ IFRS. The non-GAAP measures Channel Infrastructure has used are EBITDA, EBITDA margin and Normalised Free Cash Flow (FCF). The definitions of these can be found on page 104 of this report.

Reporting Suite

The 2022 Annual Report is published in conjunction with the 2022 Sustainability Report which provides information on our approach, progress and performance in relation to Channel Infrastructure's most material environmental, social and governance (ESG) issues. The Sustainability Report has been prepared having regard to relevant climate and ESG reporting standards including the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) and the Global Reporting Initiative Standard (GRI): Core Option and is also prepared in accordance with the NZX Corporate Governance Code and ESG Guidance Note.

This Annual Report, the 2022 Sustainability Report and Channel Infrastructure's Governance Statement together form an integrated suite of reports and should be read in conjunction with each other, and where possible, we have drawn links between each. They are all available for download at: www.channelnz.com, along with several underlying documents and policies referred to throughout this report.

Directors' Statement

The Directors are pleased to present Channel Infrastructure NZ Limited's Annual Report and Financial Statements for the year ended 31 December 2022.

This Annual Report is dated 23 February 2023 and is signed on behalf of the Board by:

JB Miller
Chair of the Board

AM Molloy
Chair, Audit and Finance Committee

Feedback

As always, we welcome your feedback on this report. Please send any comments or suggestions to **investorrelations@channelnz.com**.

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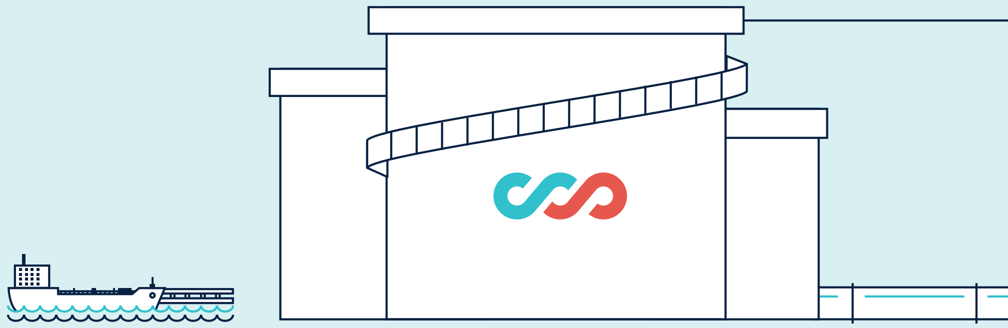
About Us

OUR CRITICAL INFRASTRUCTURE



OVERSEAS REFINERIES

Transport fuels refined overseas and imported by our customers into Marsden Point.

MARSDEN POINT

IMPORT TERMINAL SYSTEM (ITS)

Channel Infrastructure receives imported refined fuel, owned by our customers to supply 40% of NZ's transport fuels.

Our Import Terminal handles more transport fuels than the **10 terminals** in the next three largest ports in New Zealand, combined.

Two deep water jetties capable of berthing extra large refined fuel transport ships (40% larger than vessels at other NZ ports).

LARGEST FUEL TERMINAL IN NEW ZEALAND

280 million litres of product storage.

New Zealand's largest fuel testing laboratory, IPL, a subsidiary of Channel Infrastructure.

Throughput: Each year we handle enough fuel to fill over 28,300 planes to LA.

More than 3 billion litres of transport fuels annually.

A COMPANY WITH A STRONG BALANCE SHEET, STABLE EARNINGS AND CASHFLOWS

Long-term customer contracts, with strong credit counterparts bp, Mobil and Z Energy (100% owned by Ampol).

Contracts with a fixed and variable fee structure which both incentivises utilisation and protects us from significant market disruptions.

PPI indexation of all terminal fees which protects us in an inflationary environment.

Channel Infrastructure is New Zealand’s leading fuel infrastructure company, based at Marsden Point in Northland. We own and operate infrastructure essential to the supply of transport fuels to Northland and New Zealand's largest fuel market, Auckland.

SUPPLY INTO NORTHLAND

PETROL AND DIESEL

Distribution to Northland via Truck Loading Facility.*

SUPPLY INTO AUCKLAND

170KM PIPELINE

Marsden Point to Auckland pipeline can transport **10 million litres** of fuel per day.

Our pipeline is the lowest-carbon supply route for fuels to Auckland, with **one-tenth** of the emissions compared to the alternative transportation via road.

WIRI FUEL TERMINAL*

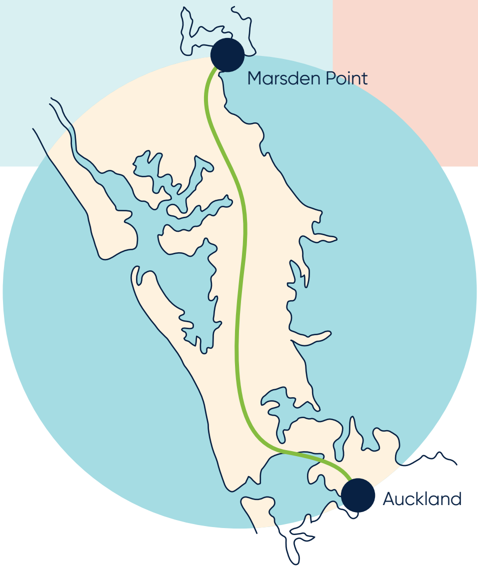
Auckland’s fuel storage facility with truck loading facilities and a pipeline to fuel storage at Auckland International Airport.

JET FUEL TO AUCKLAND INTERNATIONAL AIRPORT

Channel Infrastructure is the only supply route for jet fuel directly to Auckland International Airport, which consumes 80% of New Zealand’s jet fuel demand.

PETROL AND DIESEL

Our pipeline also supplies petrol and diesel direct to Auckland, New Zealand's largest market, keeping Aotearoa moving.



*Not included in Channel Infrastructure import terminal system

As a provider of critical infrastructure, we have a focussed growth strategy that will enable us to realise shareholder value and support New Zealand's wider decarbonisation ambitions.

CAPACITY FOR GROWTH

Using less than **50% land** and tank capacity

35 year consents for industrial site operations

Large-scale electricity and gas connections

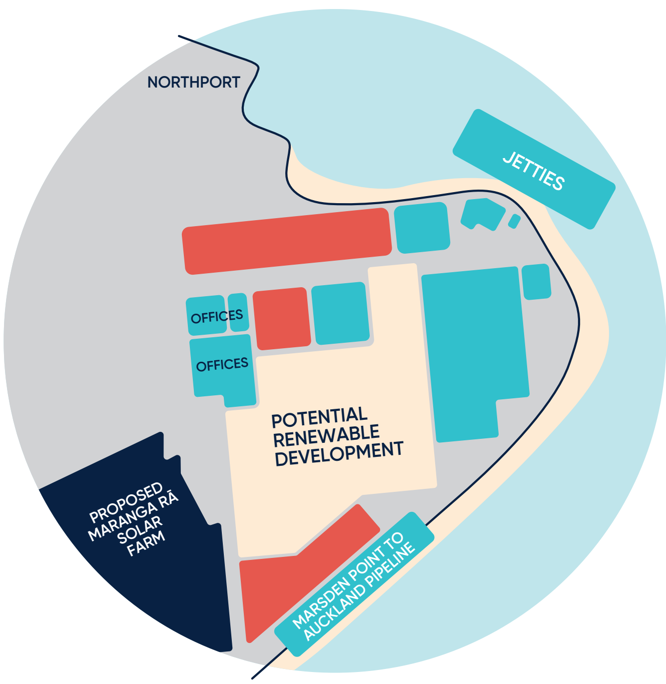
Deep-harbour and jetty access

Proximity to **Auckland**

MARSDEN POINT TODAY

Significant land, tanks and facilities available for repurposing

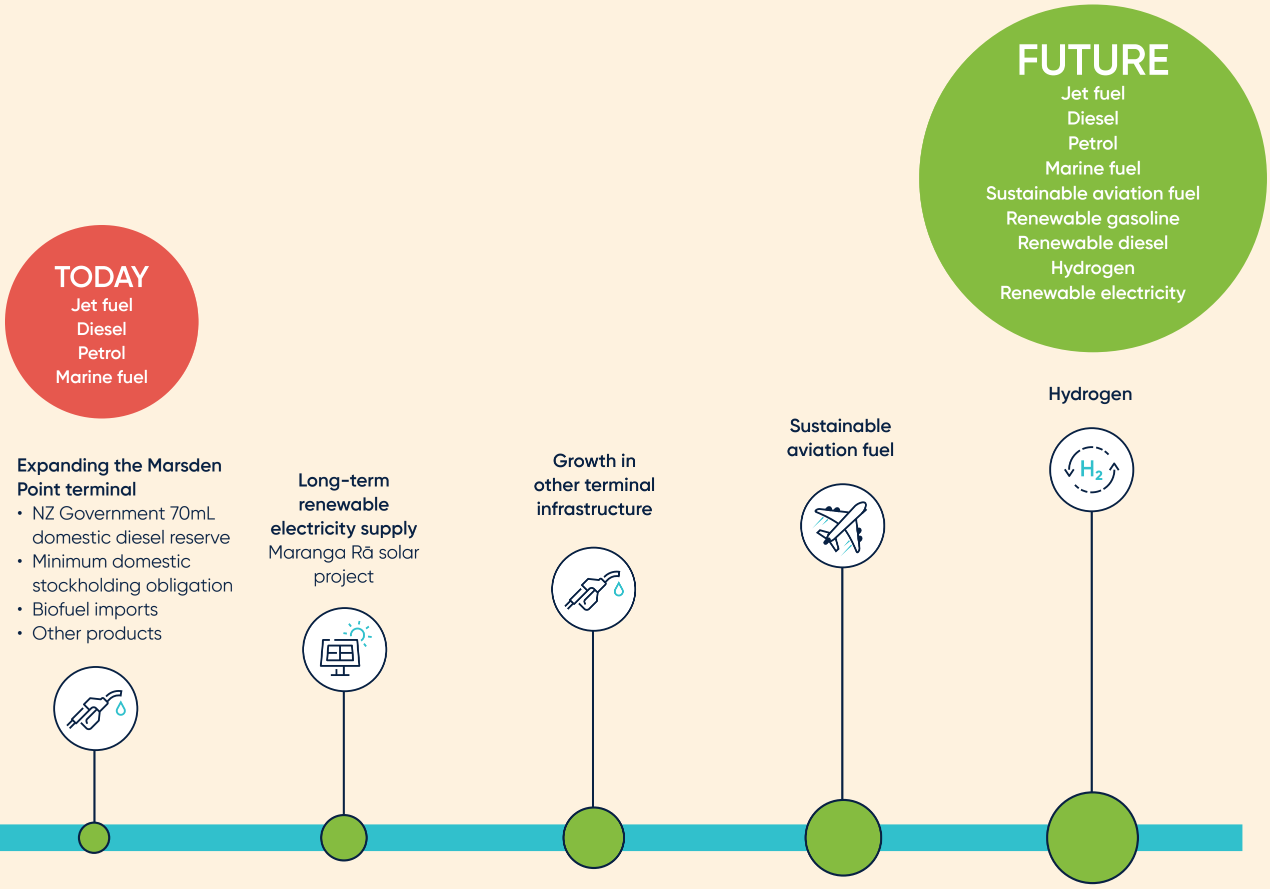
- Import Terminal System and Contracted Storage
- Available for Redevelopment
- Potential Renewable Redevelopment
- Proposed Maranga Rā Solar Farm



177 ha of land

c. 400 million litres unutilised tank capacity

Sufficient pipeline capacity to meet projected future demand.



A GROWING RANGE OF TRANSPORT FUELS AND ENERGY CHOICES REQUIRES INFRASTRUCTURE TO SUPPORT MORE RENEWABLE, SECURE TRANSPORT ENERGY.

The transition from refinery to import terminal operations has already delivered a significant reduction in carbon emissions for New Zealand, and the future growth opportunities that we are actively investigating will both grow and diversify our earnings and support New Zealand's transition to low-carbon fuels.

2022 Highlights

Nine months of terminal operations

Safe & reliable

Safely transitioned from refining to import terminal operations from 1 April

1.8
TRCF
(2021: 0)

56
Ships discharged

0
Tier 1 or 2 process safety incidents
(2021: 2)

Realising value of infrastructure

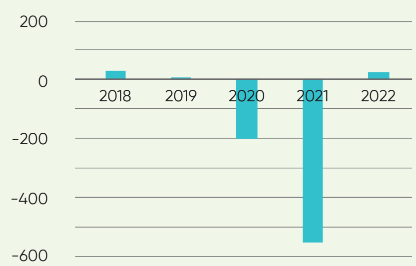
Available capacity

c.230ML
storage including **55ML** private storage commissioned

First profit in over 3 years

$17M
net profit after tax (continuing operations)

Net Profit After Tax



First year of sustainable earnings delivered as a stable infrastructure company

Our transformational change in 2022 has set our business up for a long-term sustainable future, with stronger than expected growth in jet fuel demand underpinning the long-term utilisation of our infrastructure.

Keeping Aotearoa moving

2,215ML

Delivered to market from Marsden Point Teminal in 9 months to end of 2022

JET FUEL

591ML

62% PCP

Highest jet fuel demand since 2019

DIESEL

826ML

6% PCP

PETROL

798ML

17% PCP

Pipeline utilisation

70%

Sustainable

>98%

Reduction in Scope 1&2 emissions following refinery closure

>1MT CO_2

per annum

97%

Of employees impacted by the transition, in new roles or retraining within 6 months

New Zealand's first shipment of Sustainable Aviation Fuel delivered through Marsden Point

Numbers at a Glance

Nine months of terminal operations

Sustainable financial performance

Terminal revenue

$88M

94%

Underpinned by fixed or 'take or pay' fees

88%

subject to indexation

EBITDA

$57M

EBITDA MARGIN

65%

Strong cashflow and balance sheet

Net debt

$257M

As at 31 December 2022

Leverage

3.4

x EBITDA

97%

Debt fixed or hedged

Net assets

$1.39

Per share up 5%

Delivering to shareholders

Final Dividend	Special Dividend	Annualised Dividend Yield
5	2	6.5%
CPS Fully imputed	CPS Fully imputed	

The strong EBITDA margin and cashflow generation has given the Board confidence to recommence dividend payments.

Letter from the Chair

James Miller
Chairman

During 2022 we successfully reset to our new sustainable business model, as New Zealand's leading fuel infrastructure company. As a result of our transition, the Company has reported a profit and declared our first dividend to shareholders.

2022 was a year of huge change for our business, as we delivered on the outcomes of the 2020 Strategic Review, safely transitioning from refinery to terminal operations. Channel Infrastructure is a company that now has a long-term sustainable business model, which can deliver stable earnings with a focussed growth strategy to continue to grow shareholder value.

We play a critical role in New Zealand's fuels infrastructure supply chain, providing New Zealand's largest transport fuels storage capacity, and the only supply route for jet fuel to Auckland International Airport. The long-term contracts that we have negotiated with strong credit counterparts, give us stable earnings and strong Free Cash Flows. With our funding costs now reset and terminal revenue indexed at PPI, we are strongly placed in the current environment to deliver strong and stable earnings and cash flow from our business, underpinning our return to dividends this year. Our change in operations has been supported by our customers bp, Mobil, and Z Energy (100 per cent owned by Ampol), and we are thankful for their support as we worked together to make this major change in New Zealand's fuel supply chain.

Transition to a new Chief Executive Officer following the business transition to Channel Infrastructure

Naomi James was appointed at the start of 2020 to reset the business on a path to deliver sustainable returns to shareholders. Having successfully completed the transition from Refining NZ to Channel Infrastructure, in November last year the Board began the transition from Naomi's transformation-focused leadership to Rob Buchanan. Rob has deep experience in the energy and infrastructure sector and will continue to execute and deliver on Channel Infrastructure's strategy and plan to drive the business forward. Rob's extensive experience and leadership style is ideal to continue Channel Infrastructure's journey to become a world-class operator of terminal and pipeline assets, and position the company to prosper in a decarbonising world.

Naomi's leadership during the most difficult time in the company's history was nothing short of first-class. I join the entire Board in thanking Naomi for her dedication, perseverance, and leadership of the company over the past three years. Naomi joined us at a time of immense uncertainty for the business. With her leadership, the company undertook a comprehensive strategic review to determine a long-term sustainable business model, and successfully delivered the transformation to Channel Infrastructure. Naomi leaves us with a long-term sustainable business model in place, a range of exciting growth opportunities ahead, and a talented and committed team at Marsden Point.

Rob joined the team on 31 January 2023, and will take over as CEO from 6 March 2023. Following a hand-over period, Naomi will depart the company on 1 April 2023.

A new business model requires different skills at the Board table

Reflecting the Board's commitment to strong and effective governance, we undertook a Corporate Governance Review in 2022 to update the company's corporate governance model, structures, and processes to reflect the transition to Channel Infrastructure and an import terminal business.

With a different business, also came the need for a new set of skills around the Board table. Our Board requires a focus on deep capability as a public company as well as strategic experience in the fuel industry. Reflecting this, we saw John Bourke, who brought particular refining expertise to the Board, resign from the Board at the Annual Shareholders Meeting. Following the completion of the Corporate Governance Review, Simon Allen stepped down as Chair from 1 July 2022. As the new Chair, I want to take this opportunity to thank Simon for leading the company through its fundamental reset and John for the insights and experience he brought to the Refining NZ Board as the company safely shut down refining operations and converted to the import terminal.

In April 2022, we were joined by Andy Holmes, who has extensive fuel sector experience, and Anna Molloy, who brings finance and audit experience to the Board. I am confident we have a strong and capable Board who have the right skill set to support our management team and drive our strategy forward – seizing the growth opportunities before us, providing the infrastructure to support New Zealand's decarbonisation, and lowering our cost of capital.

Following on from the Corporate Governance Review, we engaged Propero Consulting in late 2022 to undertake an evaluation review of the Board. This Propero review provided valuable insights and recommended actions as we continually strive for improvement in governance performance and outcomes.

Increasing shareholder value, recommencing dividends and focused growth opportunities

During 2022 we announced our capital allocation framework to grow shareholder value by delivering both dividends and growth. With the stability that now comes from our long-term contracts, and the confidence the transition is running to plan, we have returned to dividends with a policy of paying out 60 to 70 per cent of normalised Free Cash Flows. This leaves us with 30 to 40 per cent for deleveraging and growth. We have declared our first dividend as Channel Infrastructure being a fully imputed final dividend of 5 cents per share and a fully imputed special dividend of 2 cents per share, representing a pay-out at the top end of the dividend policy range. The dividend will be paid on 20 March 2023, with a record date on 10 March 2023.

With the refinancing of our bank debt in November 2022, together with the Retail Bond offer in May 2022, we have been successful in lowering our cost of funding, reflecting the reset of our business model to an infrastructure company with stable earnings and cash flows. This refinancing programme has established Channel Infrastructure's strong presence in both bank and bond markets, which will support future growth plans and provide opportunity to continue to lower the Company's cost of capital.

Channel Infrastructure is a company that now has a long-term sustainable business model, which can deliver stable earnings with a focused growth strategy to continue to grow shareholder value.

The Board and Management are also focussed on growing shareholder value through the delivery of growth opportunities. We have already contracted private storage that is expected to deliver c. $9 million (real) per year over the 10-year contract term, and additional terminal storage revenue was contracted in late 2022 and is expected to deliver c.$25 million of additional revenue over the next five years. Furthermore, we are progressing our plans to reduce electricity costs through long-term supply, and to use our Marsden Point site to support the Government's planned 70 million litre strategic diesel reserve.

Our strategy is clear, and we are excited by the future opportunities for growth that utilise the highly strategic assets and infrastructure of our business, in the near to medium term.

Well-placed in the current inflationary environment

With our funding costs reset and our long-term contracts indexed to PPI, we are protected and benefit in the current inflationary environment. PPI indexation on revenue is more than offsetting the inflationary impacts we are seeing in our cost base. The continued execution of our growth strategy including the contracting of additional terminal storage, allowed us to update our detailed 2023 financial guidance in November last year. For 2023, we are expecting revenue in the range of $125 - $128 million (previous guidance: $116 - $120 million) and EBITDA guidance increased from $76 - $84 million to $82 - $86 million, increasing the indicative dividend range from 8 –11 cents per share to 9 –11 cents per share.

Thank you shareholders

Your Board appreciates the continued support of shareholders' throughout the Strategic Review and reset of the fundamentals of this business.

With this period of change now behind us, and the recommencement of dividends, we would like to acknowledge shareholders patience and support through this time and to thank you for your loyalty.

In a year when the NZX50G index declined 12%, it was extremely pleasing that our new business model and delivery of strategic initiatives resulted in a 52% share price increase in 2022, following the 71% increase in 2021. We can now look to the future with confidence.

Letter from the CEO

Naomi James
Chief Executive Officer

I'm proud that we have delivered on our commitments to you in 2022 and have successfully transitioned to our new business model, safely and to budget, while also supporting our workforce through significant change. We now have a company with a long-term sustainable business model and a focussed growth strategy.

When I joined the business in 2020, we had a huge challenge ahead of us as we embarked on the Strategic Review to determine the best way forward for the business. The Refining NZ business model was no longer a sustainable option. This was evident through the period of historically low refining margins, with structural challenges to the competitiveness of the refinery compared to newer and larger Asian refineries, high costs of operating in New Zealand (including high electricity, gas and carbon costs) and the strong preference of our customers to move to a more competitive import supply chain.

Not only did we successfully complete the extremely challenging and complex job to transition from Refining NZ to Channel Infrastructure, but we now have a long-term sustainable business model in place, alongside a range of exciting growth opportunities ahead. With this significant transformation complete and a clear strategy in place, now is the right time to transition to a new CEO with deep experience in the energy and infrastructure sector to take the new business forward. I am excited to be shortly handing over to Rob Buchanan, on 6 March 2023. I know Rob well, and I know he will be a good fit to take the business forward and to seize the growth opportunities ahead of this great company.

New business model delivers improved financial performance

Revenue from continuing operations was $88 million reflecting the first nine months of terminal operations. On 1 April 2022, the long-term Terminal Services Agreements with customers bp, Mobil and Z Energy commenced, with fixed and minimum fee components, which supports debt funding of the conversion costs and allows time for a recovery in jet fuel demand from COVID-19 impacts. The strength of these contracts is reflected in the fact that 94 per cent of total revenue from continuing operations was fixed or underpinned by "take-or-pay" fees and almost 90 per cent of revenue was subject to annual PPI-based indexation. Channel Infrastructure has delivered its first profit of $17 million in three years from continuing operations, reflecting the improved financial profile of the business. The strong EBITDA margin of 65 per cent and strong cash flow generation have given the Board confidence to now recommence dividend payments.

Successful nine months of import terminal operations

Channel Infrastructure successfully completed nine months of terminal operations. Imported fuel of 2,215ML has flowed through our terminal infrastructure in its first nine months of operation and been delivered to Auckland and Northland markets as planned.

I'm proud to say that we are well-progressed with completion of conversion project works. Following many months of extensive planning and preparation, our capable team safely ran the refinery to shutdown, transitioned to import terminal operations and collaborated with customers to establish new ways of working while also supporting our staff and community through this significant change. Now, almost a year on, we remain on plan and to budget and with some 65 per cent of the budget either spent or committed, the project is significantly de-risked. While works remain ongoing on site, the most significant activity will conclude mid-2023 with the commissioning of remaining private storage capacity.

Undertaking this highly complex transition safely and to plan is a credit to our entire team at Marsden Point and something we are all very proud of.

In late December, rigorous testing processes at Marsden Point identified an off-specification jet import cargo and ensured this fuel was not distributed further along the supply chain. This incident highlighted the importance of there being minimum stocks in country at any time to provide an adequate buffer to potential supply disruptions. We continue to work with our customers and Government on steps to improve supply chain resilience.

Environmental & social responsibility

Our 2022 Sustainability Report provides an update on how we are making significant progress against all of the ambitious sustainability targets we set for ourselves and what our future priorities will continue to be. We have delivered on our commitment to significantly reduce our direct emissions. We are also supporting our customers, who can now access lower carbon fuel options, to bring down their emissions. Throughout we have been working hard to ensure the highly skilled and dedicated workforce who were impacted by our transformation had access to the support they need for their own transition to new opportunities outside of the business. I am proud that following an extensive programme of workforce transition support, 97 per cent of those who have left the business have been supported into their next opportunity.

Growth opportunities

As an infrastructure provider, Channel Infrastructure has a critical role to play in New Zealand's energy transition and our new business model has already opened up a number of growth opportunities.

As of today, we have commissioned over half of our existing private storage commitments, with the rest set to come online later this year which will increase fuel storage capacity at Marsden Point by 45 million litres. This important work is offering customers more opportunity for onshore fuel storage, which is critical to building New Zealand's supply chain resilience.

The New Zealand Government has now commenced an RFI to seek proposals for a 70ML domestic diesel fuel reserve for New Zealand, providing further opportunity to make use of the significant unutilised storage capacity that exists at Marsden Point. The New Zealand Government is also working on the implementation of a new minimum Domestic Stockholding Obligation (DSO) for the fuel industry, which we anticipate will generate additional storage requirements. Our work to secure affordable, long-term electricity supply for Marsden Point and explore the potential for future sustainable aviation fuel and hydrogen production is also progressing.

With more clarity around the COVID-19 recovery, late last year we began the process of updating our fuel demand forecasts. The updated Hale & Twomey fuel outlook, outlined in more detail in our Sustainability Report, confirms a faster jet fuel recovery and more persistent jet and diesel demand than previous forecasts. Terminal revenue is now estimated to be above take-or-pay levels from 2025 as terminal volumes rise above c.3.4 billion litres. Every additional 100 million litres of throughput increases revenue by an estimated $1.6 million per annum (pre-inflation).

The updated fuel demand outlook includes biofuels for the first time and an updated assessment of the decarbonisation pathway for fuel. Petrol demand is expected to peak and start to decline in the near-term with more electric vehicles and use of biofuels. Diesel will transition more slowly, with a gradual increase in biofuels and the electrification of light commercial vehicles and buses, with the transition of heavy transport to electric and hydrogen expected to take longer. The decarbonisation of the aviation industry is expected to largely be driven by the gradual substitution of petroleum jet fuel with Sustainable Aviation Fuel. Importantly, second-generation renewable fuels, including SAF and biodiesel, are drop-in fuels that can be handled by Channel's existing infrastructure, and the changes in expected fuel demand mean that over time, the volume of renewable fuels being handled through Channel's infrastructure is expected to grow and make up an increasing proportion of our throughput.

As you have seen over the last three years, the team at Marsden Point are highly capable and dedicated, and I know that under Rob Buchanan's leadership of the business, they will work hard to make the most of the growth opportunities ahead of this company.

Thank you

As my time with this great business draws to a close, I want to pay tribute and thank the many partners, stakeholders, shareholders, lenders and customers who have been on this journey of transformation with us. Your support has been critical to making this transition a success.

I want to thank and acknowledge our Board for their constant support and guidance for me over the last few years. I especially want to thank everyone working at Marsden Point, both past and present, for their work in helping to transform Channel Infrastructure and to set up this business for a strong and exciting future ahead. I am proud to have worked alongside all of you, thank you.

The successful transformation of this business, the results we achieved in 2022, and the sustainable business model we now have in place would not have been possible without the hard work and dedication of the entire Marsden Point team, who have given this business their all each and every day.

Letter from the Incoming CEO

Rob Buchanan
Incoming Chief Executive Officer

I am delighted to be joining Channel Infrastructure at this important time.

Since joining at the end of January 2023, I have been impressed with the clear vision and the highly capable team at Channel Infrastructure, who are working hard to deliver on our plans for the future. The business is in great shape, and it's a real tribute to our outgoing CEO, Naomi James, and the wider team at Channel Infrastructure, who have worked hard to transform the company during an extremely challenging period of time.

Going forward, I'm delighted to be working alongside the team at Marsden Point, as we leverage the company's highly strategic and critical infrastructure in order to capture the significant opportunities ahead of us.

It will be my first priority to continue our focus on safe, resilient and efficient operation of the terminal while delivering on the strategy already set out for the company, seeking to grow shareholder value through continuing to optimise our business following the commencement of import terminal operations last year, while delivering on our aspiration to be a world-class terminal.

Our business plays a critical role in New Zealand's fuels infrastructure supply chain, providing New Zealand's largest transport fuels storage capacity, and the only supply route for jet fuel to Auckland Airport. We are committed to supporting our customers and the New Zealand Government with domestic fuel storage which provides a buffer in the event of supply chain disruptions.

In addition to this we will begin the next phase of Channel Infrastructure's growth plans, looking to support both the integrity of New Zealand's fuel security of supply and the decarbonisation of the fuels' supply chain.

The opportunities for Channel Infrastructure to leverage its unique and highly strategic asset base as New Zealand navigates the energy transition are significant – and I'm really excited to be part of bringing our plans to fruition in coming years.

We have a big and exciting year ahead as we look to seize the compelling opportunities ahead of us, and deliver further shareholder value from our Marsden Point site. I am looking forward to meeting you at our upcoming Annual Shareholders' Meeting in April.

Our Strategy

We are here to keep Aotearoa New Zealand's economy moving through an era of change, and as New Zealand moves towards a lower-carbon future, our infrastructure will be essential as New Zealand's fuel and energy needs evolve.

Strategic framework

OUR PURPOSE

Delivering infrastructure to sustainably meet New Zealand's transport energy needs

OUR VISION

New Zealand's leading fuel infrastructure company

OUR STRATEGIC PRIORITIES

Safe, reliable, low cost operations	High performance culture	Competitive cost of capital	Realise infrastructure value	Support lower carbon fuels transition	Grow and diversify
Strong safety systems and culture Continuous improvement Asset management	Strong performance management Change-ready Future focused	More reliable dividend payout Diversify access to capital markets Leverage the balance sheet	Realise value of existing infrastructure through import terminal conversion	Leverage existing infrastructure Marsden Point energy hub	Strategic storage Repurposing Marsden Point site Supply chain optimisation

Leverage existing capabilities	Transform to deliver value	Position for future growth

OUR VALUES

One Team	Innovation	Honesty	Care

Figure 1: Channel Infrastructure NZ Limited's Strategic Framework

Strategic Priorities

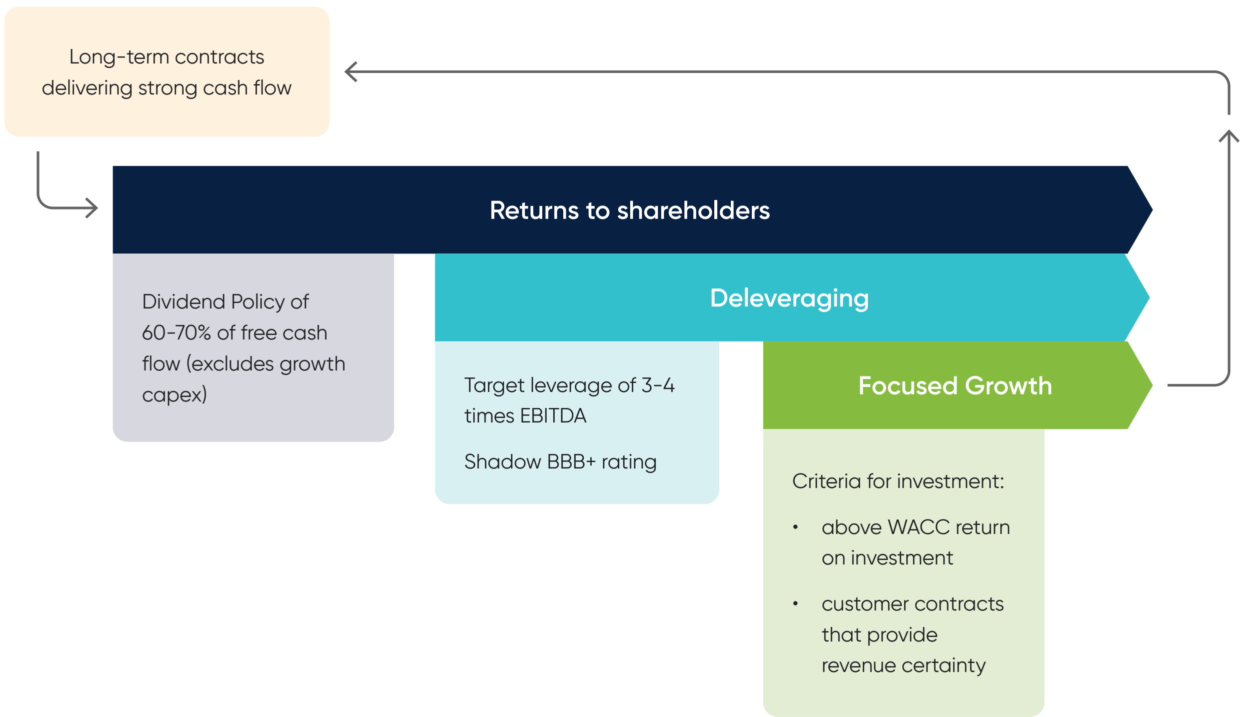
To achieve our vision, we have a strong plan to leverage our existing capabilities through the delivery of safe, reliable, low-cost operations and by embedding a high-performance culture.

As a business, we are transforming to deliver value by operating with a competitive cost of capital while realising the full value of our infrastructure. And, we are positioning for future growth.

We are committed to using Channel Infrastructure's highly strategic assets and transport energy infrastructure, to support resilient and secure fuel supply for New Zealand now, and into the future as fuel needs change.

Our Capital Allocation Framework (refer Figure 2), sets out how the Company will utilise its strong cashflow to deliver dividends to shareholders while also investing in growth.

Figure 2: Capital Allocation Framework



Delivering on our Strategic Plan

In 2022, significant progress was made to deliver on our strategic priorities and we have a clear plan for continuing our journey to grow and improve our business in 2023 as set out below:

Leverage Existing Capability

STRATEGIC PILLAR	2022 HIGHLIGHTS	OUR FOCUS FOR 2023
Safe, reliable, low-cost operations	Revised Safety Case for new import terminal accepted by WorkSafe New operating procedures and management system in place for terminal business model	New long-term Asset Management Plans in place to manage investment across the life of our assets
High performance culture	Terminal organisation and management team in place Strong capability retained for terminal business and projects	Terminal operations and Information Technology systems simplified with new systems and processes embedded and effective Continue to build terminal culture and capability

Transform to Deliver Value

STRATEGIC PILLAR	2022 HIGHLIGHTS	OUR FOCUS FOR 2023
Competitive cost of capital	Successful $100 million inaugural bond issued by Channel Infrastructure Completed bank refinancing with significant capacity offered and a reset in the cost of debt New Capital Allocation Framework adopted to deliver both dividends and growth with a focus on increasing shareholder value (Refer to Figure 2)	Review options for $75 million subordinated notes due for renewal in March 2024 Release legacy value through sale of surplus assets and inventory
Realise infrastructure value	Refinery closure safely completed to plan, conversion projects progressing to plan and budget Operating under new Terminal Services Agreements since 1 April 2022	Remaining contracted private storage brought online Complete refinery facility decommissioning to plan and budget

Position for Future Growth

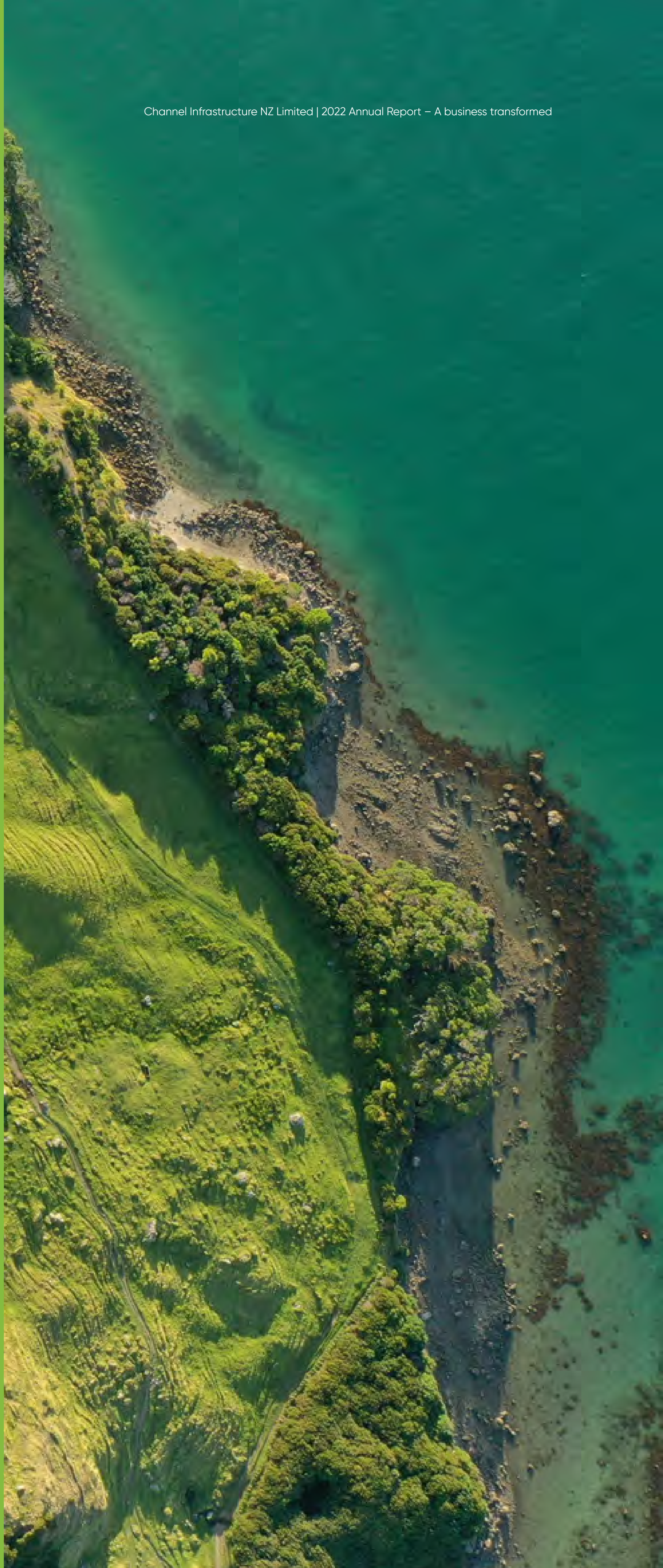
STRATEGIC PILLAR	2022 HIGHLIGHTS	OUR FOCUS FOR 2023
Support lower carbon fuels transition	First Sustainability Report published aligned to TCFD reporting standards available at www.channelnz.com	Fortescue Future Industries (FFI) to complete study of the potential for hydrogen production at Marsden Point
	New Zealand's first shipment of SAF received through Marsden Point	Continue to assess SAF options for Marsden Point
Grow and diversify	Private storage contracts signed with approximately $9 million per annum revenue (in real terms) over 10 years.	Utilise Marsden Point facilities to support the Government's 70 million litre domestic diesel fuel reserve and minimum domestic stockholding obligation
	Additional terminal storage revenue contracted in H2 2022 with approx $25 million revenue expected over five years	Reduce electricity costs through long-term supply
	Over half of contracted private storage commissioned	Work with customers and Government to improve fuel resilience, ahead of expected strong growth in jet fuel demand

Climate Targets

We have also made considerable progress on our climate targets and this work will continue in 2023 (refer to Sustainability Report at www.channelnz.com).

	TARGET	PROGRESS TO DATE
Just Transition	At least 90 per cent of employees seeking new employment find new roles, or have been retrained, within six months	Extensive programme of workforce transition support 97 per cent of staff who have left have found their next opportunity Additional (decommissioning and transition-related) staff due to exit in 2023, with transition support planned
Net Zero	Net Zero scope 1 and 2 emissions by 2030	Scope 1 and 2 emissions have reduced from 1,257,173 tonnes CO_2 in 2019 to 284,621 tonnes CO_2 in 2022 and are forecast to reduce further in 2023 - equivalent to a 98 per cent reduction in emissions following refinery closure (over 1 million tonnes CO_2 p.a.) 88 per cent reduction in electricity consumption and no natural gas requirements -reducing thermal generation demand
Customer scope 3 emissions	Our infrastructure is utilised to support the decarbonisation of the transport sector and facilitate scope 3 emissions reduction by 2030	Discussions held with customers on infrastructure to support biofuels mandate First SAF import received through Marsden Point in September 2022 Continuing to discuss Air NZ/MBIE SAF feasibility study with Air NZ FFI green hydrogen study investigating e-SAF production at Marsden Point

Board of Directors



		QUALIFICATION	TENURE	COMMITTEES
	**James Miller** **Chairman**	BCom FCA	4 years	Independent Directors (Chair) Audit & Finance Health, Safety, Environment & Operations People & Culture
	**Andrew Holmes** **Director**	BSc (Hons) MBA	10 months	Independent Directors Health, Safety, Environment & Operations People & Culture
	**Lindis Jones** **Director**	BCom (Hons) BSc MFin	5 years	Audit & Finance Health, Safety, Environment & Operations
	**Anna Molloy** **Director**	BEng BCom CFA	10 months	Independent Directors Audit & Finance (Chair) Health, Safety, Environment & Operations
	**Lucy Nation** **Director**	BEng Grad Dip. Applied Finance and Investment	2 years	Health, Safety, Environment & Operations People & Culture
	**Vanessa Stoddart** **Director**	BCom/LLB (Hons) PGDip Professional Ethics	9 years	Independent Directors Health, Safety, Environment & Operations People & Culture (Chair)
	**Paul Zealand** **Director**	BSc (Hons) MBA	6 years	Independent Directors Audit & Finance Health, Safety, Environment & Operations (Chair)

Corporate Leadership Team

Naomi James

CEO

LLB (Hons), MLM

Naomi has led the Company through the comprehensive Strategic Review, and delivery of the successful transition to the import terminal. With the transition now completed, and the new, sustainable business model in place, Naomi will depart the Company on 1 April 2023 after a period of handover with incoming CEO Rob Buchanan.

Naomi has been committed to delivering on Channel Infrastructure's focussed growth strategy, supporting customers with their fuel needs and contributing to New Zealand's decarbonisation efforts. At the same time, a personal priority for Naomi has been to lead engagement with staff and support them on their own personal transitions.

Prior to joining Refining NZ in 2020, Naomi was Executive Vice President at Santos Ltd, one of Australia's largest independent oil and gas producers. Prior to Santos, she held leadership roles in steel and iron ore businesses.

Rob Buchanan

Incoming CEO

B.Com, M.Bus

Rob will take over as CEO on 6 March 2023, having joined the Company on 31 January for a period of handover.

Rob was previously GM Growth & Trading at Manawa Energy, New Zealand's largest independent renewable electricity owner and developer, where as part of the executive leadership team he had responsibility for the company's renewables development, energy trading and commercial and industrial sales functions.

With a passion for helping energy and infrastructure companies create value while navigating challenging strategic issues and changing industry dynamics, Rob is excited about taking forward the company's plans for growth, which will deliver further value to Channel Infrastructure's shareholders.

Prior to Manawa Energy, Rob had an almost 20-year career in investment banking, advising companies in New Zealand, Australia and Europe most recently as Head of Mergers & Acquisitions at Forsyth Barr in New Zealand. Prior to this Rob worked in the investment banking business of ABN AMRO Bank, working across Australasia and Europe.

Rob holds a Bachelor of Commerce and Master of Business (with Distinction) from the University of Otago, and has completed an Executive Certificate in Management and Leadership from the MIT Sloan School of Business.

Chris Bougen

General Counsel and Company Secretary

LLB (Hons), LLB, LLM

Chris is responsible for all aspects of the Channel Infrastructure Group's legal affairs and company secretarial functions.

Throughout the Strategic Review, Chris was heavily involved in the preparations for Refining NZ's transition to Channel Infrastructure, including securing the overwhelming support of shareholders for this change, putting in place the long-term import terminal agreements with customers and leading the corporate restructure of the new business.

Chris is looking forward to supporting future growth in the business.

Chris joined Refining NZ in 2020 and has extensive experience in both private practice and in-house corporate and commercial legal roles across the energy and heavy industrial sectors in New Zealand, with experience advising on a wide range of commercial matters as well as providing legal support for major corporates on governance matters.

Jarek Dobrowolski

Chief Financial Officer

MSEcon

Jarek is responsible for finance, investor relations, treasury, taxation, audit and assurance, IT, procurement, and insurance.

Jarek was appointed Chief Financial Officer on 1 April 2022 after six years with Refining NZ in the roles of Financial Controller and Corporate Finance Manager, during which time he played a key role in the corporate and financing aspects of the transition from refinery to terminal operations.

As well as the delivery of the conversion project on budget, Jarek's focus is on completing our IT system's transformation, releasing legacy value from the balance sheet and continuing to reduce our cost of capital.

Jarek is a Chartered Accountant (ACCA) and prior to joining Refining NZ he worked for a leading audit firm.

Caz Jackson

Chief People Officer

BA

Caz is responsible for human resources, organisational capability and workforce transition.

Caz joined Refining NZ in 2020 and has had a crucial role to play in supporting Channel Infrastructure's people through the business transition of the past two years, including leading the delivery of one of the Company's key performance metrics, to ensure that those leaving the business have secured their next opportunity.

Caz has over 25 years' experience in human resources and general management experience focussing on change management, high performance cultures, staff development and employee engagement. She has held senior management roles in a range of industries including FMCG, construction and financial services.

Phil Jones

GM Projects

BE(Mech)

Phil Jones joined us to lead the preparation for the terminal conversion works, and now leads our projects and decommissioning team, with responsibility for conversion projects across the business.

Phil has a wealth of experience with industrial infrastructure projects having led the way through the full project lifecycle from design, development, operation and optimisation, of many facilities throughout Australia. Phil has spent the last 20 years in senior positions in operations and engineering for major industry leaders in bulk liquid storage and distribution.

Phil has qualifications in engineering, process control and extensive experience in hazardous area certification and management.

With the conversion project progressing as planned, Phil is excited about seeing the Company's plans brought to life, and in implementing the new processes and procedures required to make our terminal succeed.

Steve Levell

General Manager IPL

DipEng, CMS

Steve is responsible for leading the Independent Petroleum Laboratory (IPL) business and has led IPL through the transition in its biggest customer which had been Refining NZ. IPL's changes included resetting the testing focus to support the importation of refined and alternative fuels. Steve is excited about IPL's plan to deliver further growth for our specialist fuels testing laboratories at Marsden Point and New Plymouth.

IPL is the fuel testing business which is a wholly-owned subsidiary of Channel Infrastructure. The IPL team deliver an important service to Channel Infrastructure's customers, as well as wider fuel testing services across New Zealand and the South West Pacific.

Steve joined Refining NZ in 2012 and has held a broad range of leadership roles, including business improvement, before taking the IPL General Manager role in 2021. Steve has an engineering background and prior to joining Refining NZ held a number of technical and leadership positions in the petro/chemical and Scientific research sectors in the UK and New Zealand.

Jack Stewart

GM Operations

BE (Mech)

Jack is responsible for operations, maintenance, and the delivery of terminal services to our customers.

Jack led the successful operational transition from refinery to terminal, including planning and execution of the refinery shutdown, decommissioning, and conversion projects on time and within budget, while ensuring that the conversion was delivered safely, and there was no disruption to New Zealand's fuel supply chain as a result of the changes at Marsden Point.

Jack has worked at Marsden Point for over 20 years, joining the business as a mechanical engineer at the start of his career. He has performed a broad range of leadership roles, including in the areas of engineering, maintenance, project management, operations, health and safety and environment.

With decommissioning now almost complete, Jack is looking forward to commissioning the remaining private storage projects, establishing world-class terminal operations at Marsden Point and to expanding the operations at Marsden Point through the company's focused growth plans.

Peter Van Cingel

Business Development Manager

BE(Mech) (Hons)

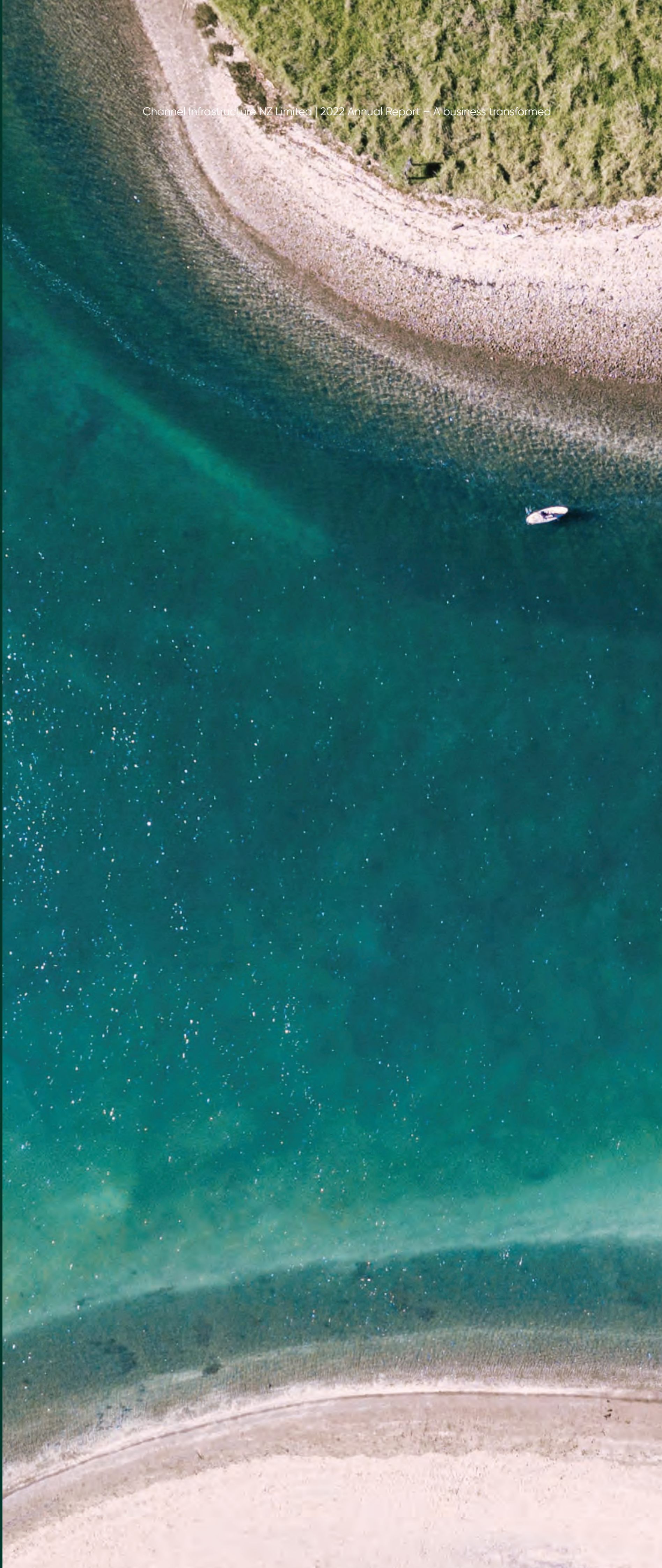
Peter is responsible for Channel Infrastructure's growth strategy and business development activities.

Peter has been central to the negotiation of new long-term terminal services and private storage agreements with Channel Infrastructure's customers.

Peter is looking forward to pursuing opportunities for Channel to support the New Zealand Government's fuel security measures, and supporting the wider efforts to decarbonise the fuels' supply chain in New Zealand.

Peter joined Refining NZ in 2002 and has held a broad range of roles in the supply chain, commercial, strategic and business development areas. Prior to joining Refining NZ, Peter held roles in the upstream oil industry, in Europe, Russia, and the Middle East as well as supply chain management, procurement and business improvement.

Financial Commentary



Reset in financial performance and cost of capital

Channel's financial results for the year ended 31 December 2022, reflect nine months financial performance of the new fuels import terminal business (reported as "continuing" operations) and the operation of the refinery for the three-months ended 31 March 2022 (reported as "discontinued" operations).

2022 Highlights

Strong FY22 financial performance delivering EBITDA margin of 65% in the 9 months of terminal operations

Net assets up 5% from $1.33 to $1.39 per share as at 31 December 2022

Reduced cost of debt through 2022 refinancing

Tax losses crystalised with **$507 million** of losses available as at 31 December 2022

Recommenced dividends Final **5 cps** and special **2 cps** payable 20 March 2023 (fully imputed)

Annualised Dividend Yield

6.5%

2023 Outlook

Increased FY23 EBITDA guidance from $76 – $84 million to **$82 – $86 million** in November 2022

FY23 indicative dividend range of **9-11 cps**

Income Statement

Continuing Operations

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 from nine months of terminal operations, as well as the results of Independent Petroleum Laboratory for the full year ended 31 December 2022.

	$ MILLION
Revenue	88.2
Operating Costs	30.8
EBITDA	57.5
Depreciation	24.6
Financing costs	9.8
Net Profit before tax	23.1
Income tax expense	6.5
Net Profit after tax from continuing operations	16.6

94%

Of FY22 revenue was underpinned by fixed or "take-or-pay" fees

65%

A strong EBITDA margin

Revenue

Channel Infrastructure's primary source of revenue comes from the fees earned under the Terminal Services Agreements, of which 45 per cent is fixed and the remainder is throughput related fees, for the Marsden Point to Auckland pipeline, pipeline to the Truck Loading Facility and wharfage. Fees under the Terminal Services Agreements are subject to take-or-pay commitments, set at $100 million per annum (real) for the first three years, ($75 million pro-rated for the nine months to 31 December 2022) underpinning revenue while jet fuel demand continues to recover post COVID-19. Total "take-or-pay" top-up payments made in the nine months ended 31 December 2022 amounted to $5 million.

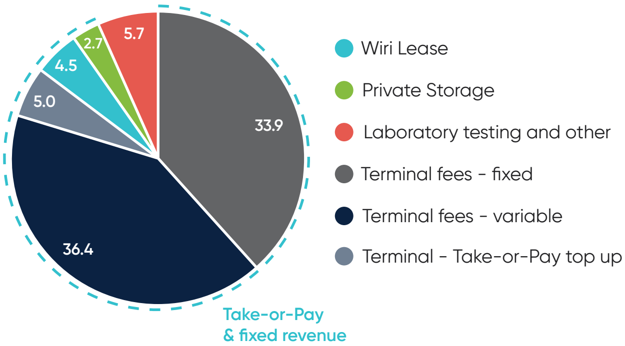
All fees are subject to PPI escalation with a one-year lag (i.e. 2022 inflation applying to 2023 fees charged) which provides a high degree of protection in the current inflationary environment.

Additional revenue is earned through Private Storage Agreements. Private storage fees are capacity-based (i.e. independent of throughput), with FY2022 revenue of $3 million. Private storage fees are expected to increase to a full run-rate around mid-2023 as the last tank conversions are completed, generating private storage revenue of c.$9 million (real) per annum. In addition, newly contracted terminal revenue is expected to deliver revenue of c.$25 million over five years.

The $6 million p.a. of Wiri lease fees will continue until February 2025 when the lease expires.

In total, 94 per cent of Channel's total revenue in FY22 was underpinned by fixed or "take-or-pay" fees.

Revenue (continuing operations) **($m)**



Operating Costs

Channel Infrastructure's largest costs are electricity and payroll, together making up 50 per cent of total operating costs.

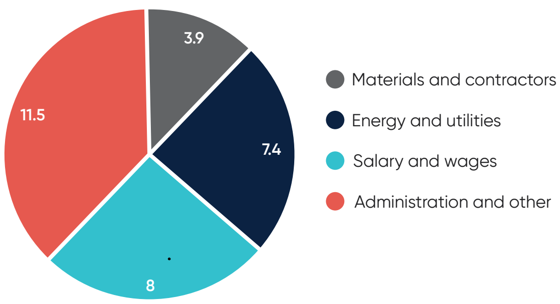
Total electricity costs reduced significantly with an almost 90 per cent reduction in electricity consumption as a result of the transition from refinery to import terminal operations. However, unit costs remain high, with transmission and distribution charges yet to reset for the reduced terminal load. Electricity costs in FY22 for the terminal comprised c.$120/MWh for supply and c.$4 million for transmission and distribution. As outlined on page 26, a key strategic imperative is to lower the cost of electricity supply in the future.

Labour costs reflect the salary and other employee costs of the c.70 import terminal, laboratory and corporate staff.

Administration and other costs comprise insurance, IT, rates and governance costs.

Materials and contractor payments relates to the cost of site and asset maintenance.

Operating Costs Continuing Activities **($m)**



Depreciation

A useful life review of all terminal assets was completed during the year, which - based on the current asset base as at 31 December 2022 - will result in an ongoing annual depreciation of c.$34-$35 million p.a. (including Wiri asset depreciation of c.$6 million until early 2025).

Financing Costs

The effective interest rate applying in the nine months ended 31 December 2022 was 6.6 per cent (higher due to line fees paid on undrawn bank facilities) and approximately 97.0 per cent of Channel Infrastructure's debt as at 31 December 2022 was fixed, providing funding cost certainty and protection in the high interest rate environment. A successful retail bond issue and bank refinancing has reset the cost of debt for 2023, aligned with the infrastructure business.

Discontinued Operations

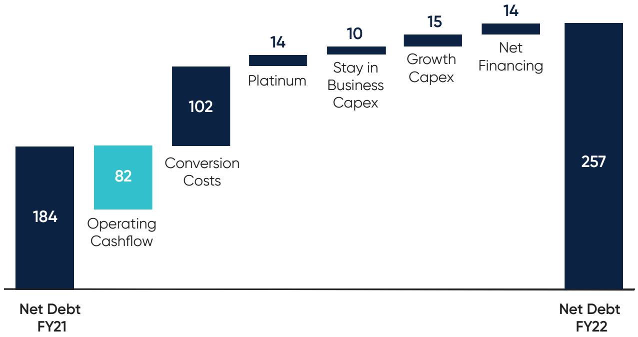
A net loss after tax of ($5) million is reported from discontinued operations in 2022 which reflects the results from refining operations. This includes $70 million of revenue received in Q1 under the processing agreements comprising of $47 million processing fees, $6 million pipeline fees and $17 million of sulphur fees, natural gas pass-through, carbon and other revenue and Wiri lease payments. Total expenses amounted to $68 million, comprising: operating costs of $46 million, depreciation $8 million, conversion costs and impairment of assets of $8 million and financing costs of $6 million.

Cashflow and Dividends

Strong operating cashflows from continuing operations funded a significant portion of conversion spend and growth capex, with net debt increasing to $257 million. This represents gearing of 33 per cent and Net Debt to EBITDA of 3.4 times (based on annualised reported EBITDA for nine months of terminal operations).

Strong cash flows and leverage in the target range of 3 to 4 times has enabled the Board to declare a dividend at the top end of its Dividend Policy range of 60-70 per cent of Normalised Free Cash Flow[1]. A fully imputed final dividend of 5 cents per share and a fully imputed special dividend of 2 cent per share - will be paid on 20 March 2023.

Net Debt Movement ($m)



[1] Net cash generated from operations less maintenance capex (excluding conversion costs and growth capex)

Balance Sheet

Net Assets

Net assets of the Company increased by 5 per cent to $518 million or $1.39 per share primarily reflecting the strong financial performance and a net increase in the mark-to-market valuation of the Company's interest rate swaps and electricity hedges as at 31 December 2022.

Provisions and employee benefits

Provisions associated with the conversion to an import terminal have reduced by $77 million, with $73 million spent on shutdown and decommissioning and workforce transition which were completed across the year and a $12 million reduction in conversion provisions due to a higher discount rate, offset with provision discount unwinding of $2 million. Employee benefits also reduced by $11 million in line with workforce reductions through the transition.

Working Capital

Trade receivables and payables have reduced by c.$114 million due to excise duty no longer being collected and paid on behalf of customers following the commencement of import terminal operations.

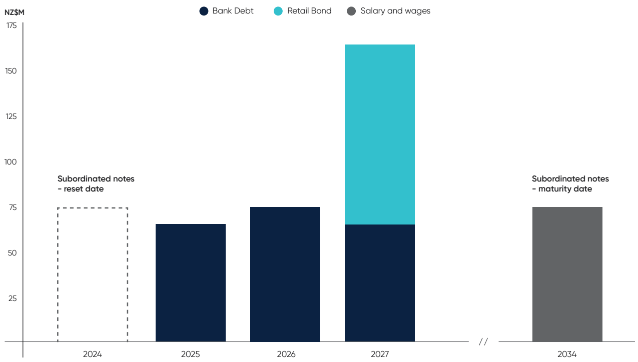
Net working capital (after excluding conversion provisions) is positive $9 million.

Borrowings

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 net proceeds from the retail bonds provided diversification of funding that aligns with an infrastructure business, and were applied towards repaying a portion of existing bank debt.

In November 2022, the Company refinanced $205 million of bank debt, achieving tenor spread across three to five years. Total available debt facilities are now $380 million with no maturities within 12 months and a weighted average debt maturity of 3.5[2] years as at 31 December 2022.

Debt Maturity Profile



The Group's net debt as at 31 December 2022 was $257 million, resulting in total headroom of $123 million which provides sufficient capacity to fund the remainder of conversion costs and investment in private storage. It is expected that debt will peak at around $70 to $90 million above current levels in the next 12-18 months.

The refinancing programme has reduced the Company's cost of bank debt, with the fixed rate bonds and interest rate swaps providing significant funding cost certainty for 2023 in a rising interest rate environment.

Tax Losses

The Company generated significant tax losses through the conversion to an import terminal. As at 31 December 2022, the Company held tax losses amounting to c.$507 million which will be used to offset against future assessable income.

[2] Average tenor calculated on the assumption that the subordinated notes are redeemed at their reset date in March 2024 (noting that the Company may either exercise a right to redeem the notes or a right to offer new conditions to the noteholders)

Looking Ahead to FY23

The terminal services and private storage fees are subject to PPI escalation. In November 2022, Statistics New Zealand announced the PPI for the 12 months ended 30 September 2023 was 8.4 per cent, which will increase the 2023 "take-or-pay" level under the Terminal Services Agreements by $6.3 million (above the 2022 annualised take or pay fee equivalent) to $106.3 million. Together with additional private storage contracted, this resulted in Channel's EBITDA guidance upgrade from $76 - $84 million to $82 - $86 million increasing the Company's EBITDA expectations for 2023.

Based on the Company's capital allocation framework and dividend policy of returning 60-70 per cent of normalised Free Cash Flow to shareholders, the indicative dividend range for FY23 increases from 8 to 11 cents per share to 9 to 11 cents per share.

Governance

Channel Infrastructure NZ Limited operates in New Zealand and is listed on the NZX's Main Board. It is subject to regulatory control and monitoring by both the NZX and the Financial Markets Authority ("FMA"). Our corporate governance framework sets out our Board's practices and processes to provide accountability to shareholders for Channel Infrastructure's actions and performance.

This section of the Annual Report provides summary information on our current corporate governance framework. The Company's full Governance Statement, including detailed reporting against the NZX Corporate Governance Code, together with our governance policies can be viewed on the "Investor Centre" section of our website: www.channelnz.com.

The Governance Statement is annually reviewed and approved by the Board and is current as at 23 February 2023. In 2022, the Board undertook a Corporate Governance Review in light of the change in the Company's business operations from oil refining to import terminal services, and the Governance Statement was previously reviewed and updated in May 2022.

The Board considers that it has followed the recommendations in the NZX Corporate Governance Code during the financial year ended 31 December 2022.

Responsibilities of the Board and its Committees

The Board is responsible for setting the Company's strategic direction and for providing oversight of the management of the Company, with the aim of increasing shareholder value and ensuring the obligations of the Company are properly met. The Board is accountable to shareholders for the performance of the Company, with day-to-day management of the Company delegated to the Chief Executive Officer.

The Board uses committees to address certain issues that require detailed consideration by members of the Board who have specialist knowledge and experience. The Board retains ultimate responsibility for the functions of its committees and determines their responsibilities. There are currently four Board committees:

- The Audit and Finance Committee comprising four members, of which three are Independent Directors,
- The People and Culture Committee comprising four members, of which three are Independent Directors,
- The Independent Directors Committee comprising all five Independent Directors, and
- The Health, Safety, Environment and Operations Committee comprising all Directors.

The Board may also establish ad hoc committees from time to time, and in 2021 it established a Transition Committee for the purposes of the Corporate Governance Review and other matters relating to the transition from an oil refinery to an import terminal business.

The respective roles of the Board, its committees and management (the Corporate Leadership Team) are set out in the Board's and relevant committees' Charters.

The committees annually evaluate their own performance to ensure that they are appropriate to assist the Board in effectively fulfilling its role and meeting its duties. The Board also undertakes a periodic evaluation of its performance, and in 2022, the Board engaged Propero Consulting to prepare an evaluation report to assist the Board in continuing to effectively perform as a Board.

Independence of Directors

The Board currently consists of seven Directors:

- James Miller (the Chair), Andrew Holmes, Anna Molloy, Vanessa Stoddart and Paul Zealand are Independent Directors.
- Lindis Jones and Lucy Nation are not Independent.

The Chairman is an Independent Director, responsible for representing the Board to shareholders.

Independence is assessed according to the NZX Main Board Listing Rules criteria. No shareholder has any constitutional right to appoint Directors.

The three largest shareholders of the Company are also major customers, either directly or through wholly-owned subsidiaries, and some have representation on the Board which could lead to a conflict of interest. Clause 8.16.1 of the Constitution allows for the Independent Directors to act as the Board in respect of matters that pose a conflict of interest if raised at the full Board. The role of the Independent Directors is to:

- Act as the Board in relation to those matters to be decided by the Board in which all of the other Directors have an interest which disqualifies them from forming part of the quorum and voting, and
- Act as a committee of the Board to deal with matters delegated or referred to it by the Board or management, including ensuring that issues concerning the major customers, and in particular any conflicts of interest, are dealt with in a transparent manner for the benefit of the Company as a whole.

Meeting Attendance

Director attendances at Board and committee meetings during 2022 were as follows:

		BOARD MEETING[1]	AUDIT AND FINANCE COMMITTEE	PEOPLE AND CULTURE COMMITTEE	INDEPENDENT DIRECTORS' COMMITTEE	HEALTH, SAFETY, ENVIRONMENT AND OPERATIONS COMMITTEE	DUE DILIGENCE COMMITTEE	TRANSITION COMMITTEE	SITE WALKS[2]
S C Allen[3]	Independent Chair	4/4	3/3	1/1	4/4	2/3	3/3	2/2	1
J Miller	Independent Chair	10/10	5/5	3/3	7/7	5/5	3/3	2/2	5
J L Bourke[4]	Non-independent	3/3				2/2			1
A Holmes[5]	Independent	9/9		2/2	5/5	3/3			3
NL Jones	Non-independent	10/10	5/5			5/5			4
AM Molloy[5]	Independent	9/9	3/3		5/5	3/3			4
L Nation	Non-independent	9/10		3/3		4/5		2/2	3
V C M Stoddart	Independent	10/10		3/3	7/7	5/5		2/2	4
P A Zealand	Independent	10/10	5/5	2/2	7/7	5/5	3/3		5

1 Includes 10 May 2022 Annual Shareholders' Meeting.
2 Combination of physical walks and virtual engagements.
3 Mr. Allen resigned as a Director and Chair of Channel Infrastructure with effect from 1 July 2022 and was replaced by Mr. Miller who has been an Independent Director of the Company since 1 November 2018.
4 Mr. Bourke resigned as a Director of Channel Infrastructure with effect from 10 May 2022.
5 Mr. Holmes and Ms. Molloy were appointed by the Board as Independent Directors on 4 April 2022 and elected by shareholders at the Company's Annual Shareholders' Meeting on 10 May 2022.

Remuneration Report

Director and Corporate Lead Team Remuneration

The Company has adopted a Director and Executive Remuneration Policy for remuneration of the Board and Corporate Lead Team. Channel Infrastructure's remuneration framework and policies are overseen by the People and Culture Committee in accordance with the People and Culture Committee Charter.

Remuneration

Channel Infrastructure aims to attract and retain appropriately qualified and experienced individuals. Channel Infrastructure applies a fair and equitable approach to remuneration and reward practices, considering internal and external relativities balanced against the commercial environment.

The Board takes independent advice and establishes market rates and medians against New Zealand businesses of comparable size and complexity, having regard to industry specific and generic roles. Individual performance, company performance and market relativity are key considerations in setting remuneration levels.

Channel Infrastructure is committed to pay equity, and as the business transitioned to the Terminal, the Company completed a pay equity review of the new organisation. In March 2022, the pay equity gap was 16 per cent. Channel remains committed to closing the gap and actively monitors remuneration levels and during the appointment of staff into new roles ensured that women were actively supported into roles.

Directors' Remuneration

The Board determines the level of remuneration paid to Directors within the amounts approved by shareholders (that is, from the approved collective pool). The current approved fee pool limit is $900,000 and was approved by shareholders at the Annual Shareholders' Meeting in April 2018.

The remuneration and other benefits, excluding reimbursements, received by the individual Directors of the Company during the 2022 financial year were as follows:

		APPOINTED	RESIGNED	BOARD FEES	AUDIT AND FINANCE COMMITTEE FEES	PEOPLE AND CULTURE COMMITTEE FEES	INDEPENDENT DIRECTORS COMMITTEE FEES	HEALTH, SAFETY, ENVIRONMENT AND OPERATIONS COMMITTEE FEES	TOTAL FEES
S C Allen	Independent Chair	4 Dec 2014	30 Jun 2022	90,000					90,000
J Miller	Independent Chair	1 Nov 2018		127,500	15,000	2,500	10,000		155,000
J L Bourke	Non-independent	10 Sep 2021	10 May 2022	27,016					27,016
A Holmes	Independent	4 Apr 2022		56,250		2,500	15,000		73,750
N L Jones	Non-independent	19 Mar 2018		75,000	12,500				87,500
A M Molloy	Independent	4 Apr 2022		56,250	18,125		15,000		89,375
L Nation	Non-independent	1 Feb 2021		75,000		5,000			80,000
V C M Stoddart	Independent	20 May 2013		75,000		20,000	20,000		115,000
P A Zealand	Independent	29 Aug 2016		75,000	12,500	2,500	20,000	10,000	120,000

The Directors do not participate in any profit-based incentive system. No Director of the Company has received, or become entitled to receive, a benefit (other than a benefit included in the total emoluments received or due and receivable by Directors shown in this report), including shares, remuneration paid by subsidiary company or other payments from services provided (including Directors and Officers insurance cover). The Chairman does not receive additional fees for being on a committee. No loans have been made to Directors. The Directors of subsidiary companies (refer to page 63) are not remunerated in those positions.

Directors' Fees Review

Directors' remuneration is intended to be set at a level to remain comparable with other companies in New Zealand, considering the expertise, skills, and responsibilities of Directors. Directors' fees were last increased in 2018, and since then the Board has resolved each year to not increase Directors' fees, in recognition of the Company's financial performance and despite the significant workload of the Board over the last three years during the Strategic Review.

As previously signaled, following the successful conversion from refining to import terminal operations and the change in the nature of the business of the Company in 2022, the Board is undertaking a review of the level of Directors' fees.

Chief Executive Officer Remuneration

Naomi James commenced her employment as Chief Executive Officer on 6 April 2020. Naomi James' total remuneration package includes:

- A base salary of $995,000 per annum (2021: $995,000);
- A short-term performance incentive (STI) payment based on achievement of agreed key performance indicators (KPIs). The STI is an incentive with an "on target" incentive of 45 per cent of base salary per plan year, with the potential for this to increase to 65 per cent depending on performance. Short-term incentive payments are deemed "at risk" payments designed to motivate and reward performance in the financial year. The STI is paid in the year following the performance period;
- A long-term incentive plan (LTI) in the form of:
  - A grant of initial performance rights (in the form of share rights in the Company) equivalent to one year's base salary ($995,000) that are due to vest on 6 April 2024 subject to achievement of a minimum "on target" performance against annual controllable KPIs during the vesting period,
  - Performance rights equivalent to 25 per cent of base salary on the first anniversary of the commencement date, 25 per cent on the second anniversary and 50 per cent on each successive anniversary, with each tranche having a three year vesting period with a further year to vest[1].

  The Chief Executive Officer's LTI entitlement (including the initial performance rights) is capped at $6 million,
- A six month redundancy entitlement, with no additional entitlements arising under her employment contract due to her exit from the business. In accordance with the terms of her employment agreement, upon her exit from the Company in 2023, she will be paid six months redundancy, accrued leave and her existing STI entitlement, and her existing and disclosed share rights entitlements will vest subject to satisfactory performance to termination date.

The total remuneration paid to the Chief Executive Officer during the year ended 31 December 2022 comprised the following components:

- Fixed remuneration - base salary of $995,000,
- STI paid on achievement of agreed performance objectives of $646,750,
- Share rights (equivalent to 25 per cent of base salary ($248,750) and subject to vesting conditions including the achievement of outcomes sought from the material decisions made by the Board from the strategic review process,
- $2,000 Employee Share Scheme award, and
- Other benefits of $40,552 (accommodation and mileage).

The Chief Executive Officer's KPIs, with respect to the short-term incentive, agreed for the 2022 financial year relate to:

KPI CATEGORY	WEIGHTING
Delivery against the Company scorecard (HSE, on time and budget delivery of conversion programme, meeting customer commitments, retain and build organisational capability and balance sheet capacity to fund conversion)	50%
Establish strong base for future sustainability and growth (reset cost of capital, transform from refinery to infrastructure company, support New Zealand's decarbonisation, growth through diversification)	50%

[1] As noted in the 2021 Annual Report, the first tranche of LTI share rights under her employment agreement were offered to the CEO. Ms James voluntarily declined to accept the offer recognising the challenging and uncertain circumstances of the Company at that time.

A short-term incentive in respect of the 2022 year will be paid in early 2023, amounting to $646,750 recognising Ms James' performance against the KPIs outlined above.

The table below provides a summary of all share rights issued to the current Chief Executive Officer.

PERFORMANCE YEAR	GRANT DATE	VESTING DATE[1]	NUMBER OF SHARES	COSTS RECOGNISED (FINANCIAL YEAR) 2020 $000	2021 $000	2022 $000	TOTAL $000
Chief Executive Performance Rights							
2020 Initial share rights[2]	6 April 2020	6 March 2023	1,250,000	166	222	453	**841**
2020 Share rights[3]	1 April 2021	6 March 2023	1,178,782	40	176	215	**431**
2021 Final Investment Decision share rights[2]	22 Nov 2021	28 Feb 2023	282,253	–	19	178	**197**
2022 Share rights	10 May 2022	6 March 2023	232,991	–	–	195	**195**
Total Performance Rights			2,944,026	206	417	1,041	**1,664**
Chief Executive Employee Share Scheme							
2021	16 Dec 2021	6 March 2023	1,157	–	1	1	**2**
2022	11 April 2022	6 March 2023	1,896	–	–	1	**1**
Total			2,947,079	206	418	1,043	**1,667**

1 The Board has determined that unvested share rights will vest upon cessation of Ms James' employment as CEO on 6 March 2023 (subject to any lapse event), as the outcomes contemplated by the vesting conditions have been delivered under Ms James' leadership.
2 These share rights are included for the purpose of applying the $6 million cap on the CEO's LTI entitlements referred to above.
3 Ms James' short-term incentive in respect of the 2020 year was not paid in cash. Instead, share rights equivalent to $540,000 were granted in April 2021.

Remuneration of Incoming CEO, Rob Buchanan

In November 2022, Rob Buchanan was appointed as Chief Executive (replacing Naomi James) and commenced employment at Channel Infrastructure on 31 January 2023 and will commence as CEO on 6 March 2023. His remuneration package includes:

- A base salary of $550,000 per annum;
- A short-term performance incentive (STI) payment based on achievement of agreed key performance indicators (KPIs). The STI entitlement is an "on target" incentive of 35 per cent of base salary per plan year, with the potential for this to increase to 45 per cent depending on performance. STI payments are deemed "at risk" payments designed to motivate and reward performance in the financial year. The STI is paid in the year following the performance period;
- A long-term incentive plan (LTI) in the form of:
  - A grant of initial share rights equivalent to one year's base salary ($550,000) that will vest on 31 January 2028, subject to the achievement of a minimum "on target" performance against annual controllable KPIs during the vesting period,
  - Share rights equivalent to 45 per cent of base salary on the first anniversary of the commencement date and each anniversary thereafter, with each tranche having a three-year vesting period and with measures and targets to be agreed with the Board.

  The Chief Executive Officer's LTI entitlement, including the initial share rights, is capped at $8 million, and thereafter subject to renegotiation.
- An entitlement to six months base salary (in addition to six months' notice or payment in lieu) in the event of termination due to redundancy, and an entitlement to 12 months' base salary for termination of employment on a "no-fault" basis or resignation within three months of a change of control of Channel Infrastructure.

Five-Year Summary – Chief Executive Remuneration

For the purposes of historical comparison, set out below is a summary of the costs recognised in each of the past five years, in relation to the Chief Executive Officer's remuneration package.

					COSTS RECOGNISED IN YEAR $000				
FINANCIAL YEAR	CEO	BASE SALARY	OTHER	TOTAL FIXED REMUNER-ATION	SHARE RIGHTS	SHORT TERM INCENTIVE KPI BASED	EMPLOYEE SHARE SCHEME	TOTAL VARIABLE REMUNER-ATION	TOTAL REMUNER-ATION
FY2022	Naomi James	995	41	1,036	1,041	647	2	1,690	2,726
FY2021	Naomi James	995	46	1,041	417	647	1	1,065	2,106
FY2020	Naomi James	773	47	820	206	-	-	206	1,026
FY2020	Paul Zealand	187	-	187	-	-	-	-	187
FY2020	Mike Fuge	130	4	134	-	-	-	-	134
FY2019	Mike Fuge	900	32	932	-	-	-	-	932
FY2018	Mike Fuge	316	61	377	-	165	-	165	542
FY2018	Sjoerd Post	705	37	742	-	600[1]	-	600	1,342

1 includes $0.3M discretionary short term cash incentive. Not KPI based.

2022 Workforce Changes

In 2022, the conversion of the refinery to import terminal operations resulted in 159 staff exiting the business during the year. The Company provided employees with a minimum of six months' notice and six months redundancy. Redundancies amounting to $22 million were paid in 2022 (2021: $4.4 million) and leave entitlements were paid out amounting to $7 million. Redundancy and leave payments are included in the employee remuneration table set out on page 54.

The business deployed a wide range of tailored workforce transition support services, to help our people into new jobs or training opportunities once their employment with us came to an end.

Within six months of exit, 97 per cent of our staff impacted by the change who were seeking new employment had found new employment or were retraining. Refer to the 2022 Sustainability Report (available at www.channelnz.com) for further details on our Workforce Transition.

Corporate Leadership Team and Other Employees' Remuneration Profile

The Corporate Lead Team and employees with Individual Employment Agreements (IEAs) are remunerated with a mix of base salary and benefits, and short-term performance incentives. The determination of fixed remuneration is based on responsibilities, individual performance and experience, and market data. At risk, variable remuneration, comprises short-term incentives based on the KPIs in the Company Scorecard and individual performance. The Company Scorecard included HSE, conversion programme, customer, capability, and balance sheet performance metrics, with an above target outcome recorded against these KPIs. STI payments in respect of 2022 performance will be made in 2023.

As previously disclosed, in 2021, key business leaders were awarded with two tranches of share rights (in the form of shares in the Company) to incentivise and retain selected individuals in key management roles critical to 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 of the share rights on 4 January 2023. The second tranche of share rights are scheduled to vest on 28 February 2023 (and upon vesting 1,377,389 shares in the Company will be issued on that date to awardees of the share rights), with the Board having determined that the vesting condition in relation to the safe, on time, on budget and to-plan conversion to import terminal operations in 2022 has been satisfied to date.

Employee Share Purchase Scheme

The Company has established the Employee Share Purchase Scheme which is tax exempt in accordance with section CW26C of the Income Tax Act 2007 (as amended). The purpose of the Employee Share Purchase Scheme is to recognise the important contribution of all employees to the Company's future and to assist the Company in retaining and motivating employees.

A trust has been created under the Employee Share Purchase Scheme for the purpose of holding Company shares on behalf of each participating employee over a three-year period. For further details on the scheme, refer to the consolidated financial statements included in this latest Annual Report.

The Company estimates that the annual cost of operating the scheme is approximately $31,000. The value of the awards under the Employee Share Purchase Scheme amounted to $2,000 for each eligible employee in 2022.

The funds, totaling $529,848 for the award, were provided to CRS Nominees Limited (Trustee), as Trustee of the Employee Share Purchase Scheme, to pay the subscription price in cash for the issue of the shares as fully paid ordinary shares. The shares are held by the Trustee for the participating employees until they are withdrawn by the participants following a restricted period of three years from the acquisition date, unless released earlier in certain limited circumstances (for example death, sickness, redundancy etc). The participating employees may vote the shares and receive dividends, if paid.

The total financial assistance given in 2022 in the form of advances to the Trustee to acquire the shares and fund the annual costs of operating the Scheme amounted to $560,848. (2021: $575,000).

Employee Remuneration

The following table shows the number of employees and former employees (including members of the Corporate Lead Team), not being Directors, who, in their capacity as employees, received remuneration and other benefits during 2022 of at least $100,000.

The remuneration figures include all monetary payments made during the year, including redundancy payments and contributions made by the Company as part of the share scheme. No employees appointed as a Director of IPL, a subsidiary company of Channel Infrastructure NZ Limited, receive or retain any remuneration or other benefits for holding this office.

The analysis (see table) is compiled on a cash basis; the variable performance rewards (linked to individual and business performance for a financial reporting period) in respect of the 2022 financial year, will be paid in March 2023 and reported as part of the remuneration banding for the 2023 year.

The ratio between employee remuneration (median) and Chief Executive Officer's total annualised, on-target remuneration for the 2022 financial year (on a cash basis) was 1:9 (2021: 1:7).

	2022		2021
AMOUNT OF REMUNERATION $000	NO. OF EMPLOYEES	NO. WHICH INCLUDE REDUNDANCY	NO. OF EMPLOYEES
100–109	7	5	10
110–119	8	4	12
120–129	6	4	20
130–139	14	12	10
140–149	7	4	12
150–159	7	3	26
160–169	9	8	22
170–179	15	12	24
180–189	11	8	17
190–199	13	11	24
200–209	9	9	18
210–219	11	6	17
220–229	6	3	12
230–239	9	9	3
240–249	3	3	5
250–259	10	10	4
260–269	10	9	4
270–279	8	6	3
280–289	4	2	–
290–299	4	2	1
300–309	6	6	2
310–319	7	6	1
320–329	5	5	–
330–339	4	2	–
340–349	4	4	–
350–359	5	4	2
360–369	2	2	–
370–379	4	3	1
380–389	4	4	–
390–399	6	6	–
400–409	2	2	–
410–419	1	–	–
420–429	4	4	–
430–439	–	–	1
440–449	3	3	–
450–459	–	–	1
460–469	5	5	–
470–479	1	1	1
480–489	2	2	–
490–499	2	2	–
500–599	6	4	–
600–699	1	1	–
1,020–1,029	–	–	1
1,600–1,699	1	–	–

Shareholder and Bondholder Information

Twenty largest Shareholders

As at 31 January 2023

	Shareholders	Total shares held	% of total
1	Mobil Oil New Zealand Limited	53,760,000	14.35%
2	Z Energy Limited	47,999,980	12.81%
3	BP New Zealand Holdings Limited	31,572,640	8.43%
4	Forsyth Barr Investment Management Limited	27,760,904	7.41%
5	Accident Compensation Corporation *[1]	14,777,181	3.94%
6	FNZ Custodians Limited	11,693,044	3.12%
7	Custodial Services Limited (<A/C 4>)	11,145,610	2.97%
8	Citibank Nominees (New Zealand) Limited *	10,714,866	2.86%
9	JP Morgan Chase Bank NZ NZ Branch - Segregated Clients Acct *	10,452,923	2.79%
10	HSBC Nominees (New Zealand) Limited *	9,915,723	2.65%
11	Public Trust Class 10 Nominees Limited *	8,199,402	2.19%
12	BNP Paribas Nominees (NZ) Limited (NZCSD<BPSS40>) *	7,708,780	2.06%
13	TEA Custodians Limited Client Property Trust Account - NZCSD*	7,599,826	2.03%
14	Hamish Alexander Jones	4,958,411	1.32%
15	Wairahi Investments Limited	4,300,000	1.15%
16	BNP Paribas Nominees (NZ) Limited (NZCSD<COGN40>) *	3,923,938	1.05%
17	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD*	3,817,596	1.02%
18	New Zealand Depository Nominee Limited	3,586,295	0.96%
19	Peter Duncan Garvan	3,400,000	0.91%
20	Leveraged Equities Finance Limited	2,776,084	0.74%
		280,063,203	**74.76%**

1 The shareholder spread on page 60 groups share held by NZCSD (denoted by * in the table above) as a single legal holding

Substantial product holders

As at 31 December 2022

	No. of ordinary shares
Mobil Oil NZ Limited	53,760,000
Z Energy Limited	47,999,980
BP New Zealand Holdings Limited	31,572,640
Forsyth Barr Investment Management Limited	27,551,213

Twenty largest Bondholders

As at 31 January 2023

1. CHI010 Channel Infrastructure NZ Limited 5.10% Notes

	Bondholder	Total bonds held	% of total
1	TEA Custodians Limited Client Property Trust Account - NZCSD*[1]	20,641,000	27.52%
2	FNZ Custodians Limited	14,877,000	19.84%
3	Forsyth Barr Custodians Limited	9,950,000	13.27%
4	JP Morgan Chase Bank NA NZ Branch - Segregated Clients Acct *	1,800,000	2.40%
5	Citibank Nominees (New Zealand) Limited *	1,750,000	2.33%
6	JB Were (NZ) Nominees Limited <NZ Resident A/C>	1,697,000	2.26%
7	Hobson Wealth Custodian Limited <Resident Cash Account>	1,668,000	2.22%
8	RGTKMT Investments Limited	1,000,000	1.33%
9	Nicholas Peter Gordon + Richard Anthony Johnston + Andrea Lee Gordon <Waimea A/C>	888,000	1.18%
10	Forsyth Barr Custodians Limited <A/C 1 Nrlail>	859,000	1.15%
11	Forsyth Barr Custodians Limited <Account 1 E>	855,000	1.14%
12	FNZ Custodians Limited <Dta Non Resident A/C>	853,000	1.14%
13	Custodial Services Limited (<A/C 4>)	509,000	0.68%
14	Richard Barton Adams + Allison Ruth Adams <Adams Family A/C>	500,000	0.67%
15	Jill Gordon	500,000	0.67%
16	Craig John Thompson	500,000	0.67%
17	Woolf Fisher Trust Incorporated	500,000	0.67%
18	Falstaff Investments Limited	400,000	0.53%
19	Dale Patricia Stechman	290,000	0.39%
20	Investment Custodial Services Limited <A/C C>	285,000	0.38%
		60,322,000	**80.44%**

1 The shareholder spread on page 60 groups share held by NZCSD (denoted by * in the table above) as a single legal holding

2. CHI020 Channel Infrastructure NZ Limited 5.8% Bonds

	Bondholder	Total bonds held	% of total
1	Forsyth Barr Custodians Limited <1-Custody>	45,295,000	45.30%
2	FNZ Custodians Limited	11,321,000	11.32%
3	Citibank Nominees (New Zealand) Limited - NZCSD <Cnom90>*[1]	10,500,000	10.50%
4	Investment Custodial Services Limited <A/C C>	3,370,000	3.37%
5	Forsyth Barr Custodians Limited <Account 1 E>	2,743,000	2.74%
6	TEA Custodians Limited Client Property Trust Account - NZCSD <Teac40>*	1,317,000	1.32%
7	Custodial Services Limited <A/C 4>	995,000	1.00%
8	JB Were (NZ) Nominees Limited <NZ Resident A/C>	800,000	0.80%
9	FNZ Custodians Limited <Drp NZ A/C>	658,000	0.66%
10	I J Investments Limited	500,000	0.50%
11	Mohua Limited	500,000	0.50%
12	Catherine Jane Gibb	438,000	0.44%
13	Nicholas Peter Gordon	330,000	0.33%
14	Avalon Family Trustee (Mrm) Limited <Marion Ross Memorial A/C>	300,000	0.30%
15	Forsyth Barr Custodians Limited <2-33>	300,000	0.30%
16	James Brackenridge Gordon	260,000	0.26%
17	Andrew Brodie Thomson & Razimah Ismail	250,000	0.25%
18	Forsyth Barr Custodians Limited <Account 1 Nrl>	233,000	0.23%
19	Craig John Thompson	218,000	0.22%
20	Hobson Wealth Custodian Limited <Resident Cash Account>	215,000	0.22%
		80,543,000	**80.56%**

1 The bondholder spread on page 60 groups share held by NZCSD (denoted by * in the table above) as a single legal holding

Shareholder and Bondholder spread - Holding

As at 31 January 2023

	SHAREHOLDERS				BONDHOLDERS CHI010				BONDHOLDERS CHI020			
No of financial products	No of share-holders	% holder	Shares	% of shares	No of bond-holders	% holder	Bonds	% of bonds	No of bond-holders	% holder	Bonds	% of bonds
1 - 499	256	6.1	61,850	0.0	–	–	–	–	–	–	–	–
500 - 999	264	6.2	181,868	0.0	–	–	–	–	–	–	–	–
1,000 - 1,999	521	12.3	702,356	0.2	–	–	–	–	–	–	–	–
2,000 - 4,999	1,015	24.0	3,215,957	0.9	–	–	–	–	–	–	–	–
5,000 - 9,999	700	16.6	4,739,458	1.3	38	8.0	215,000	0.3	82	11.7	464,000	0.5
10,000 - 49,999	1,153	27.3	23,677,176	6.3	328	68.8	6,797,000	9.1	477	67.9	10,009,000	10.0
50,000 - 99,999	179	4.2	11,939,490	3.2	60	12.6	3,195,000	4.3	90	12.8	5,052,000	5.0
100,000 - 499,999	107	2.5	18,808,370	5.0	36	7.5	5,324,000	7.1	43	6.1	6,476,000	6.5
500,000 - 999,999	14	0.3	9,343,035	2.5	9	1.9	5,964,000	7.9	5	0.7	3,453,000	3.5
1,000,000 - upwards	23	0.5	301,988,247	80.6	6	1.2	53,505,000	71.3	6	0.8	74,546,000	74.5
Total	4,232	100.0	374,657,807	100.0	477	100.0	75,000,000	100.0	703	100.0	100,000,000	100.0

Shareholder and Bondholder spread - Geographical

As at 31 January 2023

	SHAREHOLDERS				BONDHOLDERS CHI010				BONDHOLDERS CHI020			
No of financial products	No of share-holders	% holder	Shares	% of shares	No of bond-holders	% holder	Bonds	% of bonds	No of bond-holders	% holder	Bonds	% of bonds
Auckland (Greater)	1,362	32.2	204,126,245	54.5	143	30.0	34,161,000	45.5	153	21.8	10,610,000	10.6
Wellington (Greater)	464	11.0	76,481,252	20.4	104	21.8	22,206,000	29.6	165	23.5	18,422,000	18.4
Whangarei/Northland	572	13.5	13,474,037	3.6	11	2.3	565,000	0.8	41	5.8	1,746,000	1.7
Other North Island	860	20.3	25,918,894	6.9	118	24.8	3,454,000	4.6	162	23.0	5,093,000	5.1
South Island	847	20.0	53,610,812	14.3	97	20.3	14,545,000	19.4	177	25.2	53,449,000	53.5
Australia	74	1.7	475,445	0.1	–	–	–	–	3	0.4	10,620,000	10.6
Other Overseas	53	1.3	571,122	0.2	4	0.8	69,000	0.1	2	0.3	60,000	0.1
Total	4,232	100.0	374,657,807	100.0	477	100.0	75,000,000	100.0	703	100.0	100,000,000	100.0

Statutory Disclosures

Directors' and Officers' Insurance

The Company has granted indemnities to its Directors, Corporate Lead Team members, and persons whom it has appointed as Directors of its subsidiaries in relation to potential liabilities and costs they may incur in those roles. The indemnities are subject to certain limitations that are prescribed by law and they do not cover settlements or admissions prejudicing a successful defence of a claim without the Company's consent as well as the indemnified person's advisor costs after the defence of a claim has been assumed by the Company, unless they are reasonably necessary.

The Company has arranged Directors' and Officers' Liability Insurance for its Directors, Corporate Lead Team and persons whom it has appointed as Directors of its subsidiaries, which provide them with insurance in respect of certain liabilities and costs they may incur in those roles. This insurance is limited to cover that is not prohibited by law.

Independent Professional Advice

With the approval of the Chairman, Directors are entitled to seek independent professional advice on any aspect of their Director's duties, at the Company's expense.

Use of Company Information

The Board did not receive any notices from any Director of the Company or its subsidiaries during the year, requesting to use Company information received in their capacity as a Director, which would not otherwise have been available to them.

Donations

The Company made donations of $13,273 during the year ended 31 December 2022 (2021: $14,000). No political donations were made.

Channel Infrastructure Subsidiary Directors

SUBSIDIARY	NAME OF DIRECTORS
Independent Petroleum Laboratory Limited	Naomi James, Jarek Dobrowolski
Channel Terminal Services Limited	Naomi James, Jarek Dobrowolski
CHI Future Developments Limited	Naomi James, Jarek Dobrowolski
Maranga Rā Holdings Limited	Naomi James, Jarek Dobrowolski

Consolidated Financial Report

Contents

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	GROUP 2022 $000	GROUP 2021 $000 (RESTATED)
CONTINUING OPERATIONS			
INCOME			
Revenue		**88,237**	3,093
TOTAL INCOME	2,3	**88,237**	3,093
EXPENSES			
Energy and utility costs		**7,418**	-
Materials and contractor payments		**3,922**	983
Salaries, wages and benefits		**7,964**	4,354
Administration and other costs		**11,481**	506
TOTAL EXPENSES		**30,785**	5,843
EARNINGS BEFORE DEPRECIATION, FINANCE COSTS AND INCOME TAX		**57,452**	(2,750)
Depreciation and disposal costs		**24,610**	1,115
TOTAL DEPRECIATION AND DISPOSAL COSTS		**24,610**	1,115
NET PROFIT / (LOSS) BEFORE FINANCE COSTS AND INCOME TAX		**32,842**	(3,865)
Finance income		**(183)**	(3)
Finance costs		**9,947**	-
NET FINANCE COSTS / (INCOME)		**9,764**	(3)
NET PROFIT / (LOSS) BEFORE INCOME TAX		**23,078**	(3,862)
Income tax		**6,524**	(1,081)
NET PROFIT / (LOSS) AFTER INCOME TAX FROM CONTINUING OPERATIONS		**16,554**	(2,781)
Net profit / (loss) after income tax from discontinued operations	1	**(4,594)**	(549,848)
NET PROFIT / (LOSS) AFTER INCOME TAX		**11,960**	(552,629)
ATTRIBUTABLE TO:			
Owners of the Parent		**11,960**	(552,629)

EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS		**CENTS**	CENTS
Basic and diluted earnings per share from continuing operations	6	**4.5**	(0.9)
Basic and diluted earnings per share	6	**3.2**	(173.9)

The above Consolidated Income Statement is to be read in conjunction with the notes on pages 75 to 100

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	GROUP 2022 $000	GROUP 2021 $000
NET PROFIT/(LOSS) AFTER INCOME TAX		**11,960**	(552,629)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to the Income Statement			
Defined benefit plan and medical scheme actuarial gain	18	**2,397**	20,225
Revaluation of property, plant and equipment		**-**	587,182
Deferred tax		**(671)**	(170,074)
Total items that will not be reclassified to the Income Statement		**1,726**	437,333
Items that may be subsequently reclassified to the Income Statement			
Movement in cash flow hedge reserve		**8,913**	(2,209)
Deferred tax		**(2,496)**	619
Total items that may be subsequently reclassified to the Income Statement		**6,417**	(1,590)
TOTAL OTHER COMPREHENSIVE INCOME, AFTER INCOME TAX		**8,143**	435,743
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, AFTER INCOME TAX		**20,103**	(116,886)
ATTRIBUTABLE TO:			
Owners of the Parent		**20,103**	(116,886)

The above Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes on pages 75 to 100.

Consolidated Balance Sheet

AS AT 31 DECEMBER 2022

	NOTE	GROUP 2022 $000	GROUP 2021 $000
ASSETS			
Cash and cash equivalents		**2,386**	16,069
Trade and other receivables	15	**23,047**	139,847
Income tax receivable		**-**	684
Derivative financial instruments		**33**	5,263
Inventories		**5,057**	2,015
TOTAL CURRENT ASSETS		**30,523**	163,878
NON-CURRENT ASSETS			
Inventories		**-**	3,719
Derivative financial instruments		**14,143**	4,875
Intangibles	9	**5,909**	27,059
Property, plant and equipment	8	**876,054**	869,137
Other assets	10	**19,714**	6,200
Right-of-use assets		**585**	650
Deferred tax assets	5	**-**	82,059
TOTAL NON-CURRENT ASSETS		**916,405**	993,699
TOTAL ASSETS		**946,928**	1,157,577
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	**19,334**	155,167
Derivative financial instruments		**934**	387
Lease liabilities		**62**	805
Employee benefits	18	**877**	9,937
Provisions	14	**34,693**	87,088
TOTAL CURRENT LIABILITIES		**55,900**	253,384
NON-CURRENT LIABILITIES			
Borrowings	13	**259,583**	199,698
Lease liabilities		**557**	1,600
Employee benefits	18	**5,878**	7,953
Provisions	14	**70,498**	98,349
Deferred tax liabilities	5	**36,020**	101,105
TOTAL NON-CURRENT LIABILITIES		**372,536**	408,705
TOTAL LIABILITIES		**428,436**	662,089
NET ASSETS		**518,492**	495,488

	NOTE	GROUP 2022 $000	GROUP 2021 $000
EQUITY			
Contributed equity		**314,504**	313,974
Revaluation reserve		**422,771**	422,771
Treasury stock		**(1,462)**	(1,168)
Employee share entitlement reserve	7	**4,240**	1,586
Cash flow hedge reserve	19	**10,125**	3,708
Retained earnings		**(231,686)**	(245,383)
TOTAL EQUITY		**518,492**	495,488

The Board of Directors of Channel Infrastructure NZ Limited authorised these financial statements for issue on 23 February 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 Consolidated Balance Sheet is to be read in conjunction with the notes on pages 75 to 100

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	CONTRIBUTED EQUITY $000	REVALUATION RESERVE $000	TREASURY STOCK $000
AT 1 JANUARY 2021		266,057	-	(896)
COMPREHENSIVE INCOME				
Net loss after income tax		-	-	-
Other comprehensive income				
Revaluations of property, plant and equipment		-	587,182	-
Movement in cash flow hedge reserve	19	-	-	-
Defined benefit actuarial gain	18	-	-	-
Deferred tax on other comprehensive income		-	(164,411)	-
TOTAL OTHER COMPREHENSIVE GAIN, AFTER INCOME TAX		-	422,771	-
TRANSACTIONS WITH OWNERS OF THE PARENT				
Equity-settled share-based payments		-	-	-
Shares vested to employees		-	-	269
Treasury shares issued		541	-	(541)
Equity issue		47,376	-	-
Unclaimed dividends written back		-	-	-
TOTAL TRANSACTIONS WITH OWNERS OF THE PARENT		47,917	-	(272)
AT 31 DECEMBER 2021		313,974	422,771	(1,168)

EMPLOYEE SHARE SCHEME ENTITLEMENT RESERVE $000	CASH FLOW HEDGE RESERVE $000	RETAINED EARNINGS $000	TOTAL EQUITY $000
779	5,298	292,692	563,930
–	–	(552,629)	(552,629)
–	–	–	587,182
–	(2,209)	–	(2,209)
–	–	20,225	20,225
–	619	(5,663)	(169,455)
–	(1,590)	14,562	435,743
1,076	–	–	1,076
(269)	–	–	–
–	–	–	–
–	–	–	47,376
–	–	(8)	(8)
807	–	(8)	48,444
1,586	3,708	(245,383)	495,488

	NOTE	CONTRIBUTED EQUITY $000	REVALUATION RESERVE $000	TREASURY STOCK $000
AT 1 JANUARY 2022		**313,974**	**422,771**	**(1,168)**
COMPREHENSIVE INCOME				
Net profit after income tax		-	-	-
Other comprehensive income				
Revaluations of property, plant and equipment		-	-	-
Movement in cash flow hedge reserve	19	-	-	-
Defined benefit actuarial gain	18	-	-	-
Deferred tax on other comprehensive income		-	-	-
TOTAL OTHER COMPREHENSIVE GAIN, AFTER INCOME TAX		-	-	-
TRANSACTIONS WITH OWNERS OF THE PARENT				
Equity-settled share-based payments		-	-	-
Shares vested to employees		-	-	**236**
Treasury shares issued		**530**	-	**(530)**
Unclaimed dividends written back		-	-	-
TOTAL TRANSACTIONS WITH OWNERS OF THE PARENT		**530**	-	**(294)**
AT 31 DECEMBER 2022		**314,504**	**422,771**	**(1,462)**

	EMPLOYEE SHARE SCHEME ENTITLEMENT RESERVE $000	CASH FLOW HEDGE RESERVE $000	RETAINED EARNINGS $000	TOTAL EQUITY $000
	1,586	**3,708**	**(245,383)**	**495,488**
	-	-	11,960	11,960
	-	-	-	-
	-	8,913	-	8,913
	-	-	2,397	2,397
	-	(2,496)	(671)	(3,167)
	-	6,417	1,726	8,143
	2,890	-	-	2,890
	(236)	-	-	-
	-	-	-	-
	-	-	11	11
	2,654	-	11	2,901
	4,240	**10,125**	**(231,686)**	**518,492**

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the notes on pages 75 to 100

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2022

	GROUP 2022 $000	GROUP 2021 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**163,197**	221,353
Payment for supplies and expenses	**(104,836)**	(118,277)
Payments to employees	**(57,680)**	(57,352)
Interest received	**183**	112
Interest paid	**(13,494)**	(10,566)
Net GST paid	**(2,518)**	(567)
Income tax received/(paid)	**1,018**	(8)
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	**(14,130)**	34,695
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets	**2,413**	1,947
Payments for property, plant and equipment	**(59,143)**	(33,447)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(56,730)**	(31,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans and borrowings	**(39,000)**	(75,000)
Proceeds from bond issuance	**98,111**	-
Net proceeds from issue of share capital	**-**	47,376
Lease payments	**(1,945)**	(2,782)
Unclaimed dividends	**11**	(9)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES	**57,177**	(30,415)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(13,683)**	(27,220)
Cash and cash equivalents at the beginning of the period	**16,069**	43,289
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**2,386**	16,069

The above Consolidated Cash Flow Statement is to be read in conjunction with the notes on pages 75 to 100

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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 consolidated financial statements for the year ended 31 December 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 Rā Holdings Limited and CHI Future Developments Limited.

Basis of Preparation

These consolidated financial statements for the year ended 31 December 2022 comply with:

- The Financial Markets Conduct Act 2013,
- Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'),
- New Zealand equivalents to the International Financial Reporting Standards ('NZ IFRS') and other authoritative pronouncements of the External Reporting Board, as appropriate for for-profit entities, and International Financial Reporting Standards (IFRS).

The consolidated financial statements are prepared on the historical cost basis, except for property, plant and equipment, investment properties, derivative financial instruments and plan assets (included in the net defined benefit pension plan liability) which are measured at fair value.

The consolidated financial statements are prepared on a GST exclusive basis and presented in New Zealand dollars ($) which is the Group's functional currency, and the financial information has been rounded to the nearest thousand dollars ($000), unless otherwise stated.

Comparatives in the consolidated income statement have been represented due to the classification of oil refining activities as 'discontinued operations' (refer Note 1 for further information).

Use of Judgements and Estimates

The preparation of financial statements requires directors and the 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 areas involve estimates and assumptions that can significantly affect the amounts recognised in the consolidated 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). Effective from 1 January 2022, the Group reassessed the remaining useful lives of its infrastructure assets resulting in changes to remaining lives of certain assets (refer to Note 8 for further information).
- **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 14 for further details).
- **Recoverability of tax losses –** during the year, the Group generated a tax loss of c.$437 million, increasing the balance of total available losses (including losses from prior years) to c.$507 million at 31 December 2022. A deferred tax asset in respect of these unutilised tax losses has been recognised. On the basis that at least 49 per cent 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.
- **Discontinued operations –** in March 2022, the Group ceased refining operations and commenced operations as a dedicated liquid fuels import terminal from 1 April 2022. This has resulted in the refining cash generating unit being classified as 'discontinued operations'. For further details, including judgements relating to the processing fees, refer to Note 1.

  Note, the results from continuing operations (as presented in the consolidated income statement) 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 full financial year.

Significant Accounting Policies

The material accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all periods presented.

There were no new or amended accounting standards mandatory for the year ended 31 December 2022 that were considered to have a material impact to the Group.

The Group has early adopted in 2022 amendments to IAS 1 *Presentation and disclosure: Disclosures of Accounting Policies* issued by the XRB (effective for periods beginning on or after 1 January 2023) which require entities to disclose only those accounting policies that relate to material transactions.

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.

1 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'; these 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, and are outlined in the below table.

Processing fees are 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. Processing fee revenue recognised for the period to 31 March 2022 of $47 million reflects the Company's best estimate of the revenue earned during that period. The Company's maximum exposure to the disputes is limited by the operation of the Processing Fee Floor (revenue recognised in Q1 in excess of the fee floor was c.$11 million).

	NOTE	GROUP 2022 $000	GROUP 2021 $000
INCOME			
Revenue	3	**69,950**	231,001
TOTAL INCOME		**69,950**	231,001
EXPENSES			
Purchase of process materials and utilities		**19,390**	72,083
Materials and contractor payments		**4,708**	17,260
Salaries, wages and benefits		**15,193**	36,157
Administration and other costs		**6,705**	29,905
TOTAL EXPENSES		**45,996**	155,405
EARNINGS BEFORE DEPRECIATION, IMPAIRMENT, CONVERSION COSTS, FINANCE COSTS AND INCOME TAX		**23,954**	75,596
Depreciation and disposal costs		**7,907**	82,923
Conversion costs		**2,968**	175,516
Impairment / revaluation of assets		**5,043**	567,361
TOTAL DEPRECIATION, DISPOSALS, CONVERSION COSTS AND IMPAIRMENT		**15,918**	825,800
NET PROFIT / (LOSS) BEFORE FINANCE COSTS AND INCOME TAX		**8,036**	(750,204)
Finance income		**(42)**	(109)
Finance costs		**5,719**	11,103
NET FINANCE COSTS		**5,677**	10,994
NET PROFIT / (LOSS) BEFORE INCOME TAX		**2,359**	(761,198)
Income Tax		**6,953**	(211,350)
NET LOSS AFTER INCOME TAX		**(4,594)**	(549,848)

	2022 $000	2021 $000
CASH FLOWS (USED IN) / FROM DISCONTINUED OPERATIONS		
Net cash (used in) / from operating activities	**(59,308)**	33,873
Net cash used in investing activities	**(11,563)**	(30,385)
Net cash used in financing activities	**(1,860)**	(30,415)
NET CASH FLOWS USED IN DISCONTINUED ACTIVITIES FOR THE PERIOD	**(72,731)**	(26,927)

2 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 23. 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), and Wiri land and terminal leases from 1 April 2022 and the fuel testing laboratory for the full year. 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). 2021 financials have been represented to reflect this change in segment reporting.

(b) Segment results

31 December 2022	Infrastructure $000	Oil Refining $000	Total $000
CONTINUING OPERATIONS			
External customer	**88,237**	**-**	**88,237**
Inter-segment	**1,633**	**-**	**1,633**
TOTAL REVENUE FROM CONTINUING OPERATIONS	**89,870**	**-**	**89,870**
DISCONTINUED OPERATIONS			
External customer	**539**	**69,411**	**69,950**
Inter-segment	**-**	**-**	**-**
TOTAL REVENUE FROM DISCONTINUED OPERATIONS	**539**	**69,411**	**69,950**
TOTAL REVENUE[1]	**90,409**	**69,411**	**159,820**
ADJUSTED EBITDA[2]	**57,452**	**27,018**	**84,470**

1 Prior to consolidation eliminations

2 Adjusted EBITDA is adjusted earnings before depreciation, impairment, conversion costs, finance costs and income tax

31 December 2021 (restated)	Infrastructure $000	Oil Refining $000	Total $000
CONTINUING OPERATIONS			
External customer	3,093	–	3,093
Inter-segment	4,276	–	4,276
TOTAL REVENUE FROM CONTINUING OPERATIONS	7,369	–	7,369
DISCONTINUED OPERATIONS			
External customer	–	231,001	231,001
Inter-segment	–	–	–
TOTAL REVENUE FROM DISCONTINUED OPERATIONS	–	231,001	231,001
TOTAL REVENUE[1]	7,369	231,001	238,370
ADJUSTED EBITDA[2]	(2,750)	72,018	69,268

1 Prior to consolidation eliminations
2 Adjusted EBITDA is adjusted earnings before depreciation, impairment, conversion costs, finance costs and income tax

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 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.

	GROUP 2022 $000	GROUP 2021 (restated) $000
CONTINUING OPERATIONS		
Import terminal revenue	**78,535**	–
Wiri land and terminal lease income	**4,519**	–
Laboratory and other revenue	**5,183**	3,093
TOTAL REVENUE FROM CONTINUING OPERATIONS	**88,237**	3,093
DISCONTINUED OPERATIONS		
Processing fees	**47,112**	140,465
Natural Gas recovery	**4,737**	25,431
Pipeline and terminalling fee revenue	**5,987**	36,022
Wiri land and terminal lease income	**1,506**	6,525
Other refining related income	**10,608**	22,558
TOTAL REVENUE FROM DISCONTINUED OPERATIONS	**69,950**	231,001
TOTAL REVENUE	**158,187**	234,094

Included in other income was a gain on sale of assets of $1.3 million (2021: $1.1 million).

4 Related Parties

(a) Shareholders and other 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.

The nature, transactions and balances with the related parties are as follows:

- **Import Terminal Services –** Channel Group provides import terminal and pipeline services to each of the Group's three shareholder customers, namely bp New Zealand Holdings Limited (BP), Mobil Oil New Zealand Limited (Mobil) and Z Energy Limited under long-term Terminal Services Agreements which commenced on 1 April 2022, and Private Storage Agreements. Prior to this, until March 2022, the Group provided processing and distribution services to these shareholders under Processing Agreements with each of the customers. In 2022 c.89 per cent (2021: c.89 per cent) of the Group's total revenue was earned with shareholder customers. For credit terms refer to note 19.
- **Lease income –** relates to income associated with the Wiri fuel terminal infrastructure that is owned by the Parent Company and located on the land owned by Wiri Oil Services Limited. There has been no impact from the conversion to an import terminal on these lease arrangements, which remain in place until their expiry in February 2025 and continue to be classified as non-cancellable operating leases with no right of renewal (meaning that at the end of the lease term ownership of the Wiri fuel terminal assets reverts to Wiri Oil Services Limited).
- **Excise Duty –** prior to commencement of the import terminal operations, excise duty was collected from the shareholder customers and paid to the New Zealand Customs Service on the same day each month (refer notes 15 and 17). Following the commencement of import terminal operations, the Company is no longer a Customs Controlled Area and therefore ceased to collect and pay excise duty.
- **Purchases of Goods and Services –** prior to commencement of the import terminal operations, the Group purchased sulphur, a by-product of the refining process, which was then on-sold to third parties. From April 2022 sulphur is no longer produced by the Company. In addition, amongst underwriters of Channel's material damage and business interruption insurance policy are companies related to Channel's shareholders and therefore a portion of the insurance premium is paid to those companies.

Revenue, purchases and other charges from related parties

	Revenue[1]				Purchases				Other charges			
	TRANSACTION VALUES FOR THE YEAR ENDED 31 DECEMBER		BALANCES OUTSTANDING AS AT 31 DECEMBER		TRANSACTION VALUES FOR THE YEAR ENDED 31 DECEMBER		BALANCES OUTSTANDING AS AT 31 DECEMBER		TRANSACTION VALUES FOR THE YEAR ENDED 31 DECEMBER		BALANCES OUTSTANDING AS AT 31 DECEMBER	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
BP	**42,558**	60,958	**7,613**	20,569	**327**	1,159	**-**	105	**70**	401	**-**	-
Mobil	**38,538**	56,231	**2,923**	54,451	**429**	1,181	**-**	70	**70**	526	**-**	-
Z Energy	**59,691**	89,208	**4,714**	59,000	**1,403**	1,431	**230**	269	**-**	-	**-**	-
Wiri Oil	**7,127**	6,955	**70**	45	**-**	-	**-**	-	**-**	-	**-**	-
TOTAL	**147,914**	213,352	**15,320**	134,065	**2,159**	3,771	**230**	444	**140**	927	**-**	-

1 Revenue excludes excise duty.

(b) Directors' fees and key management personnel compensation

Directors' fees and key management personnel remuneration paid during the financial year were as follows:

	GROUP 2022 $000	GROUP 2021 $000
Salaries and other short-term employee benefits	**4,626**	3,319
Post-employment benefits	**128**	123
KEY MANAGEMENT PERSONNEL COMPENSATION	**4,754**	3,442
Directors' fees	**838**	790
KEY MANAGEMENT PERSONNEL COMPENSATION & DIRECTORS' FEES	**5,592**	4,232

The increase in key management personnel compensation is related to cash payment of short term incentives (nil in 2021) and redundancy/transition payments, and increased Directors' fees related to changes in director numbers through the year.

The cost associated with the key management personnel's share scheme (not included in the above key management personnel compensation) amounts to $1.6 million (2021: $0.6 million).

The Company operates the following share schemes:

Chief Executive Share Rights Scheme

The Company has issued share performance rights to the current CEO Naomi James, details of which are disclosed in the Remuneration Report, which will vest on her ceasing to be CEO.

In the year ended 31 December 2022, the Company recognised an expense of $1.0 million (2021: $0.4 million) in relation to the Chief Executive Officer's share rights plans. The expense is measured at its fair value (determined based on the Company's share price and taking into account share liquidity discount and expected dividends) and recognised over the vesting period. The weighted average remaining life of the scheme is 0.2 years (31 December 2021: 2.3 years).

Management Share Rights Scheme

In 2021 key members of management (including the Chief Executive) were awarded with two tranches of share rights (in the form of shares in the Company for nil consideration) to incentivise and retain selected key management to 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 of the share rights on 4 January 2023. The second tranche of share rights are scheduled to vest on 28 February 2023 (and upon vesting 1,377,389 shares in the Company will be issued on that date to awardees of the share rights), with the board having determined that the vesting condition in relation to the safe, on time, on budget and to-plan conversion to import terminal operations in 2022 has been satisfied to date.

In the year ended 31 December 2022, the Company recognised an expense of $1.1 million (2021: $0.5 million) in relation to the Management Share Rights Scheme, including $0.6 million relating to key management personnel (not included in the table above).

5 Taxation

(a) Income tax expense

	GROUP 2022 $000	GROUP 2021 $000
CONTINUING OPERATIONS		
Net profit/(loss) before income tax expense	**23,078**	(3,862)
Tax at the New Zealand corporate income tax rate of 28% (2021: 28%)	**6,462**	(1,081)
Tax effect of amounts which are either non-deductible or taxable in calculating taxable income:		
Group loss offset	**-**	-
Income not assessable for tax	**-**	-
Expenses not deductible for tax	**-**	-
Adjustments in respect of current income tax in respect of previous years	**62**	-
INCOME TAX EXPENSE	**6,524**	(1,081)
Represented by:		
Current tax expense	**62**	(5)
Deferred tax recognised in the income statement	**6,462**	(1,076)
INCOME TAX EXPENSE	**6,524**	(1,081)

(b) Deferred tax

	NET DEFERRED TAX ASSET / (LIABILITY) 1 JAN 2021 $000	RECOGNISED IN PROFIT OR LOSS $000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000	NET DEFERRED TAX ASSET / (LIABILITY) 31 DEC 2021 $000	DEFERRED TAX ASSET $000	DEFERRED TAX LIABILITY $000
Property, plant and equipment	(93,878)	158,795	(164,411)	(99,494)	-	(99,494)
Provisions	1,252	41,125	-	42,377	42,377	-
Employee benefits	14,949	2,693	(5,663)	11,979	11,979	-
Financial instruments	(2,062)	-	619	(1,443)	-	(1,443)
Intangibles	(226)	1,099	-	873	873	-
Right-of-use assets	(708)	540	-	(168)	-	(168)
Leases	792	95	-	887	887	-
Inventory	2,291	4,136	-	6,427	6,427	-
Tax losses	15,573	3,943	-	19,516	19,516	-
TOTAL	(62,017)	212,426	(169,455)	(19,046)	82,059	(101,105)

	NET DEFERRED TAX ASSET / (LIABILITY) 1 JAN 2022 $000	RECOGNISED IN PROFIT OR LOSS $000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000	NET DEFERRED TAX ASSET / (LIABILITY) 31 DEC 2022 $000	DEFERRED TAX ASSET $000	DEFERRED TAX LIABILITY $000
Property, plant and equipment	**(99,494)**	**(112,982)**	**(210)**	**(212,686)**	**-**	**(212,686)**
Provisions	**42,377**	**(14,920)**	**-**	**27,457**	**27,457**	**-**
Employee benefits	**11,979**	**(7,455)**	**(671)**	**3,853**	**3,853**	**-**
Financial instruments	**(1,443)**	**-**	**(2,286)**	**(3,729)**	**-**	**(3,729)**
Intangibles	**873**	**(77)**	**-**	**796**	**796**	**-**
Right-of-use assets	**(168)**	**(32)**	**-**	**(200)**	**-**	**(200)**
Leases	**887**	**(429)**	**-**	**458**	**458**	**-**
Inventory	**6,427**	**(282)**	**-**	**6,145**	**6,145**	**-**
Tax losses	**19,516**	**122,370**	**-**	**141,886**	**141,886**	**-**
TOTAL	**(19,046)**	**(13,807)**	**(3,167)**	**(36,020)**	**180,595**	**(216,615)**

The Group has estimated unused tax losses of c.$507 million (2021: $70 million) available to carry forward. A deferred tax asset in respect of these unutilised tax losses has been recognised. On the basis that at least a 49 per cent continuity of shareholding is maintained, management and the Board believe that future taxable profits will be available against which the tax losses can be recovered and therefore the deferred tax asset can be realised.

Any significant change in the shareholding of Channel Infrastructure, or adverse change in future earnings and profitability, could limit the Company's ability to realise the deferred tax asset. Specifically, in case of shareholder continuity breach occurring, the carry forward of tax losses would be subject to the Business Continuity Test.

6 Earnings Per Share

Earnings per share is calculated by dividing the profit/(loss) from continuing and discontinued operations, attributable to shareholders of the Company, by the weighted average number of ordinary shares on issue during the year. The Company's share-based payments described in note b have no material dilutive effect on the earnings per share.

		NOTE	TOTAL 2022	TOTAL 2021
Profit/(loss) after tax from continuing operations attributable to shareholders of the Company	($000)		**16,554**	(2,781)
Loss after tax from discontinued operations attributable to shareholders of the Company	($000)		**(4,594)**	(549,848)
Profit/(loss) after tax attributable to shareholders of the Company	($000)		**11,960**	(552,629)
Weighted average number of shares on issue	000's	7	**371,629**	317,756
BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS	Cents		**4.5**	(0.9)
BASIC EARNINGS PER SHARE	Cents		**3.2**	(173.9)

7 Equity and Dividends

Contributed Equity. The issued capital of the Company as at 31 December 2022 is represented by 372,725,917 ordinary shares (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 Chief Executive Share Rights Scheme (refer to note 4).

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.

Revaluation reserve. Revaluation reserve represents an accumulated revaluation gain on property, plant and equipment valued at fair value. Please refer to note 8 for further details.

Treasury stock. Treasury stock represents the value of shares acquired by CRS Nominees Limited on-market, or shares issued by the Company, in respect of the Employee Share Purchase Scheme.

Employee share entitlement reserve. The employee share entitlement reserve is used to recognise the fair value of shares granted but not vested to employees (as part of the Employee Share Purchase Scheme) or to the Chief Executive or key management within the Share Rights Schemes. Amounts are transferred to share capital when the shares vest to the employee.

Cash flow hedge reserve. The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in the Consolidated Income Statement (refer to note 19).

Dividends. The Group has declared a fully imputed final dividend of 5 cents per share and a fully imputed special dividend of 2 cents per share, payable on 20 March 2023 (no dividends were paid or declared in 2021). As at 31 December 2022 imputation credits available to shareholders, subject to 66 per cent shareholder continuity, amount to $20.3 million being an equivalent of c.14 cents per share of fully imputed dividends (2021: $20.9 million or c.14 cents per share).

8 Property, Plant and Equipment

Property, plant and equipment are included in the Common Terms Deed as detailed in note 13.

Revaluation of property, plant and equipment

All property, plant and equipment is recognised at fair value (following the change in the Group's accounting policy from a historical measurement base to a revaluation model, as disclosed in the 2021 consolidated financial statements) less accumulated depreciation, except capital work in progress which is recognised at historical cost.

Any surplus on revaluation of property, plant and equipment is transferred directly to the Revaluation Reserve unless it offsets a previous decrease in value recognised in the Consolidated Income Statement, in which case it is recognised in the Consolidated Income Statement. A deficit on revaluation of property, plant and equipment is recognised in the Consolidated Income Statement in the period it arises where it exceeds any surplus previously transferred to the Revaluation Reserve.

As at 31 December 2022 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 was made in 2022. The previous valuation was carried out by PwC, a qualified independent valuer, as at 31 December 2021.

The carrying amount of the import terminal system under the cost model was $218 million as at 31 December 2022.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than freehold land and capital work in progress which are not depreciated. 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:

	USEFUL LIVES (YEARS)
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

	FREEHOLD LAND AND IMPROVEMENTS	BUILDINGS AND JETTIES	REFINING PLANT
	$000	$000	$000
AT 1 JANUARY 2021			
Cost	78,009	208,615	3,053,708
Accumulated depreciation and impairment losses	(57,289)	(110,761)	(2,475,816)
NET BOOK AMOUNT	20,720	97,854	577,892
YEAR ENDED 31 DECEMBER 2021			
Opening net book value	20,720	97,854	577,892
Additions	–	13,198	5,555
Disposals	–	–	–
Depreciation charge	(1,496)	(10,579)	(62,219)
Impairment of assets	(8,644)	(72,321)	(421,665)
NET BOOK AMOUNT AFTER IMPAIRMENTS	10,580	28,152	99,563
Transfers	(6,236)	(28,152)	(65,863)
Revaluation	11,275	–	–
CLOSING NET BOOK AMOUNT	15,619	–	33,700
AT 31 DECEMBER 2021			
Revalued amount	15,619	–	33,700
Accumulated depreciation	–	–	–
NET BOOK AMOUNT	15,619	–	33,700
YEAR ENDED 31 DECEMBER 2022			
Opening net book value	**15,619**	**-**	**33,700**
Additions	**-**	**-**	**-**
Disposals	**-**	**-**	**-**
Depreciation charge	**-**	**-**	**-**
Impairment / revaluation	**-**	**-**	**(4,900)**
NET BOOK AMOUNT AFTER IMPAIRMENTS	**15,619**	**-**	**28,800**
Transfers	**-**	**-**	**-**
Revaluation	**-**	**-**	**-**
CLOSING NET BOOK AMOUNT	**15,619**	**-**	**28,800**
AT 31 DECEMBER 2022			
Revalued amount	**15,619**	**-**	**28,800**
Accumulated depreciation	**-**	**-**	**-**
NET BOOK AMOUNT	**15,619**	**-**	**28,800**

EQUIPMENT AND VEHICLES	MARSDEN POINT TO AUCKLAND PIPELINE	IMPORT TERMINAL SYSTEM	CAPITAL WORK IN PROGRESS	TOTAL
$000	$000	$000	$000	$000
135,346	224,603	–	59,422	3,759,703
(99,229)	(123,396)	–	(11,328)	(2,877,819)
36,117	101,207	–	48,094	881,884
36,117	101,207	–	48,094	881,884
1,254	–	–	15,140	35,147
–	–	–	(429)	(429)
(4,951)	(3,412)	–	–	(82,657)
(10,831)	–	–	(38,530)	(551,991)
21,589	97,795	–	24,275	281,954
(21,589)	(97,795)	219,635	–	–
–	–	575,907	–	587,182
–	–	795,542	24,275	869,136
–	–	795,542	24,275	869,136
–	–	–	–	–
–	–	795,542	24,275	869,136
-	**-**	**795,542**	**24,275**	**869,136**
-	**-**	**-**	**47,011**	**47,011**
-	**-**	**(1,955)**	**-**	**(1,955)**
-	**-**	**(33,238)**	**-**	**(33,238)**
-	**-**	**-**	**-**	**(4,900)**
-	**-**	**760,349**	**71,286**	**876,054**
-	**-**	**27,909**	**(27,909)**	**-**
-	**-**	**-**	**-**	**-**
-	**-**	**788,258**	**43,377**	**876,054**
-	**-**	**821,496**	**43,377**	**909,292**
-	**-**	**(33,238)**	**-**	**(33,238)**
-	**-**	**788,258**	**43,377**	**876,054**

9 Intangibles

Intangibles relate to New Zealand Units (NZUs), being carbon units issued under the New Zealand Emissions Trading Scheme (NZ ETS) by the Crown to the Parent company pursuant to the Company's Negotiated Greenhouse Agreement (NGA), which came to an end with the cessation of refining activities from April 2022.

NZUs are recognised at historical cost and presented on a gross basis, i.e. intangibles represent all carbon units held by the Company at balance date. As at 31 December 2022 the Company holds a surplus of c.72,000 units (available for sale).

Carbon units have an indefinite useful life as they remain in indefinite circulation under the NZ ETS. A review of useful lives and an impairment assessment has taken place as at year end, concluding that the useful life remains appropriate, and the intangibles are not impaired (2021: Nil).

10 Other Assets

Other assets include:

- Investment properties ($6.2 million) - land leased by Parent (refer to Note 11 for further details) and held at fair value through profit and loss. The last revaluation of the investment property was undertaken in 2021.
- Precious metal (platinum) ($13.5 million) - platinum purchased in December 2022 as part of the platinum lease settlement, which is expected to be recovered and sold within 12 to 24 months. Platinum is held at fair value through profit and loss (discontinued operations).

11 Operating Leases

Lease income from operating leases, where the Group is a lessor, are recognised as income on a straight-line basis over the period of the lease.

The Group has the following leases where it acts as a lessor:

- Lease of land and terminal assets located at Wiri, South Auckland, to Wiri Oil Services Limited (refer to note 4) under a non-cancellable operating lease which expires in February 2025 with no right of renewal. The annual Wiri terminal and land lease income and land lease cost are recognised on a straight-line basis over the period of lease and amounted to $6.5 million and $0.5 million, respectively, in 2022 (2021: $6.5 million and $0.5 million);
- Lease of some surplus land at Marsden Point – the original lease ending in 2021 was renewed by the lessee for another period of 21 years.

	GROUP 2022 $000	GROUP 2021 $000
Lease payments receivable from operating leases where the Group is a **lessor**		
- No later than one year	**6,652**	6,663
- One to five years	**8,536**	15,061
- Beyond five years	**1,962**	2,088
TOTAL	**17,150**	23,812

12 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 31 December 2022, the total contractual commitments amounted to $34 million (31 December 2021: $21.5 million), and are primarily related to import terminal conversion project costs.

13 Borrowings

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.

In November 2022, Channel Infrastructure fully refinanced $205 million of bank debt and its current banking group comprises ANZ Bank New Zealand Limited, ASB Bank New Zealand, Bank of New Zealand, China Construction Bank (New Zealand) Limited and Westpac New Zealand. Following the bank refinancing the Group's total funding facilities are $380 million with no maturities within 12 months, and an average tenor of 3.5 years as at 31 December 2022. Average tenor calculated on the assumption that the subordinated notes are redeemed at their reset date in March 2024 (noting that the Company may either exercise a right to redeem the notes or a right to offer new conditions to the noteholders).

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 upon meeting 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 31 December 2022:

	MATURITY DATE	GROUP 2022 $000	GROUP 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	-	50,000
Revolving cash advances	Nov-25	**50,000**	-
Revolving cash advances	Nov-26	**16,000**	-
Revolving cash advances	Nov-27	**20,000**	-
Subordinated notes[1]	Mar-34	**74,791**	74,698
Retail bonds[1]	May-27	**98,792**	-
Total non-current borrowings		**259,583**	199,698
TOTAL BORROWINGS		**259,583**	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	Jun-24	-	15,000
Revolving cash advances	Mar-25	-	45,000
Revolving cash advances	Nov-25	**15,000**	-
Revolving cash advances	Nov-26	**59,000**	-
Revolving cash advances	Nov-27	**45,000**	-
TOTAL UNDRAWN BORROWING FACILITIES		**119,000**	210,000

1 The difference between the carrying value of the subordinated notes and retail bonds and their 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.

14 Provisions

Provisions are liabilities of uncertain timing and amount, recognised where the Group has an obligation (legal or constructive) whose settlement will require an outflow of resources and can be reliably measured.

All provisions are recognised in amounts reflecting the present value of future expected cash outflows. In estimating the provisions, the Group assumed a long-term inflation rate of 2 per cent (2021: 1.9 per cent) and discount rates between 4.5 per cent and 5.12 per cent (2021: between 1.3 per cent and 3.1 per cent), respectively.

	SHUT DOWN AND DECOMMISSIONING $000	DEMOLITION AND RESTORATION $000	WORKFORCE AND OTHER PROVISIONS $000	TOTAL $000
AT 1 JANUARY 2021	-	6,900	5,274	12,174
Additions - conversion related	88,395	55,380	31,741	175,516
Additions - other	-	6,776	-	6,776
Utilisation	(5,150)	-	(4,372)	(9,522)
Finance costs	123	322	48	493
AT 31 DECEMBER 2021	83,368	69,378	32,691	185,437
Current	60,924	460	25,704	87,088
Non-current	22,444	68,918	6,987	98,349

	SHUT DOWN AND DECOMMISSIONING $000	DEMOLITION AND RESTORATION $000	WORKFORCE AND OTHER PROVISIONS $000	TOTAL $000
AT 1 JANUARY 2022	**83,368**	**69,378**	**32,691**	**185,437**
Additions - conversion related	**-**	**5,500**	**3,732**	**9,232**
Additions - other	**-**	**-**	**-**	**-**
Utilisation	**(45,111)**	**-**	**(30,826)**	**(75,937)**
Adjustment for change in discount rate	**(876)**	**(13,991)**	**(1,083)**	**(15,950)**
Finance costs	**981**	**1,132**	**296**	**2,409**
AT 31 DECEMBER 2022	**38,362**	**62,019**	**4,810**	**105,191**
Current	**31,498**	**100**	**3,095**	**34,693**
Non-current	**6,864**	**61,919**	**1,715**	**70,498**

The key provisions as at 31 December 2022 include:

- **Refinery shutdown and decommissioning** – Costs associated with the decommissioning of redundant refining assets which are not suitable for immediate repurposing.
- **Demolition and restoration** – Costs associated with the demolition of select refining assets, assumed to occur 10 years after the import terminal conversion, as well as jetty demolition at the end of the lease period.

The Company also recognised a provision associated with environmental obligations resulting from Channel Infrastructure's commitments, as part of the resource consents obtained in April 2021, to continue maintaining the current high level of environmental standards.

15 Trade and Other Receivables

	NOTE	GROUP 2022 $000	GROUP 2021 $000
Trade receivables		**19,005**	20,604
Other receivables and prepayments		**4,042**	5,021
Excise duty	17	**-**	114,222
TOTAL TRADE AND OTHER RECEIVABLES		**23,047**	139,847

Trade receivables are due from customers, non-interest bearing and are normally settled on seven to 21-day terms. Due to the short-term nature of trade receivables, their carrying amount is considered the same as their fair value.

Excise duty receivable as at 31 December 2021 was due from customers and collected by the Parent on behalf of the New Zealand Customs Service and paid on the same day each month (corresponding offset is presented as a payable in note 17. Following the commencement of import terminal services, the Company is no longer a Customs Controlled Area and therefore ceased to collect and pay excise duty as described above.

Trade and other receivables-related party balances are disclosed in note 4.

16 Cash and Cash Equivalents

The Group's cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash.

Reconciliation of net cash flow from operating activities to reported profit/(loss):

	GROUP 2022 $000	GROUP 2021 $000
NET INCOME / (LOSS) AFTER INCOME TAX	**11,960**	(552,629)
Adjusted for non-cash transactions:		
Depreciation and disposal costs	**32,517**	84,038
Impairment/revaluation of assets	**5,043**	567,361
Movement in deferred tax	**16,974**	(42,971)
Add movement in deferred tax on items included in other comprehensive income	**(3,167)**	(169,455)
Movement in provisions	**(80,246)**	173,263
Less (increase)/decrease in provisions relating to property, plant and equipment	**1,955**	(17,739)
Employee share scheme entitlement reserve	**2,890**	1,076
Decrease/(increase) in intangibles	**21,150**	(17,091)
Less proceeds from sale of intangibles	**(2,553)**	(1,947)
Interest and other non-cash movements	**6,957**	(4,879)
Adjusted for movements in working capital items		
Decrease in trade and other receivables	**116,800**	21,047
Decrease in trade and other payables	**(135,833)**	(7,585)
Less increase/(decrease) in trade and other payables relating to property, plant and equipment and intangibles	**(1,200)**	2,941
Decrease in employee benefits liabilities	**(11,135)**	(33,826)
Less employee entitlements included in other comprehensive income	**2,397**	20,225
Decrease/(increase) in income tax receivable	**684**	(7)
Decrease in inventories	**677**	12,873
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	**(14,130)**	34,695

In the Consolidated Statement of Cash Flows, the deposits placements and withdrawals and bank borrowings receipts and repayments are presented on a net basis as their turnover is quick, amounts are large, and the maturities are relatively short.

The below sets out an analysis of the Group's liabilities for which cash flows have been, or will be, classified as financing activities in the statement of cash flows:

	CASH AND CASH EQUIVALENTS $000	BORROWINGS DUE WITHIN ONE YEAR $000	BORROWINGS DUE AFTER ONE YEAR $000	NET DEBT POSITION $000	LEASE DUE WITHIN ONE YEAR $000	LEASE DUE AFTER ONE YEAR $000	TOTAL $000
NET (CASH)/ DEBT AS AT 1 JANUARY 2021	(43,289)	-	274,611	231,322	202	3,940	235,464
Cash flows (Cash)	27,220	-	(74,913)	(47,693)	-	-	(47,693)
Finance lease payments	-	-	-	-	(2,782)	-	(2,782)
Other non-cash movements	-	-	-	-	3,385	(2,340)	1,045
NET (CASH)/DEBT AS AT 1 JANUARY 2022	**(16,069)**	**-**	**199,698**	**183,629**	**805**	**1,600**	**186,034**
Cash flows	**13,683**	**-**	**59,885**	**73,568**	**-**	**-**	**73,568**
Finance lease payments	**-**	**-**	**-**	**-**	**(2,111)**	**(1,043)**	**(3,154)**
Other non-cash movements	**-**	**-**	**-**	**-**	**1,368**	**-**	**1,368**
NET (CASH)/DEBT AS AT 31 DECEMBER 2022	**(2,386)**	**-**	**259,583**	**257,197**	**62**	**557**	**257,816**

Cash and cash equivalents include $0.3 million (2021: $3.0 million) held by Channel Infrastructure's electricity futures broker as collateral and $0.06 million (2021: $4.9 million) held as cash prudential for spot electricity purchases.

17 Trade and Other Payables

	NOTE	GROUP 2022 $000	GROUP 2021 $000
Trade payables		**19,334**	22,738
Goods services tax payable		**-**	354
Deferred income		**-**	17,853
Excise duty	15	**-**	114,222
TOTAL TRADE AND OTHER PAYABLES		**19,334**	155,167

Trade payables are unsecured, non-interest bearing and are usually paid within 30 days of recognition.

Following the commencement of import terminal services, the Company was no longer a Customs Controlled Area and therefore ceased to collect and pay excise duty.

Deferred income relates to the New Zealand Units (NZUs) received in advance.

Trade and other payables-related party balances are disclosed in note 4.

18 Employee Benefits

Liabilities for employee benefits comprise the following:

	2022			2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
	$000	$000	$000	$000	$000	$000
Defined benefit pension plan	**-**	**2,679**	**2,679**	-	4,227	4,227
Medical plan	**193**	**3,199**	**3,392**	48	3,726	3,774
Wages, salaries, annual leave and sick leave	**684**	**-**	**684**	9,542	-	9,542
Long-service leave and retirement bonus	**-**	**-**	**-**	347	-	347
TOTAL	**877**	**5,878**	**6,755**	9,937	7,953	17,890

Defined benefit pension plan

The Parent contributes to a defined benefit pension fund which has been closed to new members since 2002. As at 31 December 2022 there were two active members contributing to the Plan (2021: 44). In addition, there are 98 retirees/pensioners receiving regular pension payments or disability pensions which can be paid from the Plan until normal retirement age (2021: 87).

Under the plan the Parent has an obligation to pay contributions if the fund does not hold sufficient assets to pay all pensioners the benefits they are entitled to. Key risks that could expose the Group to a shortfall include investment returns and life expectancy.

The latest triennial actuarial review, completed as at 31 March 2022, reported an actuarial surplus (actuarial value of assets was greater that the present value of accrued benefits using expected investment returns), therefore no immediate contribution to the fund was required. In 2023, to fund the benefits of the two members, the Parent will be required to contribute $25,000 per annum, and to cover the fund administration expenses of c.$250,000 per annum.

While the fund is fully funded, the Parent recognises a liability in the statement of financial position, which is calculated annually by independent actuaries using the projected unit credit method with present value of the estimated future cash outflows using interest rates of Government bonds (rather than expected investment returns). The modified duration of the defined benefit liability was approximately nine years (2021: 14 years).

Medical plan (scheme closed since 1996)

The Parent pays health insurance premiums in respect of nine beneficiaries (2021: nine) until their death. This scheme was closed in 1996 and has not been offered to new employees since. The medical plan is accounted for in a similar manner to the defined benefit plan outlined above, with an accounting valuation performed by an independent actuary at each balance date. Expected contributions to the medical plan in 2023 are $189,000.

19 Financial Risk Management

The Group is exposed to a variety of financial risks (market, credit and liquidity) in the normal course of the business. Risk management is performed by management who evaluate and hedge certain financial risks, including currency risk and interest rate risk under a treasury policy that is approved by the Board of Directors. The following is a summary of the Group's exposure to financial risk and the management of those:

FINANCIAL RISK	EXPOSURE	MANAGEMENT OF RISK AND SENSITIVITY
Market risk		
Electricity price risk	Changes in market prices	Price fluctuation risk managed using electricity futures, Contracts for Differences and/or physical supply contracts. **Sensitivity:** As at 31 December 2022 the Group was fully hedged hence the income statement not sensitive to changing market prices.
Currency risk	Movement in foreign exchange rates	Currency risk managed through material purchases of property, plant and equipment items hedged using forward currency exchange contracts. **Sensitivity:** As at 31 December 2022 the Group held US dollar foreign exchange contracts and the impact of US dollar appreciation/depreciation by +/-10 per cent on before-tax profit/loss and other comprehensive income is -/+$1.2m (2021: no contracts held).
Interest rate risk	Movement in interest rates	Interest rate risk managed through a range of fixed rate borrowings and interest rate swaps. **Sensitivity:** At 31 December 2022, impact of inter-bank interest rates changing by +/-75 basis points on before tax profit/loss and other comprehensive income is -/+$0.1m and +/-$2.5m respectively (2021: -/+$0.2m and +/-$2.8m).
Liquidity risk		
	Risk that the Group will not be able to meet its financial obligations as they fall due	The Group monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on the Group's undrawn borrowing facilities. No surplus cash is held by the Group over and above the balance required for working capital management.
Credit risk		
	Risk of loss to the Group due to customer or counterparty default	The Group is exposed to credit risk if counterparties fail to make payments in respect of payment of trade receivables as invoices fall due. Most common payment terms are on the 20th of the following month. The receivables from the shareholder customers (as disclosed in the related party note 4) present a concentration of credit risk, however, management has assessed the credit quality of these customers as being high. Based on the analysis of the historical payments of the Group's customers and with reference to their credit rating and short payment terms, the Group assessed the expected credit losses in respect to 31 December 2022 receivables to be immaterial. No collateral is held over trade receivables. Overdue trade receivable balances at 31 December 2022 totalled $5.2 million (2021: $0.6 million), and no provision for doubtful debt was recognised.
	Risk of derivative counterparties and cash deposits being lost	For banks, only parties with a minimum long-term credit rating of A+ or A1 are accepted. For investments gross limits are set for financial institutions and the usage of these limits is determined by assigning product weightings to the principal amount of the transaction. Transactions are spread across several counterparties to avoid concentrations of credit exposure. No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by counterparties.

Non-Derivative Financial Liabilities

The following table sets out the maturity analysis for non-derivative financial liabilities based on the contractual terms as at balance date. The amounts presented are the contractual undiscounted cash flows and are based on the expiry of the bank facility or maturity of the subordinated notes.

The liquidity analysis set out below discloses cash outflows resulting from the financial liabilities only and does not consider expected net cash inflows from financial assets (including trade receivables) or undrawn debt facilities which provide liquidity support to the Group. Contractual cash flows associated with bank borrowings include interest for the period until the debt rollover date (typically within six months from the balance date) and subordinated notes and retail bonds include interest in the period until 1 March 2034.

			CONTRACTUAL CASH FLOWS					
		CARRYING AMOUNT	LESS THAN 6 MONTHS	BETWEEN 6 MONTHS -1 YEAR	BETWEEN 1-2 YEARS	BETWEEN 2-5 YEARS	OVER 5 YEARS	TOTAL CASH FLOWS
GROUP 2022	**NOTE**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
NON-DERIVATIVE FINANCIAL LIABILITIES								
Trade payables	17	**(19,334)**	**(19,334)**	**-**	**-**	**-**	**-**	**(19,334)**
Lease liabilities		**(619)**	**(25)**	**(61)**	**(74)**	**(110)**	**(662)**	**(932)**
Bank borrowings	13	**(86,000)**	**(1,197)**	**-**	**-**	**(86,000)**	**-**	**(87,197)**
Subordinated notes	13	**(74,791)**	**(1,913)**	**(1,913)**	**(3,825)**	**(11,475)**	**(99,863)**	**(118,989)**
Retail bonds	13	**(98,792)**	**(2,900)**	**(2,900)**	**(5,800)**	**(114,500)**	**-**	**(126,100)**
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES		**(279,536)**	**(25,369)**	**(4,874)**	**(9,699)**	**(212,085)**	**(100,525)**	**(352,552)**

			CONTRACTUAL CASH FLOWS					
		CARRYING AMOUNT	LESS THAN 6 MONTHS	BETWEEN 6 MONTHS -1 YEAR	BETWEEN 1-2 YEARS	BETWEEN 2-5 YEARS	OVER 5 YEARS	TOTAL CASH FLOWS
GROUP 2021	**NOTE**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
NON-DERIVATIVE FINANCIAL LIABILITIES								
Trade payables	17	(22,738)	(22,738)	-	-	-	-	(22,738)
Lease liabilities		(2,405)	(484)	(392)	(745)	(496)	(699)	(2,816)
Bank borrowings	13	(125,000)	(902)	-	(50,000)	(75,000)	-	(125,902)
Subordinated notes	13	(74,698)	(1,913)	(1,913)	(3,825)	(11,475)	(103,688)	(122,814)
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES		(224,841)	(26,037)	(2,305)	(54,570)	(86,971)	(104,387)	(274,270)

Derivative Financial Liabilities

The table below details the liquidity risk arising from derivative liabilities held by the Group at balance date. Derivative financial liabilities are split into the gross settled derivatives which include foreign exchange forward contracts with the inflow being based on the foreign currency converted at the closing spot rate, and the net settled derivatives which include interest rate swaps (with the floating rate being based on the most recent rate set), electricity futures and contracts for differences.

		CONTRACTUAL CASH FLOWS					
	CARRYING AMOUNT	LESS THAN 6 MONTHS	BETWEEN 6 MONTHS -1 YEAR	BETWEEN 1-2 YEARS	BETWEEN 2-5 YEARS	OVER 5 YEARS	TOTAL CASH FLOWS
GROUP 2022	$000	$000	$000	$000	$000	$000	$000
DERIVATIVE FINANCIAL INSTRUMENTS							
Net settled derivatives	13,209	1,198	334	4,719	6,819	561	13,631
Gross settled derivatives							
Outflows	-	(611)	(12,516)	-	-	-	(13,127)
Inflows	-	579	12,676	-	-	-	13,255
Total gross settled derivatives	33	(32)	160	-	-	-	128
TOTAL DERIVATIVE FINANCIAL LIABILITIES	13,242	1,166	494	4,719	6,819	561	13,759

		CONTRACTUAL CASH FLOWS					
	CARRYING AMOUNT	LESS THAN 6 MONTHS	BETWEEN 6 MONTHS -1 YEAR	BETWEEN 1-2 YEARS	BETWEEN 2-5 YEARS	OVER 5 YEARS	TOTAL CASH FLOWS
GROUP 2021	$000	$000	$000	$000	$000	$000	$000
DERIVATIVE FINANCIAL INSTRUMENTS							
Net settled derivatives	9,751	1,761	2,806	(604)	(1,511)	-	2,452
Gross settled derivatives							
Outflows	-	-	-	-	-	-	-
Inflows	-	-	-	-	-	-	-
Total gross settled derivatives	-	-	-	-	-	-	-
TOTAL DERIVATIVE FINANCIAL LIABILITIES	9,751	1,761	2,806	(604)	(1,511)	-	2,452

Hedging

Derivatives are only used for hedging purposes and not as speculative investments. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. Hedge effectiveness is determined at inception of the hedge relationship, and through periodic effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The gain or loss relating to the ineffective portion is recognised immediately in other operating gains/losses in the Consolidated Income Statement.

The fair value of derivative financial instruments approximates their carrying value.

The net movement in the cash flow hedge reserve comprises:

	2022 $000	2021 $000
Level 1 input financial instruments		
Electricity futures settled in the year	**1,275**	(3,976)
Ineffective hedges - recycled to income statement	**(57)**	(972)
Movement in value of electricity futures held throughout the year	**-**	5,915
Level 2 input financial instruments		
Movement in value of interest rate swaps held throughout the year	**7,875**	-
Interest rate swaps entered into during the year	**-**	4,875
Contracts for differences entered into during the year	**1,393**	(436)
Contracts for differences settled in the year	**(1,573)**	(4,064)
Ineffective hedges - recycled to income statement	**-**	(3,551)
Gross movement in cash flow hedge reserve	**8,913**	(2,209)
Deferred tax	**(2,496)**	619
Net movement in cash flow hedge reserve	**6,417**	(1,590)

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months.

Financial instruments are measured at fair value using the following fair value measurement hierarchy:

- Level 1 – Quoted prices from the Australian Securities Exchange (ASX) for electricity futures,
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for:
  - Interest rate swaps: fair value calculated as the present value of the estimated future cash flows based on observable yield curves,
  - Forward foreign exchange contracts: fair value determined using forward exchange rates at the balance date, with the resulting value discounted back to present value, and
  - Contracts for differences: fair value determined using the inputs from active market (ASX) for electricity futures, adjusted for respective location factors.

The effects of the derivative financial instruments on the Group's financial position and performance are as follows:

	FOREIGN EXCHANGE FORWARD CONTRACTS				
	AUD	USD	INTEREST RATE SWAPS	ELECTRICITY FUTURES AND CONTRACTS FOR DIFFERENCES	PLATINUM COMMODITY PRICE
31 DECEMBER 2022					
Carrying amount – net asset/(liability) ($000)	**(29)**	**62**	**12,750**	**1,393**	**(934)**
Notional amount (equivalent of NZ$000)	**611**	**12,676**	**115,000**	**3,774**	**12,639**
Maturity date	**2023**	**2023**	**2026-2028**	**2024**	**2023**
Hedge ratio	**1:1**	**-**	**1:1**	**1:1**	**-**
Change in fair value of hedging instrument ($000)	**(29)**	**62**	**7,875**	**(3,483)**	**(934)**
	AU$/NZ$	**US$/NZ$**			**US$**
Weighted average hedged rate	**0.9383**	**0.6367**	**1.5%**	**$143.2/MWh**	**US$996/Toz**
31 DECEMBER 2021					
Carrying amount – net asset/(liability) ($000)	-	-	4,875	4,876	-
Notional amount (equivalent of NZ$000)	-	-	115,000	19,516	-
Maturity date	-	-	2026	2022	-
Hedge ratio	-	-	1:1	1:1	-
Change in fair value of hedging instrument ($000)	-	-	-	-	-
Weighted average hedged rate	-	-	1.5%	$113.1/MWh	-

For all hedges the quantity of the hedging instrument matched the quantity of the hedged items therefore the hedge ratios were 1:1 (note, the platinum commodity price hedge is an economic hedge, however not designated as a hedge under NZ IFRS 9).

Electricity derivatives are used to hedge highly probable cash flows associated with purchases of electricity at spot market and an ineffective portion of the hedge may occur due to a volume mismatch and location factor. During the financial year the hedge ineffectiveness from these cash flow hedges amounted to $0.06 million.

20 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, relating to conditions attached to the site resource consents, the Group had no contingent liabilities as at 31 December 2022.

21 Events after balance date

No events after balance date occurred other than a dividend declared as per note 7.

22 Auditor’s fees

	GROUP 2022 $000	GROUP 2021 $000
Auditor's fees comprises:		
Audit of financial statements	**294**	290
Audit of financial statements - prior year	**48**	38
Reimbursement of travel and accommodation	**10**	8
Other assurance services:		
Agreed upon procedures - AGM scrutineering	**5**	5
Agreed upon procedures - SGM scrutineering	**-**	5
Half-year agreed upon procedures	**20**	20
AUDITOR'S FEES	**377**	366

23 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 in nature expenses.

	GROUP 2022 $000	GROUP 2021 $000 (RESTATED)
Reported EBITDA from continuing operations	**57,452**	(2,750)
Reported EBITDA from discontinued operations	**23,954**	75,596
Total Reported EBITDA	**81,406**	72,846
Add back non-cash and one-off expenses:		
Post-employment benefit plan expense	**1,282**	(9,444)
Employee share scheme and share rights cost	**1,782**	713
Stock obsolescence provision and write-offs	**-**	895
Other adjustments	**-**	4,258
Adjusted EBITDA	**84,470**	69,268

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Independent auditor's report to the Shareholders of Channel Infrastructure New Zealand Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Channel Infrastructure New Zealand Limited (the "Company") and its subsidiaries (together the "Group") on pages 66 to 100, which comprise the consolidated statement of financial position of the Group as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 66 to 100 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ernst & Young provides agreed upon procedures to the Group in relation to scrutineering at shareholder meetings and in relation to half-year financial reporting. We have no other relationship with, or interest in, the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly,

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our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue recognition

Why significant	How our audit addressed the key audit matter
On 1 April 2022, the Group ceased operations as a Refinery and commenced operations as an Import Terminal. The Group generated total Import Terminal Services (ITS) revenue of $79m in FY22, which amounted to 89% of total Group revenue from continuing operations of $88m. While operating as a refinery, the Group generated Processing Fee (PF) revenue of $47m (being $11m above the fee floor equivalent), which has been included in results from discontinued operations. Both ITS and PF revenues are material related party transactions with the Group's shareholding oil companies, who are also its major customers. The recognition of revenues is based on complex contracts, and involves consideration of multiple performance obligations, contractual terms and take or pay clauses. As explained in Note 1, the Group is currently in dispute with certain customers with regards to the final PF invoices issued to them. Disclosures related to revenue are included in notes 1, 3 and 4 to the financial statements.	In obtaining sufficient audit evidence we: ▸ evaluated the Group's process for recording ITS and PF revenue. ▸ used digital audit techniques to assess the correlation of revenue, trade receivables and cash. ▸ confirmed the total annual ITS and pre dispute PF revenues with each customer. ▸ tested payments received from the shareholding oil companies during the year and agreed post year-end cash receipts from each of the shareholding oil companies to the outstanding receivables at year end. ▸ With regards to the disputes we discussed the matters with the Group's external legal advisors and considered associated legal opinions; utilised our internal legal specialists to consider the nature of the disputes and the legal opinions; and evaluated the Group's process for assessing the quantum of revenue recognised. We also assessed the Group's disclosures in relation to revenue with regard to NZ IFRS 15 *Revenue from Contracts with Customers*, including the related disputes, and NZ IAS 24 *Related Party Disclosures*.

Information other than the financial statements and auditor's report

The directors of the Company are responsible for the annual report, which includes information other than the consolidated financial statements and auditor's report which is expected to be made available to us after the date of this auditor's report.

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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing on behalf of the entity the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Simon O'Connor.

Ernst + Young

Chartered Accountants
Auckland
23 February 2023

Glossary

Adjusted EBITDA	Reported EBITDA adjusted for non-cash expenses and one-off expenses, and used for covenant purposes
Annualised Dividend Yield	Based on a dividend declared and annualised, and share price as at 31 December 2022 of $1.43 per share
CO_2	Carbon Dioxide
EBITDA or Reported EBITDA	Earnings before depreciation, impairment, conversion costs, finance costs and income tax
EBITDA Margin	EBITDA divided by revenue from continuing activities
Free Cash Flow (FCF)	Calculated as net cash flow operating activities less payments for property, plant and equipment with each of these items determined in accordance with GAAP
IPL	Independent Petroleum Laboratories Limited, a wholly-owned subsidiary of Channel Infrastructure NZ Limited
Lost Time Injury Frequency Rate (LTIFR)	The sum of work-related injury cases per 200,000 hours worked, where the injured person is deemed medically unfit for any work as a result of the injury
ML	Million litres
MT	Million tonnes
Net Debt	Calculated as total borrowings (bank, fixed rate bonds and subordinated notes) less cash and cash equivalents
Normalised EBITDA	Reported EBITDA excluding one-off conversion costs
Normalised Free Cash Flow	Calculated as cash flow from operations less maintenance capex (excluding conversion costs and growth capex)
PPI	Producers Price Index
Total Recordable Case (TRC)	The number of lost time incidents, restricted work cases, medical treatment cases and fatalities
Total Recordable Case Frequency Rate (TRCF)	The number of lost time incidents, restricted work cases, medical treatment cases and fatalities per 200,000 manhours worked
Tier 1 process safety event	An unplanned or uncontrolled release of any material, including non-toxic and non-flammable, from a process which results in one or more of the following: a Lost Time Injury (LTI) and/or fatality; a fire or explosion resulting in greater than or equal to $100,000 of direct cost to the Company; a release of material greater than the threshold quantities given in Table 1 of API 754 in any one-hour period; an officially declared community evacuation or community shelter-in-place
Tier 2 process safety event	An unplanned or uncontrolled release of any material, including non-toxic and non-flammable, from a process which results in one or more of the following: a recordable injury; a fire or explosion resulting in greater than or equal to $2,500 of direct cost to the Company; a release of material greater than the threshold

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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

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

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

General Counsel & Company Secretary
C D Bougen

Share Register
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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.

Channel

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