ANNUAL REPORT 2021

REFINING NZ

DIRECTORS' STATEMENT

The Directors are pleased to present the New Zealand Refining Company Limited's Annual Report and Financial Statements for the year ended 31 December 2021. This document should be read together with the Sustainability Report published by the Company. The Annual Report of the New Zealand Refining Company Limited is signed on behalf of the Board by:

S C Allen
Chair

J B Miller
Chair, ARFC

28 March 2022

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2021 KEY PRIORITIES & HIGHLIGHTS

SAFE, RELIABLE AND COMPLIANT OPERATIONS THROUGHOUT	0 RECORDABLE PERSONAL SAFETY INCIDENTS (**2020** 0)
TURNAROUND EXECUTED SAFELY, ON TIME AND WITHIN BUDGET	13.4 MBBL RAP THROUGHPUT (**2020** 14.7)
MAINTAIN CASH BREAKEVEN OPERATIONS AT THE FEE FLOOR	GRM 3.73 USD/BBL (**2020** 1.63)
CONCLUDE IMPORT TERMINAL NEGOTIATIONS WITH CUSTOMERS	10 YEAR TSA'S WITH TAKE OR PAY COMMITMENTS, PPI INDEXATION OF ALL FEES
PROGRESS REQUIRED SHAREHOLDER AND LENDER APPROVALS AND DETAILED PLANNING	99% SHAREHOLDERS VOTING IN SUPPORT

[1] Operating costs excluding natural gas and other pass throughs.

[2] Core ITS fees are expected to average $95million per annum (real) across the initial 10-year term.

[3] Private storage fees are expected to average $9 million peer annum (real) across the initial 10-year term.

Refining NZ maintained excellent safety and operational performance through the Strategic Review and on-going COVID-19 impacts.

2 ▲
TIER I AND II SAFETY INCIDENTS
(**2020** 0)

10 ▲
RELEASES OUTSIDE OF CONSENT
(**2020** 5)

No recordable personal safety incidents in over two years

Process safety incidents responded to quickly, with no significant damage to plant

29.2 MBBL ▼
REFINERY THROUGHOUT
(**2020** 29.9)

$33.4M ▼
CAPITAL EXPENDITURE
(**2020** $33.9M)

Lower throughput reflects a simplified refinery operations and COVID-19 demand impacts

Turnaround included first statutory inspection of the CCR

c.30% ▼
OPERATING COSTS[1] VS 2019

$184M ▼
NET DEBT
(**2020** $231M)

Cash neutral at the fee floor, including turnaround and Strategic Review costs

Successful $47 million equity raise to fund private storage growth

180ML
SHARED IMPORT TERMINAL CAPACITY
(EST. REVENUE: $95[2] MILLION P.A.)

c.100ML
PRIVATE STORAGE CONTRACTED
(EST REVENUE: $9[3] MILLION P.A.)

Terminal Services Agreements signed with bp, Mobil and Z

Additional private storage capacity contracted

FROM APRIL 2022
TRANSITION TO AN IMPORT TERMINAL

$1.33 ▼
NET ASSETS PER SHARE
(**2020** $1.51)

Lender and shareholder consent and conversion funding secured

Final investment decision taken

Impacts of conversion reflected in FY21 financial statements

CHAIR AND CEO'S STATEMENT

Simon Allen
Chairman

Naomi James
Chief Executive Officer

2021 has been a hugely significant year in the 60-year history of Marsden Point. This report represents the last full year operating as a refinery, and is the final annual report for the Company as Refining NZ. As we make our transition to the new business, with the support of our shareholders and customers, we look back on our history and legacy with pride.

With change, comes opportunity, and as we take a big step towards the future, we do so with a plan for our new business, that will ensure we can continue to contribute to New Zealand's energy supply long into the future.

Maintaining our excellent health and safety record

Our team have continued to work hard every day to ensure the safe operation of the Refinery, a task made more challenging by the ongoing COVID-19 disruptions. In 2021, we celebrated the milestone of no recordable injuries in over two years.

This is a huge achievement, and a testament to the hard work and dedication of every member of the Refining NZ team.

Refining margins remained low

The Company operated at the fee-floor for the second consecutive year, with ongoing impacts of COVID-19 lockdowns and travel restrictions on refining margins and fuel demand, particularly jet fuel. Customers have paid fee floor subsidies amounting to around $123 million – equivalent to c.US$2 per barrel – across the last two years.

Despite the challenging operating environment for the Company, we have been focused on maintaining safe operations, delivering to our customer plans and operating the Refinery cash neutral within the fee floor, while we took the time to engage with all of our stakeholders through the Strategic Review process.

Concluding our Strategic Review

A huge focus for your Board, and the whole company, has been planning to enable the conversion to Channel Infrastructure.

The Board initiated its Strategic Review to identify the best way to realise the full value of the Company's infrastructure, to deliver more sustainable "through the cycle" returns to shareholders, while continuing to support secure, competitive fuel supply to New Zealand.

Our implementation of the simplified refinery model at the start of 2021, provided the Company, and our workforce, time to plan for a potential change; to engage with our community, and the Government about our future, and negotiate with customers to find the right long-term solution – without destroying shareholder value or being under pressure to conclude negotiations quickly.

Over the course of the year, the Company successfully progressed key aspects of the Strategic Review; a shareholder mandate was secured with 99% voting in support of the import terminal conversion, lenders' consent and conversion funding was secured, and long-term Terminal Services Agreements were signed with all three customers on terms consistent with those presented to shareholders.

Higher minimum take or pay commitments over the first six years of these agreements will support the debt funding of conversion costs and allow time for a recovery in jet fuel demand from the impacts of COVID-19, with PPI-based indexation of fees protecting the company in an inflationary environment.

The signing of Terminal Services Agreements in November 2021 enabled the Board to take a Final Investment Decision to proceed with the conversion and a name change to Channel Infrastructure NZ Limited (NZX: CHI) to align with the commencement of import terminal operations from April 2022.

Our transition to Channel Infrastructure

Our immediate priority is to safely deliver the import terminal conversion, transition our organisation from a refinery to terminal business and to support our people through their transition and into new employment or training opportunities.

The conversion to import terminal operations is a fundamental reset of our business and is expected to lead to significantly more stable earnings, a return to dividends for our shareholders and, by diversifying what we do, position the Company to actively participate in the decarbonisation of the New Zealand energy market.

Import terminal assets have been revalued to "fair value" based on an independent valuation resulting in net assets equivalent to $1.33 per share as at 31 December 2021.

The balance sheet is ready to support conversion with $155 million of liquidity headroom at 31 December 2021, excluding debt maturing in the next 12 months and refinancing planned for this year to diversify funding, extend tenor and capture the benefit of the Company's improved credit profile.

Estimated conversion costs remain in line with what has previously been communicated to the market and the Company has reconfirmed its expectation that dividends should recommence within one to two years of the commencement of import terminal services.[4]

Supporting our people

Achieving this milestone was only made possible by our people, who played a significant role by delivering on the key imperatives for the year.

Given the uncertainty that our strategic review has brought for our people, we want to acknowledge their dedication and commitment to staying focused on the job at hand. We acknowledge the professionalism and dedication of our whole team throughout the strategic review, refinery simplification, COVID-19 restrictions and preparations for conversion – the team have continued to quickly adapt to overcome these challenges while ensuring that we can continue to safely and reliably supply New Zealand with its fuel needs.

While not a significant change for most New Zealanders, a conversion to import terminal operations is a significant change for our operations, for everyone at our Marsden Point site and the Northland community.

As we look to our future as Channel Infrastructure, a key focus for us will be to support our employees and their families and work closely with our community to help lessen the impacts of this change.

Focused on future growth opportunities

At the same time, your Board continues to focus on future growth opportunities for Channel Infrastructure, with the first of these already being realised through the contracting of additional private storage services.

Towards the end of 2021 the Company successfully raised $47 million of new equity to fund private storage services and in February we announced we have now contracted a total of c.100 million litres of private storage capacity in addition to the c.180 million litres of shared import terminal capacity. We expect this private storage to generate c.$90 million (real) of incremental revenue over 10 years. The inventory stockholding fuel security measures announced by the New Zealand Government provide potential opportunity for additional private storage at Marsden Point.

The terminal conversion will deliver a step change in our direct carbon emissions, with further opportunities to contribute to the decarbonisation of New Zealand's economy. The Company will publish its first Sustainability Report in April, reporting to Task Force on Climate-related Financial Disclosures (TCFD) standards a year earlier than these requirements are introduced in New Zealand.

We are passionate about keeping Aotearoa moving today and, as our energy needs as a nation change, we will continue to investigate how Channel Infrastructure can play a role in meeting the needs of tomorrow's fuel and energy markets, by utilising the capabilities of our site. Our memorandum of understanding with Fortescue Future Industries (FFI) to study hydrogen production at Marsden Point and Maranga Ra solar project are examples of these opportunities.

We take this opportunity to thank all of our people for their dedication and commitment to staying focused on the safe operation of the Refinery through a period of significant change.

On behalf of the Board and management, we would also like to thank our contractors, suppliers, tangata whenua, the local community, customers, Government, lenders, shareholders and other stakeholders for their support through our Strategic Review process over the last two years and in 2022 as we transition to a new business model, building a sustainable long-term future for our operations at Marsden Point.

[4] The Board reserves the right to adjust the payout ratio or expected timing for the recommencement of dividends should the timing, costs or revenue associated with the conversion (including new services such as Private Storage Services) or the import terminal business change. The dividend policy will be subject to the Board's due consideration of the Company's medium term asset investment programme; a sustainable financial structure for Channel Infrastructure, recognising the targeted investment grade rating (within five years of the Services Effective Date); and the risks from short and medium term economic and market conditions and estimated financial performance.

GOVERNANCE AT REFINING NZ

The New Zealand Refining Company Limited ("the Company", "Refining NZ") 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 Refining NZ'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.refiningnz.com**.

The Governance Statement is annually reviewed and approved by the Board and is current as at 22 February 2022. The Board is currently undertaking a Corporate Governance Review in light of the impending change in the Company's business operations from oil refining to import terminal services, and intends to publish a revised governance statement later in 2022 following the conclusion of the Corporate Governance Review.

The Board considers that it has followed the recommendations in the NZX Code during the financial year ending 31 December 2021, except that it notes that the offer of new shares in the Company announced on 29 November 2021 was structured as a placement and share purchase plan, rather than as an offer to existing shareholders on a pro rata basis before the shares were offered to other investors.

The Board supports the intent of the NZX Code recommendation and the principle that existing shareholders should have the option to participate pro rata in a share offering to avoid dilution. However, in the circumstances in which the offer by the Company was undertaken, the Board considers that the structure chosen for the share offer was in the best interests of the Company and all shareholders as a whole. The Company had recently made a final investment decision to fundamentally change its business, markets were volatile as a consequence of COVID-19 uncertainties, and customer shareholder support for the share offer was not certain. These factors gave rise to heightened uncertainty of the outcome of the share offer. Structuring the offer as a placement enabled the Company to move quickly to raise new capital and in a relatively cost-effective way with a lower discount to closing market price than might have been expected in the circumstances, and with greater certainty of a successful raise. The lower discount achieved minimised any dilutionary impact of the placement, and the placement allocation process sought to prioritise existing shareholders, including retail brokers who bid on behalf of existing clients who (given the size of their holdings) would not have been able to take up their pro-rata entitlement through the share purchase plan. The Board was also very keen to ensure existing smaller retail investors had an opportunity to participate in the offer through the share purchase plan, and importantly that the share purchase plan had an ability to accept oversubscriptions. The share purchase plan received strong shareholder support, with Refining NZ accepting all oversubscriptions, further minimising the dilutionary impact of the offer for existing shareholders in line with the principles of the NZX Code.

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[5]:

- the Audit, Risk and Finance Committee comprising four members, of which three are Independent Directors;
- the People, Nominations and Remuneration Committee comprising five members, of which four are Independent Directors;
- the Independent Directors Committee comprising all four Independent Directors; and
- the Health, Safety, Environment and Operations Committee comprising all Directors.

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 Directors, the Board and all Committees annually evaluate their own performance, processes and procedures to ensure that they are appropriate to assist the Board in effectively fulfilling its role and meeting its duties.

Independence of Directors

The Board currently consists of seven Directors:

- Simon Allen (the Chair), Vanessa Stoddart, Paul Zealand and James Miller are Independent Directors.
- John Bourke, 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. Major shareholders (bp, ExxonMobil and Z Energy) do not have a constitutional right to appoint Directors, although it is accepted that they are entitled to representation.

The three largest shareholders of the Company are also major customers, either directly or through wholly owned subsidiaries, and 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
- to 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.

[5] The Board may also establish ad hoc committees from time to time, and in 2021 it established a Due Diligence Committee as an ad hoc committee of the board for the purposes of the equity raise undertaken in Q4 of 2021.

Meeting attendance

2021 was a very busy year for the Company and the Board, due to ongoing Strategic Review workstreams (including major commercial negotiations with customers, detailed planning for a conversion to import terminal operations, a Special Meeting of shareholders to approve the conversion, and an equity raise). This Strategic Review work, combined with managing the challenges of COVID-19 lockdowns, required additional board and sub-committee meetings to be held in 2021. In addition to the normal meeting schedule, 30 additional Board and committee meetings were convened, averaging more than one Board or Committee meeting every week. Director attendances at Board and Committee meetings during 2021 were as follows:

		BOARD MEETING*	AUDIT, RISK AND FINANCE COMMITTEE	PEOPLE, REMUNERATION AND NOMINATION COMMITTEE	INDEPENDENT DIRECTORS COMMITTEE	HEALTH, SAFETY, ENVIRONMENT AND OPERATIONS COMMITTEE	DUE DILIGENCE COMMITTEE	SITE WALKS[6]
S C Allen	Independent Chair	22/22	7/7	4/4	18/18	6/6	4/4	4
D C Boffa[7]	Non-independent	1/1	-	-	-	-	-	-
J L Bourke	Non-independent	8/8	-	-	-	2/2	-	1
R Cavallo[8]	Non-independent	14/14	-	-	-	4/4	-	2
NL Jones	Non-independent	20/22	7/7	-	-	6/6	-	4
J Miller	Independent	22/22	7/7	4/4	18/18	6/6	4/4	3
L Nation	Non-Independent	21/22	-	4/4	-	6/6	-	3
V C M Stoddart	Independent	22/22	-	4/4	18/18	6/6	-	4
P A Zealand	Independent	22/22	7/7	4/4	18/18	6/6	4/4	4

* includes June 2021 Annual Shareholders' Meeting and August 2021 Special Meeting

[6] Combination of physical walks and virtual engagements.

[7] Ms Boffa resigned as a Director of Refining NZ effective from1 February 2021. The Board appointed Ms Nation to fill the casual vacancy, and she was elected by shareholders at the Company's Annual Meeting on 24 June 2021.

[8] Mr. Cavallo resigned as a Director of Refining NZ effective from 27 August 2021. The Board appointed John Bourke as a director with effect on 10 September 2021, to fill the casual vacancy.

REMUNERATION AND PEOPLE 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. Refining NZ's remuneration framework and policies are overseen by the People, Nominations and Remuneration Committee in accordance with the People, Nominations and Remuneration Committee Charter.

Remuneration

Refining NZ aims to attract and retain appropriately qualified and experienced individuals. Refining NZ applies a fair and equitable approach to remuneration and reward practices, considering internal and external relativities balanced against the commercial environment. Refining NZ is committed to pay-equity, and it will continue to review and monitor this as it transitions to Channel Infrastructure.

The Board will take independent advice and establish 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.

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. Directors' remuneration is set at a level to remain comparable with other companies in New Zealand, considering the expertise, skills, and responsibilities of Directors. The Directors of subsidiary companies (refer to page 25) are not remunerated in those positions.

In February 2020 the Board reviewed Directors' fees, based on a market benchmarking report prepared by Ernst and Young Limited[9] (EY). Based on the market positioning, EY recommended that Board Members receive an increase in their fees for director and committee roles to bring remuneration into line with companies of a similar size, scope and complexity. The Board considered EY's analysis and determined that even with the significant workload of the Board[10], an increase in Directors' fees was not appropriate in either the 2020 or 2021 financial years given the Company's financial performance. Directors' fees were last increased in 2018.

The Board will review the level of Directors' fees in 2022, in light of the impending conversion from refining to import terminal operations and the change in the nature of the business of the Company.

The remuneration and other benefits, excluding reimbursements, received by the individual Directors of the Company during the 2021 financial year were as follows:

		APPOINTED	BOARD FEES	AUDIT, RISK AND FINANCE COMMITTEE FEES	PEOPLE, REMUNERATION AND NOMINATION COMMITTEE FEES	INDEPENDENT DIRECTORS COMMITTEE FEES	HEALTH, SAFETY, ENVIRONMENT AND OPERATIONS COMMITTEE FEES	TOTAL FEES
S C Allen	Independent Chair	4 Dec 2014	180,000	-	-	-	-	**180,000**
D Boffa[11]	Non-independent	23 Aug 2017	6,250	-	417	-	-	**6,667**
J L Bourke	Non-independent	10 Sep 2021	31,250	-	-	-	-	**31,250**
R Cavallo[12]	Non-independent	12 Apr 2017	43,750	-	-	-	-	**43,750**
L Jones	Non-independent	19 Mar 2018	75,000	12,500	-	-	-	**87,500**
J Miller	Independent	1 Nov 2018	75,000	30,000	5,000	20,000	-	**130,000**
L Nation	Non-independent	1 Feb 2021	68,750	-	4,583	-	-	**73,333**
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	5,000	20,000	10,000	**122,500**

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.

[9] Prior to their appointment as auditors to the company.

[10] 2020 and 2021 were very busy years for the Company and the Board, due to ongoing Strategic Review workstreams. In the current financial year, this included major commercial negotiations with customers, detailed planning for a conversion to import terminal operations, a Special Meeting of shareholders to approve the conversion, and an equity raise. This Strategic Review work, combined with managing the challenges of COVID-19 lockdowns, required additional board and sub-committee meetings to be held in 2021. In addition to the normal meeting schedule, 30 additional Board and sub-committee meetings were convened, averaging more than one Board or committee meeting every week.

[11] Ms. Boffa resigned as a Director of Refining NZ effective from 1 February 2021, replaced by Ms. Nation effective from 1 February 2021.

[12] Mr. Cavallo resigned as a Director of Refining NZ effective from 27 August 2021, replaced by Mr. Bourke effective from 10 September 2021.

Chief Executive Officer Remuneration

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

- a base salary of $995,000 per annum, (2020: $995,000).
- a short-term performance incentive (STI) payment based on achievement of agreed key performance indicators (KPI's). The STI is an incentive with an "on target" incentive of 45% of base salary per plan year, with the potential for this to increase to 65% 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 shares in the Company) equivalent to one year's base salary ($995,000) that will vest on the 6 April 2024 subject to the achievement of a minimum "on target" performance against annual controllable KPI's during the vesting period;
  - performance rights equivalent to 25% of base salary on the first anniversary of the commencement date, 25% on the 2nd anniversary and 50% on each successive anniversary, with each tranche having a three-year vesting period with a further year to vest. The Chief Executive Officer's LTI entitlement (including the initial performance rights) is capped at $6 million.

The total remuneration paid to the Chief Executive Officer during the year ended 31 December 2021 comprised the following components:

- fixed remuneration - base salary of $995,000;
- share rights (equivalent to $540,000) granted in respect of performance in the 2020 year and subject to a two-year retention[13];
- share rights (equivalent to $250,000) granted following the announcement of a Final Investment Decision on 22 November 2021 and subject to vesting conditions including the safe, on time, on budget and to plan conversion to import terminal operations;
- $1,000 Employee Share Scheme award; and
- other benefits of $46,000.

The Chief Executive Officer's KPIs, with respect to the short-term incentive, agreed for the 2021 financial year relate to:

KPI CATEGORY	WEIGHTING (%)
Delivery against the Company scorecard (HSE, deliver to customer plan, build organisational capability and cash neutral at the Fee Floor)	50
Deliver value to shareholders through execution of Strategic Review outcomes Terminal Services Agreement (TSA) agreed, lender and shareholder approval, final investment decision and develop future growth strategy)	50

A short-term incentive in respect of the 2021 year will be paid in early 2022, amounting to $646,000 recognising Ms James performance against the KPIs outlined above.

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

PERFORMANCE YEAR	GRANT DATE	VESTING DATE	NUMBER OF SHARERIGHTS	COSTS RECOGNISED (FINANCIAL YEAR)		TOTAL
				2020 $000	2021 $000	$000
Chief Executive Performance Rights						
2020 Initial share rights	6 April 2020	6 April 2024	1,250,000*	165	222	**387**
2020 Share rights[14]	1 April 2021	1 April 2023	1,178,782	41	176	**217**
2021 Final Investment Decision share rights	22 Nov 2021	28 Feb 2023	282,253*	-	19	**19**
Total Performance Rights			2,711,035	206	417	**623**
Chief Executive Employee Share Scheme						
2021	16 Dec 2021	16 Dec 2024	1,157		1	**1**
Total			2,712,192	206	418	**624**

*These share rights are included for the purpose of applying the $6 million cap on the CEO's LTI entitlements referred to above.

[13] In April 2021, the 1st tranche of LTI share rights under the employment agreement were offered to the CEO. Ms James voluntarily declined to accept the offer, recognizing the challenging and uncertain circumstances of the Company at that time.

[14] 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, with a two-year retention.

Five-year summary – Chief Executive Remuneration

For the purposes of historical comparison, set out below is a five-year 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 $000	OTHER $000	TOTAL FIXED REMUN-ERATION $000	SHARE RIGHTS $000	SHORT TERM INCENTIVE KPI BASED $000	SHORT TERM CASH INCEN-TIVE DISCRE-TIONARY $000	EMPLOYEE SHARE SCHEME	TOTAL VARIABLE REMUNERA-TION $000	TOTAL REMUNERA-TION $000
FY2021	Naomi James	995	46	1,041	417	646[15]	-	1	1,064	**2,105**
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	-	300	300	-	600	**1,342**
FY2017	Sjoerd Post	982	45	1,027	-	405	150	-	555	**1,582**

2021 workforce changes

The impacts of the simplification changes arising from the Strategic Review undertaken in 2020 continued into the 2021 year with around 70 staff leaving the business across the first two quarters of the year. Redundancies amounting to $4.4 million were paid in 2021 (2020: $1.2 million). Redundancy payments are included in the employee remuneration table set out on page 16.

The business continued to support staff through the transition with exit and transition support. Within six months of exit, 98% of staff had found employment.

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, customer, capability and cash performance metrics, with an above target outcome recorded against these KPIs. STI payments in respect of 2021 performance will be made in 2022.

Share Rights for a successful conversion to an import terminal offered to key business leaders

To incentivise and retain key business leaders through the conversion project, and delivery of the conversion to import terminal operations in 2022, the Board approved an award of share rights (in the form of shares in the Company), under which selected individuals in key management roles critical to the safe delivery of the conversion project were offered share rights.

The share rights are subject to vesting conditions, including in relation to the safe, on time, on budget and to-plan conversion to import terminal operations in 2022, and the employee remaining employed when satisfaction of that condition is assessed in February 2023 (subject to vesting entitlement for no-fault terminations before February 2023). If vesting conditions and other terms of the offer are satisfied, the share rights will vest on 28 February 2023.

In awarding the share rights, the Board considered it important to continue to incentivise and reward key business leaders for committing to, and delivering, a safe and successful conversion to an import terminal, which the Board considers aligns with the objective of long-term value creation for shareholders.

[15] The short-term incentive in respect of the 2021 performance year, amounting to $646,000, will be paid in the first quarter of 2022.

Employee Share Purchase Scheme

The Company 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 was 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 the 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 2021, including a $1,000 award in respect of 2020 performance and a $1,000 award at the time of the final investment decision on the conversion to import terminal to recognise and reward all employees for their contribution through the transition and to incentivise employee retention. The funds, totalling $544,000 for the two awards, 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 (e.g. death, sickness, redundancy etc). The participating employees may vote the shares and receive dividends, if paid.

The total financial assistance given in 2021 in the form of advances to the Trustee to acquire the Shares and fund the annual costs of operating the Scheme amounted to $575,000. (2020: $300,000).

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 2021 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 Refining NZ, receive or retain any remuneration or other benefits for holding this office.

	NUMBER OF EMPLOYEES	
AMOUNT OF REMUNERATION $000	2021	2020
100-109	**10**	27
110-119	**12**	11
120-129	**20**	27
130-139	**10**	20
140-149	**12**	35
150-159	**26**	39
160-169	**22**	37
170-179	**24**	34
180-189	**17**	36
190-199	**24**	14
200-209	**18**	8
210-219	**17**	3
220-229	**12**	4
230-239	**3**	3
240-249	**5**	1
250-259	**4**	1
260-269	**4**	-
270-279	**3**	1
290-299	**1**	-
300-309	**2**	-
310-319	**1**	1
330-339	**-**	1
350-359	**2**	1
360-369	**-**	1
370-379	**1**	-
380-389	**-**	1
390-399	**-**	1
430-439	**1**	1
450-459	**1**	-
470-479	**1**	-
500-509	**-**	1
780-789	**-**	1
810-819	**-**	1
1,020-1,029	**1**	-

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 2021 financial year, will be paid in March 2022 and reported as part of the remuneration banding for the 2022 year.

The 2021 remuneration does not include amounts paid past 31 December 2020 that relate to performance during the 2020 financial year as there was no monetary short-term incentive payment made to staff in relation to 2020 performance, other than a nominal $500 to each employee.

The ratio between employee remuneration (median) and Chief Executive's total annualised, on-target remuneration for the 2021 financial year (on a cash basis) was 1:7 (2020: 1:7).

BOARD OF DIRECTORS

SIMON ALLEN
INDEPENDENT CHAIRMAN
Equity interest: 53,072 shares (2020: 35,000)

JOHN BOURKE
DIRECTOR
Equity interest: Nil

LINDIS JONES
DIRECTOR
Equity interest: Nil

JAMES MILLER
INDEPENDENT DIRECTOR
Equity interest: 117,574 shares (2020: 23,000)

LUCY NATION
DIRECTOR
Equity interest: Nil

VANESSA STODDART
INDEPENDENT DIRECTOR
Equity interest: Nil

PAUL ZEALAND
INDEPENDENT DIRECTOR
Equity interest: 87,000 shares (2020: Nil)

CORPORATE LEAD TEAM

NAOMI JAMES
CHIEF EXECUTIVE OFFICER

CHRIS BOUGEN
GENERAL COUNSEL & COMPANY SECRETARY

CAZ JACKSON
CHIEF PEOPLE OFFICER

DENISE JENSEN
CHIEF FINANCIAL OFFICER

JACK STEWART
PROJECT DIRECTOR CONVERSION

KEVIN STILL
GM CUSTOMER & COMMERCIAL

KARL PHILPOTT
PRODUCTION MANAGER

BRETT PICKFORD
ENGINEERING MANAGER

SHAREHOLDER AND BONDHOLDER INFORMATION

Twenty largest shareholders

As at 31 January 2022

SHAREHOLDERS		TOTAL SHARES HELD	% OF TOTAL
1	Mobil Oil New Zealand Limited	53,760,000	14.44%
2	Z Energy Limited	47,999,980	12.90%
3	BP New Zealand Holdings Limited	31,572,640	8.48%
4	Accident Compensation Corporation *	28,888,201	7.76%
5	Citibank Nominees (New Zealand) Limited *	15,727,231	4.23%
6	HSBC Nominees (New Zealand) Limited *	13,471,365	3.62%
7	Leveraged Equities Finance Limited	12,754,916	3.43%
8	New Zealand Depository Nominee Limited	9,023,421	2.42%
9	BNP Paribas Nominees (NZ) Limited (NZCSD<COGN40>) *	8,704,279	2.34%
10	UBS New Zealand Limited	7,894,017	2.12%
11	BNP Paribas Nominees (NZ) Limited (NZCSD<BPSS40>) *	6,835,213	1.84%
12	JP Morgan Chase Bank NZ NZ Branch - Segregated Clients Acct *	4,956,899	1.33%
13	FNZ Custodians Limited	4,665,918	1.25%
14	Public Trust Class 10 Nominees Limited *	4,559,750	1.23%
15	HSBC Nominees (New Zealand) Limited A/C State Street *	4,550,000	1.22%
16	Custodial Services Limited (<A/C 4>)	4,342,045	1.17%
17	ASB Nominees Limited	3,495,144	0.94%
18	Custodial Services Limited (<A/C 3>)	3,000,000	0.81%
19	Century Securities Limited	2,800,000	0.75%
20	Public Trust *	2,560,314	0.69%
		271,561,333	72.97%

*The Shareholder spread table on page 24 groups shares held by NZCSD (denoted by * in the table above) as a single legal holding.

Twenty largest bondholders

As at 31 January 2022

BONDHOLDERS		TOTAL BONDS HELD	% OF TOTAL
1	Tea Custodians Limited Client Property Trust Account (NZCSD<TEAC40>)*FNZ Custodians Limited	21,534,000	28.71%
2	Forsyth Barr Custodians Limited (<1-CUSTODY>)	14,847,000	19.80%
3	JBWere (NZ) Nominees Limited	8,605,000	11.47%
4	JPMorgan Chase Bank NA NZ Branch - Segregated Clients Acct (NZCSD<CHAM24>)*	1,913,000	2.55%
5	Citibank Nominees (New Zealand) Limited (NZCSD<CNOM90>)*	1,800,000	2.40%
6	Hobson Wealth Custodians Limited	1,750,000	2.33%
7	Nicholas Peter Gordon & Richard Anthony Johnston	1,528,000	2.04%
8	Forsyth Barr Custodians Limited (<ACCOUNT 1E>)	1,000,000	1.33%
9	Jill Gordon	930,000	1.24%
10	Nicholas Peter Gordon & Andrea Lee Bull	892,000	1.19%
11	RGTKMT Investments Limited	888,000	1.18%
12	FNZ Custodians Limited (<DTA Non Resident A/C>)	847,000	1.13%
13	Forsyth Barr Custodians Limited (<A/C 1 NRLAIL>)	500,000	0.67%
14	Sierra Investments Limited	500,000	0.67%
15	Craig John Thompson	500,000	0.67%
16	Woolf Fisher Trust Incorporated	500,000	0.67%
17	Falstaff Investments Limited	484,000	0.65%
18	Investment Custodial Services Limited	400,000	0.53%
19	Custodial Services Limited	297,000	0.40%
20	Custodial Services Limited	290,000	0.39%
		60,005,000	80.02%

*The bondholder spread table on page 24 groups bonds held by NZCSD (denoted by * in the table above) as a single legal holding.

Substantial product holders

As at 31 December 2021

PRODUCT HOLDERS	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
Accident Compensation Corporation	30,246,938

Shareholder and bondholder spread

As at 31 January 2021

	SHAREHOLDERS				BONDHOLDERS			
NO. OF SHARES/BONDS	NO. OF SHAREHOLDERS	% HOLDER	NO. OF SHARES	% OF SHARES	NO. OF BONDHOLDERS	% HOLDER	NO. OF BONDS	% OF BONDS
1 - 499	255	5.70	63,040	0.02	-	-	-	-
500 - 999	281	6.28	194,977	0.05	-	-	-	-
1,000 - 1,999	561	12.54	755,620	0.20	-	-	-	-
2,000 - 4,999	1,076	24.07	3,402,480	0.92	-	-	-	-
5,000 - 9,999	693	15.50	4,684,721	1.26	38	7.81	215,000	0.29
10,000 - 49,999	1,254	28.04	25,803,842	6.93	331	68.10	6,792,000	9.06
50,000 - 99,999	174	3.89	11,510,152	3.09	62	12.80	3,359,000	4.48
100,000 - 499,999	132	2.95	24,766,179	6.65	39	8.01	6,100,000	8.12
500,000 - 999,999	14	0.31	9,475,963	2.55	8	1.64	5,557,000	7.41
1,000,000 - upwards	32	0.72	291,566,503	78.33	8	1.64	52,977,000	70.64
Total	**4,472**	**100**	**372,223,477**	**100**	**486**	**100**	**75,000,000**	**100**

Geographical spread

As at 31 January 2021

	SHAREHOLDERS				BONDHOLDERS			
LOCATION	NO. OF SHAREHOLDERS	% HOLDER	NO. OF SHARES	% OF SHARES	NO. OF BONDHOLDERS	% HOLDER	NO. OF BONDS	% OF BONDS
Auckland (Greater)	1,485	33.21	138,817,058	37.29	143	29.43	10,219,000	13.63
Wellington (Greater)	549	12.28	154,056,445	41.39	120	24.69	45,662,000	60.88
Whangarei/ Northland	581	12.99	13,957,845	3.75	11	2.26	575,000	0.77
Other North Island	861	19.25	23,637,224	6.35	110	22.63	3,397,000	4.53
South Island	870	19.45	32,506,291	8.73	97	19.96	13,328,000	17.77
Australia	73	1.63	8,794,234	2.36	1	0.21	1,750,000	2.33
Other Overseas	53	1.19	454,380	0.13	4	0.82	69,000	0.09
Total	**4,472**	**100**	**372,223,477**	**100**	**486**	**100**	**75,000,000**	**100**

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 $14,000 during the year ended 31 December 2021 (2020: $50,000). No political donations were made.

Credit rating

The Company does not have a credit rating.

Refining NZ Subsidiary Directors

REFINING NZ SUBSIDIARY	NAME OF DIRECTORS
Independent Petroleum Laboratory Limited	Naomi James, Denise Jensen
Channel Terminal Services Limited (formerly Maranga Ra Limited)	Naomi James, Denise Jensen
Maranga Ra Holdings Limited	Naomi James, Denise Jensen

Diversity

	2021						2020					
	BOARD		CORPORATE LEAD TEAM		WORKFORCE		BOARD		CORPORATE LEAD TEAM		WORKFORCE	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
GENDER												
Male	5	71%	4	57%	235	82%	5	71%	4	57%	280	84%
Female	2	29%	3	43%	52	18%	2	29%	3	43%	57	16%
Other[16]	-	-	-	-	-	-	-	-	-	-	-	-
ETHNICITY												
NZ European/Pakeha	4	71%	5	71%	174	60%	5	71%	5	71%	193	57%
Other European	3	29%	2	29%	43	15%	2	29%	2	29%	58	17%
Maori & NZ European	-	-	-	-	16	6%	-	-	-	-	22	7%
Maori	-	-	-	-	16	6%	-	-	-	-	22	7%
Asian	-	-	-	-	9	3%	-	-	-	-	10	3%
Other[17]	-	-	-	-	29	10%	-	-	-	-	32	9%
NATIONALITY TOTAL												
New Zealand	-	-	-	-	233	77%	-	-	-	-	271	77%
United Kingdom	-	-	-	-	12	4%	-	-	-	-	14	5%
Australia	-	-	-	-	12	4%	-	-	-	-	13	4%
South Africa	-	-	-	-	8	2%	-	-	-	-	12	3%
Other	-	-	-	-	34	12%	-	-	-	-	25	7%
Information not provided	-	-	-	-	2	1%	-	-	-	-	16	4%
AGE												
Under 30	-	-	-	-	12	4%	-	-	-	-	23	7%
30-50	2	29%	3	43%	165	57%	3	43%	4	57%	193	56%
Over 50	5	71%	4	57%	110	39%	4	57%	3	43%	121	35%

[16] Other, for the purpose of gender diversity, includes: transgender, non-binary, agender, genderfluid, polygender, and any other form of gender identification.

[17] Other, for the purpose of ethnic diversity, includes Maori & Other Ethnicity, Pacific Islander, Pacific Islander & Other Ethnicity, African, Indian, Middle Easterner, Pakistani, Sri Lankan, South American, North American, and Information not provided.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	GROUP 2021 $000	GROUP 2020 $000
INCOME			
Revenue	4	**231,742**	233,937
Other income	4	**2,352**	11,810
TOTAL INCOME	3, 4	**234,094**	245,747
EXPENSES			
Purchase of process materials and utilities		**72,083**	82,119
Materials and contractor payments		**18,243**	19,992
Wages, salaries and benefits		**40,511**	61,532
Administration and other costs		**30,411**	31,681
TOTAL EXPENSES		**161,248**	195,324
EARNINGS BEFORE DEPRECIATION, IMPAIRMENT, CONVERSION COSTS, FINANCE COSTS AND INCOME TAX		**72,846**	50,423
Depreciation and disposal costs	11	**84,038**	87,218
Conversion costs	15	**175,516**	-
Impairment of assets	11, 18	**567,361**	223,697
TOTAL DEPRECIATION, DISPOSALS, CONVERSION COSTS AND IMPAIRMENT		**826,915**	310,915
NET LOSS BEFORE FINANCE COSTS AND INCOME TAX		**(754,069)**	(260,492)
FINANCE COSTS			
Finance income		**(112)**	(176)
Finance cost		**11,103**	11,096
NET FINANCE COSTS		**10,991**	10,920
NET LOSS BEFORE INCOME TAX		**(765,060)**	(271,412)
Income tax credit	6	**(212,431)**	(73,133)
NET LOSS AFTER INCOME TAX		**(552,629)**	(198,279)
ATTRIBUTABLE TO:			
Owners of the Parent		**(552,629)**	(198,279)

EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE NEW ZEALAND REFINING COMPANY LIMITED		**CENTS**	
Basic and diluted earnings per share	7	**(173.9)**	(63.5)

THE ABOVE CONSOLIDATED INCOME STATEMENT IS TO BE READ IN CONJUNCTION WITH THE NOTES ON PAGES 35-75.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	GROUP 2021 $000	GROUP 2020 $000
NET LOSS AFTER INCOME TAX		**(552,629)**	(198,279)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to the Income Statement			
Defined benefit plan actuarial gain/(loss)	20(c)	**20,225**	(4,130)
Revaluation of property, plant and equipment	11	**587,182**	-
Deferred tax	6(b)	**(170,074)**	1,156
Total items that will not be reclassified to the Income Statement		**437,333**	(2,974)
Items that may be subsequently reclassified to the Income Statement			
Movement in cash flow hedge reserve	22	**(2,209)**	11,092
Deferred tax	6(b)	**619**	(3,106)
Total items that may be subsequently reclassified to the Income Statement		**(1,590)**	7,986
TOTAL OTHER COMPREHENSIVE INCOME, AFTER INCOME TAX		**435,743**	5,012
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, AFTER INCOME TAX		**(116,886)**	(193,267)
ATTRIBUTABLE TO:			
Owners of the Parent		**(116,886)**	(193,267)

THE ABOVE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IS TO BE READ IN CONJUNCTION WITH THE NOTES ON PAGES 35-75.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2021

	NOTE	GROUP 2021 $000	GROUP 2020 $000
ASSETS			
Cash and cash equivalents	17	**16,069**	43,289
Trade and other receivables	16	**139,847**	160,894
Income tax receivable		**684**	677
Derivative financial instruments	22	**5,263**	8,766
Inventories	18	**2,015**	4,431
TOTAL CURRENT ASSETS		**163,878**	218,057
NON-CURRENT ASSETS			
Inventories	18	**3,719**	14,176
Derivative financial instruments	22	**4,875**	371
Intangibles	12	**27,059**	9,968
Property, plant and equipment	11	**869,137**	881,884
Investment property	11	**6,200**	5,250
Right-of-use assets	10	**650**	3,335
Deferred tax assets	6	**82,059**	34,857
TOTAL NON-CURRENT ASSETS		**993,699**	949,841
TOTAL ASSETS		**1,157,577**	1,167,898
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	**155,167**	162,752
Derivative financial instruments	22	**387**	725
Lease liabilities	10, 17	**805**	202
Employee benefits	20	**9,937**	6,897
Provisions	15	**87,088**	4,372
TOTAL CURRENT LIABILITIES		**253,384**	174,948
NON-CURRENT LIABILITIES			
Derivative financial instruments	22	**-**	974
Borrowings	9, 17	**199,698**	274,611
Lease liabilities	10, 17	**1,600**	3,940
Provisions	15	**98,349**	7,802
Employee benefits	20	**7,953**	44,819
Deferred tax liabilities	6	**101,105**	96,874
TOTAL NON-CURRENT LIABILITIES		**408,705**	429,020
TOTAL LIABILITIES		**662,089**	603,968
NET ASSETS		**495,488**	563,930

Comparatives for Property, Plant and Equipment, Investment properties, Employee benefits and Provisions have been updated to ensure consistency between financial reporting periods.

THE ABOVE CONSOLIDATED BALANCE SHEET IS TO BE READ IN CONJUNCTION WITH THE NOTES ON PAGES 35-75.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2021

	NOTE	GROUP 2021 $000	GROUP 2020 $000
EQUITY			
Contributed equity	8	**313,974**	266,057
Revaluation reserve	8, 11	**422,771**	-
Treasury stock	8, 23	**(1,168)**	(896)
Employee share scheme entitlement reserve	8, 23	**1,586**	779
Cash flow hedge reserve	8, 22	**3,708**	5,298
Retained earnings		**(245,383)**	292,692
TOTAL EQUITY		**495,488**	563,930

The Board of Directors of the New Zealand Refining Company Limited authorised these Consolidated Financial Statements for issue on 22 February 2022.

For and on behalf of the Board:

S C Allen
Director

J B Miller
Director

THE ABOVE CONSOLIDATED BALANCE SHEET IS TO BE READ IN CONJUNCTION WITH THE NOTES ON PAGES 35-75.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

GROUP	NOTE	CONTRIBUTED EQUITY $000	REVALUATION RESERVE $000	TREASURY STOCK $000
AT 1 JANUARY 2020		265,771	-	(960)
COMPREHENSIVE INCOME				
Net loss after income tax		-	-	-
Other comprehensive income				
Movement in cash flow hedge reserve	22	-	-	-
Defined benefit actuarial loss	20(c)	-	-	-
Deferred tax on other comprehensive income	6	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), AFTER INCOME TAX		-	-	-
TRANSACTIONS WITH OWNERS OF THE PARENT				
Equity-settled share-based payments	23	-	-	-
Shares vested to employees	23	-	-	350
Treasury shares issued		286	-	(286)
Unclaimed dividends written back		-	-	-
TOTAL TRANSACTIONS WITH OWNERS OF THE PARENT		286	-	64
AT 31 DECEMBER 2020		266,057	-	(896)
AT 1 JANUARY 2021		**266,057**	**-**	**(896)**
COMPREHENSIVE INCOME				
Net loss after income tax		**-**	**-**	**-**
Other comprehensive income				
Revaluations of property, plant and equipment	11	**-**	**587,182**	**-**
Movement in cash flow hedge reserve	22	**-**	**-**	**-**
Defined benefit actuarial gain	20(c)	**-**	**-**	**-**
Deferred tax on other comprehensive income	6	**-**	**(164,411)**	**-**
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), AFTER INCOME TAX		**-**	**422,771**	**-**
TRANSACTIONS WITH OWNERS OF THE PARENT				
Equity-settled share-based payments	23	**-**	**-**	**-**
Shares vested to employees	23	**-**	**-**	**269**
Treasury shares issued	23	**541**	**-**	**(541)**
Equity issue	8	**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)**

THE ABOVE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IS TO BE READ IN CONJUNCTION WITH THE NOTES ON PAGES 35 TO 75.

EMPLOYEE SHARE SCHEME ENTITLEMENT RESERVE	CASH FLOW HEDGE RESERVE	RETAINED EARNINGS	TOTAL EQUITY
$000	$000	$000	$000
681	(2,688)	493,940	756,744
-	-	(198,279)	(198,279)
-	11,092	-	11,092
-	-	(4,130)	(4,130)
-	(3,106)	1,156	(1,950)
-	7,986	(2,974)	5,012
448	-	-	448
(350)	-	-	-
-	-	-	-
-	-	5	5
98	-	5	453
779	5,298	292,692	563,930
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**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	GROUP 2021 $000	GROUP 2020 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**221,353**	224,044
Payment for supplies and other expenses		**(118,277)**	(128,379)
Payments to employees		**(57,352)**	(57,518)
Interest received		**112**	176
Interest paid		**(10,566)**	(11,267)
Net GST paid		**(567)**	(1,041)
Income tax (paid)/received		**(8)**	5,609
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	**34,695**	31,624
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(33,447)**	(33,939)
Proceeds from sale of intangibles		**1,947**	13,320
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(31,500)**	(20,619)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayments of)/proceeds from bank borrowings		**(75,000)**	27,900
Net proceeds from issue of share capital		**47,376**	-
Lease payments	10	**(2,782)**	(871)
Unclaimed dividends		**(9)**	-
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		**(30,415)**	27,029
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(27,220)**	38,034
Cash and cash equivalents at the beginning of the year		**43,289**	5,255
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**16,069**	43,289

THE ABOVE CONSOLIDATED STATEMENT OF CASH FLOWS IS TO BE READ IN CONJUNCTION WITH THE NOTES PAGES 35 TO 75.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

REPORTING ENTITY

The New Zealand Refining Company Limited ('Parent', 'Company' or 'Refining NZ') 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. Refining NZ is listed, and its ordinary shares are quoted on the NZX Main Board Equity Market ('NZX Main Board') and its subordinated notes quoted on the NZX Debt Market.

The consolidated financial statements (hereinafter 'financial statements') for the year ended 31 December 2021 presented are those of Refining NZ together with its subsidiaries ('the Group'). Subsidiaries are all entities over which the Group has control and includes Independent Petroleum Laboratory Limited, Channel Terminal Services Limited (previously named Maranga Ra Limited) and Maranga Ra Holdings Limited.

In November 2021, the Board made the Final Investment Decision to convert Refining NZ's principal business from a toll oil refinery into a dedicated fuel import terminal. These financial statements therefore reflect the last full year of refining operations as the New Zealand Refining Company Limited, which will be renamed to Channel Infrastructure NZ Limited (NZX:CHI) (Channel Infrastructure) from April 2022. Refer note 1 for further information.

BASIS OF PREPARATION

These consolidated financial statements for the year ended 31 December 2021 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'), International Financial Reporting Standards (IFRS) and other authoritative pronouncements of the External Reporting Board, as appropriate for for-profit entities.

Effective 31 December 2021 the Group has changed its accounting policy for the measurement of property, plant and equipment from historical cost to a fair value model, as disclosed in Note 11. The change in accounting policy was made to provide readers of the financial statements with reliable and more relevant information regarding the value of the infrastructure assets, owned and operated by the Group, in accordance with NZ IAS 16 Property, plant and equipment and NZ IAS 8 Accounting policies, changes in accounting estimates and errors.

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.

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** – the Group adopted the fair value model as the measurement base for property, plant and equipment during the reporting period. Refer to note 11 for further details.
- **Provisions** – the Group has recognised several provisions in relation to the conversion of the refinery into a dedicated fuel import terminal. Refer to note 15 for further details.
- **Recoverability of tax losses** – the Group has recognised a deferred tax asset in respect of unutilised tax losses accumulated to 31 December 2021. Refer to note 6 for further details.
- **Going concern** – these financial statements have been prepared on a going concern basis. Management and the Board consider that this is appropriate based on the Group's current cash position and available credit facilities.

The Company expects to operate the Refinery cash neutral under a Fee Floor scenario through to Refinery closure, with the Terminal Services Agreements coming into effect from 1 April 2022. The Group expects to have sufficient liquidity to debt fund the expected conversion costs in the next twelve months. Refer to Note 1 for further information relating to the import terminal conversion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all periods presented, except for the change in Group's accounting policy in relation to the measurement base of property, plant and equipment from historical cost to a fair value model (refer to note 11 for further details).

There were no new and amended accounting standards mandatory for the year ended 31 December 2021 that were considered to have a material impact to the Group. The IASB has issued a number of standards, amendments and interpretations which are not yet effective, of which an impact on the Group's consolidated financial statements is not yet determined.

1 Import terminal conversion

In April 2020 the Refining NZ Board announced a Strategic Review to determine the optimal business model and capital structure for its assets to maximise "through the cycle" returns to shareholders and deliver secure, competitive fuel supply to New Zealand.

Decision to convert to an import terminal

As a result of the Review, the Company simplified the Refinery operations effective 1 January 2021 and in parallel continued to evaluate a future, staged conversion to a dedicated fuel import terminal.

A proposal was presented to shareholders to convert Refining NZ's Marsden Point site into a dedicated fuel import terminal and to cease operations as a toll oil refinery (the "Proposal") on 5 July 2021. The Proposal was approved by Shareholders on 6 August 2021.

On 22 November 2021, the Company announced that it had entered into long-term agreements with bp, Mobil and Z Energy for the provision of import terminal services, consistent with the terms described in the Explanatory Booklet and approved by shareholders. All customers and Refining NZ have agreed to withdraw existing dispute notices under the Processing Agreements with effect from the commencement of import terminal services under the terms of the Terminal Services Agreements.

On the basis of the shareholders' approval received in August, the Board made the Final Investment Decision (FID) to proceed with the conversion and a name change to Channel Infrastructure NZ Limited (NZX:CHI) (Channel Infrastructure) to align with the commencement of import terminal operations from April 2022.

Conversion Costs

Total conversion cash costs (operating and capital) are expected to be in the range of $200 to $220 million incurred over the next five to six years, and c.$50 to $60 million of demolition costs longer-term. Any costs that meet the recognition criteria have been provided for as at 31 December 2021. Refer to note 15 for further details.

Impact on Financial Reporting

a) In the year ended 31 December 2021:

These financial statements have been prepared based on Group operations and include Management's best estimate of the impacts of the decision to convert from a refinery to an import terminal, including:

- **A non-cash impairment of Refinery assets** (including property, plant and equipment, right-of-use assets and inventories) amounting to $567 million ($408 million net of tax) being recognised in the Consolidated Income Statement – refer to notes 10, 11 and 18 for further details.
- **A revaluation of fuel import terminal's property, plant and equipment to fair value** amounting to $587 million ($423 million net of tax) being recognised in the Consolidated Statement of Comprehensive Income – refer to note 11 for further details.
- **Provision recognition in relation to the import terminal conversion** amounting to $176 million ($127 million net of tax) being recognised in the Consolidated Income Statement – refer to note 15 for further details.

b) Following conversion to an import terminal from April 2022:

- **Segmental reporting** Refining operations will cease on commencement of import terminal operations, which is expected to result in the Oil Refining segment being presented as 'discontinued operations' from that time, and the consequential alignment of reportable segments to the internal reporting for the import terminal. .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2 COVID-19 Pandemic

In March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. Global refining margins have remained significantly lower than the historical average during 2020 and 2021 due to the on-going fuel demand reduction – particularly jet fuel – resulting from travel and transport restrictions.

In response to the continued significant fuel demand reduction resulting from travel and transport restrictions and the consequential reduction in revenue through weak global refining margins and lower refinery throughputs (resulting in revenue at the Fee Floor in both 2020 and 2021), Refining NZ implemented the simplified refinery model from January 2021 by reducing refining capacity and workforce.

During the Level 3 and Level 4 lockdowns and subsequent restrictions (under the 'traffic light' settings as defined under the COVID-19 Protection Framework), all safety critical work continued, however, non-essential activity was limited. The Company established strict protocols to limit on-site personnel to essential staff only during periods of elevated COVID-19 risk and lockdowns, and to separate key operational staff and shifts. In parallel, the Company's employees and contractors were offered on-site vaccinations.

The lockdowns, especially those imposed in Auckland, resulted in lower demand for fuels from customers, resulting in the refining plant periodically being operated at reduced throughputs. Pipeline volumes were also significantly lower than pre-COVID-19 levels, predominantly due to lower jet fuel demand from the Auckland Airport.

The below outlines revenue impacts for the year ended 31 December 2021 from continued weak refiner's margins and lower pipeline throughputs:

- Our customers were invoiced the Fee Floor amounting to c. $140.5 million during the year ended 31 December 2021 (consistent with the previous corresponding period). The actual processing fee earned from operations was below the fee floor, resulting in $32.5 million (31 December 2020: $90 million) being paid by Customers as Fee Floor payments as outlined in Note 4.
- Pipeline throughputs in the year ended 31 December 2021 were 13.4 million barrels, around 9% lower than the previous corresponding period and 36% lower than in the 2019 (pre-COVID-19), predominantly due to reduction in demand for jet fuel into Auckland International Airport and Auckland lock-downs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Segment reporting

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

Management reviews the Group's internal reporting in order to assess performance and allocate resources including the definition of operating segments – oil refining and infrastructure:

- **Oil Refining** – the Company operates the Marsden Point oil refinery as a toll processor.
- **Infrastructure** – the Company owns infrastructure to support the distribution of manufactured products to its customers, including the Refinery to Auckland Pipeline (RAP) which transfers product to the Wiri Oil terminal located in South Auckland. In addition, the segment includes laboratory testing services undertaken by Independent Petroleum Laboratory Limited.
- **Inter-segment** – represents transactions between segments carried out on normal commercial terms.

Currently Management primarily uses revenue and adjusted earnings before depreciation, impairment, conversion costs, finance costs and income tax (or 'Adjusted EBITDA') of the Parent Company as measures to assess the performance of the operating segments. For Non-GAAP information refer to note 26.

Assets and liabilities information, depreciation, finance income and costs and taxes are managed on a Group basis and are therefore not presented as part of the segment information.

Revenue derived from major customers, and the relevant operating segments, is disclosed in note 5.

(b) Segment results

31 DECEMBER 2021	NOTE	OIL REFINING $000	INFRASTRUCTURE $000	TOTAL $000
External customer	4	187,104	46,990	234,094
Inter-segment		-	4,276	4,276
TOTAL INCOME (*)		187,104	51,266	238,370
Adjusted EBITDA(**)	26	33,839	35,429	69,268

31 DECEMBER 2020		OIL REFINING $000	INFRASTRUCTURE $000	TOTAL $000
External customer	4	200,423	45,324	245,747
Inter-segment		-	4,219	4,219
TOTAL INCOME (*)		200,423	49,543	249,966
Adjusted EBITDA(**)	26	25,912	32,666	58,578

(*) prior to consolidation eliminations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4 Income

Processing fees, pipeline fees and other services provided by the Group are identified as distinct performance obligations which are satisfied over time and for which a transaction price is separately determined and allocated.

Revenue from other contracts (primarily relating to provision of services) is recognised over time as goods or services are delivered to customers. Rental income from operating leases (including Wiri Oil terminal rental) is recognised on a straight-line basis in accordance with the substance of the relevant agreements. No significant judgement is involved in the price determination and allocation. An output method is applied to measure progress of the services provided.

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.

FOR THE YEAR ENDED 31 DECEMBER 2021	GROUP 2021 $000	GROUP 2020 $000
Comprises:		
Processing fees	**140,465**	141,601
Natural Gas recovery	**25,431**	30,156
Other refining related income	**20,101**	18,139
REFINING REVENUE	**185,997**	189,896
Pipeline fees	**29,437**	29,283
Other distribution income	**13,110**	11,750
DISTRIBUTION REVENUE	**42,547**	41,033
Other operating revenue	**3,198**	3,008
TOTAL REVENUE	**231,742**	233,937
Other income	**2,352**	11,810
TOTAL INCOME	**234,094**	245,747

The processing fee revenue is subject to a Fee Floor, which comes into effect if the total processing fee for a calendar year is below a minimum value. Actual processing fee revenue was circa $108 million in 2021 (2020: $50 million) compared to the guaranteed revenue of $140.5m (the Fee Floor) resulting in c.$32.5 million (2020: $90 million) earned as Fee Floor top-up payments from customers.

Included in other income was a gain on sale of assets of $1.1 million (2020: $5.9 million). (2020 also included $5.1 million of COVID-19 wages subsidy received from the New Zealand Government).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

5 Related parties

(a) Shareholders and other related parties

The Group enters into transactions with the oil companies who are also shareholders of the Parent, and Wiri Oil Services Limited (Wiri Oil), a company that is owned by shareholders of the Parent. Details of shareholdings as at 31 December are:

	2021 %	2020 %
bp New Zealand Holdings Limited (BP)	**8.48**	10.09
Mobil Oil NZ Limited (Mobil)	**14.44**	17.18
Z Energy Limited (Z Energy)	**12.90**	15.34

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

- **Processing fees** – separate processing agreements with each of the three oil companies have been in place since 1995. These agreements will be terminated and replaced with the long-term Terminal Services Agreements, upon commencement of import terminal services expected to occur in April 2022. Refer to note 1.

  In 2021 c. 89% (2020: c.91%) of the Group's total revenue was earned under the processing agreements. For credit terms refer to note 21.

- **Distribution revenue** – includes Refinery to Auckland Pipeline fees, terminaling and handling fees associated with products imported by the oil companies, as well as other income associated with the Wiri Oil infrastructure that is owned by the Parent Company and located on the land owned by Wiri Oil. These fees are earned under the existing Processing Agreements which will be replaced by the Terminal Services Agreements upon commencement of import terminal services expected to occur in April 2022. Refer to note 1.

  The land and plant are leased back to Wiri Oil. The leases are non-cancellable operating leases, which expire in February 2025 with no right of renewal. At the end of the lease term, ownership of the Wiri Oil terminal reverts to Wiri Oil Services Limited.

- **Excise Duty** – collected from the Oil Companies and paid to the New Zealand Customs Service on the same day each month (refer notes 16 and 19) and is included in the below balances outstanding as at 31 December. Following the commencement of import terminal services, the Company will no longer be a Customs Controlled Area and will therefore cease to collect and pay excise duty as described above.

- **Purchases of goods and services** – the Group purchases sulphur, a by-product of the refining process, which is on sold to third parties, and other fuels. In addition, a portion of insurance premium in relation to material damage and business interruption is paid to companies related to shareholders.

Revenue, purchases and other charges from related parties

	Revenue*				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	
	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000
BP	**60,958**	59,160	**20,569**	40,402	**1,159**	96	**105**	58	**401**	372	**-**	-
Mobil	**56,231**	57,781	**54,451**	21,431	**1,181**	148	**70**	139	**526**	571	**-**	-
Z Energy	**89,208**	96,581	**59,000**	92,795	**1,431**	141	**269**	95	**-**	-	**-**	-
Wiri Oil	**6,955**	7,004	**45**	42	**-**	-	**-**	-	**-**	-	**-**	-
TOTAL	**213,352**	220,526	**134,065**	154,670	**3,771**	385	**444**	292	**927**	943	**-**	-

* Revenue excludes excise duty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(b) Directors' fees and key management personnel compensation

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

	GROUP 2021 $000	GROUP 2020 $000
Salaries and other short-term employee benefits	**3,319**	3,915
Post-employment benefits	**123**	115
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION	**3,442**	4,030
Directors' fees	**790**	779
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION & DIRECTORS' FEES	**4,232**	4,809

Salaries and other short-term employee benefits in 2020 include fees paid to Mr P Zealand totalling $187,000 who acted as Managing Director during the period February to April 2020 to assist in the CEO transition.

The cost associated with the key management personnel's share scheme (not included in the above key management personnel compensation) amounts to $0.9 million (2020: $0.2 million). Refer to note 23 for further information.

6 Taxation

(a) Income tax expense

	NOTE	GROUP 2021 $000	GROUP 2020 $000
Net loss before income tax expense		**(765,060)**	(271,412)
Tax at the New Zealand corporate income tax rate of 28% (2020: 28%)		**(214,217)**	(75,995)
Tax effect of amounts which are either non-deductible or taxable in calculating taxable income:			
Income not assessable for tax		**-**	(1,286)
Expenses not deductible for tax		**1,220**	3,783
Adjustments in respect of current income tax in respect of previous years		**566**	365
INCOME TAX EXPENSE		**(212,431)**	(73,133)
Represented by:			
Current tax expense		**(5)**	(389)
Deferred tax recognised in the income statement	6(b)	**(212,426)**	(72,744)
INCOME TAX EXPENSE		**(212,431)**	(73,133)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

6 Taxation (continued)

b) Deferred tax

	NET DEFERRED TAX ASSET / (LIABILITY)	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	NET DEFERRED TAX ASSET / (LIABILITY)	DEFERRED TAX ASSET	DEFERRED TAX LIABILITY
	1 JAN 2020			31 DEC 2020		
	$000	$000	$000	$000	$000	$000
Property, plant and equipment	(156,909)	63,031	-	(93,878)	-	(93,878)
Provisions	3,305	(2,053)	-	1,252	1,252	-
Employee benefits	13,012	781	1,156	14,949	14,949	-
Financial instruments	1,044	-	(3,106)	(2,062)	-	(2,062)
Intangibles	493	(719)	-	(226)	-	(226)
Right-of-use assets	(513)	(195)	-	(708)	-	(708)
Leases	565	227	-	792	792	-
Inventory	1,344	947	-	2,291	2,291	-
Tax losses	4,848	10,725	-	15,573	15,573	-
TOTAL	(132,811)	72,744	(1,950)	(62,017)	34,857	(96,874)

	NET DEFERRED TAX ASSET / (LIABILITY)	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	NET DEFERRED TAX ASSET / (LIABILITY)	DEFERRED TAX ASSET	DEFERRED TAX LIABILITY
	1 JAN 2021			31 DEC 2021		
	$000	$000	$000	$000	$000	$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)**

The Group has unused tax losses of $70.0 million (2020: $54.9 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% 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Any significant change in the shareholding of Refining NZ, 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 prior to the import terminal conversion, the carry forward of tax losses would be subject to the Business Continuity Test and therefore dependent on "there being no major" or a "permitted major change" in the business.

7 Earnings per share

Earnings per share is calculated by dividing the loss 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 23 have no material dilutive effect on the earnings per share.

		NOTE	TOTAL 2021	TOTAL 2020
Loss after tax attributable to shareholders of the Company	($000)		**(552,629)**	(198,279)
Weighted average number of shares on issue	000's	8	**317,756**	312,293
BASIC AND DILUTED EARNINGS PER SHARE	Cents		**(173.9)**	(63.5)

8 Equity and dividends

Contributed Equity. The issued capital of the Company as at 31 December 2021 is represented by 372,223,477 ordinary shares (2020: 312,893,643) issued and fully paid, less 1,175,163 (2020: 519,859) treasury shares held by CRS Nominees Limited. All ordinary shares rank equally with one vote attached to each ordinary share.

In 2021 the Parent issued 47,022,683 shares as an institutional placement, and 11,716,235 shares pursuant to a Share Purchase Plan (SPP). The issue shares rank equally with existing fully paid ordinary shares.

Revaluation reserve. Revaluation reserve represents an accumulated revaluation gain on property, plant and equipment valued at fair value. Please refer to note 11 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 (refer to note 23).

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 within the Share Rights Scheme. Amounts are transferred to share capital when the shares vest to the employee (refer to note 23).

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 22).

Dividends. No dividends were paid or declared in 2021 (2020: nil). Imputation credits available to shareholders, subject to 66% shareholder continuity, for subsequent reporting periods amount to $20.9 million as at 31 December 2021 (2020: $20.9 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

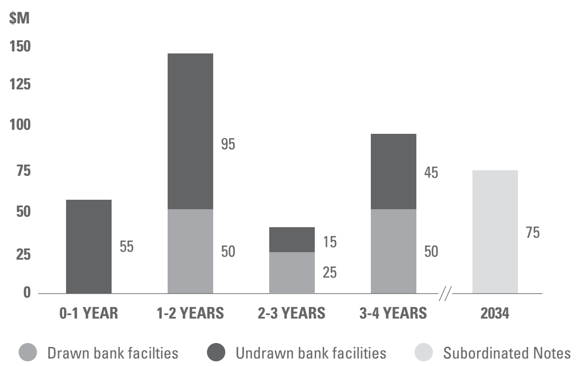
FOR THE YEAR ENDED 31 DECEMBER 2021

9 Borrowings

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 to meet funding requirements. The Parent borrows under a negative pledge arrangement which requires certain certificates and covenants.

In 2021, the Company extended its $25 million facility maturing in September 2021 out to March 2023 and increased its existing committed bank facilities by $30 million with maturities between December 2022 and March 2023. As at 31 December 2021 total committed facilities amounted to $335 million (or $410 million including the subordinated notes on issue). The weighted average total debt tenor as at 31 December 2021 was 3.7 years.

The maturity profile of the Company's borrowing facilities as at 31 December 2021, including the utilisation of those facilities and undrawn amounts is as follows:



The carrying value of the subordinated notes as at 31 December 2021 amounts to $74.7 million. The difference between the carrying value and the $75 million face value is due to unamortised issue costs and accrued interest. The subordinated notes expire on 1 March 2034, noting that the first election date, when the Company may either redeem the notes or to offer new conditions to the noteholders, is in March 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Right-of-use assets and lease liabilities

Lease liabilities as at 31 December 2021 are associated with the lease of the oil tanker jetty seabed and offices. The right-of-use asset is depreciated over the period until the expiry of the lease.

The Group also has leases of platinum held in catalysts, used in the oil refining process. As at 31 December 2021, following the decision to convert to an import terminal, the Group recognised an impairment of the right-of-use assets associated with platinum, while the lease liability continues to be recognised until the expiry of the leases.

There are no restrictions or covenants imposed by leases, or exposure arising from residual value guarantees.

The Consolidated Balance Sheet shows the following amounts relating to right-of-use assets and lease liabilities:

	GROUP 2021 $000	GROUP 2020 $000
Right-of-use assets		
Opening net book value	**3,335**	4,028
Additions	**-**	273
Lease extensions and modifications	**540**	659
Depreciation charge	**(952)**	(455)
Impairment	**(2,273)**	(1,170)
CLOSING NET BOOK AMOUNT	**650**	3,335
Cost	**801**	5,581
Accumulated depreciation and impairments	**(151)**	(2,246)
NET BOOK AMOUNT, INCLUDING:	**650**	3,335
Freehold land and improvements	**524**	545
Buildings and jetties	**126**	178
Refining Plant	**-**	1,395
Catalysts	**-**	1,217

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Right-of-use assets and lease liabilities (continued)

	GROUP 2021 $000	GROUP 2020 $000
Lease liabilities		
Opening lease liability	**4,142**	3,454
Additions	**-**	284
Lease extensions and modifications	**540**	659
Revaluations	**175**	(55)
Lease payments (capital portion)	**(2,452)**	(200)
CLOSING LEASE LIABILITY, INCLUDING:	**2,405**	4,142
Current	**805**	202
Non-current	**1,600**	3,940

The Consolidated Income Statement includes the following amounts in relation to leases:

	GROUP 2021 $000	GROUP 2020 $000
Depreciation charge	**952**	455
Impairment	**2,273**	1,170
Interest expense (included in Finance costs)	**330**	352
Expense relating to short-term leases (included in Administration and other costs)	**208**	190
Expense relating to leases of low-value assets that are not short term leases (included in Administration and other costs)	**343**	427

The total cash outflow for leases in 2021 was $2.8 million (2020: $0.9 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

11 Property, plant and equipment, and investment property

Property, plant and equipment are included in the negative pledge arrangement as detailed in note 9.

(a) Impairment of property, plant and equipment

The Final Investment Decision taken by the Board on 22 November 2021, to cease refining operations from April 2022, has resulted in the Company recognising a non-cash impairment of all refining assets (part of property, plant and equipment that will not be used in the import terminal operations). The impairment of property, plant and equipment amounted to c.$552 million and is reflected in the Consolidated Income Statement as "Impairment of assets", together with the impairment of inventories (c.$13 million) (refer to note 18) and right-of-use assets (c.$2 million). (Total impairment charge of $567 million (2020: $224 million)). The residual value of refining assets was assessed at $34 million, based on an independent assessment of the scrap value of refining plant (post demolition) and the fair value of refining units that could be sold or used in the production of renewable fuels.

(b) Revaluation of property, plant and equipment

Effective from 31 December 2021, the Group has changed its accounting policy in relation to property, plant and equipment from a historical cost measurement base to a revaluation model. The change in accounting policy was made to provide readers of the financial statements with more relevant information regarding the value of the infrastructure assets, owned and operated by the Group, in accordance with NZ IAS 16 *Property, plant and equipment* and NZ IAS 8 *Accounting policies, changes in accounting estimates and errors* (refer to note 1).

All property, plant and equipment is recognised at fair value 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.

The carrying amount of the Group's property, plant and equipment that will be used in the import terminal, under the cost model was $248 million as at 31 December 2021.

(c) Fair valuation of import terminal property, plant and equipment

The Company engaged PwC, a qualified independent valuer to provide a valuation of the Group's import terminal property, plant and equipment as at 31 December 2021. The valuation, undertaken in accordance with NZ IAS 16 – *Property, Plant and Equipment* and NZ IFRS 13 – *Fair Value Measurement*, established a "fair value" based on the price a market participant could obtain from selling the assets in an orderly, well-structured competitive sales process, and includes the benefit from a higher tax depreciable value of property, plant and equipment for an acquirer. The net present value methodology was used to determine a market participants sales value.

The fair value of assets (excluding the value of capital work in progress, surplus land and residual value of refining assets) was determined to be in the range of $756 million to $822 million, with a mid-point valuation of $793 million used for asset revaluation purposes. This valuation exceeded the carrying value of property, plant and equipment by $587 million which was recognised through the Consolidated Statement of Comprehensive Income (Revaluation Reserve). As a consequence of the revaluation, accumulated depreciation on the import terminal assets has been reset to nil.

The key assumptions underpinning the valuation include:

- **Fuel demand forecasts.** Demand forecasts were formulated by a third party oil and gas market expert, and are largely consistent with the outlook presented in the Explanatory Booklet dated 5 July 2021 (issued for the purpose of the August 2021 Shareholder's Meeting in connection with a proposal to convert to an import terminal).

  According to the demand outlook, petrol and diesel demand will start declining from circa 2025 and 2030, respectively. While there is significant uncertainty in relation to the future demand and demand peaks, this outlook was largely in line with the Climate Change Commission's report on New Zealand's carbon budgets issued in June 2021. Jet fuel demand forecasts have a wide range due to the uncertainty around COVID-19 recovery and viable alternative sources of energy for air travel, however expert forecasts have demand forecast to recover to pre-COVID-19 levels by 2027, growing until circa 2040. The valuation forecast includes a terminal value at a negative growth rate of 2.5% after the 30-year forecast period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

11 Property, plant and equipment, and investment property (continued)

- **Import terminal fees.** Terminal fees were estimated based on the fuel demand forecasts for the Company, and the pricing that is consistent with Terminal Services Agreements and Private Storage Agreements agreed with the customers, and subject to a PPI escalation.
- **Operating costs and capital spend.** Operating costs and capital spend associated with the fuel only import terminal operation are largely consistent with the earlier provided market guidance on 29 November 2021, and subject to inflationary increase in the longer-term. Cash flows used for import terminal asset valuation exclude those conversion costs that are related to refining assets and winding up of refining operations.
- **Discount rate.** The independent valuer has used a nominal post-tax weighted average cost of capital range between 6.4% to 7.1%, with a mid-point estimate of 6.7%.

Tax amortisation benefit. As set out above, it is assumed that in a well-structured, competitive sales process, an acquirer would ascribe full value to the higher depreciable tax base of the property, plant and equipment in an asset acquisition. Based on the mid-point valuation of $793 million, this would amount to c.$100 million.

The following table outlines a range of sensitivities associated with each of the key assumptions, across the full period modelled and based on a range of potential outcomes for each of these assumptions. It should be noted that changes in a combination of the key assumptions could also have a significant impact upon the fair valuation:

	SENSITIVITY	VALUATION IMPACT
Volumes	+/-10%	$55m / ($52m)
Operating costs	+/-10%	($42m) / $43m
Capital expenditure	+/-20%	($18m) / $18m
Discount rate	+/-1%	($132m) / $105m

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(d) 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 standard useful lives used by the Group are as follows:

	USEFUL LIVES (YEARS)
Freehold improvements	5-50
Buildings and jetties	5-50
Plant	5-50
Refinery to Auckland Pipeline	10-78
Equipment and vehicles	3-25

The depreciation charge for the year comprises:

	NOTE	**GROUP 2021 $000**	**GROUP 2020 $000**
Depreciation on Property, Plant and Equipment	11(e)	**82,657**	86,550
Depreciation on Right-to-Use Assets	10	**952**	455
Loss on disposal of Property, Plant and Equipment		**429**	213
DEPRECIATION CHARGE		**84,038**	87,218

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

11 Property, plant and equipment, and investment property (continued)

(e) Summary of fixed assets movements

	NOTE	FREEHOLD LAND AND IMPROVEMENTS $000	BUILDINGS AND JETTIES $000	REFINING PLANT $000
AT 1 JANUARY 2020				
Cost		77,093	200,943	3,032,031
Accumulated depreciation		(55,546)	(106,602)	(2,203,948)
NET BOOK AMOUNT		21,547	94,341	828,083
YEAR ENDED 31 DECEMBER 2020				
Opening net book value		21,547	94,341	828,083
Additions/transfers		916	8,867	32,392
Disposals		-	-	(225)
Depreciation charge	11(d)	(1,743)	(5,279)	(71,258)
Impairment of assets		-	(75)	(211,100)
CLOSING NET BOOK AMOUNT		20,720	97,854	577,892
AT 31 DECEMBER 2020				
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	11(d)	**(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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

EQUIPMENT AND VEHICLES	REFINERY TO AUCKLAND PIPELINE	IMPORT TERMINAL SYSTEM	CAPITAL WORK IN PROGRESS	TOTAL	INVESTMENT PROPERTY
$000	$000	$000	$000	$000	$000
134,204	224,621	-	77,379	3,746,271	5,250
(94,655)	(119,469)	-	-	(2,580,220)	-
39,549	105,152	-	77,379	1,166,051	5,250
39,549	105,152	-	77,379	1,166,051	5,250
911	(18)	-	(17,957)	25,111	-
-	-	-	-	(225)	-
(4,343)	(3,927)	-	-	(86,550)	-
-	-	-	(11,328)	(222,503)	-
36,117	101,207	-	48,094	881,884	5,250
135,346	224,603	-	59,422	3,759,703	5,250
(99,229)	(123,396)	-	(11,328)	(2,877,819)	-
36,117	101,207	-	48,094	881,884	5,250
36,117	**101,207**	**-**	**48,094**	**881,884**	**5,250**
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**	**5,250**
(21,589)	**(97,795)**	**219,635**	**-**	**-**	**-**
-	**-**	**575,907**	**-**	**587,182**	**950**
-	**-**	**795,542**	**24,275**	**869,136**	**6,200**
-	**-**	**795,542**	**24,275**	**869,136**	**6,200**
-	**-**	**-**	**-**	**-**	**-**
-	**-**	**795,542**	**24,275**	**869,136**	**6,200**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

12 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 will come 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, including those that are expected to be surrendered to the Crown.

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 (2020: Nil).

13 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 refining plant located at Wiri, South Auckland, to Wiri Oil Services Limited (refer to note 5) under a non-cancellable operating lease which expires in February 2025 with no right of renewal. The annual Wiri land and terminal lease income and cost are recognised on a straight-line basis over the period of lease and amounted to $0.5 million and $6.0 million, respectively, in 2021 (2020: $0.5 million and $6.0 million);
- Lease of some surplus land at Marsden Point – the original lease ending in 2021 was renewed by the lessor for another period of 21 years.

	GROUP 2021 $000	GROUP 2020 $000
Lease payments receivable from operating leases where the group is a **lessor**		
No later than one year	**6,663**	6,589
One to five years	**8,536**	14,692
Beyond five years	**2,088**	-
TOTAL	**17,287**	21,281

14 Contractual commitments

Commitments are related to asset purchases and other on-going contractual commitments as at the reporting date but not provided for in the consolidated financial statements. As at 31 December 2021 the total contractual commitments amounted to $21.5 million (31 December 2020: $20.2 million), and are primarily related to site reconsenting obligations and import terminal conversion project costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

15 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 an inflation rate of 1.9% (2020: 1.5%) and discount rates between 1.3% and 3.1% (2020: 3.58%), respectively.

As outlined in note 1, the Group recognised a number of provisions as a result of the import terminal conversion.

	SHUT DOWN AND DECOMMISSIONING	DEMOLITION AND RESTORATION	WORKFORCE AND OTHER PROVISIONS	TOTAL
	$000	$000	$000	$000
AT 1 JANUARY 2020	-	11,800	1,302	13,102
Additions	-	-	4,372	4,372
Disposals	-	(5,100)	(400)	(5,500)
Finance costs	-	200	-	200
AT 31 DECEMBER 2020	-	6,900	5,274	12,174
Current	-	-	4,372	4,372
Non-current	-	6,900	902	7,802
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**
Disposals	**(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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

15 Provisions (continued)

The provisions as at 31 December 2021 include:

- **Refinery shut-down and decommissioning**

Costs associated with the staged shut-down of refining assets and the subsequent decommissioning of redundant assets which are not suitable for immediate repurposing. This includes the de-inventorying, de-energising and isolation of redundant assets to leave them in a safe condition for future demolition. Redundant assets include the Refinery processing units, surplus tanks, piping and other equipment not required for terminal operation and surplus utility infrastructure including boilers and a portion of the electrical system.

- **Demolition and restoration**

Included in demolition and restoration provisions is 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 Refining NZ's commitments, as part of the resource consents obtained in April 2021, to continue maintaining the current high level of environmental standards. Environmental measures at Marsden Point include operation of a groundwater hydraulic containment system and hydrocarbon recovery program reducing the extent of legacy contamination over time as part of the ongoing remediation of the site.

As a condition of the resource consent, Refining NZ has also committed to work with the Northland Regional Council ahead of time (during the 20th year of consent or at least 12 months prior to the cessation of terminal operations) to set out the actions necessary to maintain compliance for the discharges of contaminants. Given the unknown nature of the future activities that may be agreed with the Northland Regional Council, no liability has been recognised in the Consolidated Balance Sheet other than the cost associated with ongoing environmental monitoring activities over a period of 20 years. (Refer to note 24).

- **Workforce and other provisions**

As a result of the transition, the current Group's workforce of c.300 is expected to reduce over the two years following commencement of import terminal operations to c.70 employees. The total cost of the workforce transition and restructure (including employee benefits such as long service leave and retirement provisions that were previously separately recognised as Employee Benefits in the Consolidated Balance Sheet) is estimated at $26 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

16 Trade and other receivables

	NOTE	GROUP 2021 $000	GROUP 2020 $000
Processing fees		**11,939**	11,967
Product distribution		**4,204**	3,027
Other trade receivables		**4,461**	3,696
Excise duty	19	**114,222**	135,793
Derivatives pending settlement		**-**	929
Other receivables and prepayments		**5,021**	5,482
TOTAL TRADE AND OTHER RECEIVABLES		**139,847**	160,894

Trade receivables in respect of processing fees and distribution are due from customers, non-interest bearing and are normally settled on 7 to 21-day terms.

Excise duty receivable is 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 19).

Other receivables and prepayments generally arise from transactions outside the usual operating activities of the Group, for example prepaid insurance premiums.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Therefore, the Group does not adjust any of the transaction prices for the time value of money.

No allowance for impairment loss has been recognised as at 31 December 2021 (2020: Nil). Credit risk disclosures required pursuant to NZ IFRS 9 are outlined in note 21(b).

The carrying value of trade receivables approximates their fair values.

Trade and other receivables related party balances are disclosed in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

17 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 loss:

	NOTE	GROUP 2021 $000	GROUP 2020 $000
NET LOSS AFTER INCOME TAX		**(552,629)**	(198,279)
Adjusted for:			
Depreciation and disposal costs	11(d)	**84,038**	87,218
Impairment		**567,361**	223,697
Movement in deferred tax	6(b)	**(42,971)**	(70,794)
Add movement in deferred tax on items included in other comprehensive income	6(b)	**(169,455)**	(1,950)
Movement in provisions	15	**173,263**	(4,841)
Less (increase)/decrease in provisions relating to property, plant and equipment		**(17,739)**	5,096
Employee share scheme entitlement reserve	23	**1,076**	448
(Increase)/decrease in intangibles	12	**(17,091)**	12,169
Less proceeds from sale of intangibles		**(1,947)**	(13,320)
Interest and other non-cash movements		**(4,879)**	(679)
Impact of changes in working capital items			
Decrease/(increase) in trade and other receivables	16	**21,047**	(15,831)
(Decrease)/increase in trade and other payables	19	**(7,585)**	(8,266)
Less increase/(decrease) in trade and other payables relating to property, plant and equipment and intangibles		**291**	4,392
Less other non-cash increase in trade and other payables		**2,650**	-
(Decrease)/increase in employee benefits	20	**(33,826)**	7,333
Less employee entitlements included in other comprehensive income	20(c)	**20,225**	(4,130)
(Increase)/decrease in income tax receivable		**(7)**	5,218
Decrease in inventories	18	**12,873**	4,143
NET CASH INFLOW FROM OPERATING ACTIVITIES		**34,695**	31,624

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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	BORROWINGS DUE WITHIN ONE YEAR	BORROWINGS DUE AFTER ONE YEAR	NET DEBT POSITION	FINANCE LEASE DUE WITHIN ONE YEAR	FINANCE LEASE DUE AFTER ONE YEAR	TOTAL
	$000	$000	$000	$000	$000	$000	$000
NET (CASH)/ DEBT AS AT 1 JANUARY 2020	(5,255)	-	246,616	241,361	248	3,206	244,815
Cash flows (Cash)	(38,034)	-	27,995	(10,039)	-	-	(10,039)
Finance lease payments	-	-	-	-	(200)	-	(200)
Other non-cash movements	-	-	-	-	154	734	888
NET (CASH)/DEBT AS AT 1 JANUARY 2021	**(43,289)**	**-**	**274,611**	**231,322**	**202**	**3,940**	**235,464**
Cash flows	**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 31 DECEMBER 2021	**(16,069)**	**-**	**199,698**	**183,629**	**805**	**1,600**	**186,034**

Cash and cash equivalents include $3.0 million (2020: $4.6 million) held by Refining NZ's electricity futures broker as collateral and $4.9 million (2020: nil) held as cash prudential for spot electricity purchases.

18 Inventories

Inventories have reduced significantly due to an impairment of the Refinery's stock and spare parts recognised as at 31 December 2021 of $13.1 million (2020: $8.2 million) under "Impairment of assets" in the Consolidated Income Statement (together with an impairment of property, plant and equipment, and right-of-use assets).

The consumption of inventories is recognised as part of the purchase of process materials and utilities and materials and contractor payments expense lines in the Consolidated Income Statement.

Inventories are included in the negative pledge arrangement (refer note 9).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

19 Trade and other payables

	NOTE	GROUP 2021 $000	GROUP 2020 $000
Trade payables		**21,321**	22,563
Derivatives pending settlement		**1,417**	-
Goods and services tax payable		**354**	909
Deferred income	12	**17,853**	3,487
Excise duty	15	**114,222**	135,793
TOTAL TRADE AND OTHER PAYABLES		**155,167**	162,752

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

Changes to excise duties have no direct impact on the results of the Group as they are collected from the oil companies (note 16) and paid to the New Zealand Customs Service on the same day each month.

Deferred income relates to the New Zealand Units (NZUs) received in advance – refer to note 12.

Trade and other payables related party balances are disclosed in note 5.

20 Employee benefits

Liabilities for employee benefits comprise the following:

		2021			2020		
	NOTE	CURRENT $000	NON-CURRENT $000	TOTAL $000	CURRENT $000	NON-CURRENT $000	TOTAL $000
Defined benefit pension plan	20(a)	**-**	**4,227**	**4,227**	-	32,733	32,733
Medical plan	20(a)	**48**	**3,726**	**3,774**	17	7,185	7,202
Wages, salaries, annual leave and sick leave		**9,542**	**-**	**9,542**	6,466	-	6,466
Long-service leave and retirement bonus		**347**	**-**	**347**	414	4,901	5,315
TOTAL		**9,937**	**7,953**	**17,890**	6,897	44,819	51,716

Defined benefit pension plan (scheme closed since 31 December 2002)

Nature of benefits

The Parent contributes to a defined benefit pension plan (the "Plan") for eligible employees. The defined benefit pension plan obligation is calculated annually by independent actuaries using the projected unit credit method, at present value of the estimated future cash outflows using interest rates of government bonds that have terms to maturity approximating the terms of the related pension liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Total membership of the scheme as at 31 December 2021 was 131 (2020: 192) and includes:

- current staff members contributing to the scheme, who have pension entitlements based on final salary and membership;
- retirees/pensioners receiving regular pension payments;
- members receiving disability pensions, which can be paid from the Plan until normal retirement age.

The Fund was curtailed during 2021 on recognition of the restructuring outlined in Note 15 (2020: Nil), refer to "Restructuring curtailment", following the closure of the Refinery (refer to note 1) and new employment agreements in place for Channel Terminal Services Limited which exclude Defined Benefit Pension Plan benefits.

Regulatory framework

The Financial Markets Authority licenses and supervises regulated superannuation schemes. The Fund is an employer related restricted workplace savings scheme under the Financial Markets Conduct Act 2013 (the Act).

The Act requires an actuarial valuation to be performed for each defined benefit superannuation scheme at least every three years to assess whether the Company's current level of contributions to the Plan is sufficient to meet future obligations (funding valuation).

Responsibilities for the governance of the fund

The Trustees of the Fund are responsible for the governance of the Fund. The Trustees are appointed by the Company and have a legal obligation to act solely in the best interests of the Fund beneficiaries. The Trustees have the following roles:

- Administration of the Fund and payment to the beneficiaries from Plan assets when required in accordance with the Plan rules.
- Management and investment of the Plan assets.
- Compliance with superannuation law and other applicable regulations.

Description of risks

Under the defined benefit pension plan the Group has a legal obligation to pay further contributions if the Fund does not hold sufficient assets to pay all employees the benefits they are entitled to. There are a number of risks that could expose the Company to such a shortfall; the more significant risks being:

- **Investment returns** – the funding valuation assumes a certain return on assets, which will be available to fund liabilities. Lower than assumed returns could require the Company to increase contributions to offset the shortfall.
- **Life expectancy** – the majority of the Plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the Plan's liabilities.

The Plan liabilities are calculated, for financial reporting purposes, using a discount rate set with reference to New Zealand Government Bonds. A decrease in the government bond yield will increase Plan liabilities for financial reporting purposes, but not necessarily impact upon the funding requirements of the Company.

Restructuring curtailment

In November 2021, the Company recognised a provision for restructuring costs associated with the transition from a refinery to an import terminal as described further in note 1. This triggered the curtailment of the defined benefit pension plan, resulting in a curtailment gain of $1.6 million (or $2.4 million including contributions tax) being recognised in the Consolidated Income Statement as part of "wages, salaries and other benefits".

Cash-Out offer

In May 2021, the Company offered pensioner members of the defined benefit pension plan the choice of converting some or all of their pension benefits to a one-off cash lump sum. In total 65 pension fund members accepted the offer. In addition, seven former members of the fund were made redundant as part of the refinery simplification (refer to note 1). Total settlement payments in relation to the cash-out offer and redundancies amounted to $25.4 million, extinguishing defined benefit obligations of $30.2 million, resulting in a settlement gain of $4.7 million (or $7.0 million including contributions tax). The settlement gain was recognised in the Consolidated Income Statement as part of "wages, salaries and other benefits".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

20 Employee benefits (continued)

Medical plan (scheme closed since 1996)

The Parent pays health insurance premiums in respect of nine former employees (2020: 15 former and current employees) when they retire, 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.

In 2021, beneficiaries of the medical plan were offered the choice of converting their entitlements to post-retirement health insurance benefits to a one-off cash lump sum. Six retirees (2020: three retirees) accepted the cash out offer and a total of $0.6 million (2020: $0.1 million) was paid out to the beneficiaries, resulting in a settlement gain of $2.7 million (2020: $0.9 million) recognised in the Consolidated Income Statement as part of "wages, salaries and other benefits".

Long-service leave and retirement bonus

Long service leave and retirement bonuses are measured based on an actuarial assessment and represent the present value of the estimated future cash outflows, which are expected as a result of employee services provided up to the balance date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(a) Reconciliation of medical and defined benefit pension plan

		MEDICAL PLAN			PENSION PLAN		
	NOTE	PRESENT VALUE OF OBLIGATION $000	FAIR VALUE OF PLAN ASSETS $000	TOTAL $000	PRESENT VALUE OF OBLIGATION $000	FAIR VALUE OF PLAN ASSETS $000	TOTAL $000
AT 1 JANUARY 2020 EXCLUDING TAXES		(10,062)	-	(10,062)	(108,322)	91,634	(16,688)
Amounts recognised in Consolidated Income Statement:							
Current service cost		-	-	-	(2,117)	-	(2,117)
Interest (expense)/income		(103)	-	(103)	(1,126)	939	(187)
Settlement gain		933	-	933	-	-	-
	20(b)	830	-	830	(3,243)	939	(2,304)
Amounts recognised in Other Comprehensive Income (excluding contributions tax):							
Actual return on plan assets less interest income		-	-	-	-	676	676
Actuarial losses arising from changes in assumptions		(745)	-	(745)	(5,310)	-	(5,310)
Actuarial gains arising from liability experience		2,397	-	2,397	759	-	759
	20(c)	1,652	-	1,652	(4,551)	676	(3,875)
Contributions:							
– Employers		-	-	-	-	936	936
– Plan participants		-	-	-	(394)	394	-
Benefits paid		379	-	379	5,458	(5,458)	-
Premiums and expenses paid		-	-	-	341	(341)	-
Net Liability Excluding Taxes		(7,201)	-	(7,201)	(110,711)	88,780	(21,931)
Contributions Tax							(10,802)
NET LIABILITY IN BALANCE SHEET 31 DECEMBER 2020				(7,201)			(32,733)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

20 Employee benefits (continued)

		MEDICAL PLAN			PENSION PLAN		
	NOTE	PRESENT VALUE OF OBLIGATION $000	FAIR VALUE OF PLAN ASSETS $000	TOTAL $000	PRESENT VALUE OF OBLIGATION $000	FAIR VALUE OF PLAN ASSETS $000	TOTAL $000
AT 1 JANUARY 2021 EXCLUDING TAXES		(7,201)	-	(7,201)	(110,711)	88,780	(21,931)
Amounts recognised in Consolidated Income Statement:							
Current service cost		-	-	-	(1,712)	-	(1,712)
Interest (expense)/income		(17)	-	(17)	(281)	229	(52)
Settlement & curtailment gain		2,657	-	2,657	6,323	-	6,323
	20(b)	2,640	-	2,640	4,330	229	4,559
Amounts recognised in Other Comprehensive Income (excluding contributions tax):							
Actual return on plan assets less interest income		-	-	-	-	7,869	7,869
Actuarial losses arising from changes in assumptions		328	-	328	6,017	-	6,017
Actuarial losses arising from liability experience		(318)	-	(318)	(342)	-	(342)
	20(c)	10	-	10	5,675	7,869	13,544
Contributions:							
– Employers		-	-	-	-	996	996
– Plan participants		-	-	-	(281)	281	-
Benefits paid		777	-	777	30,628	(30,628)	-
Premiums and expenses paid		-	-	-	358	(358)	-
Net Liability Excluding Taxes	20(d)	(3,774)	-	(3,774)	(70,001)	67,169	(2,832)
Contributions Tax							(1,395)
NET LIABILITY IN BALANCE SHEET 31 DECEMBER 2021				(3,774)			(4,227)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(b) Amounts recognised in the Consolidated Income Statement

	MEDICAL PLAN		PENSION PLAN	
	2021 $000	2020 $000	2021 $000	2020 $000
Service cost	**-**	-	**1,712**	2,117
Net interest cost	**17**	103	**52**	187
Settlement & curtailment gain	**(2,657)**	(933)	**(6,323)**	-
PLAN EXPENSE	**(2,640)**	(830)	**(4,559)**	2,304
Contributions tax	**-**	-	**(2,245)**	1,137
PLAN EXPENSE PLUS TAXES	**(2,640)**	(830)	**(6,804)**	3,441

(c) Amounts recognised in the Consolidated Statement of Comprehensive Income

	2021 $000	2020 $000
Defined benefit actuarial gain/(loss)	**5,675**	(4,551)
Actual return on plan assets less interest income	**7,869**	676
Actuarial gain medical scheme	**10**	2,585
Gains arising from settlement	**-**	(933)
Total recognised in other comprehensive income	**13,554**	(2,223)
Contributions tax	**6,671**	(1,907)
Total recognised in other comprehensive income with contributions tax	**20,225**	(4,130)

(d) Fair value of defined benefit pension plan assets

	SIGNIFICANT INPUTS LEVEL 2 $000
Net current assets	**376**
Debt instruments	**5,875**
Investment Funds – Composite Funds	**60,918**
TOTAL ASSETS	**67,169**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

20 Employee benefits (continued)

The percentage invested in each asset class at the balance date are:

	PENSION PLAN	
	2021	**2020**
Australasian Equity	**9.9%**	11.1%
International Equity	**33.9%**	33.5%
Fixed Income	**33.9%**	33.1%
Cash	**9.5%**	10.8%
Property and Other	**12.8%**	11.5%

(e) Actuarial assumptions and funding arrangements

Assumptions are determined either by the Group in consultation with the independent actuary (such as expected rate of salary increases) or by the independent actuary (mortality in retirement, discount rate).

As at 31 December 2021 the following actuarial assumptions were applied:

	2021		2020	
	MEDICAL PLAN	PENSION PLAN	MEDICAL PLAN	PENSION PLAN
Discount rate	**2.7%**	**2.7%**	1.8%	1.7%
Expected rate of future salary increases	**-**	**-**	-	1.5%
Pension increases	**-**	**No provision**	-	No provision
Mortality in retirement	**2019 mortality table, set back by 1 year, together with an age related future mortality improvement scale.**		New Zealand Life Tables 2012-2014 mortality table, set back by 1 year, together with an age related future mortality improvement.	
Health insurance premium	**8.0%**	**-**	8.0%	-
Rate of Fringe Benefit Tax	**49.25%**	**-**	42.86%	-

The average term at which the expected future discounted cash flows are due is 10 years (2020: 12 years). The average undiscounted expected term of all liabilities is 15 years (2020: 14 years). The 2021 assumptions do not include future salary increases due to the planned closure of the Refinery as outlined in note 1, with new employment agreements in place for Channel Terminal Services Limited, excluding benefits of the Defined Benefit Pension Plan.

Expected employer contributions to the defined benefit pension plan and medical scheme in 2022 is $1.485 million (after the deduction of ESCT) and $0.16 million, respectively.

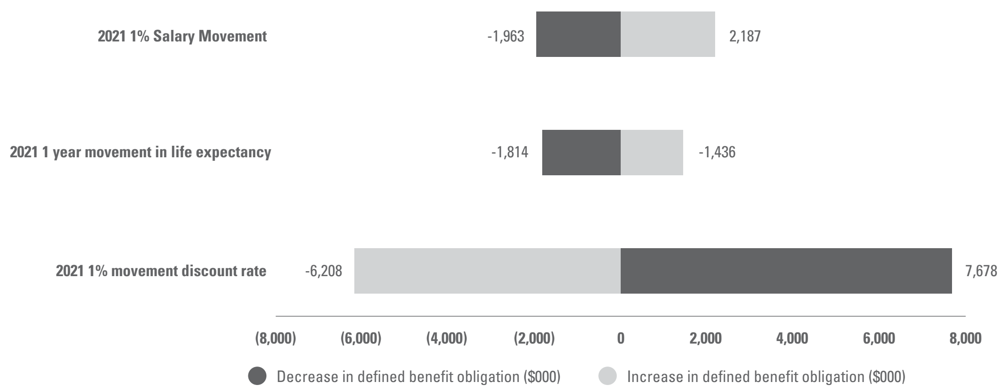
The last full actuarial valuation performed under the Financial Markets Conduct Act 2013 was as at 31 March 2019 at which time the Defined Benefit Plan was fully funded based on the assumptions used by the Actuary. These assumptions were consistent with the actuarial assumptions outlined above, except for the discount rate determined based on the expected long-term future returns of the plan rather than the risk-free rate of return. The funding objective adopted at the 31 March 2019 funding valuation is to ensure that the Fund's assets are not less than the value of accrued benefits. The Company contributed a fixed amount of $1.5 million (including contributions tax at 33%) and a lump sum contribution to fund new disability pensions. The next statutory actuarial valuation will be completed in 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(f) Sensitivity analysis – pension plan

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The methods and types of assumptions used in preparing the sensitivity analysis are consistent with those applied during the comparative reporting period.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

21 Financial risk management

The Group's activities expose it to a variety of financial risks (market, credit and liquidity) in the normal course of the Group's business.

Risk management is performed by the 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.

a) Market risk

Market risk includes refining margin, electricity pricing, currency and interest rate risk.

Refining margin risk

The refining margin (margin) generated by the Group is a key input to the calculation of the processing fee revenue which is set as 70% of the gross refining margin generated, subject to a fee floor of circa $140.5 million (2020: $140 million), and margin cap of USD9.00 per barrel for each customer. This 70/30 split of the refining margin reflects the fact that Refining NZ's customers bear the risks and associated costs of crude purchasing, the finance and currency costs and risks associated with maintaining crude, feedstock and product inventories, shipping and demurrage risks and guaranteeing a minimum processing fee.

The margin is calculated as the typical market value of all the products produced, minus the typical market value of all feedstock processed. The typical market value of products is determined by using quoted prices for the products in Singapore plus the typical freight cost to New Zealand plus product quality premia. The typical value of feedstock is determined by using the market value for crude oil and other feedstock at the point of purchase, plus the typical cost of freight to New Zealand.

Refining margin risk is the risk of volatility in the typical product and feedstock prices to which the Group is exposed. The Group's revenue is likely to be impacted, favourably or unfavourably, during periods of market price volatility. The Group does not hedge this risk. The downside in the volatility of margin and foreign exchange risk is limited by the processing fee floor, which comes into effect if the total processing fee for a calendar year does not exceed a minimum value.

Processing fee revenue in 2021 was charged at the fee floor which accounted for 60% of the Group's total revenue (2020: 61% charged at the fee floor).

Electricity

The Group is also exposed to commodity price risk in relation to the purchase of electricity. This exposure exists as a result of the Group purchasing electricity via the New Zealand Electricity Wholesale Market, which is subject to price volatility caused by both demand/supply and transmission constraints. The Group uses electricity futures and Contracts for Differences to hedge the electricity price risk, with targeted coverage of forecast consumption up to three years.

Currency risk

The Group is exposed to foreign exchange risk as a result of transactions denominated in currencies other than the Group's functional currency. The primary currencies giving rise to the currency risk are US dollar, Singaporean dollar, Euro and Australian dollar. Currency risk arises from the processing fee (being calculated in US dollars and billed in New Zealand dollars) and future commercial transactions (purchase of property, plant and equipment and goods or services).

The Group may enter into hedging agreements with Board approval and in accordance with the Group's Treasury Policy which requires all purchases of all capital items of value exceeding certain thresholds to be hedged with either forward exchange contracts or currency options.

Interest rate risk

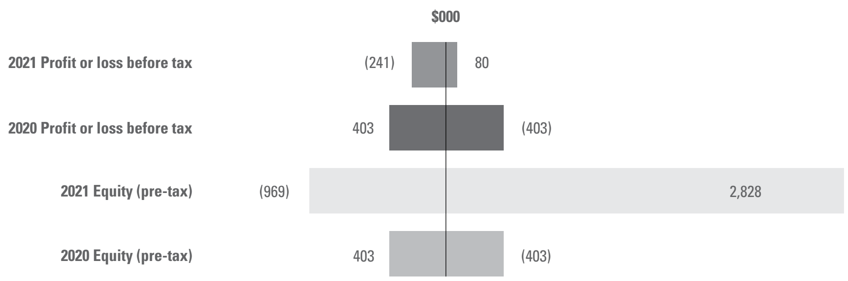
The Group's interest rate risk arises from fixed term borrowings at floating interest rates. The Group may use interest rate hedging instruments to manage interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Sensitivity analysis

The graph below summarises the impact of interest rate risk exposure on the Group's profit before tax and equity (assuming all other factors remain unchanged). A decrease in interest rates by 25 basis points (bps) (2020: 25 bps) and an increase in interest rates of 75 basis points (2020: 25 bps) is considered by the Group reasonably possible over the short-term. It is noted that the equity impact includes the effect of the valuation of interest rate swaps which are recognised through the other comprehensive income (in accordance with hedge accounting).



As at 31 December 2021 the Company had $115 million swaps, including $40 million of forward start swaps (31 December 2020: Nil).

Noting that sensitivities of the electricity risk is not presented as the Company was fully hedged in 2020 and 2021, and the sensitivity of refining margins and currency is not shown due to the Company being at Fee Floor in the years 2020 and 2021.

b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers from outstanding receivables and committed transactions.

For banks, only parties with a minimum long-term credit rating of A+ or A1 are accepted. 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.

The Group is exposed to credit risk if counterparties fail to make payments as they fall due in respect of payment of trade receivables as invoices fall due 7-14 days for the Parent and 30 days for its subsidiary after being raised. The receivables from the oil companies (as disclosed in the related party note 5) 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 2021 receivables to be immaterial. No collateral is held over trade receivables.

The maximum exposure to credit risk at balance date is the carrying amount of the financial assets.

Overdue trade receivable balances at 31 December 2021, which were largely settled in January 2022, totalled $0.576 million (2020: $1.126 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

21 Financial risk management (continued)

c) Liquidity risk

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 (note 9).

Surplus cash held by the Group over and above the balance required for working capital management is invested in interest bearing current accounts, term deposits, and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

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 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 2021	NOTE	$000	$000	$000	$000	$000	$000	$000
NON-DERIVATIVE FINANCIAL LIABILITIES								
Trade payables	19	**(21,321)**	**(21,321)**	**-**	**-**	**-**	**-**	**(21,321)**
Lease liabilities	10	**(2,405)**	**(484)**	**(392)**	**(745)**	**(496)**	**(699)**	**(2,816)**
Bank borrowings	9	**(125,000)**	**(902)**	**-**	**(50,000)**	**(75,000)**	**-**	**(125,902)**
Subordinated notes	9	**(74,698)**	**(1,913)**	**(1,913)**	**(3,825)**	**(11,475)**	**(103,688)**	**(122,814)**
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES		**(223,424)**	**(24,620)**	**(2,305)**	**(54,570)**	**(86,971)**	**(104,387)**	**(272,853)**

		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 2020	NOTE	$000	$000	$000	$000	$000	$000	$000
NON-DERIVATIVE FINANCIAL LIABILITIES								
Trade payables	19	(22,563)	(22,563)	-	-	-	-	(22,563)
Lease liabilities	10	(4,142)	(405)	(277)	(675)	(1,817)	(3,885)	(7,059)
Bank borrowings	9	(200,000)	(1,290)	345	(35,000)	(165,000)	-	(200,945)
Subordinated notes	9	(74,611)	(1,913)	(1,913)	(3,825)	(11,475)	(107,513)	(126,639)
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES		(301,316)	(26,171)	(1,845)	(39,500)	(178,292)	(111,398)	(357,206)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021	NOTE	$000	$000	$000	$000	$000	$000	$000
DERIVATIVE FINANCIAL INSTRUMENTS								
Net settled derivatives	22	**9,751**	**1,761**	**2,806**	**(604)**	**(1,511)**	**-**	**2,452**
Gross settled derivatives								
Outflows		-	-	-	-	-	-	-
Inflows		-	-	-	-	-	-	-
Total gross settled derivatives		-	-	-	-	-	-	-
TOTAL DERIVATIVE FINANCIAL LIABILITIES	22	**9,751**	**1,761**	**2,806**	**(604)**	**(1,511)**	**-**	**2,452**

		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 2020	NOTE	$000	$000	$000	$000	$000	$000	$000
DERIVATIVE FINANCIAL INSTRUMENTS								
Net settled derivatives	22	7,438	4,809	3,232	(603)	-	-	7,438
Gross settled derivatives								
Outflows		-	-	-	-	-	-	-
Inflows		-	-	-	-	-	-	-
Total gross settled derivatives		-	-	-	-	-	-	-
TOTAL DERIVATIVE FINANCIAL LIABILITIES	22	7,438	4,809	3,232	(603)	-	-	7,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

22 Derivative financial instruments

Derivatives are only used for economic 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:

	2021 $000	2020 $000
Foreign exchange hedges transferred to property, plant and equipment	-	86
Interest rate swaps maturing in the year	-	3,566
Interest rate swaps entered into during the year	4,875	-
Electricity futures and contracts for differences entered into during the year	(436)	(561)
Electricity futures and contracts for differences settled in the year	(8,040)	(4,732)
Ineffective hedges - recycled to income statement	(4,523)	-
Movement in value of electricity futures held throughout the year	5,915	12,733
Gross movement in cash flow hedge reserve	**(2,209)**	11,092
Deferred tax	**619**	(3,106)
Net movement in cash flow hedge reserve	**(1,590)**	7,986

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

The ineffective hedges of $4.5 million relate to the release of an electricity over-hedge position given the Company's move to an import terminal in 2022 requiring significantly less electricity.

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.

		2021		2020	
	NOTE	ASSETS $000	LIABILITIES $000	ASSETS $000	LIABILITIES $000
Cash flow hedges:					
– electricity futures and contracts for differences		**5,263**	**(387)**	8,766	(725)
TOTAL CURRENT PORTION		**5,263**	**(387)**	8,766	(725)
Cash flow hedges:					
– electricity futures and contracts for differences		**-**	**-**	371	(974)
– interest rate swaps		**4,875**	**-**	-	-
TOTAL NON-CURRENT PORTION		**4,875**	**-**	371	(974)
NET POSITION	21	**9,751**		7,438	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

22 Derivative financial instruments (continued)

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

	FOREIGN EXCHANGE FORWARD CONTRACTS		INTEREST RATE SWAPS	ELECTRICITY FUTURES AND CONTRACTS FOR DIFFERENCES
	SGD	USD		
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 ($000)	**-**	**-**	**4,875**	**(2,562)**
	SG$/NZ$	**US$/NZ$**		
Weighted average hedged rate	**-**	**-**	**1.5%**	**$113.1/MWh**
31 DECEMBER 2020				
Carrying amount – net asset/(liability) ($000)	-	-	-	7,438
Notional amount (equivalent of NZ$000)	-	-	-	45,097
Maturity date	-	-	-	2021-2022
Hedge ratio	-	-	-	1:1
Change in fair value of hedging instrument ($000)	(4)	90	3,566	8,174
	SG$/NZ$	US$/NZ$		
Weighted average hedged rate	-	-	-	$100.2/MWh

For all hedges the quantity of the hedging instrument matched the quantity of the hedged items therefore the hedge ratios were 1:1.

Electricity futures and contracts for differences 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 $4.5 million.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

23 Employee share-based payments

The Company operates the following share schemes:

- **A Chief Executive Share Rights Scheme** in the form of:
  - a grant of initial performance rights equivalent to one year's base salary ($995,000) that will vest on the fourth anniversary of commencement subject to vesting conditions being that the CEO has to remain in the role during the four-year period after grant date being the commencement of the employment;
  - performance rights equivalent to 25% of base salary on the first anniversary of the commencement date, 25% on the second anniversary and 50% on each successive anniversary, with each tranche having a three-year vesting period with a further year to vest.

    In April 2021, the first tranche of LTI performance rights under the CEO's employment agreement was offered, but voluntarily declined by the CEO recognising the challenging and uncertain circumstances of the Company at that time.

    The number of share rights granted equals the gross value of the award divided by the volume weighted average price of the Company's shares for the 20 days prior to the grant date. Subject to vesting conditions, share rights convert to the Company's shares based on a zero exercise price.

    In the year ended 31 December 2021, the Company recognised an expense of $0.2 million (2020: $0.2 million) in relation to the Chief Executive Officer's share rights plan. 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 2.3 years (31 December 2020: 3.3 years).

    The CEO's entitlements under the Share Rights Plan on vesting are capped at NZ$6 million.

- **Management Share Rights Scheme**

  An award of performance rights in the form of shares to incentivise and retain key members of management (including the Chief Executive) through the delivery of the conversion to import terminal operations in 2022.

  The number of share rights granted equals the gross value of the award divided by the volume weighted average price of the Company's shares for the 20 days prior to the grant date. The performance rights are subject to service and performance vesting conditions and convert into the Company's shares based on a zero exercise price.

  In 2021 the Company recognised an expense of $0.7 million (2020: Nil) in relation to the Management share rights scheme. 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 1.1 years.

- **An Employee Share Scheme ("ESS" or "Scheme")**

  The Scheme qualifies as an "Exempt ESS" under section CW26C of the Income Tax Act 2007 and is classified for accounting purposes as equity-settled transactions. In 2021 Eligible employees were offered in total $3,000 worth of shares during the year of award and increased by an employee contribution of $1. The shares are either purchased on market or issued, and held by CRS Nominees Limited, during a three-year vesting period. In 2021 the Company recognised an expense of $0.2 million (2020: $0.2 million) in relation to the Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

23 Employee share-based payments (continued)

Information regarding the number of shares and share rights awarded under the schemes is as follows:

	2021			2020	
	CEO SHARE RIGHTS SCHEME	MANAGEMENT SHARE RIGHTS SCHEME	EMPLOYEE SHARE SCHEME	CEO SHARE RIGHTS SCHEME	EMPLOYEE SHARE SCHEME
AT 1 JANUARY	**1,250,000**	**-**	**481,327**	-	392,838
Granted	**-**	**4,488,066**	**897,521**	1,250,000	317,190
Vested	**-**	**-**	**(246,723)**	-	(197,106)
Lapsed	**-**	**-**	**(65,647)**	-	(31,595)
AT 31 DECEMBER	**1,250,000**	**4,488,066**	**1,066,478**	1,250,000	481,327
Percentage of total ordinary shares (%)	**0.34%**	**1.21%**	**0.29%**	0.40%	0.15%

Included in the Management Share Rights Scheme are 1,461,032 share rights granted to the CEO, comprising:

- 1,178,782 performance rights in respect to the 2020 year (granted in April 2021 with a 2-year vesting period, in place of a cash short-term incentive of $540,000), and
- 282,253 performance rights granted in November 2021 following the announcement of a Final Investment Decision on 22 November and subject to vesting conditions including the safe, on time, on budget and to plan conversion to import terminal operations.

24 Contingencies

Apart from the contingency disclosed in note 15, relating to conditions attached to the site resource consents ("Demolition and restoration"), the Group had no contingent liabilities as at 31 December 2021.

25 Auditor's fees

	GROUP 2021 $000	GROUP 2020 $000
Auditor's fees comprises:		
Audit of financial statements	**290**	225
Audit of financial statements - prior year	**38**	-
Reimbursement of travel and accommodation	**8**	20
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	**366**	270

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

26 Non-GAAP disclosures

Refining NZ's standard profit measure prepared under New Zealand Generally Accepted Accounting Practice (NZ GAAP) is net profit/(loss) after tax. Refining NZ has used non-GAAP 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 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 Refining NZ in accordance with NZ IFRS. Terms are defined as follows:

Reported EBITDA: Reported earnings before depreciation, impairment, conversion costs, finance costs and income tax.

Adjusted EBITDA: Reported EBITDA adjusted for other non-cash expenses and used for bank covenant purposes.

	NOTE	GROUP 2021 $000	GROUP 2020 $000
Reported net loss after tax for the year (GAAP)		**(552,629)**	(198,279)
Add back:			
Income tax	6(a)	**(212,431)**	(73,133)
Net finance costs		**10,991**	10,920
Impairment of assets		**567,361**	223,697
One-off conversion costs	15	**175,516**	-
Depreciation and disposal costs	11(d)	**84,038**	87,218
Reported EBITDA		**72,846**	50.423
Add back non-cash expenses:			
Stock obsolescence provision	18	**592**	3,383
Defined benefit pension fund cost	20(b)	**2,633**	3,441
Defined benefit settlement gain and curtailment		**(12,077)**	-
Non-cash share rights cost		**713**	568
Interest income		**112**	176
Loss on disposal	11(d)	**(429)**	(213)
Stock write offs and other		**303**	800
Restructuring costs		**4,575**	-
Adjusted EBITDA		**69,268**	58,578

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE NEW ZEALAND REFINING COMPANY LIMITED

Opinion

We have audited the financial statements of The New Zealand Refining Company Limited ("the Company") and its subsidiaries (together "the Group") on pages 28 to 75, which comprise the consolidated statement of financial position of the Group as at 31 December 2021, and the consolidated income statement, 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 28 to 75 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 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, 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.

Valuation of Property, Plant and Equipment

Why significant

On 22 November 2021, the Board made the Final Investment Decision to convert the Group's principal business from a toll oil refinery into a dedicated fuel import terminal, with import terminal operations to commence in April 2022. As a result, the Group reviewed the carrying value of property, plant & equipment and impaired the Refining property, plant and equipment assets to a residual value of $34m resulting in an impairment charge of $567m.

The Group elected to change accounting policy to carry property, plant and equipment assets at fair value effective 31 December 2021. The Group engaged an external valuation specialist to estimate the fair value of property, plant and equipment in accordance with the requirements of NZ IAS 16, *Property, plant and equipment* and NZ IFRS 13, *Fair Value Measurement.* This valuation resulted in a revaluation uplift of $583m and property, plant and equipment assets being carried at $865m at 31 December 2021 as set out in note 11 of the consolidated financial statements.

The most significant inputs utilised in the valuation of the property, plant & equipment include forecast fuel demand, discount rate and the tax amortisation benefit a market participant would ascribe to the property, plant & equipment in an asset acquisition. Disclosures related to the valuation of property, plant and equipment and the method and assumptions used are included in note 11 of the consolidated financial statements.

Future fuel demand assumptions were estimated by the Group's third party fuel forecasting expert and were considered and adopted by the Group's external valuation specialist as part of their valuation engagement. The external valuation specialist has determined the discount rate and the value of tax amortisation benefit included in the valuation.

We consider the valuation of property, plant and equipment to be a Key Audit Matter given the significance of the assets to the Group, being 75% of the Group's total assets at 31 December 2021, and the fact the inputs to the valuation are inherently subjective.

How our audit addressed the key audit matter

Our audit procedures included the following:

- assessing the allocation of the Group's property, plant & equipment between those assets that will continue to be utilised as part of the ongoing terminal business and those that will be redundant when refining activities cease. We assessed the impairment charge associated with the redundant assets;
- assessing whether the voluntary adoption of a revaluation policy was appropriate;
- involving our own valuation specialists to:
  - meet with the Group's external valuation specialist to understand their valuation methodology and challenge their approach;
  - assess significant inputs used to estimate the fair value of property, plant & equipment including:
    - assessing the process the Group's external valuation specialist used to determine whether the forecast fuel demand was appropriate for inclusion in their valuation. Additionally we, considered the comparison the external valuation specialist undertook of the fuel demand forecast to a range of market views of expected fuel demand over the forecast period;
    - assessing the appropriateness of the discount rate used by the Group's external valuation specialist; and
    - assessing the tax amortisation benefit included in the Group's external specialist's valuation;
    - assessing whether the valuation multiples implied by the Group's external valuation specialists valuation fell within a reasonable range.
- assessing the competence, capability and objectivity of the Group's external valuation specialist; and assessing the adequacy of the financial statement disclosures in note 11.

Decommissioning and demolition provisions

Why significant

The Group has recorded decommissioning and demolition provisions for Refining assets of $153m at 31 December 2021. The judgements and estimations used in determining the quantum of these provisions have a material impact on the financial statements.

The quantification of decommissioning and demolition provisions was conducted by specialist engineers working in conjunction with the Group's finance team. The quantification required consideration of the scope of decommissioning activities, anticipated removal dates, the extent of restoration activities required, the engineering methodology for estimating cost, potential future removal technologies, discount rates, etc to determine the present value of expected future cash flows.

The provisions are sensitive to changes in the key assumptions, specifically changes in gross cost estimates and to a lesser extent discount rates. Accordingly, this matter was considered to be a key audit matter.

How our audit addressed the key audit matter

We assessed the decommissioning and demolition provisions prepared by the Group, evaluating the assumptions and methodologies used and the estimates made. Our audit procedures, which were performed in conjunction with our environmental specialists, included:

- evaluating the activities undertaken by the Group to identify decommissioning and demolition obligations;
- evaluating the appropriateness of management's methodology for estimating future costs;
- evaluating the reasonableness of decommissioning and demolition cost estimates;
- evaluating the appropriateness of the discount rate used to calculate the present value of the provision;
- assessing the competence, capability and objectivity of the Group's internal experts used in the determination of the restoration provision; and
- testing the mathematical accuracy of the restoration provision calculations.

We also considered the adequacy and completeness of the financial statement disclosure of the assumptions, key estimates and judgements applied by management. These have been disclosed in Notes 15 of the consolidated financial statements.

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.

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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor's report was prepared.

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 Company/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 2022

TREND STATEMENT

Trend Statement

For the years ended 31 December

	2021 $000	2020 $000	2019 $000	2018 $000	2017 $000
FINANCIAL PERFORMANCE					
Total income	**234,094**	245,747	348,375	362,466	414,620
Expenses	**161,248**	195,324	230,140	209,819	194,271
Depreciation and disposal costs, one-off conversion costs, impairment and loss on revaluation	**826,915**	310,915	99,931	97,075	96,146
Net (loss)/profit before finance costs	**(754,069)**	(260,492)	18,304	55,572	124,203
Net finance costs	**10,991**	10,920	13,445	13,800	13,747
Net (loss)/profit before income tax	**(765,060)**	(271,412)	4,859	41,772	110,456
Income tax	**(212,431)**	(73,133)	694	12,156	31,926
Net (loss)/profit after income tax	**(552,629)**	(198,279)	4,165	29,616	78,530

	2021 $000	2020 $000	2019 $000	2018 $000	2017 $000
FINANCIAL POSITION					
Funds employed					
Contributed equity	**313,974**	266,057	265,771	265,771	265,771
Retained profits	**(245,383)**	292,692	493,940	504,562	533,369
Revaluation reserve	**422,771**	-	-	-	-
Other	**4,126**	5,181	(2,967)	(697)	(6,365)
Total equity	**495,488**	563,930	756,744	769,636	792,775
Borrowings – non-current	**199,698**	274,611	246,616	208,601	170,000
Other non-current liabilities	**209,007**	154,409	219,182	198,109	174,658
Total funds employed	**904,193**	992,950	1,222,542	1,176,346	1,137,433
Funds utilised					
Non-current assets	**993,699**	949,841	1,241,692	1,226,218	1,155,053
Working capital	**(89,506)**	43,109	(19,150)	(49,872)	(17,620)
Total funds utilised	**904,193**	992,950	1,222,542	1,176,346	1,137,433

	2021	2020	2019	2018	2017
ANALYTICAL INFORMATION					
Number of shareholders	**4,458**	4,780	4,349	4,705	4,908
Earnings per share ($)	**(1.739)**	(0.635)	0.013	0.095	0.251
Effective tax rate (%)	**28**	27	14	29	29
Net tangible asset per share ($)	**1.28**	1.75	2.36	2.42	2.54
Working capital ratio	**0.6**	1.2	0.9	0.8	0.9

	2021	2020	2019	2018	2017
DIVIDEND INFORMATION*					
Dividend per share (cents)	-	-	2.0	7.5	18
Dividend paid ($000)	-	-	6,250	23,443	56,264
Dividends declared per share					
- interim	-	-	2.0 cps	3.0 cps	6.0 cps
- final	-	-	-	4.5 cps	12.0 cps
Dividend cover	-	-	0.67	1.26	1.40

* Dividend information is stated in the year to which it relates, rather than when paid.

	2021	2020	2019	2018	2017
MANUFACTURING					
Barrels processed – intake (000s barrels)	**29,213**	29,876	42,687	40,440	41,724
Gross refining margin (USD/barrel)	**3.73**	1.63	5.34	6.31	8.02
USD exchange rate (NZD)	**0.71**	0.65	0.66	0.69	0.71
Pipeline throughput (000s barrels)	**13,361**	14,713	20,828	21,015	19,828

GLOSSARY

TRC (Total Recordable Case)

The number of lost time incidents, restricted work cases, medical treatment cases and fatalities.

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.

Turnaround

A scheduled outage of one or more process units, planned well in advance and typically occurring in cycles of two years or more, for the purpose of significant mechanical inspection and repair.

FCF (Free Cash Flow)

Calculated as net cash flow operating activities minus payments for property, plant and equipment with each of these items determined in accordance with GAAP.

Net Borrowings

Calculated as total borrowings (bank and subordinated notes) minus cash and cash equivalents.

Services Effective Date (SED)

Commencement date of import terminal services.

CORPORATE DIRECTORY

Registered Office

Marsden Point
Ruakaka

Mailing Address

Private Bag 9024
Whangarei 0148
Telephone: +64 9 432 5100

Website

www.refiningnz.com

Share Register

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

Bankers

ANZ Bank New Zealand Limited
Bank of New Zealand
MUFG Bank, Limited

Legal Advisers

MinterEllisonRuddWatts
Chancery Green

Auditor

Ernst & Young

Chairman

S C Allen (Independent Director)

Independent Directors

J B Miller
V C M Stoddart
P A Zealand

Non-Independent Directors

J L Bourke
N L Jones
L Nation

Chief Executive Officer

N M James

General Counsel & Company Secretary

C D Bougen

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.