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# Annual Report 2023

Creating a world-class energy infrastructure company



Channel

Infrastructure NZ



# Welcome To This Report

## Annual Report Overview

This 2023 Annual Report outlines the operational and financial performance of Channel Infrastructure NZ Limited for the 12 months ended 31 December 2023. Comparative financial information reflects continuing operations of the fuels' import terminal for nine months ended 31 December 2022 and the discontinued operations of the refinery for the three months ended 31 March 2022, limiting the comparability of the financial results. This Annual Report also includes an overview of the Company's Strategy and Corporate Governance Framework and includes the annual Remuneration Report.

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

Channel Infrastructure has used non-GAAP (Generally Accepted Accounting Principles) measures when discussing financial performance in this report. The directors and management believe that these measures provide useful information as they are used internally to evaluate business performance, to establish operational goals and to allocate resources. Non-GAAP measures are not prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS) and are not uniformly defined, therefore the non-GAAP measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by Channel Infrastructure in accordance with NZ IFRS. The non-GAAP measures Channel Infrastructure has used are EBITDA, EBITDA margin and Normalised Free Cash Flow (FCF). The definitions of these can be found on page 106 of this report.

## Reporting Suite

The 2023 Annual Report is published in conjunction with the 2023 Sustainability Report which provides information

on our approach, progress and performance in relation to Channel Infrastructure's most material environmental, social and governance (ESG) issues as well as our climate related physical and transition risks, measures and targets. Channel Infrastructure is a climate reporting entity for the purposes of the Financial Markets Conduct Act 2013 (FMCA 2013), and the Sustainability Report has been prepared in compliance with Part 7A of the FMCA 2013, NZ XRB's Climate-related Disclosure Standards (NZ CS), the NZX Corporate Governance Code and the ESG Guidance Note (refer to [www.nzx.com](http://www.nzx.com)). It is also prepared in accordance with the Global Reporting Initiative Standard (GRI): Core Option and referenced to specific United Nations' Sustainable Development Goals (SDGs) where appropriate, to acknowledge our global partnership in addressing sustainability and climate change concerns.

This Annual Report, the 2023 Sustainability Report and Channel Infrastructure's Governance Statement together form an integrated suite of reports and should be read in conjunction with each other, and where possible, we have drawn links between each. They are all available for download at: [www.channelnz.com](http://www.channelnz.com), along with several underlying documents and policies referred to throughout this report.

## Directors' Statement

The Directors are pleased to present Channel Infrastructure NZ Limited's Annual Report and Financial Statements for the year ended 31 December 2023.

This Annual Report is dated 28 February 2024 and is signed on behalf of the Board by:



**JB Miller**  
Chair of the Board



**AM Molloy**  
Chair, Audit and  
Finance Committee

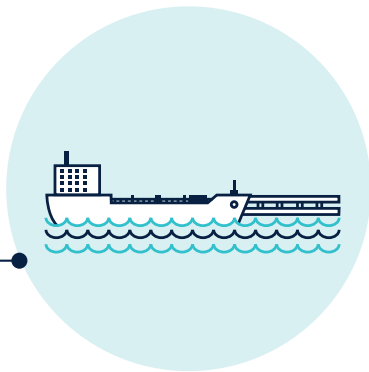
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# About Us

Channel Infrastructure is New Zealand's leading fuel infrastructure company, based at Marsden Point in Northland. We own and operate infrastructure essential to enable the supply of transport fuels to Northland and Auckland, supplying around 40% of New Zealand's transport fuel demand and all of the jet fuel to Auckland International Airport.

## OUR CRITICAL INFRASTRUCTURE



### OVERSEAS REFINERIES

Transport fuels refined overseas and imported by our customers – bp, Mobil and Z Energy, into Marsden Point.

### MARSDEN POINT

#### IMPORT TERMINAL SYSTEM (ITS)

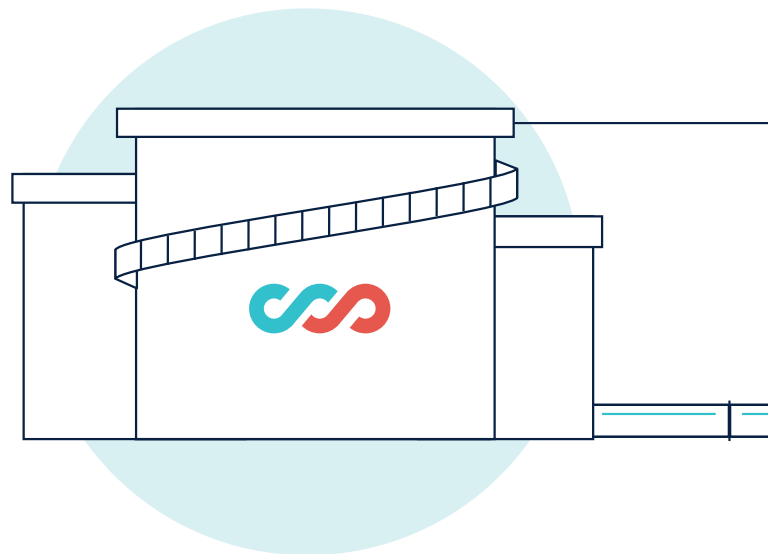
Channel Infrastructure receives imported refined fuel, owned by our customers to supply around 40% of NZ's transport fuels.



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



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



#### LARGEST FUEL TERMINAL IN NEW ZEALAND



**c.280m litres<sup>1</sup>** of product storage.



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



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



**More than 3 billion litres** of transport fuels annually.

<sup>1</sup>Excludes additional storage contracted November 2022

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



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

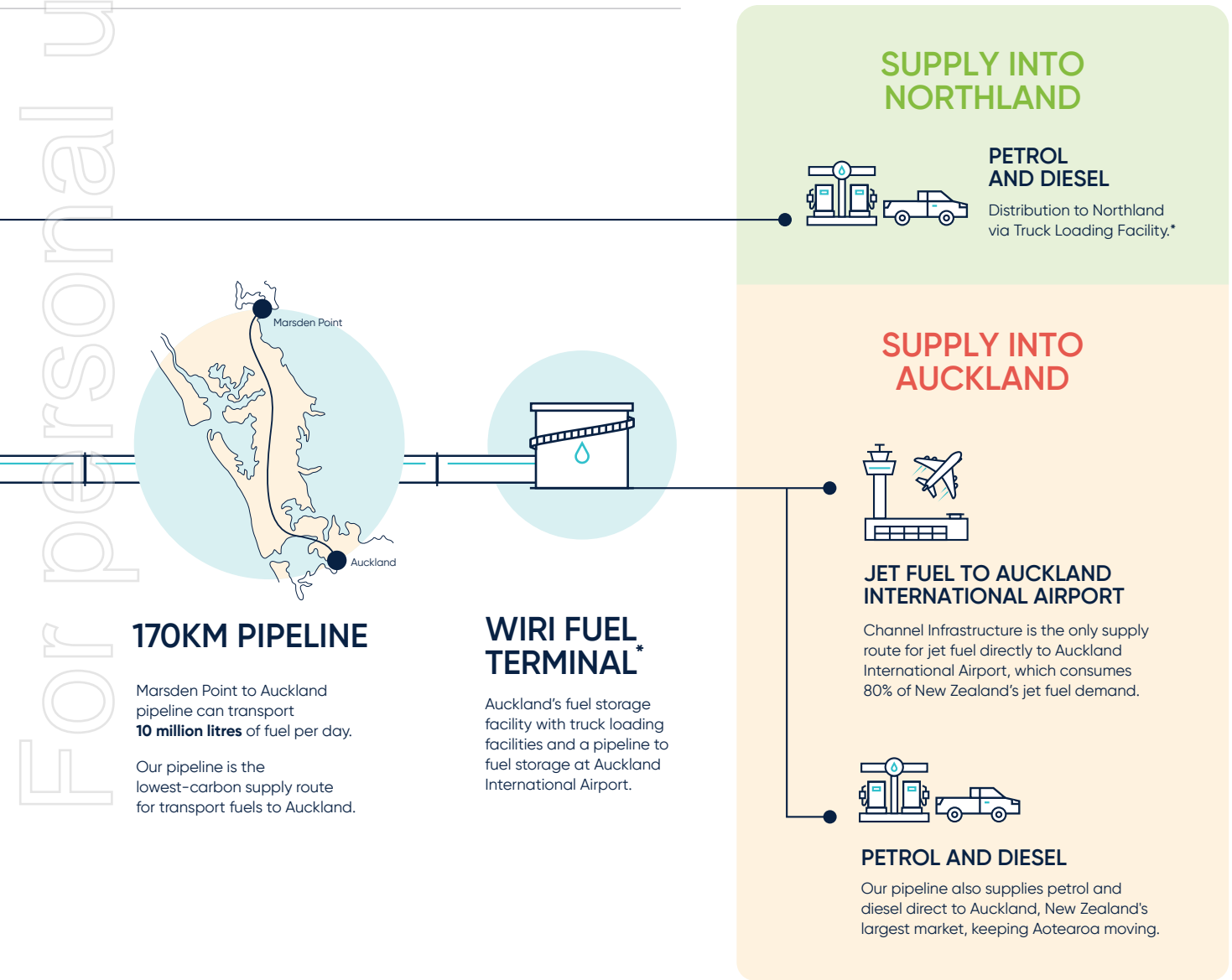


Contracts with a fixed and variable fee structure which both incentivises utilisation and provides some protection from significant market disruptions.



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

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### 170KM PIPELINE

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

Our pipeline is the lowest-carbon supply route for transport fuels to Auckland.

### WIRI FUEL TERMINAL\*

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

### SUPPLY INTO NORTHLAND



#### PETROL AND DIESEL

Distribution to Northland via Truck Loading Facility.\*

### SUPPLY INTO AUCKLAND



#### JET FUEL TO AUCKLAND INTERNATIONAL AIRPORT

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



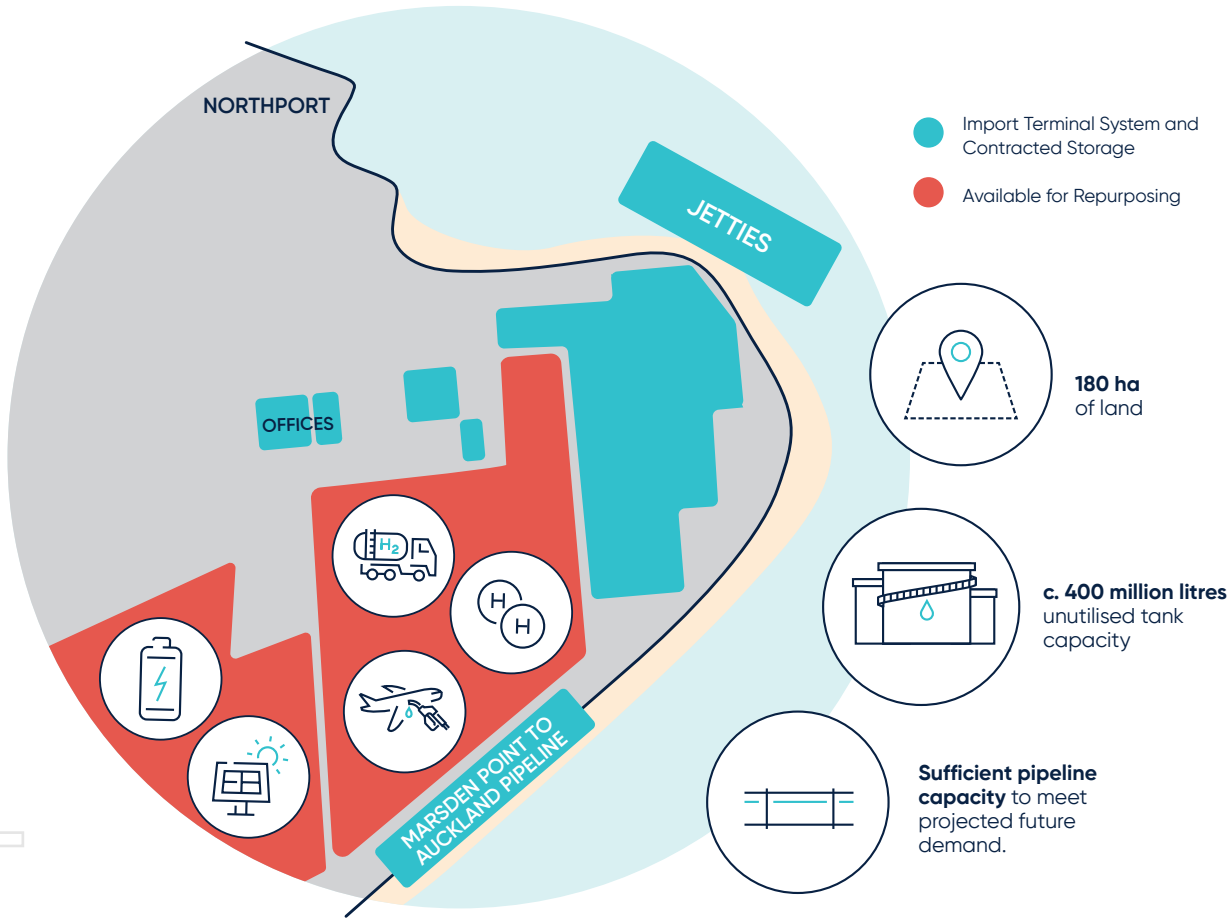
#### PETROL AND DIESEL

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

\*Not included in Channel Infrastructure import terminal system

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

### SIGNIFICANT LAND, TANKS AND FACILITIES AVAILABLE FOR REPURPOSING



### CAPACITY FOR GROWTH



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



**35 year** consents for industrial site operations



**High capacity** electricity and gas connections



**Deep water** harbour and jetty access



Proximity to Auckland, **NZ's largest fuels** demand centre

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## OUR LONG TERM GROWTH OPPORTUNITIES WILL SUPPORT NZ'S RESILIENCY AND DECARBONISATION



# 2023 Highlights

Twelve months of terminal operations

## Safe, reliable & efficient



1

Tier 1 or 2 process safety incidents  
(2022: 0)



0.9

**TRCF**  
Total Recordable Case Frequency  
(2022: 1.8)



70

Ships received and discharged



115ML

**Refined Fuels**  
NZ's largest ever import cargo received

## Realising value of infrastructure



**Available capacity**

**c.280ML<sup>1</sup>**

storage including **45ML** private jet storage commissioned in 2023



**\$28M**

net profit after tax (continuing operations)



**30-40%**

Normalised FCF available for deleveraging or growth



**Investment criteria**

✓ Above WACC returns

✓ Contracted Revenue

<sup>1</sup>Excludes additional storage contracted November 2022

# A Year of Firsts

2023 is Channel Infrastructure's first full year of import terminal operation and our first year of mandatory reporting climate related disclosures.

## Keeping Aotearoa moving



**3,370ML**

Delivered to market from Marsden Point Terminal

**JET FUEL**



**1,258ML**

72% PCP

Highest jet fuel demand since 2019

**DIESEL**



**1,099ML**

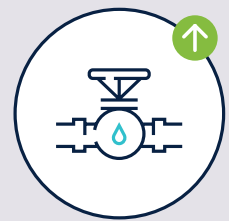
2% PCP

**PETROL**



**1,013ML**

PCP no change



Pipeline utilisation

**83%**

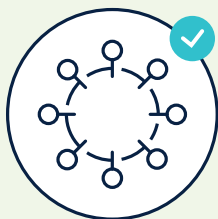
(average FY23)

## Good neighbour, good citizen



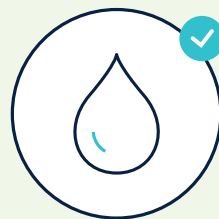
**NZ Climate Reporting Standards**

First report issued by CHI



**ESG Framework**

Developed to underpin refreshed Company Strategy



**98%**

**Reliability** of our Marsden Point Groundwater Network



**Climate Change Resilience**

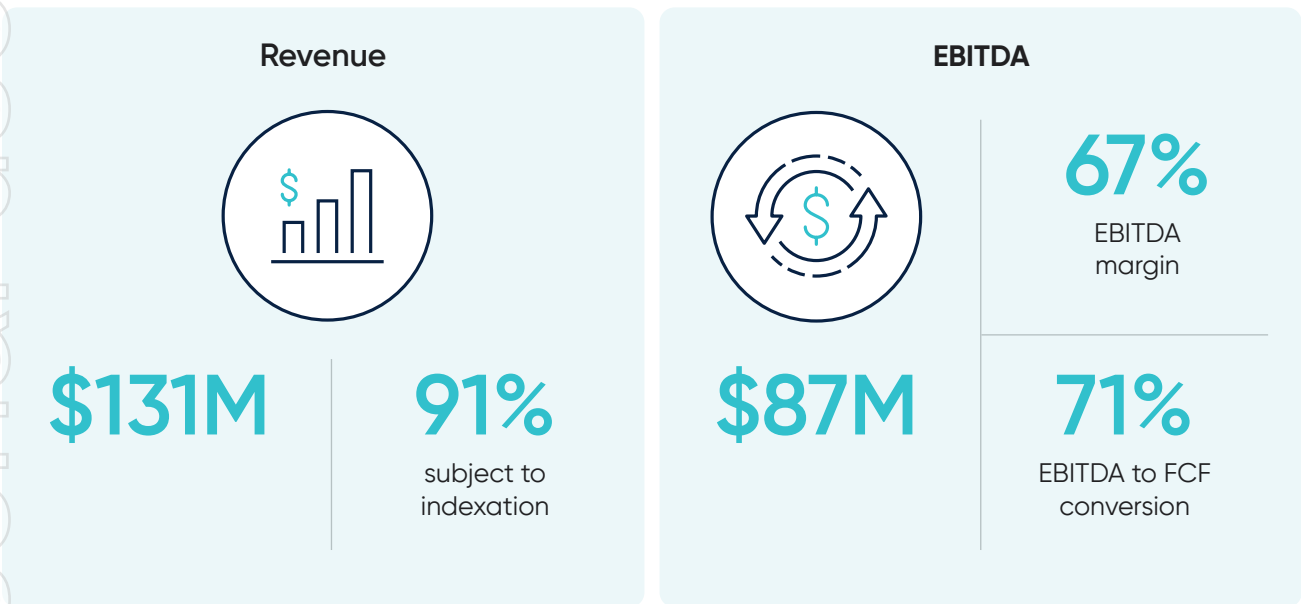
Limited impact from Cyclone Gabrielle and other significant weather events

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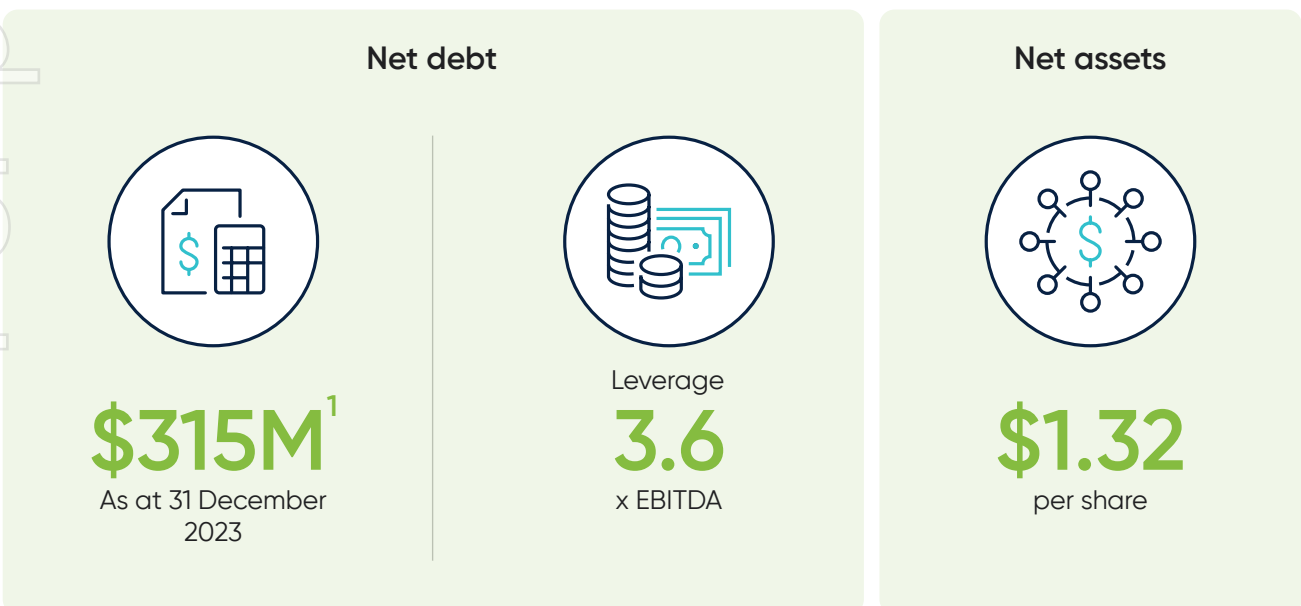
# Numbers at a Glance

Twelve months of terminal operations

## Stable financial performance



## Strong cashflow and balance sheet



<sup>1</sup>Excludes Fair Value Hedge Movements

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## Delivering to shareholders



Final Dividend

**6.3**  
CPS

Special Dividend

**1.5**  
CPS



Dividend Yield<sup>2</sup>

**8.3%**



TSR

**9.2%**

Total shareholder  
return

<sup>2</sup>Based on the 31 December 2023 Share price of \$1.45 (dividend yield includes the 1.5cps special dividend declared)

# Letter from the Chair

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**James Miller**  
Chairman

## Channel Infrastructure is focused on being a world-class operator of resilient infrastructure to support New Zealand's energy transition well into the future.

Over the past two-years, the Channel team has successfully executed on the plan we set ourselves back in 2021. The delivery of this plan, including the terminal conversion project is a real testament to our highly capable and dedicated team. The company is well positioned with strong and stable cash flows and uniquely strategic assets that provide the key fuel supply route to Auckland, with growing demand for jet fuel set to underpin the future of our business. With the conversion of the refinery to a fuel import terminal, and commissioning of the initial jet fuel storage contract behind us, 2023 was the right time to refresh our strategy to ensure we were identifying and pursuing the best opportunities as we help fuel New Zealand.

A central pillar of our refreshed strategy is our ambition to establish world-class infrastructure operations through targeted, incremental investment in the reliability and resiliency of our assets to ensure we can continue to support New Zealand's fuel supply chain well into the future. In under two years of operation as an import terminal, we have already made progress towards achieving a world-class operating standard, lifting our customer focus and operational discipline, and we have clear objectives across our infrastructure, systems and processes, and capabilities to drive us further towards the standard of our international peers.

Becoming a world-class infrastructure operator not only supports the long-term resilience of our assets, but positions Channel as a partner of choice for a broader role in New Zealand's future energy supply chain as we look to grow at Marsden Point and beyond. As an

example, we have already increased diesel storage by 75% and jet fuel storage by 150% over the past two years, and are ready to invest when appropriate to further support the government's aims for fuel security for New Zealand.

At the same time as we play our part in ensuring resilience in the fuel supply chain, we have our eyes cast towards the future, and New Zealand's decarbonisation pathways. These present the most exciting longer-term opportunities for Channel Infrastructure. While Petrol and Diesel have clear pathways to reach decarbonisation, the aviation sector still has a long way to go to transition to lower-carbon fuel solutions, and given the importance of our infrastructure to supplying New Zealand's aviation gateway, we will have a key role to play in this transition. Liquid Sustainable Aviation Fuel (SAF) is emerging as the most technically viable way to bring down aviation emissions for medium- to long-haul travel. With Marsden Point's deep water port, attractive electricity connections, 35-year operating consents, and pipeline to Auckland, we have the unique opportunity to support this shift, to a lower carbon jet fuel supply chain, via either the receipt and storage of imported SAF through our infrastructure, or by enabling domestic manufacture of SAF if this becomes feasible in the future. Key to our refreshed strategy is to ensure we are ready to leverage our critical role in the liquid aviation fuel supply chain, so we are part of this journey.

Channel Infrastructure welcomes the Government's focus on enhancing New Zealand's fuel security, and we are committed to working with Government to ensure

supply chain resilience. The refinery is now fully decommissioned, but we have significant unutilised tank storage with which to support fuel security initiatives for New Zealand. Conversely, Channel Infrastructure is one of seven respondents in respect of climate change proceedings that have now been allowed to proceed by the Supreme Court. A key challenge for the company will be navigating the potentially conflicting objectives of the Government's ambitions for fuel security on one hand, while responding to the recent climate change proceedings on the other.

### **Being a good neighbour and good citizen is a strategic priority**

We have already achieved significant progress on our ESG scorecard over the past two-years, and this remains a priority for the Board. Today, we have released our third Sustainability Report, 'Resilient infrastructure for a decarbonising world', and the first that is aligned with the New Zealand climate-related disclosure standards. We have chosen to report our climate-related disclosures as part of our broader Sustainability Reporting requirements, recognising the interrelated nature of climate change risks, impacts, and opportunities to our broader sustainability and organisation operations.

### **Refreshed Governance structure and capabilities to deliver refreshed strategy**

Reflecting the Board's ongoing commitment to strong and effective governance, during 2023 we restructured our Health, Safety, Environment and Operations board sub-committee. This committee comprises directors with specialist expertise in these critical areas to increase their time and focus on the continued improvement of asset management, resilience, emergency response and oversight of health, safety and environmental risks.

We already have a strong focus on safety systems and culture, which provides a robust foundation for the company. This committee will be instrumental as we deliver on our refreshed strategy and adapt our safety culture, assets, and systems to deliver world-class energy infrastructure operations.

In December last year, we were pleased to welcome Andrew Brewer to our Board. Andrew, who in February 2024 has announced his retirement from Ampol, significantly bolsters our Board capacity as a terminal and infrastructure specialist with his significant experience in world-class terminal operations, as well as deep knowledge of health and safety practises, and operational excellence. We also farewelled Lindis Jones, who stepped down from the Board upon Andrew's appointment. We want to take this opportunity to thank Lindis for his insights into the downstream fuels industry in

New Zealand and outstanding contribution to the Audit & Finance Committee during his more than five years' service to the Board.

### **Continued growth in total shareholder return**

The Board has declared a final ordinary dividend of 6.3 cents per share and a special dividend of 1.5 cents per share, which will be paid on 28 March 2024, with a record date of 14 March 2024. This brings the total FY23 dividend to 12.0 cents per share. In 2023 we are incredibly proud to have delivered our loyal shareholders a dividend yield of 8.3%<sup>1</sup>, alongside a free cash flow yield of 11.3%<sup>1</sup> and a Total Shareholder Return of 9.2%.

I have no doubt that 2024 will be another exciting year for us, as the team sets the foundation for our refreshed strategy which we firmly believe will create value for our shareholders, customers, local community and New Zealand.

<sup>1</sup> Based on the 31 December 2023 share price of \$1.45 (and dividend yield includes the 1.5 cps special dividend declared)

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## Letter from the CEO

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**Rob Buchanan**  
Chief Executive Officer

**2023 has been another year of execution and delivery. We have a clear plan and capable team, working hard to unlock the potential of our strategic assets and keep New Zealand moving.**

### **Strong operational performance underpinned by strong growth in jet fuel demand**

In our first full financial year of operations as New Zealand's largest fuel import terminal, we successfully received and discharged 70 import shipments and delivered some 3,370 million litres of fuel to Auckland and Northland. This was ahead of the fuel demand outlook that we provided to shareholders at the beginning of 2023, driven by stable diesel and petrol volumes and a continued strong recovery in jet fuel demand. We are now seeing fuel volumes overall approaching pre-covid levels, with aviation demand reaching 92% of pre-covid demand<sup>1</sup>.

### **We continue to prioritise safety, culture, the environment, and our community**

The health, safety, and wellbeing of our people remains core to everything that we do at Channel Infrastructure. As a high-hazard site, we are committed to ensuring that we get 'everyone safely home, everyday' and during the year we focused on the upskilling of our leaders across the business in health and safety leadership. Operating a safe workplace is foundational to our ambition to be a world-class operator of our infrastructure.

As we focus on ensuring we have a high-performance culture it was pleasing to see a significant increase in employee engagement over 2023. I believe this increase

reflects the near completion of the conversion project, which brought an end to a period of significant change for our people, as well as belief in our long-term strategy and opportunities as a business.

The way we do business by being a good neighbour and citizen is incredibly important to us, with a focus on reducing environmental impacts and continued engagement with the community in which we operate. We now source all our electricity requirements from renewable sources and have made significant progress towards eliminating our Scope 1 and 2 emissions, and are committed to playing our part in bringing down overall emissions within the fuels supply chain, as the global transition to renewable fuels unfolds.

We continue to make investment in our environmental systems, with an example being the work we undertook during the year to remove over 200 tonnes of sediment and sludge from our stormwater systems. I am pleased to report that these improvements saw our Marsden Point facility perform well during significant rainfall events we faced in 2023. We are also working closely with our community and local iwi to protect the coastline upon which we operate, with involvement in local initiatives remaining the cornerstone of these relationships as we go forward. You can read more about the work we are doing to create a more sustainable future for our wider community in our 2023 Sustainability Report released alongside this Annual Report.

<sup>1</sup> Q4 2023 versus Q4 2019

## The Conversion project is now largely de-risked

The physical conversion of our site from a refinery to an import terminal, and the commissioning of the initial 100 million litres of private storage was a multi-year infrastructure project with an initial budget set back in 2021. The team at Marsden Point have largely completed this project to plan and anticipate its completion at the upper end of the original budget. This was achieved despite a pandemic, supply and labour shortages, major weather events and a high inflation environment. This is a significant achievement that we are very proud of. The permanent decommissioning of the refinery plant is complete, the workforce transition is substantially complete with 99% of employees who left the business being supported into new job opportunities or retraining, and the terminal upgrade and private storage conversion is also largely complete, with the firefighting upgrades expected to complete this year and the bund upgrades work expected to continue until 2027.

In September, we successfully completed the commissioning of the 45 million litres of private jet storage which more than doubled our on-site jet fuel storage. This significantly adds to New Zealand's overall jet fuel resilience at a time when we are seeing air travel demand return sharply.

## Strong financial result

Ahead of our transition we provided investors with detailed 2023 guidance to provide insight into the financial profile of the new business model. In our first full year of operations as an import terminal, I'm pleased to report we beat these original forecasts and achieved results at the upper end of the upgraded guidance we provided in August last year.

Reflecting our stable and predictable financial profile, revenue was \$130.7 million, with fixed and variable terminal fees exceeding 'take-or-pay' fees due to strong volumes and ancillary services, EBITDA from continued operations was \$87.2 million and Normalised Free Cash Flow was \$61.8 million as a result of a disciplined approach to cost and capital management. This reflects an impressive 67% EBITDA margin and an EBITDA to Free Cash Flow conversion of some 71%. We continue to target credit rating metrics consistent with a BBB+ shadow credit rating and net debt finished the year at \$315 million<sup>2</sup>.

During the year we continued to invest in resilience and growth with stay-in-business capex of \$10.5 million reflecting four tanks undergoing maintenance turnaround works during the year. Growth capex of \$30.6 million (excluding the conversion costs) reflects the peak of the

private storage works and the start of the fire fighting and bund upgrades in FY23.

In November last year we issued a \$100 million senior, unsecured bond to replace our subordinated notes. The net proceeds from the fixed rate bonds provided diversification of funding that aligns with an infrastructure business. Debt facilities now sit at \$460 million, with significant headroom available, and significant hedge protection in the next few years.

Looking forward to FY24, Channel Infrastructure expects FY24 EBITDA from continued operations in the range of \$91-95 million and stay-in-business capital expenditure in the range of \$11-12 million reflecting the long-term Asset Management Plan, indicating a Normalised Free Cash flow of \$62-66 million.

## Delivering on our strategic priorities

During 2023 we delivered our refreshed strategy, which sees us setting an ambition to be world-class operators of our assets as well as charting a way forward to grow the company. Our achievements to improve safety leadership and employee engagement are an important part of this. We have also had a strong focus on increasing our customer focus through regular customer satisfaction surveys, and completing the first iteration of our long-term strategic asset management plan. This will ensure that we have the capabilities to provide the most efficient and resilient services, deliver on growth opportunities at Marsden Point and unlock opportunities beyond the site.

During the year we made significant progress towards freeing up further land at Marsden Point for repurposing opportunities and realising value from decommissioned refinery plant, with the conditional sale agreement of certain permanently decommissioned ex-refining equipment to Seadra Energy Limited.

We continue to look for other opportunities to assist our customers with their supply chain resilience, including opportunities that allow us to repurpose the approximately 400 million litres of unutilised storage capacity we have at Marsden Point. As part of this, we are looking to support both the Government and our customers in meeting their fuel storage needs.

The opportunity to provide increased fuel storage options for our customers, and potentially the Government, underlines the critically important role our business can play in supporting a resilient fuels supply chain for New Zealand.

As we explore how Channel can support the decarbonisation pathway for aviation, our work with Fortescue Limited continues. A pre-feasibility study is now underway investigating the development of a

<sup>2</sup>Excludes the fair value adjustment bonds

300MW, c.60 million litres per-year eSAF production facility (c.3% of New Zealand's demand), with the eSAF to be distributed via the existing Marsden Point to Auckland International Airport supply chain. This project is supported by an EECA grant given the potential for large-scale demand response for NZ, enabling electricity to be released to the grid when needed. Work with Fortescue continues and is focused on developing the commercial model for this project.

The Board and Management conducted a strategic refresh during 2023, and we are firmly focused on growing value for our shareholders, customers, local community and New Zealand. To do this we must maximise the opportunities before us and ensure we are playing our part in supporting a secure supply chain for the fuels needed to keep New Zealand moving. You will find detail on our refreshed strategy and priorities on pages 24 to 26 of this report.

## Thank you

I am proud of all we have achieved so far, and would like to recognise the achievements and efforts of the team at Channel Infrastructure who delivered on all of our 2023 priorities. I'm confident that our refreshed strategy will ensure we fuel New Zealand well into the future.

I would also like to thank our people, customers, community, bondholders and shareholders for their ongoing support. Together we can work towards delivering resilient infrastructure solutions to meet the changing fuel and energy needs of New Zealand.

And finally, I'd like to take this opportunity to honour Napo Henare, our Kaumātua, who was the heart and soul of our organisation. As Kaumātua, he was a beacon of cultural support, providing invaluable guidance to our people. Napo's profound insights and thoughtful counsel enriched the entire organisation. His legacy is important, forging a deeper connection to the whenua we inhabit, instilling in us a profound respect for cultural practices like blessings, hangi and the use of Te Reo. Napo sadly passed away in February 2023 and we are indebted to Napo for his enduring impact on the company.



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# Our Strategy

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# 2023 Strategic Priorities

## Strategic Pillar

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### Leverage Existing Capability

Safe reliable, low-cost operations  
High Performance Culture

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### Transform to Deliver Value

Competitive cost of capital  
Realise infrastructure value

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### Position for Future Growth

Support lower carbon  
fuels transition  
Grow and diversify

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## Our Focus

**New long-term Asset Management Plans in place to manage investment across the life of our assets**

**Terminal operations and Information Technology systems simplified with new systems and processes embedded and effective**

**Continue to build terminal culture and capability**

## Highlights



Long-term asset management plan in place including asset replacement



Modern Workplace and Cloud Transformation successfully delivered



Employee engagement 'Your Voice' survey and improvement program lifting engagement by 20 points in 2023

**Review options for \$75 million subordinated notes due for renewal in March 2024**

**Release legacy value through sale of surplus assets and inventory**

**Remaining contracted private storage brought online**

**Complete refinery facility decommissioning to plan and budget**



\$100 million Retail Bond placed in November, over subscribed



US\$33.875 million conditional agreement reached for decommissioned asset



Delivered additional c.45 ML of private jet storage



Permanently decommissioned the refinery safely to plan and to budget

**Fortescue Future Industries (FFI) to complete study of the potential for hydrogen production at Marsden Point**

**Continue to assess SAF options for Marsden Point**

**Utilise Marsden Point facilities to support the Government's 70 million litre domestic diesel fuel reserve and minimum domestic stockholding obligation**

**Reduce electricity costs through long-term supply**

**Work with customers and Government to improve fuel resilience, ahead of expected strong growth in jet fuel demand**



Scoping study complete and progressing to pre-feasibility study



Onshore Diesel Storage tender submitted



Long-term fixed price variable volume contract for supply of renewable electricity from January 2024



Final 45 ML of jet storage commissioned in Q3 2023 more than doubling storage, to over 100 ML, at Marsden Point

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# Our refreshed strategic framework

## OUR VISION

World-class energy infrastructure company

## OUR PURPOSE

Delivering resilient infrastructure solutions to meet changing fuel and energy needs

## OUR STRATEGIC PRIORITIES



## OUR VALUES



# Our refreshed Strategy

## Helping fuel NZ's future to 2050 and beyond

With the conversion of the refinery to a fuel import terminal and the commissioning of an additional 100ML storage at Marsden Point largely complete, it was the right time to refresh our strategy to ensure we identified and pursued the best opportunities as well as help fuel New Zealand.

STRATEGIC PILLAR	WHAT WE WILL DELIVER	OUR FOCUS FOR 2024
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### New Zealand's Infrastructure Partner of Choice

<p><b>World-class operator</b></p>	<p>Trusted as a safe and reliable operator of critical infrastructure</p> <hr/> <p>Customer-focused outcomes</p> <hr/> <p>Fit for purpose management systems and processes</p> <hr/> <p>The right infrastructure which is safe, reliable and of assured integrity</p> <hr/> <p>Disciplined investment in our people and assets</p>	<p>Ongoing prioritisation of safety culture to ensure everyone gets safely home, everyday</p> <hr/> <p>Lift in customer assessment of Channel performance</p> <hr/> <p>Operational discipline</p>
<p><b>High performance culture</b></p>	<p>Attracting, supporting and maintaining a diverse and engaged workforce</p> <hr/> <p>Clear succession planning and talent management</p> <hr/> <p>Maintaining an agile and resilient workforce</p> <hr/> <p>A focus on wellbeing</p>	<p>Ongoing lift in employee engagement</p>

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## STRATEGIC PILLAR

## WHAT WE WILL DELIVER

## OUR FOCUS FOR 2024

## Grow through supporting the Energy Transition

## Grow from the Core

Unique and highly strategic assets at Marsden Point with multiple brownfield growth opportunities

Opportunity to grow beyond Marsden Point

Contract additional storage volume

Progress ex-refinery asset sales

## Support Energy Transition

Repurpose unutilised land at Marsden Point and leverage strategic assets

Other potential energy opportunities to support the transition

Strategic site master planning complete

FFI pre-feasibility study

## More sustainable future

## Disciplined Capital Management

Efficient allocation of capital to achieve strategic objectives, while maintaining stable dividends and targeting credit metrics consistent with a shadow BBB+ credit rating

Capital allocation framework set to deliver returns to shareholders

Invest in infrastructure projects that deliver above WACC returns, and contracts that provide revenue certainty

Focus on maintaining an effective cost management culture

Deliver EBITDA guidance of \$91-95 million within credit metrics consistent with a shadow BBB+ credit rating

## Good Neighbour, Good Citizen

Committed to maintaining a high standard of environmental performance and reducing our impact on the surrounding environment

Engaging with the local community

Recognising Iwi responsibilities as tangata whenua and kaitiaki over the land upon which we operate, and partnering to maintain the cultural health of the site

Incorporating ESG into long-term business model planning

Reduce Scope 1 and 2 emissions

Reduce waste to landfill










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# Board of Directors



	QUALIFICATION	TENURE	COMMITTEES
 <b>James Miller</b> Chair	BCom FCA	5 years	Independent Directors (Chair) Audit & Finance People & Culture
 <b>Andrew Brewer</b> Director	BEng (Hons) BSc Post Grad. Dip. In Management	Appointed 6 December 2023	Health, Safety, Environment & Operations
 <b>Andrew Holmes</b> Director	BSc (Hons) MBA	2 years	Independent Directors Health, Safety, Environment & Operations People & Culture
 <b>Anna Molloy</b> Director	BEng BCom CFA	2 years	Independent Directors Audit & Finance (Chair)
 <b>Lucy Nation</b> Director	BEng Grad Dip. Applied Finance and Investment	3 years	Health, Safety, Environment & Operations People & Culture
 <b>Vanessa Stoddart</b> Director	BCom/LLB (Hons) PGDip Professional Ethics	10 years	Independent Directors People & Culture (Chair)
 <b>Paul Zealand</b> Director	BSc (Hons) MBA	7 years	Independent Directors Audit & Finance Health, Safety, Environment & Operations (Chair)

Corporate  
Lead  
Team

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## Rob Buchanan

CEO

B.Com, M.Bus

Rob was previously GM Growth & Trading at Manawa Energy, where he had responsibility for the company's renewables development, energy trading and commercial and industrial sales functions.

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

Prior to Manawa Energy, Rob had an almost 20-year career in investment banking, advising companies in New Zealand, Australia and Europe most recently as Head of Mergers & Acquisitions at Forsyth Barr in New Zealand. Prior to this Rob worked in the investment banking business of ABN AMRO Bank, working across Australasia and Europe. Rob holds a Bachelor of Commerce and Master of Business (with Distinction) from the University of Otago, and has completed an Executive Certificate in Management and Leadership from the MIT Sloan School of Business.



## Alexa Preston

CFO

BBus, CA

Alexa was appointed Chief Financial Officer of Channel in October 2023 leading Channel Infrastructure Finance, Human Resources and IT functions.

Alexa has more than 20 years' experience in senior management, finance, commercial, investment banking and advisory roles. Prior to joining Channel, she held the position of Finance Lead Partner - Group Performance and Investor Relations at Spark New Zealand Limited.

Alexa brings a unique combination of finance and commercial experience, and is responsible for finance, investor relations, treasury, taxation, audit and assurance, IT and insurance.

Alexa is a Chartered Accountant and began her career with PricewaterhouseCoopers. She has held senior roles with Grant Samuel & Associates, KPMG, NZME Limited and Spark New Zealand Limited.



## Jack Stewart

GM Operations

BE (Mech)

Jack is GM Operations at Channel Infrastructure and is responsible for operations, maintenance, project works and the delivery of terminal services to our customers.

Jack has worked at Marsden Point for over 20-years, joining the business as a mechanical engineer at the start of his career. He has performed a broad range of leadership roles over the past 20-years, including in the areas of engineering, maintenance, project management, operations, health & safety and environment. Prior to the business transition, Jack was Refining NZ's Chief Operating Officer, and has led the business through the transition from refinery to terminal operations as Project Director for the Conversion Project.



### Chris Bougen

General Counsel and  
Company Secretary

LLB (Hons), LLB, LLM

Chris is Channel Infrastructure's General Counsel and Company Secretary and is responsible for managing the Group's legal affairs, governance, and company secretarial functions.

Chris joined Refining NZ in 2020 and has been heavily involved in the preparations for Refining NZ's transition to Channel Infrastructure, including securing the overwhelming support of shareholders for this change.

Chris has extensive experience in both private practice and in-house legal roles across the energy and heavy industrial sectors in New Zealand, with experience advising on a wide range of commercial matters as well as providing legal support for major corporate and governance matters. Prior to joining Refining NZ, Chris worked for Fletcher Building and for a leading national law firm.



### Peter Van Cingel

Business  
Development Manager

BE(Mech) (Hons)

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

Peter joined Refining NZ in 2002, and has held a broad range of roles in the supply chain, commercial, strategic, and business development areas. Peter has been central to the negotiation of new long-term terminal services and private storage agreements with Channel's customers. Prior to joining Refining NZ, Peter held roles in the upstream oil industry, in Europe, Russia, and the Middle East, as well as supply chain management, procurement and business improvement.



### Steve Levell

General Manager IPL

DipEng, CMS

Steve is General Manager IPL, the fuel testing business which is a wholly-owned subsidiary of Channel Infrastructure.

Steve joined Refining NZ in 2012 and has held a broad range of leadership roles, including business improvement, before taking the IPL General Manager role in 2021. Steve has a strong engineering background and prior to joining Refining NZ held a number of Technical and Leadership positions in the Petro/Chemical and Scientific research sectors.

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# Financial Commentary

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# Import terminal delivers stable financial profile

Channel's financial results for the year ended 31 December 2023, reflect 12 months financial performance of the new fuels import terminal business (reported as "continuing" operations).

## 2023 Highlights



**FY23  
Revenue**

**\$131M**



**Strong financial performance**  
delivering EBITDA margin of

**67%**



**EBITDA to FCF  
Conversion**

**71%**



**Dividend**

Final 6.3 cps and  
Special 1.5 cps  
payable 28 March 2024  
dividend yield 8.3%

## 2024 Outlook



FY24 EBITDA  
guidance

**\$91-95M**



FY24 stay-in-business  
capex

**\$11-12M**

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# Income Statement

## Continuing Operations

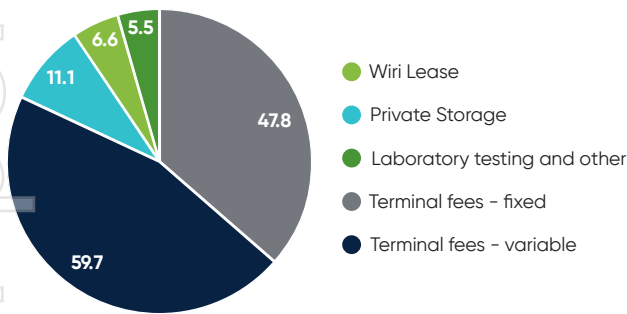
The results from continuing operations include 12 months import terminal fees earned under the Terminal Services Agreements and Private Storage Agreements and Wiri land and terminal lease, and the associated operating costs, as well as the results of Independent Petroleum Laboratory for the full year ended 31 December 2023.

	\$ MILLION
Revenue	130.7
Operating Costs	43.5
EBITDA	87.2
Depreciation	35.4
Financing costs	17.6
Net Profit before tax	34.1
Income tax expense	6.5
Net Profit after tax from continuing operations	27.6

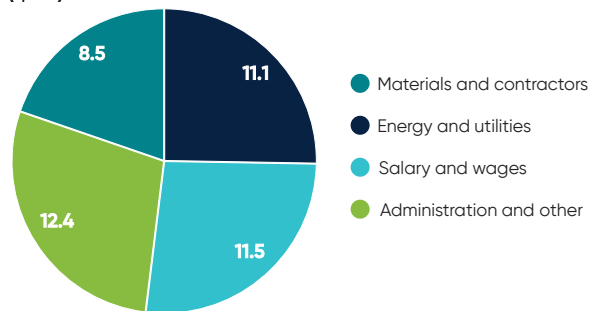
**91%**  
of FY23 revenue was subject to PPI indexation

**67%**  
A strong EBITDA margin

**Revenue** (Continuing Operations) (\$m)



**Operating Costs** (Continuing Operations) (\$m)



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## Revenue

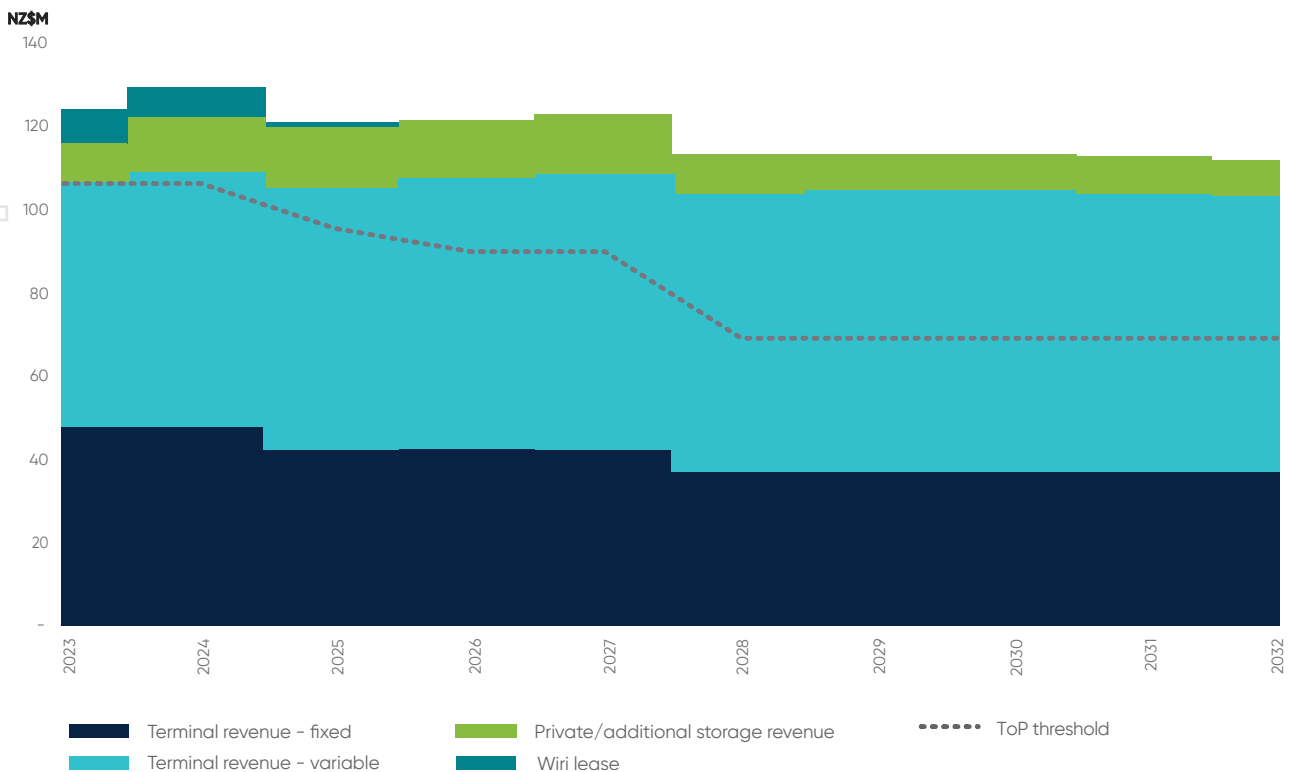
Channel Infrastructure's primary source of revenue comes from the fees earned under the Terminal Services Agreements, of which 45 per cent is fixed and the remainder is throughput related fees, for the Marsden Point to Auckland pipeline ("the Pipeline"), pipeline to the Truck Loading Facility and wharfage. Fees under the Terminal Services Agreements are subject to take-or-pay commitments, set at \$100 million per annum (real) for the first three years (\$75 million pro-rated for the nine months to 31 December 2022).

All fees are subject to PPI escalation with a one-year lag (i.e. 2023 inflation applying to 2024 fees charged) which provides a high degree of protection in the current inflationary environment.

Additional revenue is earned through Private and Additional Storage Agreements. Private and additional storage fees are capacity-based (i.e. independent of throughput), with revenue of \$11 million in 2023. 2023 saw the last 45 million litres of the planned 100 million litres of private storage come into service with the last tank conversion completed in September 2023. 2024 will reflect the first full year contribution from Private storage fees.

The \$6 million per annum of Wiri lease fees will continue until February 2025 when the lease expires.

## Contracted Revenue Outlook Using Envisory Fuel Demand Outlook (2023)



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## Operating Costs

Channel Infrastructure's largest costs are electricity and utilities and payroll, together making up 52 per cent of total operating costs.

Electricity supply is a key operating cost for our business and from 1 January 2024, Channel has a fixed price variable volume contract which includes Energy Attribute Certificates, certifying that electricity has been generated from renewable sources, and is for a period of six years with the right to extend for a further 2.25 years to 31 March 2032 at the option of Channel.

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

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

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

## Depreciation

The depreciation cost of c.\$35 million per annum included Wiri asset depreciation of c.\$6 million.

## Financing Costs

The effective interest rate applying in the twelve months ended 31 December 2023 was 5.6 per cent (higher due to line fees paid on undrawn bank facilities), with approximately 63 per cent of Channel Infrastructure's debt costs fixed as at 31 December 2023, providing funding cost certainty and protection in the high interest rate environment. The refinancing of the subordinated note has completed the alignment of our debt structure with an infrastructure business.

## Discontinued Operations

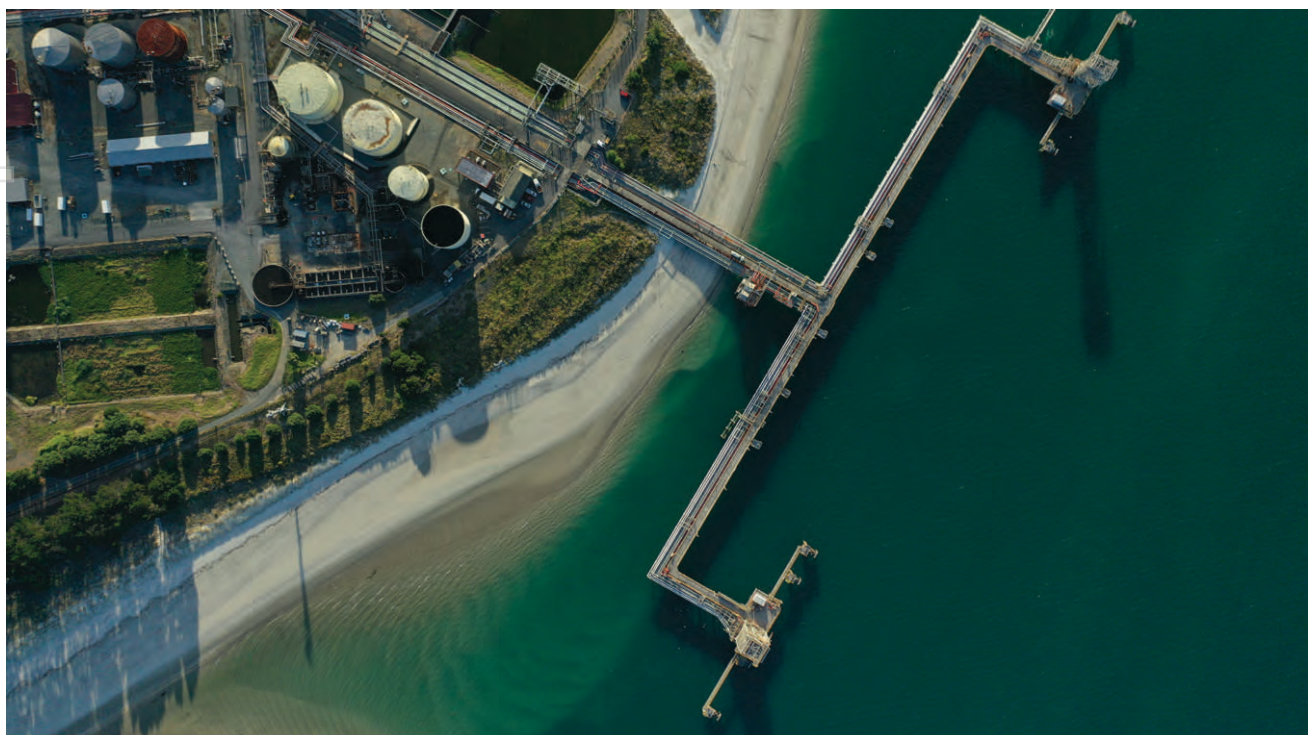
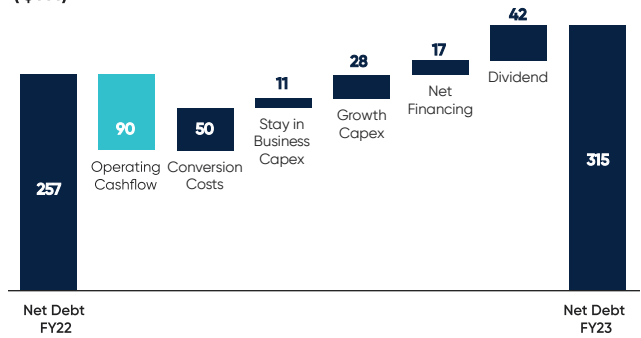
A net loss after tax of \$3.6 million is reported from discontinued operations in 2023 which reflects the results from refining activities. This includes \$7 million of revenue recognised in relation to scrap metal sales, proceeds from historical legal claims and the gain on sale from carbon credits. Total expenses amounted to \$12 million, comprising: operating costs of \$4 million, conversion costs and impairment of assets of \$6 million and non-cash financing costs of \$2 million.

# Cashflow and Dividends

Strong operating cashflows from continuing operations funded a significant portion of conversion spend and growth capex, with net debt increasing to \$315 million. This represents gearing of 39 per cent and Net Debt to EBITDA of 3.6 times.

Strong cash flows and leverage in the target range of 3 to 4 times has enabled the Board to declare an unimputed final ordinary dividend of 6.3 cents per share and a special dividend of 1.5 cents per share that will be paid on 28 March 2024. The total FY23 dividend was 12.0 cents per share (representing a dividend yield of 8.3%).

## Net Debt Movement (\$m)



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# Balance Sheet

## Net Assets

Net assets of the Company decreased by 4 per cent to \$499 million or \$1.32 per share.

## Provisions and employee benefits

Provisions associated with the conversion to an import terminal have reduced by \$19 million, with \$27 million spent on shutdown and decommissioning and workforce transition which were completed across the year. An increase to the discount rate has resulted in a \$1 million reduction in overall conversion provisions, offset by an increase to the demolition and restoration provision of \$6.8 million and provision discount unwinding of \$2 million. Employee benefits also reduced by \$3 million in line with workforce reductions through the transition.

## Working Capital

Net working capital (after excluding conversion provisions and the repayment of subordinated notes) is positive \$25 million.

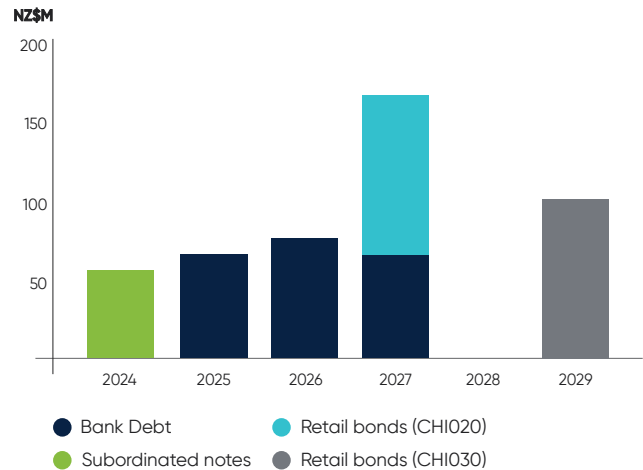
## Borrowings

In November 2023, Channel Infrastructure issued \$100 million of unsecured, unsubordinated, fixed rate retail bonds for a term of six years, maturing on 14 November 2029. The net proceeds from the retail bonds provided diversification of funding that aligns with an infrastructure business, and were applied towards repaying a portion of existing bank debt and toward redeeming \$54.9 million of subordinated notes that were not exchanged on the Issue Date under the Exchange Mechanism.

Total available debt facilities are currently \$460 million with no maturities within 12 months<sup>1</sup> and a weighted average debt maturity of 3.7<sup>2</sup> years as at 31 December 2023.

## Debt Maturity Profile

(as at 31 December 2023)



The Group's net debt as at 31 December 2023 was \$315 million, resulting in total headroom of \$90 million<sup>3</sup> which provides sufficient capacity to fund the remainder of conversion costs and investment in private storage.

## Tax Losses

The Company generated significant tax losses through the conversion to an import terminal. As at 31 December 2023, the Company held tax losses amounting to c.\$474 million which will be used to offset against future assessable income.

<sup>1</sup> The subordinate notes have been refinanced with \$100 million of retail bonds, and the subordinated notes are to be redeemed on 1 March 2024.

<sup>2</sup> Average tenor excludes the subordinated notes that are to be redeemed on 1 March 2024.

<sup>3</sup> \$90m headroom is net of \$54.9m required to redeem the remaining CHIO10 subordinated notes on 1 March 2024

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# Governance

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

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

The Governance Statement is annually reviewed and approved by the Board and is current as at 28 February 2024.

The Board considers that it has followed the recommendations in the NZX Corporate Governance Code during the financial year ended 31 December 2023.

## 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 approach to risk

management is set out in the Sustainability Report and Governance Statement, and the Governance Statement contains a summary of the categories of risk identified as currently being the key material enterprise risks to Channel Infrastructure's business.

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

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

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

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

## Independence of Directors

The Board currently consists of seven Directors:

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

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

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

The two 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
- Act as a committee of the Board to deal with matters delegated or referred to it by the Board or management, including ensuring that issues concerning the major customers, and in particular any conflicts of interest, are dealt with in a transparent manner for the benefit of the Company as a whole.

## Meeting Attendance

Director attendances at Board and committee meetings during 2023 were as follows:

		BOARD MEETING <sup>1</sup>	AUDIT AND FINANCE COMMITTEE	PEOPLE AND CULTURE COMMITTEE	INDEPENDENT DIRECTORS COMMITTEE	HEALTH, SAFETY, ENVIRONMENT AND OPERATIONS COMMITTEE <sup>2</sup>	DUE DILIGENCE COMMITTEE	SITE WALKS <sup>3</sup>
J Miller	Independent Chair	8/8	4/4	6/7	5/5	1/1	5/5	3
A Holmes	Independent	8/8		7/7	5/5	5/5	5/5	3
NL Jones	Non-independent	7/7	4/4			1/1		2
AM Molloy	Independent	8/8	4/4		5/5	1/1	5/5	4
L Nation	Non-independent	7/8		7/7		5/5		3
V C M Stoddart	Independent	7/8		7/7	5/5	1/1		3
P A Zealand	Independent	8/8	3/4		3/5	5/5		4

1 Includes 27 April 2023 Annual Shareholders' Meeting.

2 From 27 April 2023 the HSEO Committee transitioned to a separate sub-committee (one meeting attended by all members prior to the change) and the Committee now includes Andrew Brewer from 6 December 2023.

3 Combination of physical walks and virtual engagements.

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# Remuneration Report

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## Director and Corporate Lead Team Remuneration

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

### Remuneration

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

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

Channel Infrastructure is committed to pay equity, and as the business transitioned to an import terminal, the Company completed a pay equity review of the new organisation. In August 2023, the pay equity gap was 19 per cent. Channel remains committed to closing the gap and actively monitors remuneration levels especially

during the appointment of staff into new roles to ensure that women are actively supported into broader and more senior roles in the Company.

### Directors' Remuneration and Fee Review

The Board determines the level of remuneration paid to Directors from a total fee pool that is authorised by shareholders.

As had been previously signalled, following the conversion from a refinery to an import terminal business, the Board commenced a review of Directors' fees in late 2022. The Board undertook a detailed review of fees to assess the appropriateness of the fees paid to Directors and ensure that the Company's Director remuneration practices are consistent with market trends, the objective of attracting and retaining high calibre individuals as Directors and ensure Directors are appropriately compensated for their workload on the various Board sub-committees under the Channel Infrastructure governance framework.

At the Annual Shareholders Meeting in April 2023, shareholders authorised an increase in the total Director fee pool from \$900,000 to \$927,000.

The remuneration and other benefits, excluding reimbursements, received by the individual Directors of the Company during the 2023 financial year were as follows:

		APPOINTED	RESIGNED	BOARD FEES	AUDIT AND FINANCE COMMITTEE FEES	PEOPLE AND CULTURE COMMITTEE FEES	INDEPENDENT DIRECTORS COMMITTEE FEES	HEALTH, SAFETY, ENVIRONMENT AND OPERATIONS COMMITTEE FEES	TOTAL FEES
J Miller	Independent Chair	1 Nov 2018		186,776	-	-	-	-	186,776
A Brewer	Non- independent	6 Dec 2023		-	-	-	-	-	-
A Holmes	Independent	4 Apr 2022		75,000	-	5,000	20,000	3,389	103,389
NL Jones	Non- independent	20 Mar 2018	6 Dec 2023	75,000	12,500	-	-	-	87,500
AM Molloy	Independent	4 Apr 2022		75,000	30,000	-	20,000	-	125,000
L Nation	Non- independent	1 Feb 2021		75,000	-	5,000	-	3,389	83,389
VCM									
Stoddart	Independent	20 May 2013		75,000	-	20,000	20,000	-	115,000
PA Zealand	Independent	29 Aug 2016		75,000	12,500	-	20,000	16,776	124,276

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 Chair does not receive additional fees for being on a committee. No loans have been made to Directors. The Directors of subsidiary companies (refer to page 61) are not remunerated in those positions.

## Chief Executive Officer Remuneration

Rob Buchanan commenced his employment as Chief Executive Officer in March 2023. Rob Buchanan's total remuneration package includes:

- A fixed salary of \$550,000 per annum;
- A short-term performance incentive (STI) payment based on achievement of agreed key performance indicators (KPIs). The STI is an incentive with an "on target" incentive of 35 per cent of base salary per plan year, with the potential for this to increase to 45 per cent depending on performance. Short-term incentive payments are deemed "at risk" payments designed to motivate and reward performance in the financial year. The STI is paid in the year following the performance period;
- A long-term incentive (LTI) plan in the form of:
  - A grant of initial share rights equivalent to \$500,000 that are due to vest on 31 January 2028 subject to

achievement of a minimum "on target" performance against annual controllable KPIs during the vesting period as determined and assessed by the Board at the end of that period;

- Share rights equivalent to 45 per cent of base salary on the first anniversary of the commencement date of his employment and with measures and targets to be agreed with the Board on each subsequent anniversary;
  - The Chief Executive Officer's LTI entitlement (including the initial share rights) is capped at \$8 million and thereafter subject to negotiation
- An entitlement to six months base salary (in addition to six months' notice or payment in lieu) in the event of termination due to redundancy, and an entitlement to 12 months' base salary, including notice, for termination of employment on a "no-fault" basis or resignation within three months of a change of control of Channel Infrastructure.

The total remuneration paid to the Chief Executive Officer during the year ended 31 December 2023 comprised the following components:

- Fixed remuneration – base salary equivalent to \$550,000 per annum
- Other benefits of \$36,383 (accommodation, Kiwisaver and mileage).

The Chief Executive Officer's KPIs, with respect to the short-term incentive, agreed for the 2023 financial year relate to:

KPI CATEGORY	WEIGHTING
Delivery against the Company scorecard (safe, reliable and compliant terminal operations, delivery of conversion project commitments, financial performance from the terminal, meeting customer commitments, building people and system capability and growing shareholder value)	50%
Delivery against personal scorecard (effective CEO transition, positioning Channel for growth, terminal systems and culture embedded with an engaged workforce and supporting New Zealand's decarbonisation)	50%

A short-term incentive in respect of the 2023 year will be paid in early 2024, amounting to \$247,500 recognising Mr Buchanan's performance against the KPIs outlined above.

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

PERFORMANCE YEAR	GRANT DATE	VESTING DATE	NUMBER OF SHARE RIGHTS	COSTS RECOGNISED (FINANCIAL YEAR)	
				2023 \$000	TOTAL \$000
2023 Initial share rights	31 Jan 2023	31 Jan 2028	337,975	63	63

### Remuneration of outgoing CEO, Naomi James

Ms James exited the business on 1 April 2023. Her remuneration package for the part year included:

- A short-term performance incentive (STI) payment of \$111,631 based on achievement of agreed key performance indicators (KPIs)<sup>1</sup>.
- A base salary equivalent to \$995,000 per annum;
- A six month redundancy entitlement of \$497,500 and accrued leave of \$105,896.
- Share rights entitlements refer to Note 20 in the financial statements
- Other benefits of \$21,772 (accommodation, Kiwisaver and mileage)

### Five-Year Summary – Chief Executive Remuneration

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

FINANCIAL YEAR	CEO	COSTS RECOGNISED IN YEAR \$'000							
		BASE SALARY	OTHER	TOTAL FIXED REMUNERATION	SHARE RIGHTS	SHORT TERM INCENTIVE KPI BASED	EMPLOYEE SHARE SCHEME	TOTAL VARIABLE REMUNERATION	TOTAL REMUNERATION
FY2023	Rob Buchanan	506	37	543	63	248	-	311	854
FY2023	Naomi James	249	625 <sup>1</sup>	874	192	112	-	304	1,178
FY2022	Naomi James	995	41	1,036	1,041	647	2	1,690	2,726
FY2021	Naomi James	995	46	1,041	417	647	1	1,065	2,106
FY2020	Naomi James	773	47	820	206	-	-	206	1,026
FY2020	Paul Zealand	187	-	187	-	-	-	-	187
FY2020	Mike Fuge	130	4	134	-	-	-	-	134
FY2019	Mike Fuge	900	32	932	-	-	-	-	932

<sup>1</sup> Other costs include redundancy, final leave accrual and accommodation and mileage

### 2022 Workforce Changes are now complete

As a result of the business change that occurred in 2022, nine employees left Channel during 2023 and two will depart early in 2024, closing out the Workforce transition.

The Company provided employees with a minimum of six months' notice and six months redundancy. Redundancies amounting to \$1.0 million were paid in 2023 (2022: \$22 million) and leave entitlements were paid out amounting to \$0.2 million (2022: \$7 million). Redundancy and leave payments are included in the employee remuneration table set out on page 52.

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

Within six months of exit, 99 per cent of our staff impacted by the change who were seeking new employment had found new employment or were retraining.

<sup>1</sup> Applicable performance KPIs related to delivery of FY22 results, continued achievement of terminal transition milestones, seamless CEO transition and safe operations.

## Corporate Lead 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, benefits, and short-term performance incentives. The determination of fixed remuneration is based on responsibilities, individual performance, experience, and market data. We believe that setting fixed remuneration in this way is necessary to attract and retain appropriately qualified and experienced individuals to drive delivery of the Company's strategy and rewards ongoing performance. At risk, variable remuneration, comprises short-term incentives based on the KPIs in the Company Scorecard and individual performance. The Company Scorecard included health, safety and environment (HSE), customer, financial and balance sheet performance metrics, with an above target outcome recorded against these KPIs, which takes into account our three strategic pillars. STI payments in respect of 2023 performance will be made in 2024.

As previously disclosed, in 2021, key business leaders were awarded with two tranches of share rights (in the form of shares in the Company) to incentivise and retain selected individuals in key management roles critical to the safe delivery of the conversion project. The first tranche of share rights vested on 1 January 2023 in accordance with their terms and 1,931,890 shares in the Company were issued to the awardees of the share rights on 4 January 2023. The second tranche of share rights vested on 28 February 2023 and were issued on that date to awardees of the share rights. The Board issued these shares having determined that the vesting condition in relation to the safe, on time, on budget and to-plan conversion to import terminal operations in 2022 have been satisfied.

## Employee Share Purchase Scheme

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

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

The Company estimates that the annual cost of operating the scheme is approximately \$31,000. The value of the awards under the Employee Share Purchase Scheme amounted to \$1,270 for each eligible employee in 2023.

The funds, totalling \$90,131 for the award, were provided to CRS Nominees Limited (Trustee), as Trustee of the Employee Share Purchase Scheme, to pay the subscription price in cash for the issue of the shares as fully paid ordinary shares. The shares are held by the Trustee for the participating employees until they are withdrawn by the participants following a restricted period of three years from the acquisition date, unless released earlier in certain limited circumstances (for example death, sickness, redundancy etc). The participating employees may vote the shares and receive dividends, if paid.

The total financial assistance given in 2023 in the form of advances to the Trustee to acquire the shares and fund the annual costs of operating the Scheme amounted to \$121,131 (2022: \$560,848).

## 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 2023 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 employee share scheme. No employees appointed as a Director of any subsidiary company of Channel Infrastructure NZ Limited receive or retain any remuneration or other benefits for holding this office.

The analysis (see table) is compiled on a cash basis; the variable performance rewards (linked to individual and business performance for a financial reporting period) in respect of the 2023 financial year, will be paid in March 2024 and reported as part of the remuneration banding for the 2024 year.

The ratio between employee remuneration (median) and Chief Executive Officer's total annualised, on-target remuneration for the 2023 financial year (on a cash basis) was 1:5<sup>1</sup> (2022: 1:9).

<sup>1</sup>Excludes those employees made redundant in 2022 who received a short term incentive only in 2023

AMOUNT OF REMUNERATION \$000	2023	2022	
	NO. OF EMPLOYEES	NO. OF EMPLOYEES	NO. WHICH INCLUDE REDUNDANCY
100-109	11	7	5
110-119	12	8	4
120-129	5	6	4
130-139	3	14	12
140-149	9	7	4
150-159	9	7	3
160-169	8	9	8
170-179	8	15	12
180-189	5	11	8
190-199	3	13	11
200-209	2	9	9
210-219	2	11	6
220-229	2	6	3
230-239	1	9	9
240-249	-	3	3
250-259	-	10	10
260-269	1	10	9
270-279	1	8	6
280-289	1	4	2
290-299	2	4	2
300-309	-	6	6
310-319	1	7	6
320-329	-	5	5
330-339	1	4	2
340-349	-	4	4
350-359	-	5	4
360-369	-	2	2
370-379	-	4	3
380-389	-	4	4
390-399	-	6	6
400-409	-	2	2
410-419	-	1	-
420-429	-	4	4
440-449	-	3	3
460-469	-	5	5
470-479	1	1	1
480-489	-	2	2
490-499	-	2	2
500-599	2	6	4
600-699	-	1	1
1,600-1,699	1	1	-

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# Shareholder and Bondholder Information

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## Top Twenty Shareholders - as at 31 December 2023

	Shareholders	Total shares held	% of total
1	Z Energy Limited	47,999,980	12.7
2	BP New Zealand Holdings Limited	31,572,640	8.3
3	HSBC Nominees (New Zealand) Limited* <sup>1</sup>	31,093,475	8.2
4	Accident Compensation Corporation*	25,467,906	6.7
5	Forsyth Barr Custodians Limited	25,389,202	6.7
6	Custodial Services Limited	21,780,726	5.8
7	BNP Paribas Nominees (NZ) Limited*	21,475,805	5.7
8	FNZ Custodians Limited	13,109,326	3.5
9	Citibank Nominees (New Zealand) Limited*	12,167,275	3.2
10	TEA Custodians Limited Client Property Trust Account*	8,632,153	2.3
11	New Zealand Depository Nominee Limited	7,620,414	2.0
12	Public Trust Class 10 Nominees Limited*	5,816,048	1.5
13	BNP Paribas Nominees (NZ) Limited*	4,867,647	1.3
14	Washington H Soul Pattinson And Company Limited	4,854,458	1.3
15	Hamish Alexander Jones	4,703,408	1.2
16	HSBC Nominees (New Zealand) Limited A/C State Street*	4,504,834	1.2
17	Wairahi Investments Limited	3,900,000	1.0
18	JP Morgan Chase Bank NA NZ Branch-Segregated Clients Acct*	3,239,842	0.9
19	PT (Booster Investments) Nominees Limited	3,035,973	0.8
20	Investment Custodial Services Limited	2,455,993	0.6
		283,687,105	74.9

1 The shareholder spread below groups shares held by NZCSD (denoted by \* in the table above) as a single legal holding

## Shareholder Statistics - as at 31 December 2023

No of financial products	No of shareholders	SHAREHOLDERS		
		% holder	Shares	% of shares
1 - 499	256	6.0	62,236	0.0
500 - 999	264	6.2	180,984	0.1
1,000 - 1,999	521	12.3	665,260	0.2
2,000 - 4,999	1,015	24.1	3,130,142	0.8
5,000 - 9,999	700	16.6	4,708,421	1.2
10,000 - 49,999	1,153	27.3	23,871,767	6.3
50,000 - 99,999	179	4.2	10,501,882	2.8
100,000 - 499,999	107	2.5	19,798,030	5.2
500,000 - 999,999	14	0.3	11,776,853	3.1
1,000,000 - upwards	23	0.5	304,060,466	80.3
Total	4,232	100	378,756,041	100

## Top Twenty Bondholders CHI010 5.10% Notes - as at 31 December 2023

	Bondholder	Total bonds held	% of total
1	TEA Custodians Limited Client Property Trust Account* <sup>1</sup>	21,032,000	38.3
2	FNZ Custodians Limited	8,015,000	14.6
3	Forsyth Barr Custodians Limited	2,361,000	4.3
4	JP Morgan Chase Bank NA NZ Branch-Segregated Clients Acct*	1,800,000	3.3
5	Public Trust*	1,400,000	2.6
6	JBWere (NZ) Nominees Limited	1,124,000	2.0
7	RGTKMT Investments Limited	1,000,000	1.8
8	Hobson Wealth Custodian Limited	995,000	1.8
9	Nicholas Peter Gordon & Richard Anthony Johnston & Andrea Lee Gordon	888,000	1.6
10	FNZ Custodians Limited	611,000	1.1
11	Craig John Thompson	500,000	0.9
12	Jill Gordon	500,000	0.9
13	Woolf Fisher Trust Incorporated	500,000	0.9
14	Forsyth Barr Custodians Limited	477,000	0.9
15	Dale Patricia Stechman	290,000	0.5
16	Custodial Services Limited	284,000	0.5
17	Carlton Cornwall Bowls Incorporated	250,000	0.5
18	Nicholas Peter Gordon & Andrea Lee Bull	250,000	0.5
19	Wharetukura Limited	247,000	0.4
20	Forsyth Barr Custodians Limited	207,000	0.4
		42,731,000	77.8

<sup>1</sup> The bondholder spread below groups bonds held by NZCSD (denoted by \* in the table above) as a single legal holding

## Bondholder statistics - as at 31 December 2023

No of financial products	No of bondholders	BONDHOLDERS CHI010		
		% holder	Bonds	% of bonds
1 - 4,999	-	-	-	-
5,000 - 9,999	39	9.0	219,000	0.4
10,000 - 49,999	291	67.5	5,963,000	10.9
50,000 - 99,999	53	12.3	2,815,000	5.1
100,000 - 499,999	35	8.1	5,178,000	9.4
500,000 - 999,999	6	1.4	3,994,000	7.3
1,000,000 - upwards	7	1.6	36,732,000	66.9
Total	431	100	54,901,000	100

## Top Twenty Bondholders CHI020 5.80% Bonds- as at 31 December 2023

	Bondholder	Total bonds held	% of total
1	Forsyth Barr Custodians Limited	44,271,000	44.3
2	FNZ Custodians Limited	11,324,000	11.3
3	Citibank Nominees (New Zealand) Limited* <sup>1</sup>	10,500,000	10.5
4	Investment Custodial Services Limited	3,150,000	3.2
5	Forsyth Barr Custodians Limited	2,805,000	2.8
6	TEA Custodians Limited Client Property Trust Account*	1,187,000	1.2
7	Custodial Services Limited	1,185,000	1.2
8	NZX WT Nominees Limited	810,000	0.8
9	JBWere (NZ) Nominees Limited	735,000	0.7
10	FNZ Custodians Limited	634,000	0.6
11	I J Investments Limited	500,000	0.5
12	Mohua Limited	500,000	0.5
13	Hobson Wealth Custodian Limited	481,000	0.5
14	Catherine Jane Gibb	403,000	0.4
15	Nicholas Peter Gordon	330,000	0.3
16	Forsyth Barr Custodians Limited	310,000	0.3
17	Avalon Family Trustee (Mrm) Limited	300,000	0.3
18	Forsyth Barr Custodians Limited	300,000	0.3
19	James Brackenridge Gordon	260,000	0.3
20	Andrew Brodie Thomson & Razimah Ismail	250,000	0.3
		80,235,000	80.2

1 The bondholder spread below groups bonds held by NZCSD (denoted by \* in the table above) as a single legal holding

## Bondholder Statistics - as at 31 December 2023

No of financial products	No of bondholders	BONDHOLDERS CHI020		
		% holder	Bonds	% of bonds
1 - 4,999	-	-	-	-
5,000 - 9,999	80	11.3	450,000	0.5
10,000 - 49,999	489	68.7	10,340,000	10.3
50,000 - 99,999	90	12.7	5,072,000	5.1
100,000 - 499,999	40	5.6	6,537,000	6.5
500,000 - 999,999	5	0.7	3,179,000	3.2
1,000,000 - upwards	7	1.0	74,422,000	74.4
Total	711	100	100,000,000	100

## Top Twenty Bondholders CHI030 6.75% Bonds- as at 31 December 2023

	Bondholder	Total bonds held	% of total
1	Forsyth Barr Custodians Limited	27,952,000	28.0
2	Custodial Services Limited	15,693,000	15.7
3	FNZ Custodians Limited	11,072,000	11.1
4	HSBC Nominees (New Zealand) Limited* <sup>1</sup>	10,000,000	10.0
5	Citibank Nominees (New Zealand) Limited*	5,380,000	5.4
6	Hobson Wealth Custodian Limited	4,757,000	4.8
7	BNP Paribas Nominees (NZ) Limited*	3,000,000	3.0
8	Forsyth Barr Custodians Limited	1,997,000	2.0
9	JBWere (NZ) Nominees Limited	1,653,000	1.7
10	Investment Custodial Services Limited	920,000	0.9
11	ANZ Custodial Services New Zealand Limited*	700,000	0.7
12	Public Trust*	650,000	0.7
13	Masfen Securities Limited	620,000	0.6
14	TEA Custodians Limited Client Property Trust Account*	620,000	0.6
15	Custodial Services Limited	600,000	0.6
16	CML Shares Limited	562,000	0.6
17	Richard Barton Adams & Allison Ruth Adams	500,000	0.5
18	Selenium Corporation Limited	500,000	0.5
19	Sterling Holdings Limited	500,000	0.5
20	NZX WT Nominees Limited	416,000	0.4
		88,092,000	88.1

<sup>1</sup> The bondholder spread below groups share held by NZCSD (denoted by \* in the table above) as a single legal holding

## Bondholder Statistics - as at 31 December 2023

No of financial products	No of bondholders	BONDHOLDERS CHI030		
		% holder	Bonds	% of bonds
1 - 4,999	-	-	-	-
5,000 - 9,999	104	22.8	694,000	0.7
10,000 - 49,999	273	60.0	5,902,000	5.8
50,000 - 99,999	41	9.0	2,664,000	2.7
100,000 - 499,999	18	4.0	3,064,000	3.1
500,000 - 999,999	10	2.2	6,172,000	6.2
1,000,000 - upwards	9	2.0	81,504,000	81.5
Total	455	100	100,000,000	100

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# Statutory Disclosures

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## 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 Chair, 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. Further, no disclosures were made of information disclosures under s145(2) of the Companies Act 1993

## Donations

The Company and its subsidiaries made donations of \$12,500 during the year ended 31 December 2023 (2022: \$13,273). No political donations were made.

## Substantial product holders - as at 31 December 2023<sup>1</sup>

	No. of ordinary shares
Z Energy Limited	47,999,980
BP New Zealand Holdings Limited	31,572,640
Accident Compensation Corporation	25,467,906

## Channel Infrastructure Subsidiary Directors

SUBSIDIARY	NAME OF DIRECTORS
Independent Petroleum Laboratory Limited	Rob Buchanan, Chris Bougen
Channel Terminal Services Limited	Rob Buchanan, Chris Bougen
CHI Future Developments Limited	Rob Buchanan, Chris Bougen
Maranga Rā Holdings Limited	Rob Buchanan, Chris Bougen

<sup>1</sup> As at 31 December 2023, the total number of voting securities on issue was 378,756,041

## Directors' interests in Channel Infrastructure quoted financial products

Set out below are the relevant interests (as defined in the Financial Markets Conduct Act 2013) of the Company's directors in its quoted financial products as at 31 December 2023:

NAME	NUMBER OF ORDINARY SHARES	NUMBER OF BONDS
James Miller	117,574 <sup>1</sup>	30,000
Paul Zealand	87,000 <sup>2</sup>	Nil
Anna Molloy	25,000	30,000
Vanessa Stoddart	Nil	Nil
Andrew Holmes	Nil	Nil
Andrew Brewer	Nil	Nil
Lucy Nation	Nil	Nil

<sup>1</sup> Beneficial interest through ordinary shares held by Custodial Services Limited for Mr JB & Mrs GM Miller

<sup>2</sup> Relevant interest arising due to significant shareholding in Zoenergy Limited.

NAME	DATE OF TRANSACTION	NATURE OF TRANSACTION	NATURE OF RELEVANT INTEREST	CONSIDERATION	NUMBER OF ORDINARY SHARES
James Miller	25 September 2023	On-market purchase of ordinary shares	Beneficial owner (through ordinary shares held by Custodial Services Limited for Mr JB & Mrs GM Miller)	\$35,656	22,425
	26 September 2023	On-market purchase of ordinary shares	Beneficial owner (through ordinary shares held by Custodial Services Limited for Mr JB & Mrs GM Miller)	\$31,600 \$31,200	20,000 20,000
	27 September 2023	On-market purchase of ordinary shares	Beneficial owner (through ordinary shares held by Custodial Services Limited for Mr JB & Mrs GM Miller)	\$31,000 \$1.54	20,000 1
Anna Molloy	8 March 2023	On-market purchase of ordinary shares	Registered holder and beneficial owner	\$37,000	25,000

NAME	DATE OF TRANSACTION	NATURE OF TRANSACTION	NATURE OF RELEVANT INTEREST	CONSIDERATION	NUMBER OF BONDS
James Miller	14 November 2023	Subscription for bonds (CHI030)	Beneficial owner (through bonds held by Custodial Services Limited for Mr JB & Mrs GM Miller)	\$30,000	30,000
Anna Molloy	14 November 2023	Subscription for bonds (CHI030)	Registered holder and beneficial owner	\$30,000	30,000

## General notice of director's interests

No disclosures were made of interests in transactions under s140(1) of the Companies Act.

Directors have made general disclosures of interests in accordance with s140(2) of the Companies Act. Current interests as at 31 December 2023, including those which ceased during the year, are tabulated below.

James Miller	Ryman Healthcare Limited (appointed 1 June 2023)	Director
	Vista Group International Limited	Director
	Mercury Energy Limited	Director
Andrew Brewer (appointed 6 December 2023)	Ampol Limited Australia	Employee/Executive
	Ampol Holdings NZ Limited	Director
	Z Energy Limited	Director
	Z Energy 2015 Limited	Director
	Ampol Australia Petroleum Pty Ltd	Director
	Ampol QSR Pty Ltd	Director
	Centipede Holdings Pty Limited	Director
	Emerald Fields Trading Inc Phillipines	Director
	Ocean Tankers Corporation Phillipines	Director
	Seaoil Phillipines Inc	Director
Zeal Achiever Limited British Virgin Islands	Director	
Andrew Holmes	Scaling Green Hydrogen CRC Advisor Board	Chair
	Urban Analytica	Chair
Anna Molloy	ANZ New Zealand Investments Limited	Director
	Winton Land Limited (ceased as a director on 22 August 2023)	
Lucy Nation	Curtin Institute for Energy Transition Advisory Board (appointed 28 August 2023)	Advisory Board Member
	Australian Hydrogen Council	Deputy Chair/Director
	BP Australia Pty Ltd	Director
	BP Alternative Energy Australia Pty Ltd	Director
	BP Low Carbon Energy Australia Pty Ltd	Director
Vanessa Stoddart	Te Whatu Ora Health NZ	Board member
	OneFortyOne Plantations Holdings Pty Limited	Director
	Financial Markets Authority	Board member
	Waste Management NZ Limited	Director
	Iron Duke Partners	Advisory Board
Paul Zealand	Infrastructure Holdings Limited (appointed 17 January 2023)	Director
	Port Nelson Limited	Chair
	Genesis Energy Limited (NZ)	Director
	Lochard Energy Limited (AU)	Director
	Zoenergy Ltd (NZ)	Director/Shareholder

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# Consolidated Financial Report

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# Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTE	GROUP 2023 \$000	GROUP 2022 \$000
<b>CONTINUING OPERATIONS</b>			
<b>INCOME</b>			
Revenue		130,703	88,237
<b>TOTAL INCOME</b>	2,3	<b>130,703</b>	<b>88,237</b>
<b>EXPENSES</b>			
Energy and utility costs		11,136	6,372
Materials and contractor payments		8,546	7,277
Salaries, wages and benefits		11,477	7,964
Administration and other costs		12,384	9,172
<b>TOTAL EXPENSES</b>		<b>43,543</b>	<b>30,785</b>
<b>EARNINGS BEFORE DEPRECIATION, FINANCE COSTS AND INCOME TAX</b>	24	<b>87,160</b>	<b>57,452</b>
<b>DEPRECIATION</b>	8	<b>35,409</b>	<b>24,610</b>
<b>NET PROFIT BEFORE FINANCE COSTS AND INCOME TAX</b>		<b>51,751</b>	<b>32,842</b>
Finance income		(286)	(183)
Finance costs		17,907	9,947
<b>NET FINANCE COSTS</b>		<b>17,621</b>	<b>9,764</b>
<b>NET PROFIT BEFORE INCOME TAX</b>		<b>34,130</b>	<b>23,078</b>
Income tax	5	6,483	6,524
<b>NET PROFIT AFTER INCOME TAX FROM CONTINUING OPERATIONS</b>		<b>27,647</b>	<b>16,554</b>
Net loss after income tax from discontinued operations	1	(3,583)	(4,594)
<b>NET PROFIT AFTER INCOME TAX</b>		<b>24,064</b>	<b>11,960</b>
<b>ATTRIBUTABLE TO:</b>			
Owners of the Parent		24,064	11,960
<b>EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS</b>			
		<b>CENTS</b>	<b>CENTS</b>
Basic and diluted earnings per share from continuing operations	6	7.4	4.5
Basic and diluted earnings per share	6	6.4	3.2

The above Consolidated Income Statement is to be read in conjunction with the notes on pages 73 to 102.

# Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTE	GROUP 2023 \$000	GROUP 2022 \$000
<b>NET PROFIT AFTER INCOME TAX</b>		<b>24,064</b>	11,960
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that will not be reclassified to the Income Statement</b>			
Defined benefit plan and medical scheme actuarial gain		2,784	2,397
Deferred tax		(780)	(671)
<b>Total items that will not be reclassified to the Income Statement</b>		<b>2,004</b>	1,726
<b>Items that may be subsequently reclassified to the Income Statement</b>			
Movement in cash flow hedge reserve		(4,930)	8,913
Deferred tax		1,380	(2,496)
<b>Total items that may be subsequently reclassified to the Income Statement</b>		<b>(3,550)</b>	6,417
<b>TOTAL OTHER COMPREHENSIVE (LOSS) / INCOME, AFTER INCOME TAX</b>		<b>(1,546)</b>	8,143
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, AFTER INCOME TAX</b>		<b>22,518</b>	20,103
<b>ATTRIBUTABLE TO:</b>			
Owners of the Parent		22,518	20,103

The above Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes on pages 73 to 102.

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# Consolidated Balance Sheet

AS AT 31 DECEMBER 2023

	NOTE	GROUP 2023 \$000	GROUP 2022 \$000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		4,870	2,386
Trade and other receivables	15	25,887	23,047
Income tax receivable		87	-
Derivative financial instruments		450	33
Inventories		5,514	5,057
<b>TOTAL CURRENT ASSETS</b>		<b>36,808</b>	<b>30,523</b>
<b>NON-CURRENT ASSETS</b>			
Derivative financial instruments		10,058	14,143
Intangibles	9	1,785	5,909
Property, plant and equipment	8	906,360	876,054
Other assets	10	18,114	19,714
Right-of-use assets		330	585
<b>TOTAL NON-CURRENT ASSETS</b>		<b>936,647</b>	<b>916,405</b>
<b>TOTAL ASSETS</b>		<b>973,455</b>	<b>946,928</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	20,117	16,609
Derivative financial instruments		603	934
Borrowings	13	55,779	-
Lease liabilities		79	62
Employee benefits	18	2,880	3,602
Provisions	14	18,526	34,693
<b>TOTAL CURRENT LIABILITIES</b>		<b>97,984</b>	<b>55,900</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	13	264,843	259,583
Lease liabilities		556	557
Employee benefits	18	3,220	5,878
Provisions	14	67,503	70,498
Deferred tax liabilities	5	40,138	36,020
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>376,260</b>	<b>372,536</b>
<b>TOTAL LIABILITIES</b>		<b>474,244</b>	<b>428,436</b>
<b>NET ASSETS</b>		<b>499,211</b>	<b>518,492</b>

	NOTE	GROUP 2023 \$000	GROUP 2022 \$000
<b>EQUITY</b>			
Contributed equity		318,123	314,504
Revaluation reserve		422,771	422,771
Treasury stock		(1,317)	(1,462)
Employee share entitlement reserve	7	1,081	4,240
Cash flow hedge reserve	19	6,575	10,125
Retained earnings		(248,022)	(231,686)
<b>TOTAL EQUITY</b>		<b>499,211</b>	<b>518,492</b>

The Board of Directors of Channel Infrastructure NZ Limited authorised these financial statements for issue on 28 February 2024.

For and on behalf of the Board



**J B Miller**  
Chair of the Board



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

The above Consolidated Balance Sheet is to be read in conjunction with the notes on pages 73 to 102.

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# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTE	CONTRIBUTED EQUITY \$000	REVALUATION RESERVE \$000	TREASURY STOCK \$000	EMPLOYEE SHARE SCHEME ENTITLEMENT RESERVE \$000	CASH FLOW HEDGE RESERVE \$000	RETAINED EARNINGS \$000	TOTAL EQUITY \$000
AT 1 JANUARY 2022		313,974	422,771	(1,168)	1,586	3,708	(245,383)	495,488
<b>COMPREHENSIVE INCOME</b>								
Net profit after income tax		-	-	-	-	-	11,960	11,960
<b>Other comprehensive income</b>								
Movement in cash flow hedge reserve	19	-	-	-	-	8,913	-	8,913
Defined benefit actuarial gain	18	-	-	-	-	-	2,397	2,397
Deferred tax on other comprehensive income		-	-	-	-	(2,496)	(671)	(3,167)
<b>TOTAL OTHER COMPREHENSIVE GAIN, AFTER INCOME TAX</b>		-	-	-	-	6,417	1,726	8,143
<b>TRANSACTIONS WITH OWNERS OF THE PARENT</b>								
Equity-settled share- based payments		-	-	-	2,890	-	-	2,890
Shares vested to employees		-	-	236	(236)	-	-	-
Treasury shares issued		530	-	(530)	-	-	-	-
Unclaimed dividends written back		-	-	-	-	-	11	11
<b>TOTAL TRANSACTIONS WITH OWNERS OF THE PARENT</b>		530	-	(294)	2,654	-	11	2,901
<b>AT 31 DECEMBER 2022</b>		<b>314,504</b>	<b>422,771</b>	<b>(1,462)</b>	<b>4,240</b>	<b>10,125</b>	<b>(231,686)</b>	<b>518,492</b>

	NOTE	CONTRIBUTED EQUITY \$000	REVALUATION RESERVE \$000	TREASURY STOCK \$000	EMPLOYEE SHARE SCHEME ENTITLEMENT RESERVE \$000	CASH FLOW HEDGE RESERVE \$000	RETAINED EARNINGS \$000	TOTAL EQUITY \$000
AT 1 JANUARY 2023		314,504	422,771	(1,462)	4,240	10,125	(231,686)	518,492
<b>COMPREHENSIVE INCOME</b>								
Net profit after income tax		-	-	-	-	-	24,064	24,064
<b>Other comprehensive income</b>								
Movement in cash flow hedge reserve	19	-	-	-	-	(4,930)	-	(4,930)
Defined benefit actuarial gain	18	-	-	-	-	-	2,784	2,784
Deferred tax on other comprehensive income		-	-	-	-	1,380	(780)	600
<b>TOTAL OTHER COMPREHENSIVE LOSS, AFTER INCOME TAX</b>		-	-	-	-	(3,550)	2,004	(1,546)
<b>TRANSACTIONS WITH OWNERS OF THE PARENT</b>								
Equity-settled share- based payments		-	-	-	605	-	-	605
Shares vested to employees		3,529	-	235	(3,764)	-	-	-
Treasury shares issued		90	-	(90)	-	-	-	-
Dividends provided or paid		-	-	-	-	-	(42,417)	(42,417)
Unclaimed dividends written back		-	-	-	-	-	13	13
<b>TOTAL TRANSACTIONS WITH OWNERS OF THE PARENT</b>		3,619	-	145	(3,159)	-	(42,404)	(41,799)
AT 31 DECEMBER 2023		318,123	422,771	(1,317)	1,081	6,575	(248,022)	499,211

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the notes on pages 73 to 102.

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTE	GROUP 2023 \$000	GROUP 2022 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		132,226	163,197
Payment for supplies and expenses		(62,516)	(104,836)
Payments to employees		(14,543)	(57,680)
Interest received		286	183
Interest paid		(17,398)	(13,494)
Net GST paid		(869)	(2,518)
Income tax received/(paid)		(471)	1,018
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	16	<b>36,715</b>	<b>(14,130)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		7,256	-
Proceeds from sale of intangible assets		5,089	2,413
Payments for property, plant and equipment		(63,060)	(59,143)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(50,715)</b>	<b>(56,730)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of loans and borrowings		(21,000)	(39,000)
Proceeds from bond issuance		79,901	98,111
Lease payments		(1)	(1,945)
Dividends paid		(42,416)	11
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>16,484</b>	<b>57,177</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2,484</b>	<b>(13,683)</b>
Cash and cash equivalents at the beginning of the period		2,386	16,069
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>4,870</b>	<b>2,386</b>

The above Consolidated Cash Flow Statement is to be read in conjunction with the notes on pages 73 to 102.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## Reporting Entity

Channel Infrastructure NZ Limited (previously The New Zealand Refining Company Limited, trading as Refining NZ) ('Parent', 'Company' or 'Channel Infrastructure') is a profit-oriented company registered under the Companies Act 1993 and an FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013. Channel Infrastructure is listed, and its ordinary shares are quoted under the ticker CHI on the NZX Main Board Equity Market ('NZX Main Board') and its subordinated notes (ticker CHI010) and corporate bonds (ticker CHI020 & CHI030) are quoted on the NZX Debt Market.

The consolidated financial statements for the year ended 31 December 2023 presented are those of Channel Infrastructure together with its subsidiaries ('the Group'). Subsidiaries are all entities over which the Group has control and includes Channel Terminal Services Limited, Independent Petroleum Laboratory Limited, Maranga Rā Holdings Limited and CHI Future Developments Limited.

## Basis of Preparation

These consolidated financial statements for the year ended 31 December 2023 comply with:

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

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

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

## Climate change

In preparing the consolidated financial statements management has considered the impact that climate

change and the transition to a low carbon economy may have on the business. Further information can be found in the 2023 Sustainability Report, 'Resilient infrastructure for a decarbonising world'. Management will continue to monitor, assess and account for the impact of climate change in future years.

## Use of Judgements and Estimates

The preparation of financial statements requires directors and management to make certain judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The areas that involve estimates and assumptions that can significantly affect the amounts recognised in the consolidated financial statements include:

- **Fair value of property, plant and equipment** – the Group adopts the fair value model as the measurement base for property, plant and equipment (refer Note 8). Management and the Board has assessed the fair value of property, plant and equipment and concluded that it does not differ materially from its carrying value.
- **Assets held for sale** – the Group continues to report decommissioned refinery assets that are subject to a conditional sale agreement, as property, plant and equipment, rather than as assets held for sale. (Refer to Note 8 for further details).
- **Provisions** – the Group continues to recognise several provisions in relation to the conversion of the refinery into a dedicated fuels import terminal operation (refer to Note 14 for further details).
- **Recoverability of tax losses** – the Group's accumulated tax losses amount to c.\$474 million at 31 December 2023. A deferred tax asset in respect of these unutilised tax losses is recognised, having regard to the Shareholder and Business Continuity Tests and an assessment of future taxable profits available against which the tax losses can be recovered, and therefore the deferred tax asset realised.
- **Discontinued operations** – the Group continues to present the results from discontinued operations associated with the refining operations which ceased in March 2022. For further details including judgements relating to the processing fees refer to Note 1.

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## Significant Accounting Policies

The material accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all periods presented. The Group has changed the way that it classifies certain operating expenses in the current reporting period; the 2022 comparatives have been updated to be consistent with the new classification and to improve comparability between reporting periods.

There were no new or amended accounting standards mandatory for the year ended 31 December 2023 that were considered to have a material impact to the Group.

The XRB has issued a number of other standards, amendments and interpretations which are not yet effective, and which have not been early adopted by Channel Infrastructure. These standards, amendments or interpretations are not expected to have a material impact on the consolidated financial statements of the Group in the current or future reporting periods and on foreseeable future transactions.

## 1 Discontinued Operations

The Group's results from discontinued operations relate to refining operations which ceased in March 2022.

In the 12 months ended 31 December 2023 the results included revenue from scrap metal sales, proceeds from historical legal claims, the gain on sale of NZU's (carbon credits) and on-going costs associated with refining operations, including for example, one off legal costs associated with settlement of historical litigation claims, retiree medical scheme costs and costs associated with the sale of permanently decommissioned refining plant. Conversion costs reflect those costs attributed to the transition to an import terminal and include the reassessment of long-term provisions (including demolition) due to cost re-estimation and/or changes in discount rates.

The comparatives include processing fees, pipeline fees and other refining income earned under the Processing Agreements, and Wiri land and terminal lease income to 31 March 2022. Processing fees earned to March 2022 were determined by the Company in accordance with the terms of the Processing Agreements with each customer. The Company is currently in dispute in relation to 2022 processing fees associated with the cessation of refining activities. The Company has reviewed its maximum exposure in relation to the dispute including for consideration of movements of applicable oil benchmarks, and assesses its maximum exposure to be c.\$3 million (2022: c.\$11 million).

	NOTE	GROUP 2023 \$000	GROUP 2022 \$000
<b>INCOME</b>			
Revenue	3	6,866	69,950
<b>TOTAL INCOME</b>		<b>6,866</b>	<b>69,950</b>
<b>EXPENSES</b>			
Purchase of process materials and utilities		-	19,390
Materials and contractor payments		-	4,708
Salaries, wages and benefits		1,029	15,193
Administration and other costs		3,121	6,705
<b>TOTAL EXPENSES</b>		<b>4,150</b>	<b>45,996</b>
<b>EARNINGS BEFORE DEPRECIATION, IMPAIRMENT, CONVERSION COSTS, FINANCE COSTS AND INCOME TAX</b>		<b>2,716</b>	<b>23,954</b>
Depreciation and disposal costs		-	7,907
Conversion costs		5,879	2,968
Impairment / (revaluation) of assets		-	5,043
<b>TOTAL DEPRECIATION, DISPOSALS, CONVERSION COSTS AND IMPAIRMENT</b>		<b>5,879</b>	<b>15,918</b>
<b>NET (LOSS) / PROFIT BEFORE FINANCE COSTS AND INCOME TAX</b>		<b>(3,163)</b>	<b>8,036</b>
Finance income		-	(42)
Finance costs		1,813	5,719
<b>NET FINANCE COSTS</b>		<b>1,813</b>	<b>5,677</b>
<b>NET (LOSS) / PROFIT BEFORE INCOME TAX</b>		<b>(4,976)</b>	<b>2,359</b>
Income Tax		(1,393)	6,953
<b>NET LOSS AFTER INCOME TAX</b>		<b>(3,583)</b>	<b>(4,594)</b>

	2023 \$000	2022 \$000
<b>CASH FLOWS (USED IN) / FROM DISCONTINUED OPERATIONS</b>		
Net cash used in operating activities	(35,622)	(59,308)
Net cash from/(used in) investing activities	12,345	(11,563)
Net cash used in financing activities	-	(1,860)
<b>NET CASH FLOWS USED IN DISCONTINUED ACTIVITIES FOR THE PERIOD</b>	<b>(23,276)</b>	<b>(72,731)</b>

## 2 Segment Reporting

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

Management reviews the Group's performance of operating segments primarily based on revenue and adjusted earnings before depreciation, finance costs and income tax ('Adjusted EBITDA'). For a reconciliation between the Non-GAAP measure, Adjusted EBITDA, to the reported EBITDA refer to Note 24. Assets and liabilities information, depreciation, finance income and costs and income taxes are managed on a Group basis and are therefore not presented as part of the segment information.

The Group has identified one reportable segment, Infrastructure, which comprises the dedicated fuels import terminal system (including jetty infrastructure at Marsden Point, storage tanks, and Marsden Point to Auckland pipeline), and Wiri land and terminal leases and the fuel testing laboratory. The prior reporting period includes nine months of the Infrastructure segment and three months of the Oil Refining segment (until 31 March 2022). The refining business was discontinued and is classified as discontinued operations (as disclosed under Note 1).

### (b) Segment results

31 December 2023	Infrastructure \$000	Oil Refining \$000	Total \$000
<b>CONTINUING OPERATIONS</b>			
External customer	130,703	-	130,703
Inter-segment	-	-	-
<b>TOTAL REVENUE FROM CONTINUING OPERATIONS</b>	<b>130,703</b>	<b>-</b>	<b>130,703</b>
<b>DISCONTINUED OPERATIONS</b>			
External customer	-	6,866	6,866
Inter-segment	-	-	-
<b>TOTAL REVENUE FROM DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>6,866</b>	<b>6,866</b>
<b>TOTAL REVENUE</b>	<b>130,703</b>	<b>6,866</b>	<b>137,569</b>
<b>ADJUSTED EBITDA<sup>1</sup></b>	<b>87,243</b>	<b>3,610</b>	<b>90,853</b>

<sup>1</sup> Adjusted EBITDA is adjusted earnings before depreciation, impairment, conversion costs, finance costs and income tax

31 December 2022	Infrastructure \$000	Oil Refining \$000	Total \$000
<b>CONTINUING OPERATIONS</b>			
External customer	88,237	-	88,237
Inter-segment	-	-	-
<b>TOTAL REVENUE FROM CONTINUING OPERATIONS</b>	<b>88,237</b>	<b>-</b>	<b>88,237</b>
<b>DISCONTINUED OPERATIONS</b>			
External customer	539	69,411	69,950
Inter-segment	-	-	-
<b>TOTAL REVENUE FROM DISCONTINUED OPERATIONS</b>	<b>539</b>	<b>69,411</b>	<b>69,950</b>
<b>TOTAL REVENUE</b>	<b>88,776</b>	<b>69,411</b>	<b>158,187</b>
<b>ADJUSTED EBITDA<sup>1</sup></b>	<b>57,452</b>	<b>27,018</b>	<b>84,470</b>

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

### 3 Income

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

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

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

The negative processing fee revenue recorded in the 12 months ended 31 December 2023, reflects changes to pricing benchmarks and the assessed impact to the gross refining margin reported in the prior comparative period. Other refining related income includes income relating to historical legal claims in relation to refining operations and the gain on sale from NZU's (carbon credits) of \$2.1 million (2022: \$1.3 million).

	GROUP 2023 \$000	GROUP 2022 \$000
<b>CONTINUING OPERATIONS</b>		
Import terminal revenue	118,589	78,535
Wiri land and terminal lease income	5,907	4,519
Laboratory and other revenue	5,483	5,183
Other operating revenue	724	-
<b>TOTAL REVENUE FROM CONTINUING OPERATIONS</b>	<b>130,703</b>	<b>88,237</b>
<b>DISCONTINUED OPERATIONS</b>		
Processing fees	(1,388)	47,112
Natural Gas recovery	-	4,737
Pipeline and terminalling fee revenue	-	5,987
Wiri land and terminal lease income	-	1,506
Other refining related income	8,254	10,608
<b>TOTAL REVENUE FROM DISCONTINUED OPERATIONS</b>	<b>6,866</b>	<b>69,950</b>
<b>TOTAL REVENUE</b>	<b>137,569</b>	<b>158,187</b>

## 4 Related Parties

### (a) Shareholders and other related parties

The Group entered into transactions with related parties, primarily import terminal and related revenue under the Terminal Services and Private Storage Agreements.

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

- **Import Terminal Services** – Channel Group provides import terminal and pipeline services to each of the Group's three shareholder customers, namely bp New Zealand Holdings Limited (BP), Mobil Oil New Zealand Limited (Mobil) and Z Energy Limited under long-term Terminal Services Agreements and Private Storage Agreements. In 2023 c.87 per cent (2022 c.89 per cent) of the Group's total revenue was earned with shareholder customers. For credit terms refer to Note 19.
- **Lease income** – relates to income associated with the Wiri fuel terminal infrastructure that is owned by the Parent Company and leased to Wiri Oil Services Limited. There has been no impact from the conversion to an import terminal on these lease arrangements, which remain in place until their expiry in February 2025 and continue to be classified as non-cancellable operating leases with no further right of renewal (meaning that at the end of the lease term ownership of the Wiri fuel terminal assets reverts to Wiri Oil Services Limited).
- **Purchases of Goods and Services** – prior to commencement of the import terminal operations, the Group purchased sulphur, a by-product of the refining process from our customer shareholders, which was then on-sold to third parties. From April 2022 sulphur is no longer produced by the Company. In addition, amongst underwriters of Channel's material damage and business interruption insurance policy are companies related to Channel's shareholders and therefore a portion of the insurance premium is paid to those companies.

Revenue, purchases and other charges from related parties

	Revenue <sup>1</sup>				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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
BP	36,292	42,558	8,756	7,613	-	327	-	-	74	70	-	-
Mobil <sup>2</sup>	34,815	38,538	3,856	2,923	57	429	-	-	-	70	-	-
Z Energy	48,216	59,691	4,615	4,714	440	1,403	-	230	-	-	-	-
Wiri Oil	7,342	7,127	95	70	22	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>126,665</b>	<b>147,914</b>	<b>17,322</b>	<b>15,320</b>	<b>519</b>	<b>2,159</b>	<b>-</b>	<b>230</b>	<b>74</b>	<b>140</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Revenue excludes excise duty.

<sup>2</sup> Mobil had no representation on the Board of Directors of the company during 2023 and ceased being a shareholder of the company in December 2023.

**(b) Directors' fees and key management personnel compensation**

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

	NOTE	GROUP 2023 \$000	GROUP 2022 \$000
Salaries and other short-term employee benefits		4,342	4,626
Post-employment benefits		118	128
Share-based payments	20	309	1,625
<b>KEY MANAGEMENT PERSONNEL COMPENSATION</b>		<b>4,769</b>	<b>6,379</b>
Directors' fees		825	838
<b>KEY MANAGEMENT PERSONNEL COMPENSATION &amp; DIRECTORS' FEES</b>		<b>5,594</b>	<b>7,217</b>

Salaries and other short-term employee benefits in 2023 include payments made to Rob Buchanan and the former CEO Naomi James. Rob Buchanan joined the company on 31 January 2023 and Naomi James stepped down as CEO on 6 March 2023 departing the business 1 April 2023.

Key Management personnel is limited to members of the Corporate Lead Team.

## 5 Taxation

### (a) Income tax expense

	GROUP 2023 \$000	GROUP 2022 \$000
<b>CONTINUING OPERATIONS</b>		
Net profit before income tax expense	34,130	23,078
Tax at the New Zealand corporate income tax rate of 28% (2022: 28%)	9,556	6,462
Tax effect of amounts which are either non-deductible or taxable in calculating taxable income:		
Income not assessable for tax	(1,063)	-
Expenses not deductible for tax	1,552	-
Adjustments in respect of current income tax in respect of previous years	(3,562)	62
<b>INCOME TAX EXPENSE</b>	<b>6,483</b>	<b>6,524</b>
<b>Represented by:</b>		
Current tax expense	(290)	62
Deferred tax recognised in the income statement	6,773	6,462
<b>INCOME TAX EXPENSE</b>	<b>6,483</b>	<b>6,524</b>

### (b) Deferred tax

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

	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 2023			31 DEC 2023		
	\$000	\$000	\$000	\$000	\$000	\$000
Property, plant and equipment	(212,686)	8,017	-	(204,669)	-	(204,669)
Provisions	27,457	(2,414)	-	25,043	25,043	-
Employee benefits	3,853	(542)	(780)	2,531	2,531	-
Financial instruments	(3,729)	(424)	1,380	(2,773)	-	(2,773)
Intangibles	796	(558)	-	238	238	-
Right-of-use assets	(200)	33	-	(167)	-	(167)
Leases	458	(280)	-	178	178	-
Inventory	6,145	(3)	-	6,142	6,142	-
Supplementary dividend credits	-	-	-	659	659	-
Tax losses	141,886	(9,206)	-	132,680	132,680	-
<b>TOTAL</b>	<b>(36,020)</b>	<b>(5,377)</b>	<b>600</b>	<b>(40,138)</b>	<b>167,470</b>	<b>(207,609)</b>

The Group generated significant tax losses through the conversion to an import terminal and has estimated unused tax losses of c.\$474 million (2022: \$507 million) available to carry forward. A deferred tax asset in respect of these unutilised tax losses has been recognised. On the basis that at least a 49 per cent continuity of shareholding is maintained, management and the Board believe that future taxable profits will be available against which the tax losses can be recovered and therefore the deferred tax asset can be realised. Also, at 31 December 2023 a deferred tax asset of \$0.7 million has been recognised relating to unused supplementary dividend credits.

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

For property, plant and equipment, deferred tax typically arises from differences in capitalisation rules and depreciation rates between tax and accounting.

## 6 Earnings Per Share

Earnings per share is calculated by dividing the profit from continuing and discontinued operations, attributable to shareholders of the Company, by the weighted average number of ordinary shares on issue during the year. The Company's share-based payments described in Note 20 have no material dilutive effect on the earnings per share.

	NOTE	TOTAL 2023	TOTAL 2022
Profit after tax from continuing operations attributable to shareholders of the Company	(\$000)	27,647	16,554
Loss after tax from discontinued operations attributable to shareholders of the Company	(\$000)	(3,583)	(4,594)
Profit after tax attributable to shareholders of the Company	(\$000)	24,064	11,960
Weighted average number of shares on issue	000's	374,695	371,629
<b>BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>	Cents	<b>7.4</b>	<b>4.5</b>
<b>BASIC EARNINGS PER SHARE</b>	Cents	<b>6.4</b>	<b>3.2</b>

## 7 Equity and Dividends

**Contributed Equity.** The issued capital of the Company as at 31 December 2023 is represented by 378,756,041 ordinary shares (2022: 372,725,917) issued and fully paid, less 436,951 (2022: 1,031,802) treasury shares held by CRS Nominees Limited. All ordinary shares rank equally with one vote attached to each ordinary share.

Movements in the contributed equity comprise:

<b>Issued and Fully Paid Shares 1 January 2023</b>	<b>372,725,917</b>
<b>Vesting of share rights issued in 2021</b>	<b>3,309,279</b>
<p>In January and February 2023, the Company issued two tranches of shares with respect to the share rights issued in 2021 to incentivise and retain selected key management for the safe delivery of the conversion project:</p> <ul style="list-style-type: none"> <li>The first tranche of share rights vested on 1 January 2023 in accordance with their terms and 1,931,890 shares in the Company were issued to the awardees on 4 January 2023.</li> <li>The second tranche of share rights vested on 28 February 2023 in accordance with their terms and 1,377,389 shares in the Company were issued (including 282,253 shares to the former CEO).</li> </ul>	
<b>Vesting of former CEO's share rights</b>	<b>2,661,773</b>
<p>On 23 February 2023 the Board determined that the unvested share rights of former Chief Executive Officer (CEO), Naomi James, would vest upon cessation of her employment as CEO on 6 March 2023 as the outcomes contemplated by the vesting conditions were delivered. Accordingly, on 7 March 2023 the Company issued 2,661,773 ordinary shares to Ms James.</p>	
<b>Employee Share Purchase Scheme</b>	<b>59,072</b>
<p>On 17 April 2023, the Company issued 59,072 ordinary shares, at an issue price of \$1.527 per share, pursuant to the Employee Share Purchase Scheme. The shares are held on trust by CRS Nominees as Trustee until they are withdrawn by the employees following a restricted period of three years.</p>	
<b>Issued and Fully Paid Shares 31 December 2023</b>	<b>378,756,041</b>

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

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

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

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

## Dividends

Dividend declared and paid	2023		2022	
	\$m	cents per share	\$m	cents per share
Special dividend (FY2022)	7	2.0	-	-
Final dividend (FY2022)	19	5.0	-	-
Interim dividend (FY2023)	16	4.2	-	-
<b>Dividend paid</b>	<b>42</b>	<b>11.2</b>	-	-
<b>Final dividend declared</b>	<b>24</b>	<b>6.3</b>		
<b>Special dividend declared</b>	<b>6</b>	<b>1.5</b>		

On 28 February 2024, the Directors approved the payment of the final dividend of 6.3 cents per share and a special dividend of 1.5 cents per share. The dividends will not be imputed and are expected to be paid on 28 March 2024.

The shareholder continuity requirement for imputation purposes was breached in December 2023. As at 31 December 2023, imputation credits available to shareholders are \$Nil (2022:\$20.3 million).

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## 8 Property, Plant and Equipment

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

### Revaluation of property, plant and equipment

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

Any surplus on revaluation of property, plant and equipment is recognised directly in 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.

Channel Infrastructure import terminal assets were revalued in 2021 at fair value by PwC, a qualified independent valuer, using the 2021 Envisory fuel demand forecasts. The carrying value of import terminal assets as at 31 December 2023 was not considered to be materially different to their fair value, as such no adjustment to the carrying value was made in 2023. The actual rate of future fuel transition remains uncertain, and may occur faster or slower than modelled by Envisory, and the fair valuation of assets is sensitive to fuel volumes through our import terminal facilities. If import terminal volumes were to be 10 per cent higher or 10 per cent lower than assumed in the forecasts, the fair value of our import terminal assets would increase by c.\$65 million or decrease by c.\$55 million.

The carrying amount of the import terminal system under the cost model was \$291 million as at 31 December 2023.

### Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than freehold land and capital work in progress which are not depreciated. The remaining useful lives of the Group's property, plant and equipment are reviewed annually. The remaining lives of the import terminal system assets for the current and prior year are outlined below:

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

	FREEHOLD LAND AND IMPROVEMENTS \$000	REFINING PLANT \$000	IMPORT TERMINAL SYSTEM \$000	CAPITAL WORK IN PROGRESS \$000	TOTAL \$000
<b>AT 1 JANUARY 2022</b>					
Cost	15,619	33,700	795,542	24,275	869,136
Accumulated depreciation and impairment losses	-	-	-	-	-
<b>NET BOOK AMOUNT</b>	<b>15,619</b>	<b>33,700</b>	<b>795,542</b>	<b>24,275</b>	<b>869,136</b>
<b>YEAR ENDED 31 DECEMBER 2022</b>					
Opening net book value	15,619	33,700	795,542	24,275	869,136
Additions	-	-	-	47,011	47,011
Disposals	-	-	(1,955)	-	(1,955)
Depreciation charge	-	-	(33,238)	-	(33,238)
Impairment of assets	-	(4,900)	-	-	(4,900)
<b>NET BOOK AMOUNT AFTER IMPAIRMENTS</b>	<b>15,619</b>	<b>28,800</b>	<b>760,349</b>	<b>71,286</b>	<b>876,054</b>
Transfers	-	-	27,909	(27,909)	-
Revaluation	-	-	-	-	-
<b>CLOSING NET BOOK AMOUNT</b>	<b>15,619</b>	<b>28,800</b>	<b>788,258</b>	<b>43,377</b>	<b>876,054</b>
<b>AT 31 DECEMBER 2022</b>					
Revalued amount	15,619	28,800	821,496	43,377	909,292
Accumulated depreciation	-	-	(33,238)	-	(33,238)
<b>NET BOOK AMOUNT</b>	<b>15,619</b>	<b>28,800</b>	<b>788,258</b>	<b>43,377</b>	<b>876,054</b>
<b>YEAR ENDED 31 DECEMBER 2023</b>					
Opening net book value	<b>15,619</b>	<b>28,800</b>	<b>788,258</b>	<b>43,377</b>	<b>876,054</b>
Additions	-	-	1,922	63,836	65,758
Disposals	-	-	(112)	-	(112)
Depreciation charge	-	-	(35,340)	-	(35,340)
Impairment / revaluation	-	-	-	-	-
<b>NET BOOK AMOUNT AFTER IMPAIRMENTS</b>	<b>15,619</b>	<b>28,800</b>	<b>754,728</b>	<b>107,213</b>	<b>906,360</b>
Transfers	-	-	55,708	(55,708)	-
Revaluation	-	-	-	-	-
<b>CLOSING NET BOOK AMOUNT</b>	<b>15,619</b>	<b>28,800</b>	<b>810,436</b>	<b>51,505</b>	<b>906,360</b>
<b>AT 31 DECEMBER 2023</b>					
Revalued amount	<b>15,619</b>	<b>28,800</b>	<b>845,776</b>	<b>51,505</b>	<b>941,700</b>
Accumulated depreciation	-	-	(35,340)	-	(35,340)
<b>NET BOOK AMOUNT</b>	<b>15,619</b>	<b>28,800</b>	<b>810,436</b>	<b>51,505</b>	<b>906,360</b>

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## Conditional sale agreement for decommissioned assets

On 8 July 2023, the Company entered into an Asset Sale Agreement with US-based Seadra Energy Incorporated ("Seadra"), granting Seadra an option to purchase permanently decommissioned parts of the former refinery. Under the agreement, Seadra had an initial period of up to six months to consider the purchase of certain assets from the hydrocracking complex, in consideration for an option payment of US\$4.0 million (NZ\$6.5 million), and had the ability to renew the option to purchase for an additional six months for a further payment of US\$0.5 million (NZ\$0.8 million). In December 2023 Seadra extended the option to purchase and has until 7 July 2024 to confirm whether it will pursue the purchase.

Should Seadra elect to exercise the option to purchase, subject to meeting certain conditions, the purchase price for the assets agreed between the parties is US\$33.875 million (NZ\$53.4 million translated using the exchange rate at 31 December 2023), including the option payments, but prior to any transaction costs, with the balance of the purchase price to be paid in instalments throughout the expected 12-month deconstruction period. Non-current assets are classified by the Group as assets held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable within 12 months. The Board has considered all information available and exercised their judgement to determine that the assets proposed to be sold to Seadra should not be classified as non-current assets held for sale as at 31 December 2023. This is based on the Board's knowledge and experience regarding the challenges to developing technically feasible and financially viable projects involving second-hand refining plant globally, and specifically noting the conditional nature of this agreement. The net book value after impairments of all decommissioned refinery plant (including the assets proposed to be sold to Seadra) is NZ\$28.8 million.

## 9 Intangibles

Intangibles include:

- \$1.8 million (2022: \$1.8 million) site consent costs associated with the 35-year resource consent renewed in 2021.
- \$Nil (2022: \$4.1 million) carbon credit units (NZU's). The Group sold c.73,000 NZU's in December 2023 for \$5.1 million, recognising a gain on sale of \$2.1 million. The NZU's were issued under the New Zealand Emissions Trading Scheme (NZ ETS) by the Crown to the Parent company pursuant to the Company's Negotiated Greenhouse Agreement (NGA), which came to an end with the cessation of refining activities from April 2022.

## 10 Other Assets

Other assets include:

- \$5.7 million (2022: \$6.2 million) investment properties – land leased by Parent (refer to Note 11 for further details) and held at fair value through profit and loss. A revaluation of the investment property was undertaken in December 2023 by a qualified independent valuer.
- \$12.4 million (2022: \$13.5 million) precious metal (platinum) – platinum purchased in December 2022 as part of the platinum lease settlement, which is expected to be recovered and sold within 12 months. Platinum is held at fair value through profit and loss (discontinued operations) and measured at its quoted market price.

## 11 Operating Leases

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

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

- Lease of land and terminal assets located at Wiri, South Auckland, to Wiri Oil Services Limited (refer to Note 4) under a non-cancellable operating lease which expires in February 2025 with no further right of renewal. The annual Wiri terminal and land lease income and land lease cost are recognised on a straight-line basis over the period of lease and amounted to \$6.5 million and \$0.5 million, respectively, in 2023 (2022 \$6.5 million and \$0.5 million);
- Lease of some surplus land at Marsden Point – the lease expires in 2042.

	GROUP 2023 \$000	GROUP 2022 \$000
Lease payments receivable from operating leases where the Group is a lessor		
- No later than one year	6,674	6,652
- One to five years	2,066	8,536
- Beyond five years	1,835	1,962
<b>TOTAL</b>	<b>10,575</b>	<b>17,150</b>

## 12 Contractual Commitments

Commitments are related to asset purchases and other ongoing contractual commitments as at the reporting date but not provided for in the consolidated financial statements. As at 31 December 2023, the total contractual commitments amounted to \$29 million (31 December 2022: \$34 million), and are primarily related to import terminal conversion project costs.

## 13 Borrowings

In November 2023, the Company issued \$100 million of unsecured, unsubordinated, fixed rate bonds for a term of six years, maturing on 14 November 2029. In connection with this issue, the Company purchased \$20.1 million subordinated notes in exchange for bonds on a one-for-one basis at a face value of \$1.00. All subordinated notes purchased by the Company have been cancelled. This has reduced the total number of subordinated notes on issue from 75.0 million to 54.9 million.

Further to the exchange mechanism on issue of the bonds, the Company has elected to redeem all of the remaining subordinated notes on 1 March 2024, being the first election date under the Trust Deed. For each subordinated note redeemed on 1 March 2024 the Company will pay an amount equal to the principal amount of the subordinated note (\$1.00) plus the final semi-annual interest payment.

In the prior year the Company issued \$100 million of unsecured, unsubordinated, fixed rate bonds for a term of five years, maturing on 20 May 2027.

The Group's total funding facilities are \$460 million which includes \$54.9 million of subordinated notes to be redeemed 1 March 2024, with no other maturities within 12 months. At 31 December 2023 the average tenor is 3.7 years (31 December 2022: 3.5 years, calculated on the basis that the subordinated notes are redeemed at the first election date of 1 March 2024).

At 31 December 2023, the fair value of the Retail bond maturing in November 2029 is \$104.5 million compared to its carrying amount of \$100.7 million. The fair values of other borrowings are not materially different from their carrying amounts.

The borrowings are unsecured. The Parent can determine which revolving cash advance facility will be drawn upon meeting funding requirements. The Parent borrows under a Common Terms Deed which requires certain certificates and covenants.

The table below outlines the maturity profile of the facilities as at 31 December 2023:

	Maturity Date	GROUP 2023 \$000	GROUP 2022 \$000
<b>BORROWINGS</b>			
<b>Current borrowings:</b>			
Subordinated notes <sup>1</sup>	Mar-24	55,779	-
<b>Total current borrowings</b>		<b>55,779</b>	<b>-</b>
<b>Non-current borrowings:</b>			
Revolving cash advances	Nov-25	65,000	50,000
Revolving cash advances	Nov-26	-	16,000
Revolving cash advances	Nov-27	-	20,000
Subordinated notes <sup>1</sup>	Mar-24	-	74,791
Retail bonds <sup>2</sup>	May-27	99,173	98,792
Retail bonds <sup>2</sup>	Nov-29	100,670	-
<b>Total non-current borrowings</b>		<b>264,843</b>	<b>259,583</b>
<b>TOTAL BORROWINGS</b>		<b>320,622</b>	<b>259,583</b>
<b>UNDRAWN FACILITIES</b>			
Revolving cash advances	Nov-25	-	15,000
Revolving cash advances	Nov-26	75,000	59,000
Revolving cash advances	Nov-27	65,000	45,000
<b>TOTAL UNDRAWN BORROWING FACILITIES</b>		<b>140,000</b>	<b>119,000</b>

1 The difference between the carrying value of the subordinated notes and their face value is due to unamortised issue costs and accrued interest. The Company has elected to redeem the notes at the first election date of 1 March 2024. In the prior year, the maturity date of the notes was disclosed as the expiry date of 1 March 2034.

2 The difference between the carrying value of the retail bonds and their face values is due to unamortised issue costs and accrued interest.

	GROUP 2023 \$000	GROUP 2022 \$000
Total borrowings	320,622	259,583
Less: Cash and cash equivalents	(4,870)	(2,386)
<b>NET DEBT</b>	<b>315,752</b>	<b>257,197</b>

## 14 Provisions

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

All provisions are recognised in amounts reflecting the present value of future expected cash outflows. In estimating the provisions, the Group assumed a long-term inflation rate of 2.0 per cent (2022: 2.0 per cent) and discount rates between 4.20 per cent and 5.20 per cent (2022: between 4.50 per cent and 5.12 per cent), respectively.

	SHUT DOWN AND DECOMMISSIONING \$000	DEMOLITION AND RESTORATION \$000	WORKFORCE AND OTHER PROVISIONS \$000	TOTAL \$000
AT 1 JANUARY 2022	83,368	69,378	32,691	185,437
Additions - conversion related	-	5,500	3,732	9,232
Additions - other	-	-	-	-
Utilisation	(45,111)	-	(30,826)	(75,937)
Adjustment for change in discount rate	(876)	(13,991)	(1,083)	(15,950)
Finance costs	981	1,132	296	2,409
<b>AT 31 DECEMBER 2022</b>	<b>38,362</b>	<b>62,019</b>	<b>4,810</b>	<b>105,191</b>

Current	31,498	100	3,095	34,693
Non-current	6,864	61,919	1,715	70,498

	SHUT DOWN AND DECOMMISSIONING \$000	DEMOLITION AND RESTORATION \$000	WORKFORCE AND OTHER PROVISIONS \$000	TOTAL \$000
AT 1 JANUARY 2023	<b>38,362</b>	<b>62,019</b>	<b>4,810</b>	<b>105,191</b>
Additions - conversion related	-	4,912	-	4,912
Additions - other	-	1,922	-	1,922
Utilisation	(23,214)	(143)	(3,556)	(26,913)
Adjustment for change in discount rate	7	(1,472)	159	(1,306)
Finance costs	504	1,661	58	2,223
<b>AT 31 DECEMBER 2023</b>	<b>15,659</b>	<b>68,899</b>	<b>1,471</b>	<b>86,029</b>

Current	15,659	1,396	1,471	18,526
Non-current	-	67,503	-	67,503

The key provisions as at 31 December 2023 include:

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

The Company also recognised a provision associated with environmental obligations resulting from Channel Infrastructure's commitments, as part of the resource consents obtained in April 2021, to continue maintaining the current 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, Channel Infrastructure 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 21)

## 15 Trade and Other Receivables

	NOTE	GROUP 2023 \$000	GROUP 2022 \$000
Trade receivables		17,792	19,005
Other receivables and prepayments		8,095	4,042
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>		<b>25,887</b>	<b>23,047</b>

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

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

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## 16 Cash and Cash Equivalents

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

Reconciliation of net cash flow from operating activities to reported profit:

	GROUP 2023 \$000	GROUP 2022 \$000
<b>NET PROFIT AFTER INCOME TAX</b>	<b>24,064</b>	<b>11,960</b>
<b>Adjusted for non-cash transactions:</b>		
Depreciation and disposal costs	35,409	32,517
Impairment/(revaluation) of assets	-	5,043
Movement in deferred tax	4,118	16,974
Add movement in deferred tax on items included in other comprehensive income	600	(3,167)
Movement in provisions	(19,162)	(80,246)
Less (increase)/decrease in provisions relating to property, plant and equipment	(1,922)	1,955
Employee share scheme entitlement	605	2,890
Decrease in intangibles	4,124	21,150
Less proceeds from sale of intangibles	(5,089)	(2,553)
Interest and other non-cash movements	(5,027)	6,957
<b>Adjusted for movements in working capital items</b>		
(Increase)/decrease in trade and other receivables	(2,840)	116,800
Increase/(decrease) in trade and other payables	3,508	(135,833)
Less increase/(decrease) in trade and other payables relating to property, plant and equipment and intangibles	(533)	(1,200)
Decrease in employee benefits liabilities	(3,380)	(11,135)
Less employee entitlements included in other comprehensive income	2,784	2,397
(Increase)/decrease in income tax receivable	(87)	684
(Increase)/decrease in inventories	(457)	677
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>36,715</b>	<b>(14,130)</b>

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

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

	GROUP 2023 \$000	GROUP 2022 \$000
Current borrowings	55,779	-
Non-current borrowings	264,843	259,583
<b>TOTAL BORROWINGS</b>	<b>320,622</b>	<b>259,583</b>
Opening borrowings	259,583	199,698
Repayments of loans and borrowings	(21,000)	(39,000)
Proceeds from bond issuance	79,901	98,111
Non-cash movements	2,138	774
<b>CLOSING BORROWINGS</b>	<b>320,622</b>	<b>259,583</b>

## 17 Trade and Other Payables

	GROUP 2023 \$000	GROUP 2022 \$000
	<b>NOTE</b>	
Trade payables	11,824	16,609
Goods services tax payable	1,037	-
Deferred income	7,256	-
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>20,117</b>	<b>16,609</b>

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

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

Deferred income relates to two option payments totalling US\$4.5million, received from US-based Seadra Energy Incorporated ("Seadra") for an option to purchase certain decommissioned assets. The option payments will be recognised in the income statement when the decommissioned assets are sold, or in the event Seadra does not exercise its purchase option. Refer to Note 8 for further information.

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## 18 Employee Benefits

Liabilities for employee benefits comprise the following:

	2023			2022		
	CURRENT \$000	NON- CURRENT \$000	TOTAL \$000	CURRENT \$000	NON- CURRENT \$000	TOTAL \$000
Defined benefit pension plan	-	146	146	-	2,679	2,679
Medical plan	203	3,074	3,277	193	3,199	3,392
Wages, salaries, annual leave and sick leave	2,677	-	2,677	3,409	-	3,409
<b>TOTAL</b>	<b>2,880</b>	<b>3,220</b>	<b>6,100</b>	<b>3,602</b>	<b>5,878</b>	<b>9,480</b>

### Defined benefit pension plan

The Parent contributes to a defined benefit pension fund which has been closed to new members since 2002. As at 31 December 2023 there was one active member contributing to the Plan (2022: 2). In addition, there are 98 pensioner members receiving regular pension payments in accordance with the Trust Deed (2022: 98).

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

The latest triennial actuarial review, completed as at 31 March 2022, reported an actuarial surplus (actuarial value of assets was greater than the present value of accrued benefits using expected investment returns), therefore no immediate contribution to the fund was required. In 2023 the Company contributed \$279,000 to fund the benefit of the remaining member and to cover the administration expenses of the Plan. (2022: \$225,000).

While the fund is fully funded, the Parent recognises a liability in the statement of financial position, which is calculated annually by independent actuaries using the projected unit credit method with present value of the estimated future cash outflows using interest rates of Government bonds (rather than expected investment returns). The modified duration of the defined benefit liability was approximately nine years (2022: nine years).

### Medical plan (scheme closed since 1996)

The Parent pays health insurance premiums in respect of eight beneficiaries (2022: nine) until their death. This scheme was closed in 1996 and has not been offered to new employees since. The medical plan is accounted for in a similar manner to the defined benefit plan outlined above, with an accounting valuation performed by an independent actuary at each balance date. Expected contributions to the medical plan in 2024 are \$213,000.

## 19 Financial Risk Management

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

FINANCIAL RISK	EXPOSURE	MANAGEMENT OF RISK AND SENSITIVITY
<b>Market risk</b>		
Electricity price risk	Changes in market prices	<p>Price fluctuation risk managed using Contracts for Differences and/or physical supply contracts.</p> <p><b>Sensitivity:</b> From 1 January 2023 the Group had a fixed price variable volume contract for the supply of renewable electricity therefore the income statement is not sensitive to changing market prices.</p>
Currency risk	Movement in foreign exchange rates	<p>Currency risk managed through material purchases of property, plant and equipment and operating items are hedged using forward currency exchange contracts.</p> <p><b>Sensitivity:</b> As at 31 December 2023 the Group held US dollar foreign exchange contracts and the impact of US dollar appreciation/depreciation by +/-10 per cent on before-tax profit/loss and other comprehensive income is -/+ \$1.3m (2022: +\$1.2m).</p>
Interest rate risk	Movement in interest rates	<p>Interest rate risk managed through a range of fixed rate borrowings and interest rate swaps.</p> <p><b>Sensitivity:</b> At 31 December 2023, impact of inter-bank interest rates changing by +/-75 basis points on before tax profit/loss and other comprehensive income is -/+ \$0.04m and +/- \$1.1m respectively (2022: -/+ \$0.1m and +/- \$2.5m).</p>
<b>Liquidity risk</b>	Risk that the Group will not be able to meet its financial obligations as they fall due	The Group monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on the Group's undrawn borrowing facilities. No surplus cash is held by the Group over and above the balance required for working capital management.
<b>Credit risk</b>	Risk of loss to the Group due to customer or counterparty default	<p>The Group is exposed to credit risk if counterparties fail to make payments in respect of payment of trade receivables as invoices fall due. Most common payment terms are on the 20th of the following month.</p> <p>The receivables from the shareholder customers (as disclosed in the related party Note 4) present a concentration of credit risk, however, management has assessed the credit quality of these customers as being high (Exxon Mobil AA-; BP plc A-, Ampol Baa1). 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 2023 receivables to be immaterial. No collateral is held over trade receivables.</p> <p>Overdue trade receivable balances at 31 December 2023 totalled \$6.3 million (2022: \$5.2 million), and no provision for doubtful debt was recognised.</p>
	Risk of derivative counterparties and cash deposits being lost	<p>For banks, only parties with a minimum long-term credit rating of A+ or A1 are accepted. For investments gross limits are set for financial institutions and the usage of these limits is determined by assigning product weightings to the principal amount of the transaction.</p> <p>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.</p>

## Non-Derivative Financial Liabilities

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

The liquidity analysis set out below discloses cash outflows resulting from the financial liabilities only and does not consider expected net cash inflows from financial assets (including trade receivables) or undrawn debt facilities which provide liquidity support to the Group. Contractual cash flows associated with bank borrowings include interest for the period until the debt rollover date (typically within six months from the balance date) and subordinated notes and retail bonds include interest in the period until 14 November 2029.

GROUP 2023	NOTE	CARRYING AMOUNT \$000	CONTRACTUAL CASH FLOWS					TOTAL CASH FLOWS \$000
			LESS THAN 6 MONTHS \$000	BETWEEN 6 MONTHS -1 YEAR \$000	BETWEEN 1-2 YEARS \$000	BETWEEN 2-5 YEARS \$000	OVER 5 YEARS \$000	
<b>NON-DERIVATIVE FINANCIAL LIABILITIES</b>								
Trade payables	17	(11,824)	(11,824)	-	-	-	-	(11,824)
Lease liabilities		(635)	(34)	(71)	(63)	(144)	(626)	(938)
Bank borrowings	13	(65,000)	(1,015)	-	(65,000)	-	-	(66,015)
Subordinated notes	13	(55,779)	(56,301)	-	-	-	-	(56,301)
Retail bonds	13	(199,843)	(6,275)	(6,275)	(12,550)	(128,950)	(106,750)	(260,800)
<b>TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES</b>		<b>(333,081)</b>	<b>(75,449)</b>	<b>(6,346)</b>	<b>(77,613)</b>	<b>(129,094)</b>	<b>(107,376)</b>	<b>(395,878)</b>

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

## 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) and contracts for differences.

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS					TOTAL CASH FLOWS
		LESS THAN 6 MONTHS	BETWEEN 6 MONTHS -1 YEAR	BETWEEN 1-2 YEARS	BETWEEN 2-5 YEARS	OVER 5 YEARS	
GROUP 2023	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>							
Net settled derivatives	9,793	2,163	1,689	4,433	5,264	-	13,549
<b>Gross settled derivatives</b>							
Outflows	-	-	(12,568)	-	-	-	(12,568)
Inflows	-	-	12,668	-	-	-	12,668
<b>Total gross settled derivatives</b>	<b>112</b>	<b>-</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>
<b>TOTAL DERIVATIVE FINANCIAL LIABILITIES</b>	<b>9,905</b>	<b>2,163</b>	<b>1,789</b>	<b>4,433</b>	<b>5,264</b>	<b>-</b>	<b>13,649</b>

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

## Hedging

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

### Hedge effectiveness

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.

### Cash flow hedges

The Group manages its market risk by designating cashflow hedges. 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.

The net movement in the cash flow hedge reserve comprises:

	2023 \$000	2022 \$000
<b>Level 1 input financial instruments</b>		
Electricity futures settled in the year	-	1,275
Ineffective hedges - recycled to income statement	-	(57)
<b>Level 2 input financial instruments</b>		
Movement in value of interest rate swaps held throughout the year	<b>(3,956)</b>	7,875
Interest rate swaps entered into during the year	-	-
Contracts for differences entered into during the year	<b>(290)</b>	1,393
Contracts for differences settled in the year	-	(1,573)
Contracts for differences held throughout the year	<b>(764)</b>	-
Ineffective hedges - recycled to income statement	<b>80</b>	-
<b>Gross movement in cash flow hedge reserve</b>	<b>(4,930)</b>	8,913
<b>Deferred tax</b>	<b>1,380</b>	(2,496)
<b>Net movement in cash flow hedge reserve</b>	<b>(3,550)</b>	6,417

### Fair value hedges

The Group designates as fair value hedges derivative financial instruments on fixed rate borrowings where the fair value of the debt changes as a result of changes in interest rates. The carrying amount of the hedged items are adjusted for gains and losses attributable to the risk being hedged. The hedging instruments are also measured at fair value.

### Fair value measurement

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

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

- Contracts for differences: fair value determined using the inputs from active market (ASX) for electricity futures, adjusted for respective location factors.

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

### Hedging activity

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

#### Cash flow hedges

	FOREIGN EXCHANGE FORWARD CONTRACTS		INTEREST RATE SWAPS	ELECTRICITY CONTRACTS FOR DIFFERENCES	PLATINUM COMMODITY PRICE
	AUD	USD			
<b>31 DECEMBER 2023</b>					
Carrying amount – net asset/(liability) (\$000)	-	112	8,794	339	(603)
Notional amount (equivalent of NZ\$000)	-	12,668	115,000	(339)	11,860
Maturity date	-	2024	2026-2028	2024	2024
Hedge ratio	-	-	1:1	1:1	-
Change in fair value of hedging instrument (\$000)	-	50	(3,956)	(1,054)	(603)
	AU\$/NZ\$	US\$/NZ\$			US\$
Weighted average hedged rate	-	0.6340	1.5%	\$1497/MWh	US\$960/Toz
<b>31 DECEMBER 2022</b>					
Carrying amount – net asset/(liability) (\$000)	(29)	62	12,750	1,393	(934)
Notional amount (equivalent of NZ\$000)	611	(12,676)	115,000	3,774	12,639
Maturity date	2023	2023	2026-2028	2024	2023
Hedge ratio	1:1	-	1:1	1:1	-
Change in fair value of hedging instrument (\$000)	(29)	62	7,875	(3,483)	(934)
	AU\$/NZ\$	US\$/NZ\$			US\$
Weighted average hedged rate	0.9383	0.6367	1.5%	\$143.2/MWh	US\$996/Toz

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

Electricity derivatives are used to hedge highly probable cash flows associated with purchases of electricity at spot market and an ineffective portion of the hedge may occur due to a volume mismatch and location factor. During the financial year the hedge ineffectiveness from these cash flow hedges amounted to nil (2022: \$0.06 million).

#### Fair value hedges

For this hedge, the notional amount of the hedging instrument matched the designated notional amount of the hedged item therefore the hedge ratio is 1:1. Potential sources of ineffectiveness relate to a change in the expected timing of repayment of the hedged item.

During the year the hedge ineffectiveness from the fair value hedge amounted to nil.



- In 2023 the Company recognised an expense of \$0.1 million (2022: \$1.1 million) in relation to the Management share rights scheme.

#### 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 2023 Eligible employees were offered in total \$1,271 worth of shares during the year of award. The shares are either purchased on market or issued, and held by CRS Nominees Limited, during a three year vesting period. In 2023 the Company recognised an expense of \$0.25 million (2022: \$0.8 million) in relation to the Scheme.

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

	2023			2022		
	CEO SHARE RIGHTS SCHEME	MANAGEMENT SHARE RIGHTS SCHEME	EMPLOYEE SHARE SCHEME	CEO SHARE RIGHTS SCHEME	MANAGEMENT SHARE RIGHTS SCHEME	EMPLOYEE SHARE SCHEME
<b>AT 1 JANUARY</b>	<b>1,482,991</b>	<b>4,488,066</b>	<b>945,369</b>	1,250,000	4,488,066	1,066,478
Granted	335,828	-	59,072	232,991	-	502,440
Vested	(1,482,991)	(4,488,066)	(701,128)	-	-	(606,762)
Lapsed	-	-	(6,026)	-	-	(16,787)
<b>AT 31 DECEMBER</b>	<b>335,828</b>	<b>-</b>	<b>297,287</b>	1,482,991	4,488,066	945,369
Percentage of total ordinary shares (%)	0.09%	0.00%	0.08%	0.34%	1.21%	0.29%

## 21 Contingencies

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

Apart from the contingency disclosed in Note 14, relating to conditions attached to the site resource consents, the Group had no contingent liabilities as at 31 December 2023.

## 22 Events after balance date

#### Dividends Declared

On 28 February 2024 the Board declared an unimputed ordinary final dividend of 6.3 cents per share and an unimputed special dividend of 1.5 cents per share as detailed in Note 7.

## 23 Auditor's fees

	GROUP 2023 \$000	GROUP 2022 \$000
<b>Auditor's fees comprises:</b>		
Audit of financial statements	276	294
Audit of financial statements - prior year	-	48
Reimbursement of travel and accommodation	13	10
<b>Other assurance services:</b>		
Agreed upon procedures - AGM scrutineering	6	5
Half-year agreed upon procedures	20	20
<b>Other services:</b>		
Greenhouse gas inventory pre-assessment review	55	-
<b>AUDITOR'S FEES</b>	<b>370</b>	<b>377</b>

## 24 Non-GAAP disclosures

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

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

<b>Reported EBITDA from Continuing Operations:</b>	Reported earnings before depreciation, finance costs and income tax for continuing operations as presented in the Consolidated Income Statement.
<b>Reported EBITDA from Discontinuing Operations:</b>	Reported earnings before depreciation, impairment, conversion costs, finance costs and income tax for discontinued operations as presented in Note 1.
<b>Adjusted EBITDA:</b>	Reported EBITDA adjusted for other non-cash and one-off in nature expenses.

	GROUP 2023 \$000	GROUP 2022 \$000
Reported EBITDA from continuing operations	87,160	57,452
Reported EBITDA from discontinued operations	2,716	23,954
<b>Total Reported EBITDA</b>	<b>89,876</b>	<b>81,406</b>
Add back non-cash and one-off expenses:		
Post-employment benefit plan expense	372	1,282
Employee share scheme and share rights cost	605	1,782
<b>Adjusted EBITDA</b>	<b>90,853</b>	<b>84,470</b>



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## Independent auditor's report to the Shareholders of Channel Infrastructure NZ Limited

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Channel Infrastructure NZ Limited (the "Company") and its subsidiaries (together the "Group") on pages 66 to 102, which comprise the consolidated balance sheet of the Group as at 31 December 2023, 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 material accounting policies.

In our opinion, the consolidated financial statements on pages 66 to 102 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 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 and Green House Gas (GHG) inventory pre-Assessment services. 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.



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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.

### Import Terminal Services Revenue

Why significant	How our audit addressed the key audit matter
<p>The Group generated Import Terminal Services (ITS) revenue of \$118.6m in FY23, which amounted to over 90% of total revenue.</p> <p>ITS revenues are material related party transactions with the Group's shareholding oil companies, who are also its major customers. The revenue is based on long term contracts, which cover multiple services and include take and pay clauses.</p> <p>Disclosures related to revenue are included in notes 2 and 3 of the financial statements.</p>	<p>In obtaining sufficient audit evidence we:</p> <ul style="list-style-type: none"> <li>▶ Evaluated the Group's process for recording ITS revenue, including whether the revenue recognition is in accordance with NZ IFRS 15 <i>Revenue from Contracts with Customers</i> (NZ IFRS 15).</li> <li>▶ Used digital audit techniques to assess the correlation of revenue, trade receivables and cash.</li> <li>▶ Confirmed the total annual ITS revenue with each customer.</li> <li>▶ Tested payments received from the shareholding oil companies during the year and agreed post year-end cash receipts from each of the shareholding oil companies to the outstanding receivables at year end.</li> </ul> <p>We also assessed the Group's disclosures in relation to revenue with regard to NZ IFRS 15 and NZ IAS 24 <i>Related Party Disclosures</i>.</p>

### 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. If, based upon the work we have performed, we conclude that



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there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Directors' responsibilities for the financial statements**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

*Ernst & Young*

Chartered Accountants  
Auckland  
28 February 2024

# Glossary

<b>Adjusted EBITDA</b>	Reported EBITDA adjusted for non-cash expenses and one-off expenses, and used for covenant purposes
<b>Annualised Dividend Yield</b>	Based on a dividend declared and annualised, and share price as at 31 December 2023 of \$1.45 per share
<b>CHI</b>	Channel Infrastructure NZ Limited
<b>CO<sub>2</sub></b>	Carbon Dioxide
<b>EBITDA or Reported EBITDA</b>	Earnings before depreciation, impairment, conversion costs, finance costs and income tax
<b>EBITDA Margin</b>	EBITDA divided by revenue from continuing activities
<b>Free Cash Flow (FCF)</b>	Calculated as net cash flow from operating activities less payments for property, plant and equipment with each of these items determined in accordance with GAAP
<b>IPL</b>	Independent Petroleum Laboratories Limited, a wholly-owned subsidiary of Channel Infrastructure NZ Limited
<b>Lost Time Injury Frequency Rate (LTIFR)</b>	The sum of work-related injury cases per 200,000 hours worked, where the injured person is deemed medically unfit for any work as a result of the injury
<b>ML</b>	Million litres
<b>MT</b>	Million tonnes
<b>Net Debt</b>	Calculated as total borrowings (bank, fixed rate bonds and subordinated notes) less cash and cash equivalents
<b>Normalised EBITDA</b>	Reported EBITDA excluding one-off conversion costs
<b>Normalised Free Cash Flow</b>	Calculated as cash flow from operations less maintenance capex (excluding conversion costs and growth capex)
<b>PPI</b>	Producers Price Index
<b>Total Recordable Case (TRC)</b>	The number of lost time incidents, restricted work cases, medical treatment cases and fatalities
<b>Total Recordable Case Frequency Rate (TRCF)</b>	The number of lost time incidents, restricted work cases, medical treatment cases and fatalities per 200,000 person hours worked
<b>Tier 1 process safety event</b>	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
<b>Tier 2 process safety event</b>	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

# Corporate Directory

## Registered Office

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## Mailing Address

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## Website

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## General enquiries

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

## Investor Enquiries

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

## Auditor

Ernst & Young

## Bankers

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

## Managing your shareholding online

To change your address, update your payment instructions and to view your registered details including transactions, please visit: [www.computershare.co.nz/investorcentre](http://www.computershare.co.nz/investorcentre) Please assist our registrar by quoting your CSN or shareholder number.

## Feedback

As always, we welcome your feedback on this report. Please send any comments or suggestions to [investorrelations@channelnz.com](mailto:investorrelations@channelnz.com).

## Chair

J B Miller (Independent Director)

## Independent Directors

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

## Non-Independent Directors

A Brewer  
L Nation

## Chief Executive Officer

R C Buchanan

## General Counsel & Company Secretary

C D Bougen

## Share Register

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