REFINING NZ

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

# Consolidated Income Statement

**FOR THE SIX MONTHS ENDED 30 JUNE 2021 (UNAUDITED)**

| | NOTE | GROUP 30 JUNE 2021 $000 | GROUP 30 JUNE 2020 $000 |
|---|---|---|---|
| **INCOME** | | | |
| Revenue | 4 | **115,271** | 116,154 |
| Other income | 4 | **159** | 2,964 |
| **TOTAL INCOME** | 4,5 | **115,430** | 119,118 |
| **EXPENSES** | | | |
| Purchase of process materials and utilities | | **35,555** | 43,737 |
| Materials and contractor payments | | **8,216** | 11,478 |
| Wages, salaries and benefits | 12 | **16,133** | 30,903 |
| Administration and other costs | | **14,022** | 17,618 |
| **TOTAL EXPENSES** | | **73,926** | 103,736 |
| **EARNINGS BEFORE DEPRECIATION, IMPAIRMENT, FINANCE COSTS AND INCOME TAX** | | **41,504** | 15,382 |
| Depreciation and disposal costs | | **41,781** | 47,300 |
| Impairment of assets | 3 | **-** | 218,903 |
| **TOTAL DEPRECIATION, DISPOSALS AND IMPAIRMENT** | | **41,781** | 266,203 |
| **NET LOSS BEFORE FINANCE COSTS** | | **(277)** | (250,821) |
| **FINANCE COSTS** | | | |
| Finance income | | **(47)** | (146) |
| Finance costs | | **5,469** | 6,552 |
| **NET FINANCE COSTS** | | **5,422** | 6,406 |
| **NET LOSS BEFORE INCOME TAX** | | **(5,699)** | (257,227) |
| Income tax | | **(785)** | (70,879) |
| **NET LOSS AFTER INCOME TAX** | | **(4,914)** | (186,348) |
| **ATTRIBUTABLE TO:** | | | |
| **Owners of the Parent** | | **(4,914)** | (186,348) |

| | | |
|---|---|---|
| **EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE NEW ZEALAND REFINING COMPANY LIMITED** | **CENTS** | **CENTS** |
| Basic earnings per share | **(1.57)** | (59.60) |
| Diluted earnings per share | **(1.56)** | (59.50) |

THE ABOVE CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT IS TO BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

# Consolidated Statement of Comprehensive Income

**FOR THE SIX MONTHS ENDED 30 JUNE 2021 (UNAUDITED)**

| | NOTE | GROUP 30 JUNE 2021 $000 | GROUP 30 JUNE 2020 $000 |
|---|---|---|---|
| **NET LOSS AFTER INCOME TAX** | | **(4,914)** | (186,348) |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Items that will not be reclassified to the Income Statement** | | | |
| Defined benefit plan and medical scheme actuarial gain/(loss) | 12 | **15,615** | (19,927) |
| Deferred tax on defined benefit plan and medical scheme | | **(4,372)** | 5,580 |
| **Total items that will not be reclassified to the Income Statement** | | **11,243** | (14,347) |
| **Items that may be subsequently reclassified to the Income Statement** | | | |
| Movement in cash flow hedge reserve | | **9,433** | (1,327) |
| Deferred tax on movement in cash flow hedge reserve | | **(2,641)** | 372 |
| **Total items that may be subsequently reclassified to the Income Statement** | | **6,792** | (955) |
| **TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), AFTER INCOME TAX** | | **18,035** | (15,302) |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, AFTER INCOME TAX** | | **13,121** | (201,650) |
| **ATTRIBUTABLE TO:** | | | |
| Owners of the Parent | | **13,121** | (201,650) |

THE ABOVE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IS TO BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

# Consolidated Balance Sheet

**AS AT 30 JUNE 2021 (UNAUDITED)**

| | NOTE | GROUP 30 JUNE 2021 $000 | GROUP 31 DECEMBER 2020 $000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | | **34,500** | 43,289 |
| Trade and other receivables | 11 | **123,631** | 160,894 |
| Income tax receivable | | **677** | 677 |
| Derivative financial instruments | | **14,392** | 8,766 |
| Inventories | | **3,027** | 4,431 |
| **TOTAL CURRENT ASSETS** | | **176,227** | 218,057 |
| **NON-CURRENT ASSETS** | | | |
| Inventories | | **13,551** | 14,176 |
| Derivative financial instruments | | **3,325** | 371 |
| Property, plant and equipment | 9 | **864,624** | 887,134 |
| Right-of-use assets | 9 | **5,215** | 3,335 |
| Intangibles | 9 | **19,239** | 9,968 |
| Deferred tax assets | 13 | **31,906** | 34,857 |
| **TOTAL NON-CURRENT ASSETS** | | **937,860** | 949,841 |
| **TOTAL ASSETS** | | **1,114,087** | 1,167,898 |

| | NOTE | GROUP 30 JUNE 2021 $000 | GROUP 31 DECEMBER 2020 $000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 11 | **129,162** | 162,752 |
| Derivative financial instruments | | **326** | 725 |
| Borrowings | 8 | **10,000** | - |
| Lease liabilities | | **69** | 202 |
| Employee benefits | 12 | **7,633** | 11,269 |
| **TOTAL CURRENT LIABILITIES** | | **147,190** | 174,948 |
| **NON-CURRENT LIABILITIES** | | | |
| Derivative financial instruments | | **853** | 974 |
| Borrowings | 8 | **254,638** | 274,611 |
| Lease liabilities | | **6,225** | 3,940 |
| Employee benefits | 12 | **19,803** | 44,819 |
| Provisions | | **7,724** | 7,802 |
| Deferred tax liabilities | 13 | **100,151** | 96,874 |
| **TOTAL NON-CURRENT LIABILITIES** | | **389,394** | 429,020 |
| **TOTAL LIABILITIES** | | **536,584** | 603,968 |
| **NET ASSETS** | | **577,503** | 563,930 |

# Consolidated Balance Sheet

**AS AT 30 JUNE 2021 (UNAUDITED)**

| | NOTE | GROUP<br>30 JUNE<br>2021<br>$000 | GROUP<br>31 DECEMBER<br>2020<br>$000 |
|---|---|---|---|
| **EQUITY** | | | |
| Contributed equity | | **266,333** | 266,057 |
| Treasury stock | | **(900)** | (896) |
| Employee share entitlement reserve | | **985** | 779 |
| Cash flow hedge reserve | | **12,090** | 5,298 |
| Retained earnings | | **298,995** | 292,692 |
| **Total Equity** | | **577,503** | 563,930 |

The Board of Directors of The New Zealand Refining Company Limited authorised these financial statements for issue on 18 August 2021.

For and on behalf of the Board:

**S C Allen**
Director

**J B Miller**
Director

THE ABOVE CONDENSED CONSOLIDATED INTERIM BALANCE SHEET IS TO BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

# Consolidated Statement of Changes in Equity

**FOR THE SIX MONTHS ENDED 30 JUNE 2021 (UNAUDITED)**

| | NOTE | CONTRIBUTED EQUITY $000 | TREASURY STOCK $000 | EMPLOYEE SHARE SCHEME ENTITLEMENT RESERVE $000 | CASH FLOW HEDGE RESERVE $000 | RETAINED EARNINGS $000 | TOTAL EQUITY $000 |
|---|---|---|---|---|---|---|---|
| AT 1 JANUARY 2020 | | 265,771 | (960) | 681 | (2,688) | 493,940 | 756,744 |
| **COMPREHENSIVE INCOME** | | | | | | | |
| Net loss after income tax | | - | - | - | - | (186,348) | (186,348) |
| **Other comprehensive income** | | | | | | | |
| Movement in cash flow hedge reserve | | - | - | - | (1,327) | - | (1,327) |
| Defined benefit actuarial loss | 12 | - | - | - | - | (19,927) | (19,927) |
| Deferred tax on other comprehensive income | | - | - | - | 372 | 5,580 | 5,952 |
| **TOTAL OTHER COMPREHENSIVE LOSS, AFTER INCOME TAX** | | - | - | - | (955) | (14,347) | (15,302) |
| **TRANSACTIONS WITH OWNERS OF THE PARENT** | | | | | | | |
| Equity-settled share-based payments | | - | - | 191 | - | - | 191 |
| Shares vested to employees | | - | 351 | (351) | - | - | - |
| Treasury shares purchased | | 286 | (286) | - | - | - | - |
| **TOTAL TRANSACTIONS WITH OWNERS OF THE PARENT** | | 286 | 65 | (160) | - | - | 191 |
| **AT 30 JUNE 2020** | | 266,057 | (895) | 521 | (3,643) | 293,245 | 555,285 |

# Consolidated Statement of Changes in Equity

**FOR THE SIX MONTHS ENDED 30 JUNE 2021 (UNAUDITED)**

| | NOTE | CONTRIBUTED EQUITY $000 | TREASURY STOCK $000 | EMPLOYEE SHARE SCHEME ENTITLEMENT RESERVE $000 | CASH FLOW HEDGE RESERVE $000 | RETAINED EARNINGS $000 | TOTAL EQUITY $000 |
|---|---|---|---|---|---|---|---|
| AT 1 JANUARY 2021 | | **266,057** | **(896)** | **779** | **5,298** | **292,692** | **563,930** |
| **COMPREHENSIVE INCOME** | | | | | | | |
| Net loss after income tax | | - | - | - | - | (4,914) | (4,914) |
| **Other comprehensive income** | | | | | | | |
| Movement in cash flow hedge reserve | | - | - | - | 9,433 | - | 9,433 |
| Defined benefit actuarial gain | 12 | - | - | - | - | 15,615 | 15,615 |
| Deferred tax on other comprehensive income | | - | - | - | (2,641) | (4,372) | (7,013) |
| **TOTAL OTHER COMPREHENSIVE LOSS, AFTER INCOME TAX** | | **-** | **-** | **-** | **6,792** | **11,243** | **18,035** |
| **TRANSACTIONS WITH OWNERS OF THE PARENT** | | | | | | | |
| Equity-settled share-based payments | | - | - | 478 | - | - | 478 |
| Shares vested to employees | | - | 272 | (272) | - | - | - |
| Shares issued | | 276 | (276) | - | - | - | - |
| Unclaimed dividends written back | | - | - | - | - | (26) | (26) |
| **TOTAL TRANSACTIONS WITH OWNERS OF THE PARENT** | | **276** | **(4)** | **206** | **-** | **(26)** | **452** |
| **AT 30 JUNE 2021** | | **266,333** | **(900)** | **985** | **12,090** | **298,995** | **577,503** |

THE ABOVE CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY IS TO BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

# Consolidated Statement of Cash Flows

**FOR THE SIX MONTHS ENDED 30 JUNE 2021 (UNAUDITED)**

| | GROUP 30 JUNE 2021 $000 | GROUP 30 JUNE 2020 $000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from customers | **114,036** | 108,799 |
| Payment for supplies and expenses | **(57,369)** | (63,999) |
| Payments to employees | **(28,719)** | (28,874) |
| **CASH GENERATED FROM OPERATIONS** | **27,948** | 15,926 |
| Interest received | **47** | 146 |
| Interest paid | **(4,808)** | (6,808) |
| Net GST paid | **(813)** | (120) |
| Income tax received | **-** | 4,523 |
| **NET CASH INFLOW FROM OPERATING ACTIVITIES** | **22,374** | 13,667 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Payments for property, plant and equipment | **(20,811)** | (21,954) |
| **NET CASH OUTFLOW FROM INVESTING ACTIVITIES** | **(20,811)** | (21,954) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| (Repayment of)/proceeds from bank borrowings | **(10,000)** | 32,900 |
| Lease payments | **(352)** | (59) |
| **NET CASH (OUTFLOW)/ INFLOW FROM FINANCING ACTIVITIES** | **(10,352)** | 32,841 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | **(8,789)** | 24,554 |
| Cash and cash equivalents at the beginning of the period | **43,289** | 5,255 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **34,500** | 29,809 |

THE ABOVE CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS IS TO BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

# Basis of Preparation

**FOR THE SIX MONTHS ENDED 30 JUNE 2021 (UNAUDITED)**

## Reporting entity

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

The condensed consolidated interim financial statements (hereinafter 'financial statements') for the six months ended 30 June 2021 presented are those of Refining NZ together with its subsidiaries ('the Group'). Subsidiaries are all entities over which the Group has control and includes Independent Petroleum Laboratory Limited, Maranga Ra Holdings Limited and Maranga Ra Limited.

## Basis of preparation

These financial statements as at and for the six months ended 30 June 2021 comply with the generally accepted accounting practice in New Zealand ('NZ GAAP') and have been prepared in accordance with New Zealand Equivalents to International Accounting Standard ('NZ IAS') 34: *Interim Financial Reporting* and International Accounting Standard ('IAS') 34: *Interim Financial Reporting* and, consequently, do not include all the information required to be disclosed in annual consolidated financial statements. These financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020.

Financial instruments are carried at amortised cost or fair value, and there were no changes in valuation techniques during the period. Derivatives are measured at fair value, using fair value measurement hierarchy consistent with the 2020 financial statements, which approximates their carrying value.

## Accounting policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the previously published unaudited condensed consolidated interim financial statements as at and for the six months ended 30 June 2020 and the audited consolidated financial statements as at and for the year ended 31 December 2020. There were no new standards, interpretations and amendments effective from 1 January 2021 that would have a material impact on the Group.

## Use of judgements and estimates

The preparation of financial statements requires directors to make certain judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

The following areas involve judgements, estimates and assumptions that can significantly affect the amounts recognised in the financial statements:

- **Going concern** - these financial statements have been prepared on a going concern basis. The Corporate Lead Team and the Board consider that this is appropriate based on the Group's current cash position and available credit facilities, and that the Board expects that the Group will be able to continue in operation, and meet covenants under its facility agreements over the next twelve months.

Refining NZ's forecasts for the next twelve months indicate the Group has the ability to continue to operate as a going concern despite the challenges arising from the current low margin environment and COVID-19, due to the implementation of a simplified refinery from 2021 which enables the Company to run cash neutral at the Fee Floor under the refinery business operating model.

On 6 August 2021, shareholders voted in favour of the proposal to convert the Marsden Point site into a dedicated import terminal, with a Final Investment Decision by the Refining NZ Board targeted to occur in the third quarter of 2021 (refer to Note 15), which would enable a conversion to occur by mid-2022. If a Final Investment Decision is taken to proceed with the conversion to an import terminal, the Company has sufficient liquidity to debt fund the expected conversion costs in the next twelve months. Once fully operational, the import terminal business is expected to generate positive free cash flows.

(Refer to Note 1 for further information relating to the impacts of Strategic Review outcomes and Note 14, Contingencies, in relation to customer notices of dispute).

- **Impairment assessment of assets** – refer to Note 3 for further details.

- **Useful lives of the property, plant and equipment –** the Group last reassessed the remaining useful lives of its refining assets in 2020 and distribution assets (including the Refinery to Auckland Pipeline) in 2019. No further changes to the useful lives of assets at 30 June 2021 were identified, pending any Final Investment Decision to be taken on the proposed conversion of the Marsden Point site into a dedicated import terminal. (Refer to Notes 1 and 3 for further information relating to the impacts of Strategic Review outcomes and property, plant and equipment impairment assessment).

- **Recoverability of tax losses** – in the six months ended 30 June 2021, Refining NZ generated a tax loss of $9.1 million, increasing the Group's cumulative tax losses to $64.0 million. A deferred tax asset in respect of these unutilised tax losses has been recognised.

  On the basis that at least 49% continuity of shareholding is maintained, or if there were to be a breach of shareholder continuity, that the Company could satisfy the Business Continuity Test (dependent on "there being no major" or a "permitted major change in the business"), the Corporate Lead Team and the Board believe that future taxable profits will be available against which the losses can be offset and therefore the deferred tax asset realised. Any adverse change in future profits, or significant change in the shareholding and business of Refining NZ, could limit the Company's ability to realise the deferred tax asset. Refer to Note 1 for further information in relation to the impacts of Strategic Review outcomes.

Estimates are designated by an E symbol in the notes to these consolidated interim financial statements.

## 1 Strategic review

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

In June 2020, the Company announced that it would take two business model options forward: a Simplified Refinery (to improve the near-term viability of its current business model), while continuing to evaluate a possible future staged transition to an import terminal (including exploration of a commercial framework with customers, overseen by the Independent Directors).

**Simplified Refinery model**

Under the Simplified Refinery model, which was implemented from January 2021, refining capacity was reduced to circa 34 million barrels per annum (being a reduction of circa 18%) with total refined fuels production levels similar to levels at the time of commencement of the Processing Agreement in 1995 and bitumen production ceased. An organisational restructure was finalised prior to 31 December 2020, at a cost of circa $6 million to reduce the workforce by around 25%, with circa 90 employees leaving the Company either through redundancies, retirements, or resignations during November 2020 through to April 2021. Under the Simplified Refinery model, lower labour costs and a reduction in other costs are intended to enable the Company to extend cash neutral operations in 2021 under a scenario where processing fee income is at the Fee Floor (of circa $141 million) and refinery operations are uninterrupted.

Refining NZ's customers, bp Oil New Zealand Limited, Mobil Oil New Zealand Limited, and Z Energy Limited have all issued notices of dispute under the Processing Agreement, in relation to the simplification of Marsden Point oil refinery operations as detailed in Note 14.

**Import Terminal model**

The customer negotiations, overseen by the Independent Directors, in relation to the potential future staged transition to an import terminal (hereinafter, the Import Terminal System or ITS) commenced in 2020 and continued into 2021, culminating in agreed non-binding term sheets with bp and Z Energy in February 2021 and May 2021, respectively. These term sheets document the key commercial terms for the provision of ITS services and form the basis of the on-going negotiations with Mobil.

The Company convened a Special Meeting of Shareholders on 6 August 2021 to consider an import terminal conversion proposal in order to be in a position to convert to an import terminal and commence operations by mid-2022. Shareholders voted in favour of the import terminal conversion proposal (as a major transaction and change in nature of business) and related party transactions (being terminal services agreements and related agreements to be entered into with the Company's three major customers).

Despite the receipt of shareholder approval, the decision to convert to an import terminal still remains subject to:

- Final Investment Decision by the Refining NZ Board, after considering the Front-End Engineering and Design (FEED) assessment by management, which is targeted to occur by the end of the third quarter of 2021.
- Entry into Terminal Services Agreements (TSAs) and Transition Agreements with all existing Customers; and
- Satisfying the conditions precedent for conversion funding provided by Refining NZ's lenders.

If these conditions are ultimately not satisfied then Refining NZ will not be able to proceed with the conversion to an import terminal and would remain a Simplified Refinery under the existing Processing Agreements, although there is a dispute risk with Customers as outlined in Note 14 and these agreements may be terminated by Customers at any time on 12 months' notice.

**Impact on Financial Reporting to 30 June 2021**

Pending a Final Investment Decision being taken to convert the Marsden Point site into a dedicated import terminal, these financial statements have been prepared based on the existing Group operations and the Processing Agreements which continue to operate until final agreement is reached with customers.

**Potential Future Impacts on Financial Reporting**

If a Final Investment Decision is taken to proceed with the conversion to an import terminal, the Company will be required to record a non-cash impairment of the refining assets (part of property, plant and equipment and inventories) that will not be used in the import terminal operations and intends to revalue the remaining property, plant and equipment that will be used in the import terminal operations to their fair value.

The carrying value of refining property, plant and equipment (both those not required and those required for import terminal operations) as at 30 June 2021 was approximately $865 million. The carrying value of these assets at the time of Final Investment Decision will be subject to depreciation recognised, and expenditure capitalised, from 1 July 2021 up until the Final Investment Decision. In addition, the carrying value of inventories as at 30 June 2021 amounts to approximately $17 million, some of which may not be required for import terminal operations.

Included in the carrying amount of the remaining property, plant and equipment referred to above are assets that will be used in the import terminal operations (primarily the pipeline from Marsden Point to Auckland, Marsden Point jetties and fuel storage facilities) which had a carrying value of approximately $200 million.

In accordance with the accounting standards the impairment of the refining assets will be recorded through the income statement, while any revaluation of import terminal assets to their fair value will be recorded directly through other comprehensive income. The overall net impact of the impairments and revaluations is likely to result in a change (increase or decrease) in equity, which is not possible to estimate currently. Valuation work will be undertaken to fair value the import terminal assets following Final Investment Decision.

## 2 COVID-19 Pandemic

In March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. Global refining margins remain weak in 2021 due to the on-going fuel demand reduction – particularly jet fuel – resulting from travel and transport restrictions. Group revenue for the six months ended 30 June 2021, continues to be impacted by weak refiner's margins and lower pipeline throughputs:

- Our customers were invoiced the pro rata Fee Floor amounting to $70 million during the six months ended 30 June 2021 (consistent with the previous corresponding period). The actual processing fee earned from operations was below the pro-rated fee floor, resulting in $29 million (30 June 2020: $38.9 million) being paid by Customers as fee floor payments as outlined in Note 4.

- Pipeline throughputs in the six months ended 30 June 2021 were 7.1 million barrels, around 5% lower than the previous corresponding period and 30% lower than in the 2019 corresponding period (pre-COVID-19) predominantly due to reduction in demand for jet fuel into Auckland International Airport.

As outlined in Note 1, the Company simplified refinery operations from the beginning of 2021, which is intended to enable the Company to operate cash neutral when processing fee income is at the Fee Floor and refinery operations are uninterrupted. The Company operated cash neutral in the six months ended 30 June 2021, with net debt closing at $230 million (31 December 2020: $231 million).

## 3 Impairment assessment

E Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company continued to assess its assets for impairment applying a similar approach to 31 December 2020:

- **Cash Generating Unit**
  The Group identifies two cash generating units being: Refining NZ's assets and the assets of its subsidiary, Independent Petroleum Laboratory Limited ("IPL").
- **Recoverable amount**
  The recoverable amount of the assets was determined on a value in use basis.

  Based on the impairment assessment carried out, the recoverable amount of the Company's assets was determined at a value exceeding the carrying value of the cash generating unit, hence no impairment was recognised as at 30 June 2021.

**A summary of the key judgements underpinning the 2020 impairment assessment (as fully outlined in Note 12 of the FY20 Financial Statements), updated to June 2021 include:**

**Summary of Key Judgements**

| December 2020 | June 2021 Update |
|---|---|
| **Strategic review and import terminal conversion** | |
| There is inherent uncertainty associated with the potential conversion to an import terminal and its timing and the potential outcomes from the commercial negotiations with the Company's customers, which are not solely within the Company's control, are unknown. | On 6 August 2021, shareholders approved the proposal to convert from a toll oil refining operation to an import terminal operation (based on the in-principle commercial agreement reached with bp and Z Energy, and which forms the basis of on-going negotiations with Mobil). |
| The Processing Agreements are long-term "evergreen" contracts which, subject to any termination right arising at law, continue unless renegotiated or terminated by mutual consent or by a customer on one year's notice. | Following the receipt of shareholder approval, the import terminal conversion proposal remains subject to several approvals and agreements being entered into, as well as a Final Investment Decision by the Refining NZ Board (refer to Note 1). |

| December 2020 | June 2021 Update |
|---|---|
| **Strategic review and import terminal conversion (continued)** | |
| No customer had given notice of termination of the Processing Agreements and any decision to proceed with a conversion to an import terminal will require new agreements with the Company's customers to be voted on by non-customer shareholders.<br><br>The value in use impairment assessment was based on the Group's existing business model as a simplified refinery and the existing Processing Agreements. | If these conditions are ultimately not satisfied, then Refining NZ will not be able to proceed with the conversion to an import terminal and it would remain a Simplified Refinery under the existing Processing Agreements as outlined in Note 1.<br><br>The value in use impairment assessment as at 30 June 2021 has therefore been completed based on the existing business model as a simplified refinery (consistent with the December 2020 approach). |
| **New Zealand Emissions Trading Scheme (NZ ETS) and Climate Change Response (Zero Carbon) Amendment Act 2019** | |
| The Government has signalled regulatory reforms which may result in different allocative baselines in the future, including a change in the number of carbon units that the Company is ultimately allocated when it enters the NZ ETS in 2023.<br><br>A significant increase in carbon unit prices, or a change in the allocation of units to the Company when it enters the NZ ETS may have a material financial impact on the future performance of the Company. | No significant change.<br>In June 2021, the Climate Change Commission released its final report on New Zealand's carbon budgets for the next 15 years which were largely consistent with the draft budgets released in January 2021. |
| **COVID-19 global pandemic** | |
| COVID-19 has had a significant impact on current demand for transport fuels and therefore demand for refined products, resulting in significant market uncertainty. | No significant change.<br>Uncertainty remains as to how long a recovery will take with independent experts continuing to forecast that the recovery from COVID-19 will be slow, impacting the longer-term demand forecasts for transport fuels, particularly jet fuel. |

| December 2020 | June 2021 Update |
|---|---|
| **Market outlook – refining margins** | |
| An increased supply of refined product and lower than expected demand for transport fuels in the Asia Pacific region has resulted in a reduced outlook for refining margins generally. Refer to Note 1, Strategic Review. | No significant change.<br>The very weak refining margins experienced in the 2020 financial year continued in the six-month period ended 30 June 2021, with significant uncertainty regarding future refining margins. |
| **Future NZ transport fuel demand** | |
| The Climate Change Response (Zero Carbon) Amendment Act 2019 set a target for New Zealand to reduce its net emissions of all greenhouse gases (except biogenic methane) to zero by 2050.<br><br>There remains significant volatility and uncertainty in the market as a result of COVID-19 oversupply in the global refining market and proposed Government policy to address climate change risks and the impacts on future demand for transport fuels, and the outlook for refiner's margins cannot be reliably predicted. | The pace of transition to alternative fuels and how that transition may occur, remains uncertain.<br><br>In June 2021, the Climate Change Commission released its final report on New Zealand's carbon budgets for the next 15 years which were largely consistent with the draft budgets released in January 2021 and with the demand forecasts prepared by external experts prepared for the Group and used for the impairment assessment.<br><br>In June 2021, the Government issued a consultation paper on the Sustainable Biofuels Mandate which proposes a 3.5% reduction in domestic transport fuel emissions from biofuel uptake by 2025.<br><br>Any significant change in demand for refined products in New Zealand could therefore impact, favourably or unfavourably, on future assessments of the carrying value of the Group's assets regardless of whether the Company continues to operate as a refinery or as an import terminal. |

**The Key Assumptions used in the impairment testing as at 31 December 2020 (refer to Note 12 of the FY20 Financial Statements), compared to the June 2021 assumptions are as follows:**

**Summary of Key Assumptions**

| December 2020 | June 2021 Update |
|---|---|
| **NZ transport fuel demand** | |
| Refining NZ uses demand forecasts formulated by an independent expert, which reflects a faster transition away from fossil fuels, driven by New Zealand's commitment to zero net greenhouse gas emissions by 2050.<br><br>Jet fuel demand forecasts have a wide range due to the uncertainty around COVID-19 recovery and viable alternative sources of energy for air travel, however independent expert forecasts used by the Company have demand forecast to recover to pre-COVID-19 levels by 2025 and grow until circa 2040.<br><br>Given the long-term uncertainty with respect to alternative fuels, including biofuel demand which could replace some of the decline in crude oil derived fuel production, potential contribution of biofuel demand to revenue has not been considered for impairment assessment purposes at this time. | No significant change.<br>The independent demand forecasts, used in the December 2020 assessment, are considered to be largely in line with the Climate Change Commission's Advice for Government issued in June 2021. |

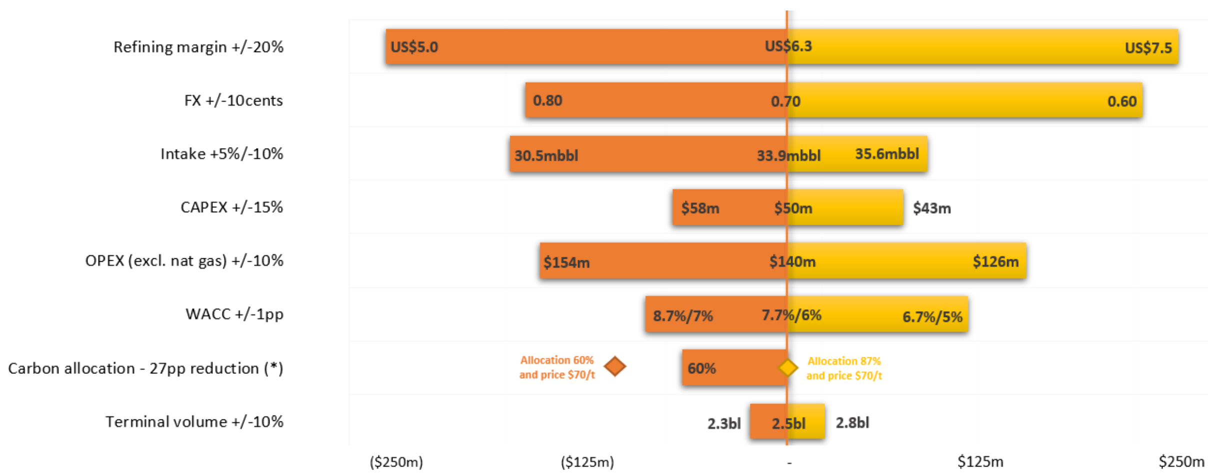
| December 2020 | June 2021 Update |
|---|---|
| **Refining and pipeline volume** | |
| The base assumption is that the refinery will operate until 2035, followed by a conversion to an import terminal, noting that the outlook for transport fuels demand remains highly uncertain.<br><br>The Processing Agreements are long-term “evergreen” contracts which, subject to any termination right arising at law, continue unless renegotiated or terminated by mutual consent or by a customer on one year’s notice. As at the date of these financial statements, no customer has given notice of termination and therefore the assumed date for conversion to an import terminal in 2035, is aligned to the timeframe by which the refinery’s production is forecast to exceed domestic petrol demand. | No significant change.<br>Refer to commentary under Key Judgements, Strategic review and import terminal conversion set out above.<br><br>The refinery and pipeline throughputs are assumed at an average of circa 34 million barrels and circa 18.5 million barrels respectively, in the 15-year period to 2035. |
| **Refining margins and pipeline fees** | |
| Consistent with previous impairment assessments, the Company has used refining margin forecasts developed based on the latest crude and product pricing issued by independent expert market commentators used by Refining NZ. Given the current uncertainty in outlook, a downside to these forecasts has been incorporated into the gross refining margins used for this impairment assessment. | No significant change.<br>Whilst margins are not expected to recover to above the Fee Floor equivalent until 2023, margins are expected to average to circa US$6.3 per barrel through the refinery forecast period to 2035.<br><br>Pipeline revenue in the 15-year period to 2035 is determined with reference to the current Processing Agreement to 2035, and then subsequently as a combination of estimated pipeline, terminal and wharfage fees. |
| **Exchange rate** | |
| US dollar forward rates have been applied with a range of 0.70 to 0.73 over the forecast period. | No significant change.<br>The latest US dollar forward rates have been applied with an average of circa US$0.70 through to 2035. |

| December 2020 | June 2021 Update |
|---|---|
| **Operating costs and capital spend** | |
| Operating costs (excluding pass through costs such as natural gas and one-off conversion costs) and capital spend associated with an operation of the simplified refinery are assumed at an average of approximately $135 million and $55 million per annum, respectively, in the 15 years to 2035. | No significant change.<br>An average of approximately $140 million and $50 million per annum, respectively, in the 15 years to 2035. |
| **Discount rate** | |
| A nominal post-tax weighted average cost of capital has been used as assessed by external advisors at 7.7% in the 15 years to 2035 (period of the refinery operation) and 6% beyond 2035 (import terminal operation). | No significant change. |
| **Carbon cost** | |
| The Company will enter the NZ ETS as an Energy Intense Trade Exposed (EITE) business at the expiry of the Negotiated Greenhouse Agreement on 31 December 2022. The base assumption is that the Company will receive an industrial allocation of 87% in 2023 with a 1% per year phase out until 2030 and 2% beyond 2030. Carbon unit prices used are based on independent expert forecasts. | No significant change.<br>Carbon unit prices used are based on independent expert forecasts and are consistent with the December 2020 impairment assessment. |
| **Import terminal conversion** | |
| An import terminal is assumed to commence its operation from 2036, with an estimated average revenue of circa $90 million per annum in real terms through to 2050. Operating and capital costs are estimated at an average of circa $35 million per annum in real terms. | No significant change.<br>An import terminal is assumed to commence its operation from 2036, with an estimated average revenue of circa $80 million per annum in real terms through to 2050. Operating and capital costs are estimated at an average of circa $35 million per annum in real terms. |

| December 2020 | June 2021 Update |
|---|---|
| **Forecast period and terminal value** | |
| Due to the long-term, cyclical nature of the business, a 30-year forecast period has been adopted with a terminal value. | No significant change.<br>Due to the long-term, cyclical nature of the business, a 30-year forecast period has been adopted with a terminal value taking into account a negative 2.5% growth rate. |

**The Group considered a range of possible sensitivities associated with each of the key assumptions, across the full period modelled and based on a range of potential outcomes for each of these assumptions.**

It should be noted that changes in a combination of the key assumptions could also have a significant impact upon the recoverable amount assessed.




*The sensitivity shown for EITE industrial allocations under the ETS and carbon unit prices is intended to show both the impact of a change in the industrial allocation made to the Company (from 87% on entry to the NZ ETS 2023) as well as the impact of a change in carbon costs. For illustrative purposes, a sensitivity has been shown based on a 60% allocation in 2023 and a 1% per year phase out of rates of assistance over 2021 to 2030, and a carbon cost of $70/t (being a doubling of the containment reserve trigger in the ETS as proposed by the advice from the Climate Change Commission).

## 4 Income

| FOR THE SIX MONTHS ENDED 30 JUNE | GROUP 30 JUNE 2021 $000 | GROUP 30 JUNE 2020 $000 |
|---|---|---|
| **Comprises:** | | |
| Processing fees | **69,602** | 69,991 |
| Natural Gas recovery | **11,822** | 16,099 |
| Other refining related income | **8,855** | 7,852 |
| **REFINING REVENUE** | **90,279** | 93,942 |
| Pipeline and terminalling fee revenue | **20,204** | 17,150 |
| Wiri land and terminal lease income | **3,263** | 3,263 |
| **DISTRIBUTION REVENUE** | **23,467** | 20,413 |
| Other operating revenue | **1,525** | 1,799 |
| **TOTAL REVENUE** | **115,271** | 116,154 |
| Other income | **159** | 2,964 |
| **TOTAL INCOME** | **115,430** | 119,118 |

The processing fee revenue is subject to a fee floor, which comes into effect if the total processing fee for a calendar year is below a minimum value. This is set at approximately $141 million for 2021. At 30 June 2021, the actual processing fee earned from operations was below the pro-rated fee floor, resulting in $29 million being paid by Customers as an interim fee floor top-up payment (30 June 2020: $38.9 million).

The pro rata fee floor payment by Customers to 30 June 2021 could be offset by processing fee revenue earned for the remainder of the year, if processing fees earned from operations were to exceed the annual fee floor. However, this is not considered likely given the current oversupply of refined product and the impact of COVID-19 resulting in a low near-term margin outlook.

# Notes to the Interim Financial Statements

**FOR THE SIX MONTHS ENDED 30 JUNE 2021 (UNAUDITED)**

## 5 Segment information

The Corporate Lead Team reviews the Group's internal reporting to assess performance and allocate resources including the definition of the operating segments - oil refining and infrastructure.

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

The Corporate Lead Team primarily uses revenue and adjusted earnings before finance costs, tax, depreciation and amortisation (or 'Adjusted EBITDA') of the Parent Company as measures to assess the performance of the operating segments. For a reconciliation between the Non-GAAP measure, Adjusted EBITDA, to the reported net loss after tax refer to Note 16.

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

**Segment results**

| **30 JUNE 2021** | **OIL REFINING** | **INFRASTRUCTURE** | **TOTAL** |
|---|---|---|---|
| | **$000** | **$000** | **$000** |
| External customer | **90,279** | **25,151** | **115,430** |
| Inter-segment | **-** | **2,066** | **2,066** |
| **TOTAL INCOME (*)** | **90,279** | **27,217** | **117,496** |
| **Adjusted EBITDA** | **14,632** | **19,909** | **34,541** |

| 30 JUNE 2020 | **OIL REFINING** | **INFRASTRUCTURE** | **TOTAL** |
|---|---|---|---|
| | **$000** | **$000** | **$000** |
| External customer | 96,504 | 22,614 | 119,118 |
| Inter-segment | - | 2,402 | 2,402 |
| **TOTAL INCOME (*)** | 96,504 | 25,016 | 121,520 |
| **Adjusted EBITDA** | 1,647 | 18,870 | 20,517 |

(*) prior to consolidation eliminations

## 6 Related parties

The Group enters into transactions with related parties. Details of related parties and the types of transactions entered into during the period ended 30 June 2021 are consistent with those disclosed in the audited financial statements for the year ended 31 December 2020.

## 7 Equity

The issued capital of the Company is represented by 313,484,559 ordinary shares (2020: 312,893,643) issued and fully paid, less 968,907 (2020: 519,859) treasury shares held by CRS Nominees Limited (the Trustee). All ordinary shares rank equally with one vote attached to each ordinary share.

In addition to the 1,250,000 Performance Share Rights (PSRs) granted in 2020 to the Chief Executive Officer (CEO), 3,110,672 PSRs were granted on 1 April 2021 under the Share Rights Plan to the CEO and Management in recognition of and reward for performance in 2020 and to retain and incentivise key members of Management through the implementation of Strategic Review outcomes in coming years. The PSRs were issued for nil consideration with service conditions only and will vest two years after the grant date (i.e. April 2023), subject to grantees' continued employment with the Company.

On 1 April 2021, the Company issued 590,916 ordinary shares, at an issue price of 46.75 cents per share, pursuant to the Employee Share Purchase Scheme. The shares are held on trust by the Trustee until they are withdrawn by the employees following a restricted period of three years.

The total cost of the share rights under the Share Rights Plan and Employee Share Purchase Scheme recognised in the six months to 30 June 2021 was $0.1 million (30 June 2020: $0.1 million) with a corresponding increase in Share Scheme Entitlement Reserve.

## 8 Borrowings

In June 2021 Refining NZ received committed credit approved terms for:

- An extension of a $25 million facility maturing in September 2021 to March 2023, and
- Two bank facilities of $15 million each (totalling to $30 million) to provide liquidity support for the potential import terminal conversion (subject to documentation and satisfying conditions precedent) ("Conversion Funding"). The two facilities mature in December 2022 and March 2023.

On 18 August 2021, the Company entered into a binding agreement in relation to the conversion funding as disclosed in Note 15.

As at 30 June 2021 the total available debt funding facilities amounted to $380 million (including the Company's $75 million subordinated notes on issue). This will increase to $410 million following the satisfaction of conditions precedent in relation to the import terminal conversion funding.

The table below outlines the maturity profile of the facilities as at 30 June 2021 (excluding credit approved conversion facilities of $30 million), noting that the September 2021 expiring facility was extended subsequent to balance date as referred to above):

| | MATURITY DATE | GROUP 30 JUNE 2021 $000 | GROUP 31 DECEMBER 2020 $000 |
|---|---|---|---|
| **BORROWINGS** | | | |
| **Current borrowings:** | | | |
| Revolving cash advances | Mar-22 | **10,000** | - |
| **Total current bank borrowings** | | **10,000** | - |
| **Non-current borrowings:** | | | |
| Revolving cash advances | Mar-22 | **-** | 35,000 |
| Revolving cash advances | Mar-23 | **70,000** | 70,000 |
| Revolving cash advances | Jun-24 | **25,000** | 25,000 |
| Revolving cash advances | Mar-25 | **85,000** | 70,000 |
| Subordinated notes* | Mar-34 | **74,638** | 74,611 |
| **Total non-current borrowings** | | **254,638** | 274,611 |
| **TOTAL BORROWINGS** | | **264,638** | 274,611 |
| **UNDRAWN FACILITIES** | | | |
| Revolving cash advances | Sep-21 | **25,000** | 25,000 |
| Revolving cash advances | Mar-22 | **30,000** | 5,000 |
| Revolving cash advances | Mar-23 | **35,000** | 35,000 |
| Revolving cash advances | Jun-24 | **15,000** | 15,000 |
| Revolving cash advances | Mar-25 | **10,000** | 25,000 |
| **TOTAL UNDRAWN BORROWING FACILITIES** | | **115,000** | 105,000 |

(*) The difference between the carrying value and the $75 million face value is due to unamortised issue costs and accrued interest. While the expiry of the subordinated notes is on 1 March 2034, the first election date is in March 2024, when the Company may elect to either redeem the notes or to offer new conditions to the noteholders.

The carrying amounts of bank borrowings approximate their fair value. The borrowings are unsecured. The Parent borrows under a negative pledge arrangement which requires certain certificates and covenants. All these requirements have been met and no breaches of these covenants are forecast for the next twelve months.

## 9 Property, plant and equipment, right-of-use assets and intangibles

During the six months ended 30 June 2021 the Group acquired property, plant and equipment with a cost of $19 million. Increase in the right-of-use assets is associated with lease modifications, resulting in an increase in both the right-of-use asset and finance liability balance. The increase in intangibles is associated with the New Zealand Units (carbon units) received in advance for the whole 2021 year.

There were no borrowing costs capitalised during the reporting period (30 June 2020: $0.7 million capitalised at the weighted average rate of 5.4%).

## 10 Capital commitments

Commitments are related to asset purchases contracted as at the reporting date but not provided for in the financial statements. As at 30 June 2021 the capital commitments amounted to $4.4 million (31 December 2020: $20.2 million).

## 11 Trade and other receivables and payables

Trade and other receivables and trade and other payables both include excise duties of $94.8 million (31 December 2020: $135.8 million). Changes to excise duties have no direct impact on the results of the Group as they are collected from the customers and are paid to the New Zealand Customs Service on the same day of each month.

## 12 Employee benefits

Employee benefits comprise defined benefit pension and medical plan, wages, salaries, annual leave, and long-service leave and retirement bonus.

The defined benefit plan and the medical scheme are accounted for in accordance with NZ IAS 19 "*Employee Benefits*". Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the Consolidated Income Statement.

The employee benefits have reduced as at 30 June 2021 primarily due to the following:

- **Updated actuarial assumptions**
  The actuarial assumptions used in the 30 June 2021 valuation were consistent with those adopted as at 31 December 2020 except for the discount rate adopted at 30 June 2021, set with reference to redemption yields on bonds, was 2.5% (31 December 2020: 1.7%) resulting in a reduction in defined benefit pension and medical plan liability.

- **Defined Benefit Pension Fund Cash-Out**
  In May 2021, the Company offered pensioner members of the defined benefit pension plan the choice of converting some or all of their pension benefits to a one-off cash lump sum. In total 63 pension fund members accepted the offer and a total of $18.8 million was paid out in June 2021. In addition, seven former members of the fund were paid redundancy benefits of $4.5 million.

  Total settlement payments in relation to the cash-out offer and redundancies amounted to $23.4 million and these payments extinguished defined benefit obligations of $27.5 million, resulting in a settlement gain of $4.1 million (or $6.1 million including contributions tax) recognised in the consolidated income statement.

- **Medical Plan Cash-Out**
  Beneficiaries of the medical plan were offered the choice of converting their entitlements to post-retirement health insurance benefits to a one-off cash lump sum. In 2021 six retirees accepted the cash out and a total of $0.6 million was paid out to the beneficiaries, resulting in a settlement gain of $2.7 million recognised in the consolidated income statement.

  The total settlement gain on Defined Benefit Pension Fund and Medical Plan of $6.8 million (or $8.9 million including contributions tax) is netted off the wages, salaries and benefits expense in the consolidated income statement.

The total amount recognised in the Income Statement and Other Comprehensive Income is as follows:

| | **GROUP 30 JUNE 2021 $000** | **GROUP 30 JUNE 2020 $000** |
|---|---|---|
| Service cost | **(884)** | (1,059) |
| Net interest cost | **(34)** | (146) |
| Settlement gain | **6,762** | - |
| Contributions tax | **1,574** | (568) |
| **PLAN INCOME/(EXPENSE) IN INCOME STATEMENT** | **7,418** | (1,773) |
| | | |
| Actuarial gains/(losses) | **5,495** | (9,062) |
| Actual return on plan assets greater/(lower) than discount rate | **5,038** | (3,604) |
| Contributions tax | **5,082** | (7,261) |
| **TOTAL RECOGNISED IN OTHER COMPREHENSIVE INCOME WITH CONTRIBUTIONS TAX** | **15,615** | (19,927) |

## 13 Deferred tax

The deferred tax asset has decreased during the six months ended 30 June 2021 as a net result of the reduction in employee benefit liabilities (particularly defined benefit pension plan and medical scheme as disclosed in Note 12) and an increase in the tax losses during the reporting period (as disclosed under the Use of judgements and estimates). The increase in the deferred tax liability is associated predominantly with the movement in hedging contracts.

## 14 Contingencies

In 2020 Refining NZ received contractual dispute notices from each of its three oil company customers in relation to the refinery simplification (refer to Note 1). Refining NZ also issued its own dispute notice in 2020, in which the Company makes a separate claim that the total fee "floor" payable by all of the customers should be higher. The detail of the dispute notices is fully disclosed in the Company's financial statements for the year ended 31 December 2020.

Refining NZ will seek the release of these unresolved disputes relating to the refinery operations with effect from conversion of the refinery to an import terminal as part of the commercial arrangements with Customers.

## 15 Events after balance date

The following events occurred after balance date:

- **Shareholder Vote**
  On 6 August 2021 Refining NZ held a Special Meeting of shareholders at which the Company's shareholders voted in favour of the proposed conversion of the Marsden Point Site into a dedicated import terminal.

  The following two resolutions were passed by the shareholders:
  - Approval of the import terminal conversion proposal as a major transaction and change in nature of business.
  - Entry into new contracts with customers as related party transactions.

  Despite the receipt of shareholder approval, the decision to convert to an import terminal still remains subject to:
  - Final Investment Decision by the Refining NZ Board, after considering the Front-End Engineering and Design (FEED) assessment by management, which is targeted to occur by the end of the third quarter of 2021.
  - Entry into Terminal Services Agreements (TSAs) and Transition Agreements with all existing Customers; and
  - Satisfying the conditions precedent for conversion funding provided by Refining NZ's lenders.

- **Bank Facilities Extended and additional funding secured (Refer to Note 9)**
  On 18 August 2021, the Company entered into a binding agreement to extend a $25 million facility set to mature in September 2021, out to March 2023 and secured an additional $30 million of bank facilities to support the potential import terminal conversion. The weighted average term of the Company's debt funding facilities of $410 million, including the Company's $75 million subordinated notes on issue and import terminal conversion funding (referred to above), is circa 4.2 years.

## 16 Non-GAAP disclosures

Refining NZ's standard profit measure prepared under New Zealand Generally Accepted Accounting Practice (NZ GAAP) is net profit/(loss) after tax. Refining NZ has used non-GAAP measures when discussing financial performance in these financial statements. The Directors and the Corporate Lead Team 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 non-GAAP profit measures included in this report are not comparable with those used by other companies. They should not be used in isolation or as a substitute for GAAP profit measures as reported by Refining NZ in accordance with NZ IFRS. Terms are defined as follows:

**Reported EBITDA:** Reported Net Profit/(Loss) before depreciation and disposal costs, impairment of assets, finance costs and income tax.

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

## Notes to the Interim Financial Statements

**FOR THE SIX MONTHS ENDED 30 JUNE 2021 (UNAUDITED)**

| | NOTE | GROUP 30 JUNE 2021 $000 | GROUP 30 JUNE 2020 $000 |
|---|---|---|---|
| **Reported net loss after tax for the period (GAAP)** | | **(4,914)** | (186,348) |
| Add back: | | | |
| Income tax | | **(785)** | (70,879) |
| Net finance costs | | **5,422** | 6,406 |
| Impairment of assets | 3 | **-** | 218,903 |
| Depreciation and disposal costs | | **41,781** | 47,300 |
| **Reported EBITDA** | | **41,504** | 15,382 |
| Add back non-cash expenses: | | | |
| Stock write-offs | | **682** | 3,269 |
| Defined benefit pension fund (including settlement) | 12 | **(7,418)** | 1,720 |
| Non-cash share rights cost | 7 | **115** | - |
| Interest income | | **47** | 146 |
| Loss on disposal | | **(389)** | - |
| **Adjusted EBITDA** | | **34,541** | 20,517 |

# Corporate Directory

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Ruakaka

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

**Legal Advisers**
MinterEllisonRuddWatts
Chancery Green

**Auditor**
Ernst & Young

**Chairman**
S C Allen (Independent Director)

**Independent Directors**
J B Miller
V C M Stoddart
P A Zealand

**Non-Independent Directors**
R Cavallo
N L Jones
L Nation

**Chief Executive Officer**
N M James

**General Counsel & Company Secretary**
C D Bougen

**Managing your shareholding online**
To change your address, update your payment instructions and to view your registered details including transactions, please visit: www.computershare.co.nz/investorcentre
Please assist our registrar by quoting your CSN or shareholder number.

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