
NAPIER^o PORT

Te Herenga Waka o Ahuriri



HALF YEAR REPORT

FOR THE SIX MONTHS
ENDED 31 MARCH 2022

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OUR PORT, HUBS AND INFRASTRUCTURE

Napier Port is New Zealand's fourth largest port by container volume. Located in Hawke's Bay on the East Coast, we are the gateway for the central and lower North Island's exports and operate a long-term regional infrastructure asset that supports the regional economy. Our strategic purpose is to collaborate with the people and organisations that have a stake in helping our region grow.

We are situated on the main transit route for international shipping services, and are connected to core national road and rail networks, and we are open for business 24 hours a day, 364 days a year.



FIVE EXISTING WHARVES PROVIDING SIX COMMERCIAL BERTHS AND A **NEW 350M WHARF** OPENING MID-2022



50 HECTARES OF ON-SITE PORT LAND



SIX MOBILE HARBOUR CRANES



THREE TUGS



ONE MOBILE LOG DEBARKER



OVER 320 EMPLOYEES



36,600 SQUARE METRES OF WAREHOUSING



1123 CONNECTION POINTS FOR REFRIGERATED CARGO



TWO CONTAINER DEPOTS AT THAMES STREET OFFERING FULL SERVICES TO INTERNATIONAL SHIPPING LINES



INLAND FREIGHT HUB IN MANAWATŪ WITH A 1.9 HECTARE CONTAINER YARD AND A WAREHOUSING FACILITY WITH ROAD AND RAIL CONNECTIONS TO NAPIER PORT



AROUND **5.9 MILLION TONNES** OF CARGO HANDLED ANNUALLY



10 HECTARES OF DEDICATED LOG STORAGE, WORKING 24/7



12.3 HECTARES OF LAND IN WHAKATŪ FOR FUTURE DEVELOPMENT



16 HECTARES OF CONTAINER TERMINAL SPACE



FLEET OF 38 HEAVY CONTAINER HANDLING MACHINES

TRADE AND FINANCIAL RESULTS

\$50.7

MILLION

REVENUE

▼ 3.6%

\$9.0

MILLION

NET PROFIT

▼ 15%

\$5.6

MILLION

INTERIM DIVIDEND

2.8 CENTS
PER SHARE

\$16.4

MILLION

RESULTS FROM
OPERATIONS

▼ 22.8%

\$7.2

MILLION

UNDERLYING
NET PROFIT AFTER TAX

▼ 32.1%

\$19.2

MILLION

BULK CARGO
REVENUE

▼ 5.1%

1.7

MILLION

TONNES OF BULK
CARGO HANDLED

▼ 8.7%

113

THOUSAND

TEU CONTAINERS
HANDLED

▼ 16.6%

258

VESSEL CALLS

▼ 14.0%

CHAIR & CHIEF EXECUTIVE'S REPORT

TĒNĀ KOUTOU

Napier Port's results for the first half of the 2022 financial year reflect the challenges of significant supply chain and Covid-related disruptions.

The trade environment of key cargoes and prices remains positive for the primary industry trades that cross our wharves. At the same time, we have made exceptional progress putting in place the infrastructure that will underpin the prosperity of the region and Napier Port for the long term.

These successes and favourable trading conditions have, however, been overshadowed by ongoing seasonal labour shortages and by an escalation in global shipping disruptions that have created challenges for all parts of the supply chain – customers, ports, shippers, carriers and agents.

Shipping schedules have continued to be unpredictable, resulting in missed or delayed vessel arrivals at Napier Port as well as at other ports throughout New Zealand and internationally. Meanwhile, ships arriving have required larger container exchanges for both us and cargo owners to manage. These factors have been compounded by pandemic-related absences across cargo owners' workforces and adverse local seasonal weather conditions. This created challenges for primary sector production and further disrupted the flow of cargo.

As a direct result we saw a 16.6% reduction in container volumes for the half-year period to 113,000 twenty-foot equivalent container units (TEU) from 135,000 TEU in the same period a year ago, with container ship visits falling to 102 from 133. We also saw an 8.7% reduction in bulk cargo volumes to 1.7 million tonnes from 1.9 million tonnes and a reduction in charter vessel visits to 155 from 167 in the same period a year ago.

Consequently, these reductions and environmental challenges have flowed through to our financial performance.

FINANCIAL RESULTS

Revenue for the half year was down 3.6% to \$50.7 million from \$52.6 million in the same period last year, with the fall reflecting lower trade volumes and the reduction in vessel calls.

Our result from operating activities for the half year to 31 March 2022 was down 22.8% to \$16.4 million from the \$21.3 million reported for the first half of the last financial year. In addition to the reduction in revenues, the fall reflects an increase in operating expenses as we feel the impacts of higher input costs across all categories.

Underlying net profit after tax (after adjusting for certain non-recurring and unrealised fair value revaluation items) was \$7.2 million down 32.1% on the \$10.6 million in the same period last year. Reported net profit after tax was down 15% to \$9 million from \$10.6 million in the same period a year ago.

While we do not expect any immediate easing in the global supply chain challenges, we are confident that – as Covid-19 becomes endemic and the shipping industry gradually adapts to the current trading environment – these pressures will lessen. Our focus therefore is working to keep the supply chain open and cargo flowing to minimise these disruptions.

In line with our strategic goals to maintain strong links with our customers and build collaborative partnerships, we have worked hard to communicate with all in the supply chain and make changes to accommodate their needs to ensure cargo and shipping services are maintained and delivered as seamlessly as possible.

OUR PEOPLE

The challenging operating conditions have continued to place significant demands on our people. We are grateful and impressed by the way they have worked to maintain and enhance the links between Napier Port and the wider regional economy and international markets.

A key success has been the vigilance they have displayed with regards to Covid prevention and containment, slowing its spread across our workforce. Covid-related absence did not exceed 11% at any one time between January and March, which meant no operations were stopped during the wave of Omicron. This is a testament to our team's determination and can-do attitude that is at the heart of Napier Port's culture.

On behalf of shareholders and our region, we thank Napier Port's people for their efforts.

LOOKING TO THE FUTURE

We continue to look through the current disruption and focus on ensuring our region maintains direct, efficient and competitive links to world markets.

The most notable achievement has been the significant progress we have made bringing the intergenerational investment in 6 Wharf to near completion. The project, now in the commissioning phase, continues to deliver ahead of schedule and at a lower cost than initial estimates. It is set to officially open in July.

The new wharf opens up growth opportunities and shipping options for cargo owners across the central and lower North Island. It will allow us to accommodate the larger vessels arriving in New Zealand and provide greater flexibility and availability across all our wharves.

We expect the additional capacity 6 Wharf will deliver to begin to be evident in the new financial year. We also believe this new capability will enhance the attractiveness of Napier Port to shipping lines and that it will help to encourage others to follow ZIM Integrated Shipping Services, which has launched a new trans-Tasman service that calls at Napier Port.

In addition, we have continued to build our landside logistics and services. This is a 'site to sea' supply chain solution that provides central and lower North Island customers with a range of freight and cargo-handling options via Napier Port. Use of the service is steadily climbing with road and rail running seven days a week between Manawātū Inland Port and Napier Port.

Our log-debarking facility is now operational and we are working on processing increased volumes through the plant. A key benefit of the facility is that it has enabled us to cease methyl bromide fumigation of logs at Napier Port, a significant environmental win for our region.

Sustainability has been an overriding consideration throughout the 6 Wharf build with detailed planning undertaken with mana whenua, fishing groups and other marine users during a comprehensive resource consent process. We have now completed the two-year capital dredging programme and safely disposed of 1.3 million cubic metres of material while remaining fully compliant with our resource consent conditions, in particular the water quality requirements at Pānia Reef.

We are continuing the rollout of our sustainability strategy and action plans and progressing the social, economic and environmental actions we prioritised last year. With a focus on local, achievable initiatives where we can have the most impact, we have refreshed our community sponsorship programme to support initiatives that align with our four sustainability pillars – people, planet, prosperity and partnerships. Later this year we will also report on our climate change related disclosures, following on from the development of baseline emissions and reduction pathways prioritised last year.

Finally, we welcome the return of cruise ship visits to Napier in the coming cruise season. It remains too early to say how the current pipeline of bookings will translate into cruise ship visits. We are confident however, that Napier Port and Hawke's Bay remain an attractive destination for the cruise industry and demand is robust, especially with 6 Wharf going live before the season and able to accommodate the largest cruise vessels that call New Zealand.

BALANCE SHEET AND DIVIDEND

Napier Port remains well funded. We spent \$43.7 million on capital projects in the half year, including \$36.9 million on the 6 Wharf project, and ended the half year with drawn bank debt of \$120 million. In addition, we have undrawn bank facilities of \$60 million.

The Board has resolved to pay a fully imputed interim dividend of 2.8 cents per share, unchanged from the interim dividend paid last year.

The record date for dividend entitlements will be 10 June and the payment date will be 23 June.

OUTLOOK

The trade outlook for our region is positive, with primary sector commodity prices remaining high and a stronger second half anticipated for meat, forestry and horticulture exports.

Even though there are signs the pandemic is abating, Napier Port still faces uncertainty in the supply chain, including shipping disruption, labour shortages and high cost inflation.

Noting continued uncertainties and assuming a continuation of the current market conditions, Napier Port reaffirms the earnings guidance provided in April for the underlying result from operating activities for the year to 30 September 2022 to range between \$38 million and \$42 million.

As highlighted previously, once 6 Wharf completes during the second half of the financial year, the majority of our finance costs will be recorded in our income statement. This, together with the additional depreciation for the new assets, will be deducted in determining net profit for the year.

The commitment of Napier Port's people, coupled with the resilience and productivity of our region and the progress we continue to make on infrastructure that underpins growth, positions Napier Port well and gives us long-term confidence in the future. We look forward to updating shareholders on our progress at the end of the financial year.

Ngā mihi nui,



ALASDAIR MACLEOD
Chairman



TODD DAWSON
Chief Executive





6 WHARF OPENING FOR BUSINESS WINTER 2022

Under budget and ahead of schedule, the final construction stages and operational planning of 6 Wharf is underway. The official opening ceremony will take place on Friday, 22 July.

Piling, concreting, revetment casting and dredging are now complete. All 10 MoorMaster mooring units have been installed and a new fit-for-purpose electrical substation has been built to power the units. Dry commissioning has been completed and the first ship trials will soon be underway.

The landward section of pavement required during construction has reverted back to container operations, where planning is underway on how to best work the terminal facing 6 Wharf in the future. 6 Wharf has provided us with the opportunity to transform terminal operations to maximise safety and efficiency for our own port operations, with increased productivity in exchanges and crane rates. Cargo owners, transport operators and shipping lines will all benefit from greater 24-hour berth availability across all our wharves, increased mooring speeds and our ability to service larger 320-350m length x 50m beam-width vessels.

6 Wharf future-proofs Hawke's Bay's regional growth and opens up further growth opportunities and shipping options for cargo owners across the central and lower North Island, helping to alleviate ongoing shipping disruption and supply chain congestion across New Zealand.

The new wharf will provide greater flexibility and availability across all our wharves and enable us to handle the increasing numbers of shipping vessels arriving at Napier Port.



SUBSTATION

An additional 11,000-volt substation feeding a new 750 kVA transformer, has been built to power the MoorMaster units. The transformer will also power new and existing light towers, a data hub and a seismic monitoring system. The substation development also includes a data room for the fibre network to run the MoorMasters, and back-up generation in case of power outage.



MOORMASTERS

MoorMasters are state-of-the-art mooring systems that will enable Napier Port to berth ships faster and more safely. They have automated vacuum pads that moor and release vessels in seconds, at the push of a button, with full remote-control access available out on the wharf using a tablet device.

LANDSIDE LOGISTICS SERVICE GROWING

Launched in 2021, this 'site to sea' supply chain solution provides central and lower North Island customers with a greater range of freight and cargo-handling options via Napier Port. Utilisation of the service is steadily climbing, with an even mix of export and import customers.

By coordinating landside road and rail transport options, and tailoring these to customer demand and shipping schedules, the service reduces much of the inefficiency and time-consuming activity cargo owners often experience getting their product to market.

The logistics service:

- optimises container movements – full loads both ways from the central and lower North Island reducing transportation waste
- provides more road and rail links for importers and exporters
- alleviates congestion out-of-region customers may be experiencing elsewhere
- enables cargo berthed at Napier Port to be quickly dispatched to other regions in New Zealand, with a shorter supply chain lead-time and lower total cost

- coordinates a whole network solution streamlining the 'site to sea' logistics customers have to organise.

Manawatū Inland Port (MIP) is a key part of the landside logistics service offering warehousing, container storage, import and export transitional management services and landside transport to port for shipping lines and cargo owners. Extended partnerships with KiwiRail and with local transport and logistics operators have resulted in the landside logistics services now running seven days a week between MIP and Napier Port.



DEBARKER GOES LIVE

Working in partnership with logging customers, we have invested in a log debarking operation located on Napier Port. The mobile log debarker increases log turnover capability and improves log yard utilisation, and throughput is increasing as the operation is embedded into general cargo operations.

Debarking removes the excess bark from logs, which otherwise would have to undergo phytosanitary treatment, as a requirement of some log export markets. This has enabled us to cease the use of methyl bromide fumigation of logs on port.

Napier Port's long-running partnership with local firm BioRich repurposes bark from the log yard into mulch. Prior to debarking, last year, 5,998 tonnes of waste bark from the log yard was repurposed into organic mulch, to be used on orchards, gardens, and planting projects around the region.

As log volumes increase, we are also focusing on log yard layout and traffic management. As part of preparations for deploying the debarker, a number of roading and layout changes have been phased in, providing additional safety and efficiency to log yard operations.

WEATHERING THE OMICRON STORM

While Omicron has impacted the supply chain and our customers' workforces, on port we have been able to slow the spread of the virus across our workforce. Covid-related absence did not exceed 11% at any one time, which meant no operations were stopped during the wave of Omicron.

This resilience is partly due to the surveillance saliva PCR testing implemented last year. This fast, highly accurate, non-invasive, early detection technology provides confidence we are keeping people safe and Napier Port operational for customers and shipping lines.

The port is grateful to the thousands of port users, and everyone in the community, who complied with the vaccine mandate adopted for anyone coming on to Napier Port.



WELCOME TO ZIM INTEGRATED SHIPPING SERVICES

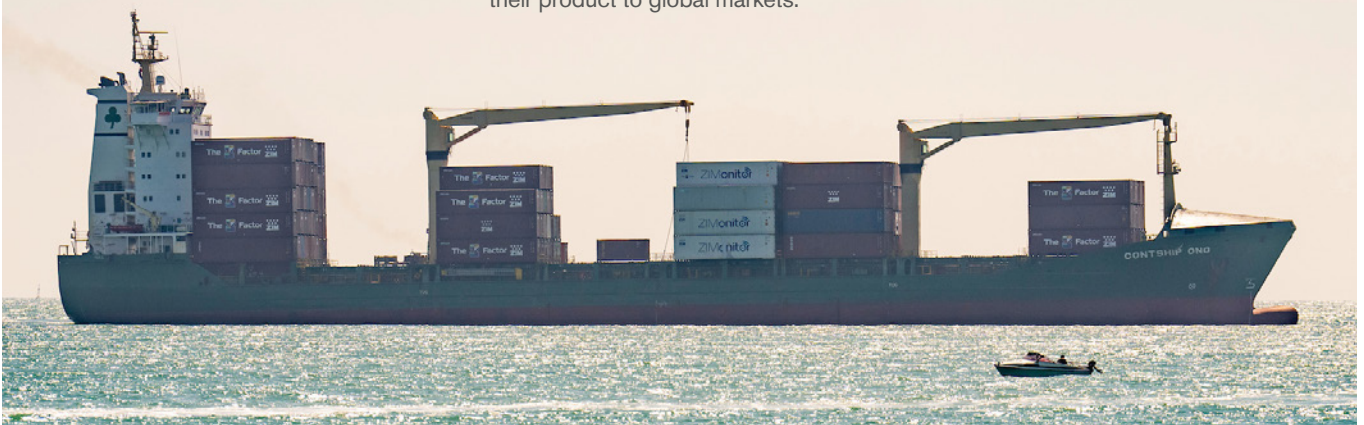
When 6 Wharf goes live mid-2022, shipping lines will benefit not just from 6 Wharf accommodating the larger vessels coming to New Zealand, but through greater availability across all our wharves to berth their vessels.

The most recent shipping line to add Napier Port to their port calls is ZIM Integrated Shipping Services. ZIM's transtasman service ships both dry and refrigerated cargo from Napier, Auckland and Lyttelton to Melbourne and Sydney in Australia, and on to ports throughout Asia.

In January, the first load of containers using the new ZIM shipping service arrived, and in February the Contship Ono berthed as the first vessel to collect regional exports on the ZIM service. More than a dozen exporters used the service on its first call, with frozen food the main product exported, alongside canned foodstuffs, apples, paper product, petfood, wine and general cargo items.

Customers are pleased to have another shipping option, especially a direct transtasman service, providing more flexibility and reliability to get their product to global markets.

At the start of the year, Maersk announced changes to its OC1 service in response to global supply chain disruption. Napier Port's biweekly call was removed from the service, however the majority of cargo previously carried on the OC1 transferred to the Southern Star and J-Star services, and ZIM's transtasman service, and continues to be exported through Napier Port.



PORT PEOPLE AND COMMUNITY

RECOGNISING EXCELLENCE

At the end of last year, a new initiative began at Napier Port – the Excellence Awards, Ngā Tohu Kairangatira. The grassroots awards ensure everyone across the business has equal opportunity to nominate people for an award. An initial judging panel was convened with representatives from right across the port, and this year's winners become next year's judging panel.

The awards celebrate all the incredible people at Napier Port and include recognition for being an Inspirational Colleague, Unsung Hero, People's Choice, Leader of the Year or Rising Star, and for Excellence in Health, Safety and Wellbeing, Excellence in Customer Service and the CEO's Supreme Award. Congratulations to all our worthy nominees and winners.

COMBINING COMMUNITY SUPPORT AND SUSTAINABILITY

Being a good neighbour and supporting local business and community is important to Napier Port. By sharing time and resources with others, the port helps grow and nurture the community it is a part of.

With the introduction of a sustainability strategy and action plan last year, a refresh of the community sponsorship programme was undertaken. The goal was to structure the programme so it more closely aligned with the future focus on sustainability.

The sponsorship programme now reflects the four pillars of the sustainability framework – People, Planet, Prosperity and Partnerships. As a result, we have welcomed some new community partnerships including Cape Sanctuary and A Children's Christmas to the programme, and expanded others, such as the Napier Port Primary Sector Awards.





PEOPLE

MANAAKITANGA

Safety, well-being/hauora and development of our people and our community – Napier Port Ocean Swim



PLANET

KAITIAKITANGA

Protecting/tiaki and enhancing the environment/taiao in which we operate – Cape Sanctuary (Wildlife Restoration Project)

OUR FOUR SUSTAINABILITY PILLARS



PROSPERITY

ŌHANGA ORA

Sustainable business growth and supporting the prosperity of our region – Napier Port Primary Sector Awards



PARTNERSHIPS

RANGAŪ

Authentic partnership with our community, stakeholders and mana whenua hapū – Ātea a Rangī Educational Trust (Waka Education Programmes)



NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2022

	Notes	31 March 2022 Unaudited \$000	31 March 2021 Unaudited \$000
Revenue	5	50,712	52,585
Employee benefit expenses		18,868	17,455
Property and plant expenses		6,501	5,091
Other operating expenses		8,902	8,746
Operating expenses		34,271	31,292
Result from operating activities		16,441	21,293
Depreciation and amortisation expenses		6,414	6,325
Other (income)/expenses		(2)	141
Fair value gain on investment property		(1,800)	-
Profit before finance costs and tax		11,829	14,827
Net finance costs	6	21	15
Profit before income tax		11,808	14,812
Income tax expense	7	2,824	4,238
Profit for the period attributable to the shareholders of the Company		8,984	10,574
EARNINGS PER SHARE:			
Basic earnings per share		0.045	0.053
Diluted earnings per share		0.045	0.053

The above income statement should be read in conjunction with the accompanying notes.

NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2022

Notes	31 March 2022 Unaudited \$000	31 March 2021 Unaudited \$000
Profit for the period attributable to the shareholders of the Company	8,984	10,574
Other comprehensive income		
<i>Items that will be reclassified to profit or loss:</i>		
Changes in fair value of cash flow hedges	3,379	(175)
Cash flow hedges transferred to profit or loss	(69)	(24)
Deferred tax on changes in fair value of cash flow hedges	(927)	56
<i>Items that will not be reclassified to profit or loss:</i>		
Changes in fair value of cash flow hedges	(180)	(219)
Cash flow hedges transferred to property, plant and equipment	-	39
Deferred tax on changes in fair value of cash flow hedges	50	50
Revaluation of sea defences	8 29,980	-
Deferred tax on revaluation of sea defences	(1,855)	-
Other comprehensive income for the period, net of tax	30,378	(273)
Total comprehensive income for the period attributable to the shareholders of the Company	39,362	10,301

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2022

	Share Capital \$000	Revaluation Reserve \$000	Hedging Reserve \$000	Share-based Payment Reserve \$000	Retained Earnings \$000	Total Equity \$000
Balance at 1 October 2021	245,850	70,308	714	525	37,450	354,847
Profit for the period	-	-	-	-	8,984	8,984
Other comprehensive income	-	28,125	2,253	-	-	30,378
Total comprehensive income for the period	-	28,125	2,253	-	8,984	39,362
Dividends	18	-	-	-	(9,394)	(9,376)
Share-based payments	-	-	-	110	-	110
Transfers from treasury stock						
- employee recognition scheme	249	-	-	-	-	249
Fair share loans - employee repayments	44	-	-	-	-	44
Total transactions with owners in their capacity as owners	311	-	-	110	(9,394)	(8,973)
Total movement in equity	311	28,125	2,253	110	(410)	30,389
Balance at 31 March 2022 (Unaudited)	246,161	98,433	2,967	635	37,040	385,236
Balance at 1 October 2020	245,750	70,308	(79)	389	29,877	346,245
Profit for the period	-	-	-	-	10,574	10,574
Other comprehensive income	-	-	(273)	-	-	(273)
Total comprehensive income for the period	-	-	(273)	-	10,574	10,301
Dividends	20	-	-	-	(9,995)	(9,975)
Share-based payments	-	-	-	58	-	58
Fair share loans - employee repayments	30	-	-	-	-	30
Total transactions with owners in their capacity as owners	50	-	-	58	(9,995)	(9,887)
Total movement in equity	50	-	(273)	58	579	414
Balance at 31 March 2021 (Unaudited)	245,800	70,308	(352)	447	30,456	346,659

The above statement of changes in equity should be read in conjunction with the accompanying notes.

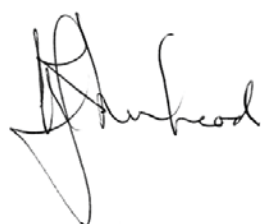
NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	31 March 2022 Unaudited \$000	30 Sept 2021 Audited \$000
EQUITY		
Share capital	246,161	245,850
Reserves	102,035	71,547
Retained earnings	37,040	37,450
	385,236	354,847
NON-CURRENT LIABILITIES		
Loans and borrowings	118,301	77,065
Deferred tax liability	20,815	17,924
Lease liabilities	241	320
Provision for employee entitlements	453	465
	139,810	95,774
CURRENT LIABILITIES		
Taxation payable	-	2,155
Lease liabilities	169	201
Derivative financial instruments	48	-
Trade and other payables	17,857	27,020
	18,074	29,376
	543,120	479,997
NON-CURRENT ASSETS		
Property, plant and equipment	507,009	448,648
Intangible assets	995	1,145
Derivative financial instruments	3,416	528
Investment properties	12,200	10,400
	523,620	460,721
CURRENT ASSETS		
Cash and cash equivalents	3,111	1,403
Derivative financial instruments	708	464
Taxation receivable	377	-
Trade and other receivables	15,304	17,409
	19,500	19,276
	543,120	479,997

On behalf of the Board of Directors, who authorised the issue of the financial statements on 23 May 2022.



Chair



Director

The above statement of financial position should be read in conjunction with the accompanying notes.

NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2022

	31 March 2022 Unaudited \$000	31 March 2021 Unaudited \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Receipts from customers	48,141	49,816
Net GST received	1,974	291
<i>Cash was applied to:</i>		
Payments to suppliers and employees	(31,939)	(29,093)
Net finance costs paid	(22)	(15)
Income taxes paid	(5,198)	(6,436)
Net cash flows generated from operating activities	12,956	14,563
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Proceeds from sale of property, plant and equipment	-	44
<i>Cash was applied to:</i>		
Acquisition of property, plant and equipment and intangible assets	(43,673)	(45,759)
Net cash flows used in investing activities	(43,673)	(45,715)
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Net proceeds from loans and borrowings	42,000	36,000
Repayment of fair share loans by employees	62	50
<i>Cash was applied to:</i>		
Repayment of lease liabilities	(111)	(105)
Dividends paid	(9,394)	(9,995)
Net cash flows generated from financing activities	32,557	25,950
Net increase/(decrease) in cash and cash equivalents	1,840	(5,202)
Cash and cash equivalents at beginning of the period	1,403	7,936
Effect of exchange rate changes on foreign currency balances	(132)	(75)
Cash and cash equivalents at end of the period	3,111	2,659

NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 MARCH 2022

Reconciliation of profit for the period to cash flows from operating activities

	31 March 2022 Unaudited \$000	31 March 2021 Unaudited \$000
Profit for the period	8,984	10,574
<i>Adjust for non-cash items:</i>		
Fair value gain on investment property	(1,800)	-
Depreciation and amortisation	6,414	6,325
Net (gain)/loss on disposal of property, plant and equipment	(3)	62
Share-based payments	110	58
Other non-cash items	1	79
Deferred tax	148	26
	4,870	6,550
<i>Other adjustments:</i>		
Decrease in current tax	(2,532)	(2,224)
(Decrease)/increase in non-current provision	(12)	39
	(2,544)	(2,185)
<i>Movements in working capital:</i>		
Increase in trade and other receivables	(1,375)	(2,478)
Increase in trade and other payables	3,021	2,102
	1,646	(376)
Net cash flows generated from operating activities	12,956	14,563

The above statement of cash flows should be read in conjunction with the accompanying notes.

NAPIER PORT HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2022

1 REPORTING ENTITY

The interim financial statements presented are those of Napier Port Holdings Limited and its subsidiaries (together “the Group”). Napier Port Holdings Limited is incorporated under the Companies Act 1993 and domiciled in New Zealand. Napier Port Holdings Limited’s shares are publicly traded on the New Zealand Stock Exchange (NZX).

2 BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with the Financial Markets Conduct Act 2013.

STATEMENT OF COMPLIANCE

The interim financial statements have been prepared in accordance with New Zealand equivalents to International Accounting Standard 34, Interim Financial Reporting (NZ IAS 34), and International Accounting Standard 34, Interim Financial Reporting. The Group is a for-profit entity for NZ GAAP purposes. These interim financial statements do not include all the information normally included in an annual financial report. Accordingly, these should be read in conjunction with the Group’s annual financial statements for the year ended 30 September 2021.

BASIS OF MEASUREMENT

The interim financial statements have been prepared on a historical cost basis, except for sea defences, investment properties and derivative financial instruments, which are measured at fair value. They are presented in New Zealand Dollars (NZD) and all values are rounded to the nearest thousand dollars (\$’000), unless otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 30 September 2021.

4 UNCERTAINTIES, ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with NZ IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation and uncertainty, are consistent with those applied to the Group’s consolidated financial statements for the year ended 30 September 2021.

5 REVENUE AND SEGMENT REPORTING

	31 March 2022 Unaudited \$000	31 March 2021 Unaudited \$000
Disaggregation of revenue		
Container services	30,157	31,065
Bulk cargo	19,169	20,192
Cruise	12	-
Sundry income	149	148
Port operations	49,487	51,405
Property operations	1,225	1,180
Operating income	50,712	52,585

ACCOUNTING POLICIES:

Port operations

Port operations represents a series of services including marine, berthage and port infrastructure services to the Group's customers which are accounted for as a single performance obligation. Revenue is recognised over time using the percentage of completion method.

Revenue is measured based on the service price specified in the relevant tariffs or specific customer contract. The contract price for the services performed reflects the value transferred to the customer.

Property operations

Investment property lease income is recognised on a straight-line basis over the period of the lease term.

Operating segments

The Group determines its operating segments based on internal information that is regularly reported to the Chief Executive, who is the Group's Chief Operating Decision Maker (CODM).

The Group operates in one reportable segment being Port Services. This consists of providing and managing port services and cargo handling infrastructure through Napier Port. Within the Port Services reportable segment the following operating segments have been identified: marine services, general cargo services, container services, port pack services and depot services. These have been aggregated on the basis of similarities in economic characteristics, customers, nature of services and risks.

The Group operates in one geographic area, that being New Zealand. During the period the Group had a single customer which comprised 16% of total revenue (2021: 18%).

6 NET FINANCE COSTS

	31 March 2022 Unaudited \$000	31 March 2021 Unaudited \$000
Interest income	(4)	(13)
Finance income	(4)	(13)
Interest expense on borrowings	1,828	284
Lease imputed interest	14	20
Less: Interest capitalised to property, plant & equipment	(1,817)	(276)
Finance expenses	25	28
Net finance costs	21	15

7 INCOME TAX

	31 March 2022 Unaudited \$000	31 March 2021 Unaudited \$000
Reconciliation between income tax expense and tax expense calculated at the statutory income tax rate		
Profit before income tax	11,808	14,812
Income tax at 28%	3,306	4,147
Adjustment to prior year tax	1	27
Tax effect of non-deductible items	6	64
Tax effect of non-assessable items	(489)	-
Income tax expense	2,824	4,238
<i>The income tax expense is represented by:</i>		
Current income tax for the period	2,249	4,528
Adjustment for current tax of prior periods	427	(266)
Current income tax expense	2,676	4,262
Deferred income tax expense for the period	574	(317)
Adjustment for deferred tax of prior periods	(426)	293
Deferred income tax expense	148	(24)
Income tax expense	2,824	4,238

8 SEA DEFENCES VALUATION

Sea Defence assets were revalued to fair value as at 31 March 2022 by AECOM New Zealand Ltd and the revalued amounts included in the statement of financial position as at 31 March 2022. The valuation has been prepared on an optimised depreciated replacement cost basis and in accordance with the New Zealand Infrastructure Asset Valuation and Depreciation Guidelines published by the NAMS group of IPWEA. The valuation increased the carrying amount of Sea Defences by \$29,980,000, resulting in a net book value for Sea Defences of \$110,860,000 as at 31 March 2022.

Significant Estimates

The valuation of sea defences is subject to assumptions and judgements which materially affect the resulting valuation. Such factors include replacement quantities and unit values, the condition and performance of assets, estimated remaining and total effective lives of 70 to 161 years and 5 to 80 years, respectively, and estimated residual values of 20% of replacement cost. Other inputs incorporated into the valuation process include an allowance for project on-costs of 5-6%. An increase in the remaining useful life, the residual value assumption, or in replacement quantities and unit values for sea defence assets will result in an increase in the valuation and vice versa.

9 RELATED PARTY TRANSACTIONS AND BALANCES

Related Party		31 March 2022 Unaudited \$000	31 March 2021 Unaudited \$000
Hawke's Bay Regional Council	Rates, levies, consents and services	2	2
	Council services	160	-
	Cost recoveries	(56)	(8)
	Lease income	(11)	(11)
Hawke's Bay Regional Investment Company	Dividends	5,170	5,500
	Cost recoveries	(53)	(47)
Longburn Intermodal Freight Hub Limited	Plant downpayments received	100	-

10 COMMITMENTS AND CONTINGENCIES

CAPITAL EXPENDITURE COMMITMENTS

At balance date there were commitments in respect of contracts for capital expenditure totalling \$11,915,000 (30 September 2021: \$37,930,000).

CONTINGENT LIABILITIES

There were no material contingent liabilities at balance date.

11 EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the balance sheet date, a fully imputed dividend of \$5.6 million (2.8 cents per share) was approved by the Board of Directors.



INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE SHAREHOLDERS OF NAPIER PORT HOLDINGS LIMITED'S INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2022

The Auditor-General is the auditor of Napier Port Holding's Limited and its subsidiaries (the "Group"). The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young, to carry out the review of the interim financial statements of the Group on his behalf.

Conclusion

We have reviewed the interim financial statements of the Group on pages 12 to 21, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and the notes, including a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 March 2022, and its financial performance and cash flows for the six months ended on that date, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*.

Basis for conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410 (Revised)'). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Interim Financial Statements* section of our report.

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Group.

Directors' responsibilities for the interim financial statements

The Directors are responsible, on behalf of the Group, for the preparation and fair presentation of these interim financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are also responsible for the publication of the interim financial statements, whether in printed or electronic form.

Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*.

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A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

A handwritten signature in blue ink, appearing to read 'Stuart Mutch', with a long horizontal stroke extending to the right.

Stuart Mutch
Partner
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand
23 May 2022

DIRECTORY

DIRECTORS

Alasdair MacLeod (Chair)
Stephen Moir
Diana Puketapu
John Harvey
Vincent Tremaine
Rick Barker
Blair O'Keefe

SENIOR MANAGEMENT TEAM

Todd Dawson – Chief Executive
Kristen Lie – Chief Financial Officer
David Kriel – General Manager Commercial
Viv Bull – General Manager Culture and Community
Adam Harvey – General Manager Marine and Cargo
Andrea Manley – General Manager Strategy and Innovation
Kia Zia – General Manager Container Operations
Michel de Vos – General Manager Infrastructure Services

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AUDITORS

Ernst & Young
PO Box 490
Wellington 6140
On behalf of the Auditor-General

SHARE REGISTRY

For enquiries about share transactions, dividend payments, or to change your address, please get in touch with:

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Copies of the annual report are available at napierport.co.nz.

FINANCIAL CALENDAR

31 March 2022	Half-year balance date
24 May 2022	Interim results announced
23 June 2022	Interim dividend payment
30 September 2022	Financial year end
November 2022	Annual results announcement
15 December 2022*	Final dividend payment
16 December 2022	Annual meeting

* Subject to board approval

