NAPIER PORT
Te Herenga Waka o Ahuriri

Half Year Report

For the six months ended 31 March 2024

Contents.

Trade and Financial Results

For the six months ended 31 March 2024.

$27.4m
Results from operations
↑ 25.1%

98k
TEU Containers Handled
↓ 17.3%

$26.2m
Bulk Cargo Revenue
↑ 27.1%

1.9m
Tonnes of Bulk Cargo Handled
↑ 21.6%

$70.6m
Revenue
↑ 10.1%

331
Vessel Calls
↑ 3.1%

$14.3m
Net Profit
↑ 64.8%

$6.0m
Interim Dividend
3.0 cents/share

Chair and Chief Executive's Report.

Chair and Chief Executive's Report

We are pleased to report robust earnings growth for the six months to the end of March 2024 linked to the recovery of volumes, particularly log exports and cruise, growth in revenue yields, together with focused cost management and efficiencies from the investments made in infrastructure.

Trading Overview

The 2024 financial year has started well for Napier Port and many of our region's cargo owners. While regional recovery is ongoing following Cyclone Gabrielle, trade by key customers and cargoes have begun to return towards former levels. Napier Port has provided operational capacity and flexibility during this traditionally busy harvest period, while retaining cost and capital discipline. In doing so, the management team has delivered a good half year result.

The half year result demonstrates Napier Port's capability to be adaptable and underscores the benefit of having a diverse and resilient cargo base, with log export and cruise earnings up, against reduced container and general import volumes.

The recovery of trade volumes together with effective cost control and yield management, is working well for us alongside the investments in infrastructure we have made and additional customer services we are providing. We are demonstrating the positive operating leverage that is supporting this positive half year result for Napier Port.

Despite softer market demand in China, log volumes were strong during the half year with good momentum sustained from our immediate catchment areas and additional contributions coming from Pan Pac and central North Island windthrown forests.

Container volumes were reduced during the period, as a result of Cyclone Gabrielle's impact on Pan Pac's production facilities and lower economic activity, however during the second quarter we welcomed a bounce back in refrigerated exports of horticulture, meat and other chilled produce as growing conditions across the spring and summer were favourable.

Cruise vessel visits and passenger numbers are a record high, due to the resurgence of cruise post-pandemic and Te Whiti Wharf enabling greater berth availability including the capability to accommodate several cruise vessels simultaneously, alongside container and bulk cargo ships.

As volumes recovered and we became busier operationally, we remained vigilant in our commitment to on-site safety. Assurance activities as part of our critical risk control management programme continued, and these will be ongoing during the second half of the year.

Financial Results

Revenue for the half year rose 10.1% to $70.6 million from $64.1 million in the same period last year.

Container services revenue for the half year decreased 7.8% to $33.6 million from $36.4 million following a 17.3% decrease in container volumes to 98,000 TEU, which was partially offset by a 11.5% increase in average revenue per TEU.

Bulk cargo revenue for the half year increased 27.1% to $26.2 million from $20.6 million as export log volume increased 35.7% to 1.55 million tonnes and total bulk cargo volume increased 21.6% to 1.88 million tonnes.

Cruise revenue for the first half increased 74.3% to $8.9 million from $5.1 million. There were 88 cruise vessel calls in the half year, compared to 62 in the prior year.

As a result of continued focused cost management, operating expenses increased 2.2% on the same period last year. The increase resulted from higher insurance and transport costs.

Positive operating leverage was evident from the volume return in bulk and cruise, together with focused cost management, as the result from operating activities for the half year increased 25.1% to $27.4 million from $21.9 million reported for the first half of the last financial year.

Underlying net profit after tax increased 48.3% to $11.1 million from $7.5 million in the same period last year. Reported net profit after tax was $14.3 million, a 64.8% increase on the prior year's $8.7 million, and which included a $7.2 million contribution from the Cyclone Gabrielle business interruption insurance claim and $2.0 million of additional deferred tax expense arising from the removal of tax depreciation on commercial buildings.

$70.6m
Revenue
▲ 10.1%

$26.2m
Bulk Cargo Revenue
▲ 27.1%

$8.9m
Cruise Revenue
▲ 74.3%

"The half year result demonstrates Napier Port's capability to be adaptable and underscores the benefit of having a diverse and resilient cargo base..."

Outlook and Dividend

It is pleasing to deliver a solid half year result for our region and for our shareholders. We acknowledge the efforts by the whole Napier Port team in achieving this, with less resourcing than we would normally deploy during the first half year.

During the second half of the year, we anticipate Central North Island windthrow volumes will reduce as cyclone-damaged logs diminish and unprocessed logs from Pan Pac will also reduce as they are redirected to pulp manufacturing operations. Correspondingly, as pulp production increases during this calendar year, wood pulp and timber container volumes should return to historical levels towards the end of this calendar year.

With the 2024 cruise season now complete we currently have 90 forward bookings for the upcoming 2025 season commencing in October.

While we expect ongoing inflationary cost pressures, uncertain economic activity, and export log market conditions to remain challenging we look forward to the continuing ramp up of cargo volumes post Cyclone Gabrielle and continued earnings growth momentum.

Napier Port expects an underlying result from operating activities for the year to the end of September 2024 of between $50 million and $53 million, assuming a continuation of current operating conditions and excluding insurance claim income.

The Board has resolved to pay a fully imputed interim dividend of 3.0 cents per share, which is increased from the 1.7 cents per share paid at the same time last year. The record date for the interim dividend entitlement is 14 June and the payment date will be 27 June.

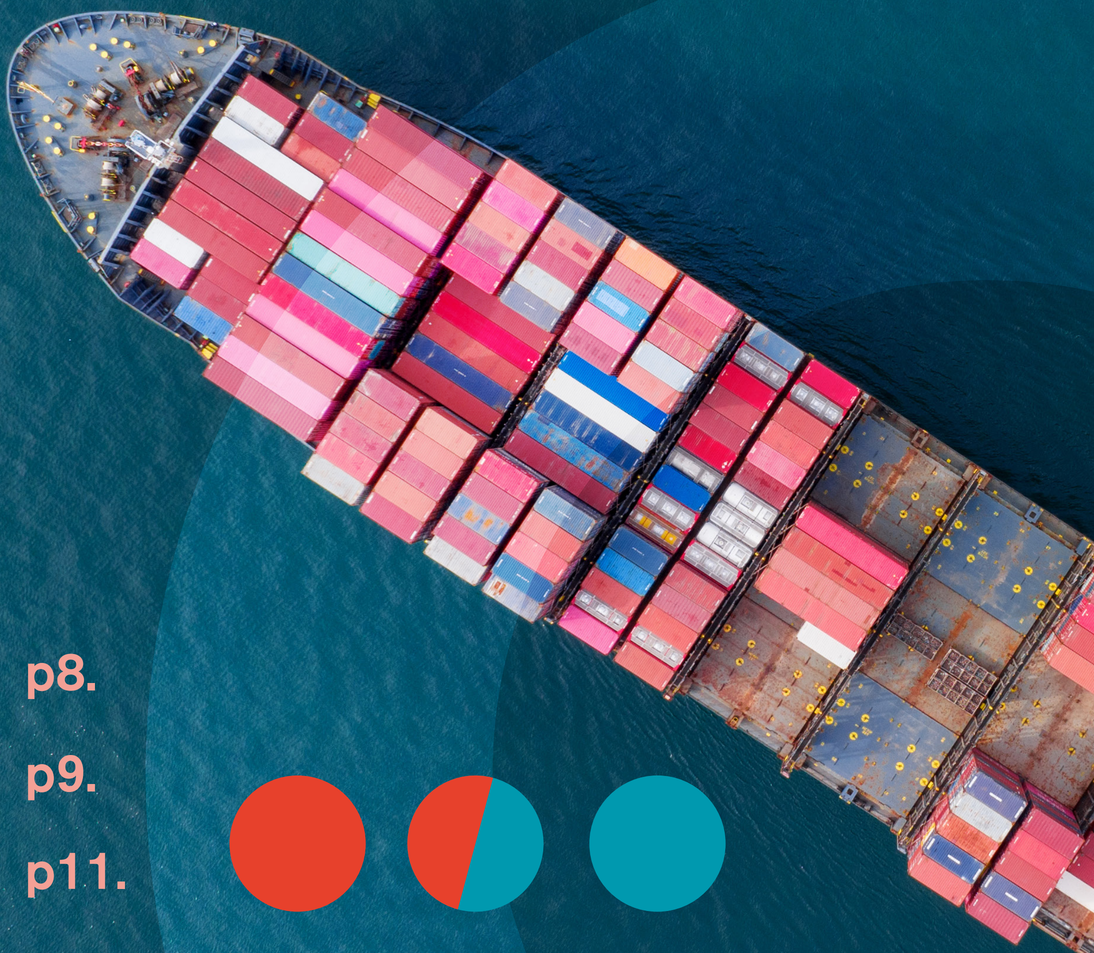
We expect to provide a further update to the market regarding our June quarter trading results during August.

Nga mihi

Blair O'Keeffe
Chair

Todd Dawson
Chief Executive Officer

Overview of the Half Year.



Responding Dynamically to Meet Demand

Strong log volumes, good growing conditions, new cargoes, and a steady stream of cruise vessels, led to a significant ramp up in port activity during the half year.

Compared to the previous three years when pandemic and then cyclone impacts softened volumes, the recovery of cargo has required us to adjust to a full port, busy with shipping and diverse trades all needing port space, wharves, equipment, and people resource.

A degree of pressure was expected, as post-cyclone we focused on remedial activities and deferred spend, mothballed older plant and equipment, and maintained a recruitment freeze replacing only essential roles.

Given these constraints, our teams have focused on redeploying assets and resources to where it is required and configuring space to meet customer demand coming through the gates. Our 'whole of port' approach drives efficiency and flexibility in our operations. Good planning and regular communication between our teams, customers and shipping lines has been a key focus to manage this busy period safely and successfully.

Te Whiti Wharf continues to ease congestion and provide expanded port capacity, enabling our trade and regional growth. With more vessels calling Napier Port this half year compared to the previous year, it is providing berth availability, reducing time vessels are spending at anchor, and importantly reducing ship moves inside the port's harbour.

Our 'whole of port' approach drives efficiency and flexibility in our operations."

Shipping Services and Supply Chain Growth

Napier Port's shipping services were not significantly impacted by geopolitical factors or delays at Australian ports during the period. Favourable weather conditions and good operational planning despite constrained resource, enabled Napier Port to largely maintain schedule reliability and meet berthing windows for shipping line and cargo customers. A weather event in the final days of the half year required us to implement temporary restrictions, which were eased within the four weeks following. We know the responsiveness and customer focus of our teams is highly valued by customers and we work hard to accommodate their needs.

A new weekly Trans-Tasman shipping service commenced calling at Napier Port, replacing a temporary fortnightly service. The ANL TTZ, is providing importers and exporters direct access to Australian markets. It also generates further opportunities for us, handling cargo from other New Zealand ports that tranship at Napier Port onto other mainline services offered by ANL & CMA-CGM. Transhipment volumes linked to this service have been steadily increasing since it began calling.

Interest in Napier Port's services to shipping lines continues to grow. An additional shipping line has started using Manawatu Inland Port as a 'point of acceptance' (PoA) for containers and we are subsequently seeing a rise in volume as a result. We have also secured an additional shipping line customer utilising Napier Port's container depot service, due to our ability to offer flexibility at short notice.

During the half year we saw a steady increase in freight volumes moving across Viewpoint Supply Chain's road, rail and warehousing services. In particular, the volume of cargo moving on KiwiRail's East-West rail line has steadily increased, since the section of line through to Napier Port was restored in September 2023, following Cyclone Gabrielle. This is due to the combination of a high level of customer service and business development efforts.

...In particular, the volume of cargo moving on KiwiRail's East-West rail line has steadily increased, since the section of line through to Napier Port was restored in September 2023, following Cyclone Gabrielle.

Viewpoint is the biggest user of the Napier to Palmerston North rail line and has one of the highest train utilisation factors across KiwiRail's network. By matching imports and exports to move full wagons both ways, waste, costs, and emissions are lowered, compared to moving empty or partially full wagons. This moves freight more efficiently and sustainably around the North Island.

Since officially launching in September 2023, Viewpoint's regional roadshows in Palmerston North, Whanganui and Napier have been well attended by businesses in each region, and we have seen steady and consistent growth of Viewpoint's rail services. The roadshows are a great way for Viewpoint to connect with importers and exporters as well as other businesses and organisations that are connected to the industry, in the central and lower North Island.

We welcomed several vessels this half year on their maiden voyage to Napier Port and New Zealand. At 225 metres long and 40 metres wide, newly built container vessel CMA CGM Fiordland berthed to discharge imports and collect our region's high quality export produce, including onions, apples, and squash. Her last New Zealand port call after Napier is Tauranga, then directly on to Hong Kong and China with customers' high value primary sector commodities on board.

The cruise season was Napier Port's busiest to date, welcoming 89 cruise vessels and 140,000 passengers to Hawke's Bay (88 vessel calls were within the half year period). Two special milestones were also reached. The Silver Muse was the 1,000th cruise vessel to call at Napier Port since records began 30 years ago. We also celebrated the 100,000th cruise passenger of the season, a tourist from the United States who was passenger number 342 to disembark off the cruise vessel, Regatta.

140k
Passengers to Hawke's Bay
(Record numbers).

89
Cruise Vessels
(88 vessel calls were within the half year period).

Sustainability Progresses and Emissions Reduced on Lower Container Volumes

Since May 2020, Napier Port has undertaken monthly fishing surveys around our offshore disposal area consented as part of the Te Whiti Wharf development. Cyclone Gabrielle caused a large amount of silt and debris to enter the marine environment, causing significant reductions in CPUE (catch per unit of effort) across all species measured. From September 2023 our monthly surveys began to show monitored stocks bouncing back. In 2024, this trend has continued, and fish stocks have now recovered back to pre-cyclone levels. Similar dive surveys conducted on Pania Reef have also positively indicated the reef has recovered from the cyclone's impacts.

The sustainability requirements of this year's Employee Recognition Scheme focuses on the 'Partnerships' pillar of our sustainability strategy, looking outward to our engagement and relationships with our community. Every team has identified a meaningful, tangible sustainability opportunity to undertake across six partnership workstreams: Being a good neighbour, Thriving communities, Cultural connections, Customer & stakeholder Connections, Research and advocacy, and Sustainable tourism.

Audited emissions data is published annually in our Climate Change Related Disclosure Report and Annual Report (these can be found at: ***napierport.co.nz/investor-centre***). Our unaudited half year emissions compared to the corresponding period in the previous year have reduced 16.1%. The main drivers of this were less fuel usage on reduced container volumes (reducing Scope 1), a reduction to the emission factors for electricity (reducing Scope 2) and small movements across a wide range of categories within Scope 3.

On a relative metric basis, emissions per cargo tonne decreased by 24.2% as gross emissions reduced by more than total cargo tonnes volume handled by Napier Port in the respective periods.

16%

Reduction in Half Year emissions

(compared to the corresponding period in the previous year)

24%

Reduction in emissions per cargo tonne

(compared to the corresponding period in the previous year)

NAPIER PORT
Te Herenga Waka o Ahuriri

Financials.

Napier Port Holdings Limited

Consolidated Income Statement

For the Six Months Ended 31 March 2024	Notes	31 March 2024 Unaudited $'000	31 March 2023 Unaudited $'000
Revenue	5	**70,582**	**64,136**
Employee benefit expenses		21,959	22,185
Property and plant expenses		7,708	7,576
Other operating expenses		13,548	12,505
Operating expenses		**43,215**	**42,266**
Result from operating activities		**27,367**	**21,870**
Depreciation, amortisation and impairment expenses		8,760	8,105
Other (income) and expenses	4	(7,134)	11
Fair value gain on investment property		(129)	(1,225)
Profit before finance costs and tax		**25,870**	**14,979**
Net finance costs	6	3,304	3,328
Profit before income tax		**22,566**	**11,651**
Income tax expense	7	8,246	2,961
Profit for the period attributable to the shareholders of the Company		**14,320**	**8,690**
Earnings Per Share:			
Basic earnings per share		0.078	0.044
Diluted earnings per share		0.078	0.043

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 2024	Notes	31 March 2024 Unaudited $'000	31 March 2023 Unaudited $'000
Profit for the period attributable to the shareholders of the Company		14,320	8,690
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Changes in fair value of cash flow hedges		(1,673)	(189)
Cash flow hedges transferred to profit or loss	6	(1,270)	(715)
Deferred tax on changes in fair value of cash flow hedges		824	253
Items that will not be reclassified to profit or loss:			
Revaluation of sea defences	4	17,682	-
Deferred tax on revaluation of sea defences		(2,184)	-
Other comprehensive income for the period, net of tax		**13,379**	**(651)**
Total comprehensive income for the period attributable to the shareholders of the Company		**27,699**	**8,039**

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 2024	Notes	Share Capital $'000	Revaluation Reserve $'000	Hedging Reserve $'000	Share-Based Payment Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 October 2023		**246,150**	**97,519**	**5,077**	**766**	**46,668**	**396,180**
Profit for the period		-	-	-	-	14,320	14,320
Other comprehensive income		-	15,498	(2,119)	-	-	13,379
Total comprehensive income for the period		**-**	**15,498**	**(2,119)**	**-**	**14,320**	**27,699**
Dividends		11	-	-	-	(7,098)	(7,087)
Fair share loans - employee repayments		17	-	-	-	-	17
Share-based payments		-	-	-	138	-	138
Total transactions with owners in their capacity as owners		**28**	**-**	**-**	**138**	**(7,098)**	**(6,932)**
Total movement in equity		**28**	**15,498**	**(2,119)**	**138**	**7,222**	**20,767**
Balance at 31 March 2024 (Unaudited)		**246,178**	**113,017**	**2,958**	**904**	**53,890**	**416,947**

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

Napier Port Holdings Limited

Consolidated Statement of Changes In Equity (Continued)

For the Six Months Ended 31 March 2024	Notes	Share Capital $'000	Revaluation Reserve $'000	Hedging Reserve $'000	Share-Based Payment Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 October 2022		**246,209**	**97,519**	**4,642**	**729**	**42,878**	**391,977**
Profit for the period		-	-	-	-	8,690	8,690
Other comprehensive income		-	-	(651)	-	-	(651)
Total comprehensive income for the period		**-**	**-**	**(651)**	**-**	**8,690**	**8,039**
Dividends		17	-	-	-	(9,398)	(9,381)
Fair share loans - employee repayments		64	-	-	-	-	64
Share-based payments		-	-	-	87	-	87
Acquisition of treasury shares		(354)	-	-	-	-	(354)
Long term incentive plan vesting		176	-	-	(176)	-	-
Total transactions with owners in their capacity as owners		**(97)**	**-**	**-**	**(89)**	**(9,398)**	**(9,584)**
Total movement in equity		**(97)**	**-**	**(651)**	**(89)**	**(708)**	**(1,545)**
Balance at 31 March 2023 (Unaudited)		**246,112**	**97,519**	**3,991**	**640**	**42,170**	**390,432**

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 2024	Notes	31 March 2024 Unaudited $'000	30 September 2023 Audited $'000
EQUITY			
Share capital		246,178	246,150
Reserves		116,879	103,362
Retained earnings		53,890	46,668
		416,947	**396,180**
NON-CURRENT LIABILITIES			
Loans and borrowings	8	119,334	125,027
Deferred tax liability		25,753	22,797
Lease liabilities		-	2
Derivative financial instruments		165	2,791
Provision for employee entitlements		542	524
		145,794	**151,141**
CURRENT LIABILITIES			
Bank overdraft		349	-
Taxation payable		4,848	1,845
Lease liabilities		93	196
Derivative financial instruments		1,048	1,260
Trade and other payables		15,890	14,149
		22,228	**17,450**
		584,969	**564,771**

As at 31 March 2024	Notes	31 March 2024 Unaudited $'000	30 September 2023 Audited $'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	535,842	519,825
Intangible assets		581	700
Investment properties		13,630	13,501
Derivative financial instruments		2,291	4,505
Investment in joint venture		250	250
		552,594	**538,781**
CURRENT ASSETS			
Cash and cash equivalents		-	1,104
Derivative financial instruments		2,183	2,546
Trade and other receivables		21,949	18,485
Cyclone Gabrielle insurance receivable	4	8,243	3,855
		32,375	**25,990**
		584,969	**564,771**

On behalf of the Board of Directors, who authorised the issue of these financial statements on the **21 May 2024.**

Chairman

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 2024	Notes	31 March 2024 Unaudited $'000	31 March 2023 Unaudited $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		65,360	59,024
GST received		944	23
Cash was applied to:			
Payments to suppliers and employees		(37,367)	(36,497)
Income taxes paid		(3,645)	(1,181)
Net cash flows generated from operating activities		**25,292**	**21,369**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from disposal of property, plant and equipment		3	7
Cash was applied to:			
Investment in joint venture		-	(250)
Acquisition of property, plant and equipment and intangible assets		(7,371)	(5,549)
Net cash flows used in investing activities		**(7,368)**	**(5,792)**

For the Six Months Ended 31 March 2024	Notes	31 March 2024 Unaudited $'000	31 March 2023 Unaudited $'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Repayment of fair share loans by employees		28	81
Cash was applied to:			
Repayment of bank loans and borrowings		(9,000)	-
Acquisition of treasury shares		-	(354)
Dividends paid		(7,098)	(9,398)
Repayment of lease liabilities		(105)	(98)
Finance costs paid		(3,201)	(3,685)
Net cash flows generated applied to financing activities		**(19,376)**	**(13,454)**
Net increase/(decrease) in cash and cash equivalents		**(1,453)**	**2,123**
Cash and cash equivalents at beginning of the period		1,104	1,942
Cash and cash equivalents at end of the year		**(349)**	**4,065**

The above statement of Cash Flows should be read in conjunction with the accompanying notes.

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

For the Six Months Ended 31 March 2024	Notes	31 March 2024 Unaudited $'000	31 March 2023 Unaudited $'000
Profit for the period		**14,320**	**8,690**
Adjust for non-cash items:			
Fair value gains on investment property		(129)	(1,225)
Depreciation and amortisation		8,130	8,032
Impairment of assets		631	72
Net loss on disposal of property, plant and equipment		2	17
Share-based payments		138	87
Other non-cash items		(27)	(37)
Deferred tax		1,596	(334)
		10,341	**6,612**
Other adjustments:			
Finance costs classified as financing activities		3,304	3,328
Increase in current taxation payable		3,003	2,113
Increase in non-current provision		18	46
		6,325	**5,487**

For the Six Months Ended 31 March 2024	Notes	31 March 2024 Unaudited $'000	31 March 2023 Unaudited $'000
Movements in working capital:			
Increase in trade and other receivables		(3,464)	(290)
Increase in Cyclone Gabrielle insurance receivable		(4,388)	-
Increase in trade and other payables		2,158	870
		(5,694)	**580**
Net cash flows generated from operating activities		**25,292**	**21,369**

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 2024

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) and has bonds quoted on the NZX Debt Market (NZDX).

2. Basis of Preparation

The 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 2023.

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.

Reclassification of costs

Certain costs incurred by the Group have been reclassified in the prior period to provide comparable information to the current period. As a result, container services revenue and other operating expenses have both increased by $1.9 million for the six months ended 31 March 2023. There is no change to the reported result from operating activities for that period.

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 2023.

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.

Cyclone Gabrielle and insurance matters

During February 2023, Cyclone Gabrielle struck New Zealand causing widespread damage and disruption to the Hawke's Bay region and its infrastructure. Whilst Napier Port did not experience significant property damage, many cargo customers of the Group have experienced damage and reduced output, which impacts the Group's trading. The economic consequences of this event is continuing to negatively impact the Group's trading results.

The Group had an insurance policy in place at the time of the cyclone that its lead insurer has confirmed, in principle, will respond to the material damage and business interruption losses of the Group arising from Cyclone Gabrielle, subject to the terms and limitations of the insurance policy. The Group submits claims to its insurers as and when it determines its recoverable losses. Under the Group's insurance policy, the relevant business interruption indemnity period is 18 months following the loss event. The Group's claims are subject to review and adjustment by the Group's insurers.

The Group's accounting policy is to recognise insurance recovery income when it is virtually certain insurance proceeds will be received and the amount receivable can be reliably estimated.

In relation to the Group's progress insurance claims for business interruption losses sustained since the cyclone event, for the six months ended 31 March 2024 the Group has recognised total insurance recovery income of $7,243,000 (31 March 2023: nil) within Other Income and Expenses in the Consolidated Income Statement. As at 31 March 2024, $8,243,000 (31 March 2023: nil) was receivable and recorded within the Consolidated Statement of Financial Position. Subsequent to the balance date, $6,750,000 of the receivable balance has been received by the Group.

Valuation of sea defences

Sea defences were revalued to fair value as at 31 March 2024 by AECOM New Zealand Ltd. The valuation has been prepared on an optimised depreciated replacement cost basis and in accordance with the NZ Infrastructure Asset Valuation and Depreciation Guidelines published by the NAMS group of IPWEA. The revaluation has increased the carrying amount of sea defences by $17.7 million, resulting in a net book value for sea defences of $157.4 million as at 31 March 2024.

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 (including breakwater replacement costs of $104,000 to $166,000 per square metre and seawall replacement costs (per square metre) of $18,000 for demolition, $30,000 for rock, and $81,000 for rock revetment). Other factors include the condition and performance of assets, estimated total and remaining effective lives of 70 to 131 years and 70 to 93 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.

5. Revenue And Segment Reporting

	31 March 2024 Unaudited $'000	31 March 2023 Unaudited $'000
Disaggregation of revenue		
Container services	33,594	36,421
Bulk cargo	26,193	20,602
Cruise	8,903	5,108
Sundry income	298	692
Port operations	68,988	62,823
Property operations	1,594	1,313
Operating income	**70,582**	**64,136**

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

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 two customers which comprised 25% total revenue (March 2023: 25%).

6. Net Finance Costs

	Notes	31 March 2024 Unaudited $'000	31 March 2023 Unaudited $'000
Interest income		(24)	(34)
Finance income		**(24)**	**(34)**
Interest and finance charges on borrowings		4,108	4,058
(Gain)/loss realised on cash flow hedges transferred from other comprehensive income		(1,270)	(678)
(Gain)/loss realised on fair value hedges		546	15
Change in fair value of fair value hedges		(3,204)	(722)
Change in fair value of loans and borrowings subject to fair value hedges		3,204	722
Lease imputed interest		4	10
Less: Interest capitalised to property, plant & equipment		(60)	(43)
Finance expenses		**3,328**	**3,362**
Net finance costs		**3,304**	**3,328**

7. Income Tax Expense

	Notes	31 March 2024 Unaudited $'000	31 March 2023 Unaudited $'000
Reconciliation between income tax expense and tax expense calculated at the statutory income tax rate:			
Profit before income tax		22,566	11,651
Income tax at 28%		6,318	3,262
Adjustment to prior year tax		(73)	49
Tax effect of non-deductible items		20	13
Tax effect of non-assessable items		(37)	(363)
Removal of tax depreciation on commercial buildings		2,018	-
Income tax expense		**8,246**	**2,961**
The income tax expense is represented by:			
Current tax on profits for the year		6,751	3,318
Adjustments for current tax of prior periods		(101)	(23)
Current income tax expense		6,650	3,295
Deferred income tax expense for the period		1,568	(406)
Adjustments for deferred tax of prior periods		28	72
Deferred income tax expense		1,596	(334)
Income tax expense		**8,246**	**2,961**

During the period, the Taxation (Annual Rates for 2023-24, Multinational Tax and Remedial Matters) Bill was substantially enacted which removed tax depreciation on commercial buildings that have an estimated useful life of 50 years or more from 2024. This change resulted in an increase in deferred tax liability and income tax expense of $2.02 million.

8. Loans and borrowings

31 March 2024 Non-current	Drawn Facilities/ Bonds Issued NZ$'000	Carrying Value NZ$'000
Bank facilities	21,000	21,000
Fixed rate NZD Bonds	100,000	98,334
Total non-current	**121,000**	**119,334**

30 September 2023 Non-current	Drawn Facilities/ Bonds Issued NZ$'000	Carrying Value NZ$'000
Bank facilities	30,000	30,000
Fixed rate NZD Bonds	100,000	95,027
Total non-current	**130,000**	**125,027**

9. Related party transactions

Transactions with owners

RELATED PARTY	NATURE OF TRANSACTIONS	31 March 2024 Unaudited $'000	31 March 2023 Unaudited $'000
		VALUE OF TRANSACTIONS	
Hawke's Bay Regional Council	Rates, levies, consents and services	197	260
	Cost recoveries	(60)	(47)
	Lease income	(22)	(11)
	Receivable by the Group	12	-
	Payable by the Group	(294)	-
Hawke's Bay Regional Investment Company	Dividends	3,905	5,170

10. Commitments And Contingencies

Capital Expenditure Commitments

At balance date there were commitments in respect of contracts for capital expenditure totalling $1.1 million (31 March 2023 $0.5 million).

Contingent Liabilities

There were no material contingent liabilities at balance date (31 March 2023: nil).

11. Events Subsequent To Balance Date

Subsequent to the balance sheet date, a fully imputed dividend of $6.0 million (3.0 cents per share) was approved by the Board of Directors.

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Independent Auditor's Review Report

To the shareholders of Napier Port Holdings Limited

The Auditor-General is the auditor of Napier Port Holdings Limited ("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 13 to 22, which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated 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 2024, 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.

In addition to the review and audit we have carried out an engagement to provide shareholder meeting vote counting agreed upon procedures to the Group, which are compatible with those independence requirements. Other than the audit, review and this engagement, we have no other relationship with, or interest in, the Group.

Directors' Responsibility 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*.

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.

Stuart Mutch
Ernst & Young
On Behalf Of The Auditor-General
Wellington, New Zealand
21 May 2024

Directory

Directors

Blair O'Keeffe (Chair)

Stephen Moir

John Harvey

Vincent Tremaine

Kylie Clegg

Dan Druzianic

Senior Management Team

Todd Dawson – **Chief Executive**

Kristen Lie – **Chief Financial Officer**

Adam Harvey – **Chief Operating Officer**

Viv Bull – **General Manager People and Culture**

David Kriel – **General Manager Commercial**

Andrea Manley – **General Manager Strategy and Supply Chain**

Jo-Ann Young – **Corporate Affairs Manager**

David Broad – **General Manager Assets and Infrastructure**

Chris Wylie – **General Manager Port Optimisation**

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Bankers

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Auckland 1010
New Zealand

Industrial and Commercial Bank of China (New Zealand) Limited
Level 11
188 Quay Street
Auckland Central 1010
New Zealand

Solicitors

Bell Gully
171 Featherston Street
Wellington
New Zealand

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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Phone: **+64 9 375 5998**

Fax: **+64 9 375 5990**

Email: **napierport@linkmarketservices.co.nz**

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

Financial Calendar

31 March 2024 - **Half year balance date**

22 May 2024 - **Interim results announcement**

27 June 2024 - **Interim dividend payment**

30 September 2024 - **Financial year end**

November 2024 - **Annual results announcement**

18 December 2024* - **Final dividend payment**

19 December 2024 - **Annual meeting**

** Subject to board approval*

NAPIER PORT

Te Herenga Waka o Ahuriri