NAPIER PORT
Te Herenga Waka o Ahuriri

ANNUAL REPORT

TE PŪRONGO Ā-TAU

2022

CONTENTS


LAURITZEN

TOGETHER WE BUILD A THRIVING REGION BY CONNECTING YOU TO THE WORLD

ABOUT NAPIER PORT

Napier Port has been connecting Hawke's Bay and its surrounding regions with the people and markets of the world for over 150 years. Located on the East Coast of New Zealand, 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. We employ 341 people directly and our operations indirectly support many thousands of jobs across the region.

We plan, operate and maintain port land and shipping channels, and we have the cargo-handling capacity, facilities and infrastructure to get our customers' cargo efficiently across our wharves and en route to market. Napier Port is on the main transit route for international shipping services, is connected to inland freight hubs and core national road and rail networks, and operates 24 hours a day, 364 days a year.

While our strategic location and cargo-handling capacity make us a key connection in central New Zealand's supply chain, it's our culture and service that are the foundation to our success. We take pride in delivering for our customers, building collaborative relationships, supporting the local community and looking after our marine environment.

Our future success is forged side by side with the success of our customers and our community. Collectively, we can drive growth that benefits our region, our people and our environment.

WORKING FOR HAWKE'S BAY FOR OVER **150 YEARS**

NEW ZEALAND'S **FOURTH** LARGEST PORT BY CONTAINER VOLUME

SIX WHARVES INCLUDING OUR NEW 350M WHARF, TE WHITI

36,600 SQUARE METRES OF WAREHOUSING

OVER **340 EMPLOYEES**

THREE TUGS

50 HECTARES OF ON-SITE PORT LAND

ONE MOBILE LOG DEBARKER

FLEET OF 38 HEAVY CONTAINER HANDLING MACHINES

SIX MOBILE HARBOUR CRANES

16 HECTARES OF CONTAINER TERMINAL SPACE

OVER **5 MILLION TONNES OF CARGO** HANDLED ANNUALLY

1123 CONNECTION POINTS FOR REFRIGERATED CARGO

10 HECTARES OF DEDICATED LOG STORAGE, WORKING 24/7

12.3 HECTARES OF LAND IN WHAKATŪ FOR FUTURE DEVELOPMENT

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

SUMMARY

$9.4
MILLION
FINAL DIVIDEND
–
4.7 CENTS
PER SHARE

$114.5
MILLION REVENUE
–
▲ 4.6%

TE WHITI
(6 WHARF)
OFFICIALLY
OPENED FOR
BUSINESS
22 JULY 2022

857
ATTENDEES
ON HEALTH AND
SAFETY COURSES
–
▲ 176%

$100
MILLION
BONDS
ISSUE

310
CHARTER
VESSEL CALLS
–
▼ 9.6%

203
CONTAINER
VESSEL CALLS
–
▼ 16.1%

EMISSIONS
INVENTORY
AUDITED
FOR THE
FIRST TIME

$20.4

MILLION NET PROFIT

–

▼ 11.8%

$40.1

MILLION

RESULT FROM OPERATING ACTIVITIES

–

▼ 8.4%

5.39

MILLION

TONNES OF CARGO HANDLED

–

▼ 8.1%

3.65

MILLION

TONNES OF BULK CARGO HANDLED

–

▼ 7.6%

2.8

MILLION

TONNES OF LOG EXPORTS

–

▼ 5.8%

54

SUSTAINABILITY ACTIONS

UNDERWAY OR COMPLETED

254

THOUSAND

TEU CONTAINERS HANDLED

–

▼ 7.9%

44

THOUSAND

TEU HANDLED THROUGH PORT PACK

–

▼ 3.4%

CHAIR AND CHIEF EXECUTIVE'S REPORT

We are pleased to present our Annual Report for the 2022 financial year.

Strategically it has been a highly successful year. We have made significant progress on our goals to continue to put in place the infrastructure and capabilities that will underpin the success of Napier Port and the economy of Hawke's Bay and the central and lower North Island of New Zealand.

The centrepiece of this achievement was the opening of 6 Wharf – Te Whiti – a multi-generational asset for Hawke's Bay and the New Zealand supply chain, delivered ahead of schedule and under budget. Te Whiti is an asset for both Hawke's Bay and New Zealand and is well positioned to support the easing of congestion and expand capacity across the North Island. Through opening Te Whiti, we have delivered on the commitments we made when we launched our initial public offer and NZX listing in 2019. During 2022 we have also continued to deliver on our commitments to safety, sustainability, and to building more diversity and inclusion into our workforce.

TRADE VOLUMES AND FINANCIAL RESULTS

From a trading perspective we handled 5.39 million tonnes of cargo. This was despite a challenging year of disrupted trading, environmental and operational conditions.

Labour constraints and pandemic-related absences limited the productivity of our customers. These challenges were exacerbated in the first half of the year by adverse weather events impacting upon local production.

Global supply-chain disruptions have seen significant diversions from shipping schedules and a reduction in the number of vessels visiting Napier Port. Total ship visits (container and charter) were down to 513 vessels, a 12.3% reduction on the prior year's 585 visits.

These factors together with intense cost pressures across the supply chain have had flow on effects both to Napier Port operations and our region's cargo owners.

As a result, total containerised volumes of 254,000 TEU decreased by 22,000 TEU, or 7.9%, from 276,000 TEU in the prior year, and bulk cargo volumes fell 7.6% for the year to 3.65 million tonnes, compared to the same period a year ago.

Despite the reduction in container and bulk cargo volumes, revenue for the 2022 financial year rose to $114.5 million, a 4.6% improvement on the $109.5 million posted in the prior financial year. This reflects our efforts to recover the rising operating and infrastructure costs we face.

Reported net profit for the financial year was $20.4 million, down from the $23.2 million recorded in the prior year, with higher operating costs due to inflation, investment in capability and higher financing and depreciation costs offsetting the increase in revenue.

We have worked hard to balance the long-term interests of the region and Napier Port carefully with a sharp focus on efficiently managing our infrastructure to deliver the value and solutions our region's cargo owners need. The successful commissioning of Te Whiti is the best evidence of this in action.

The team delivered the wharf ahead of schedule and under the original construction budget of $173 million to $190 million, an outstanding achievement in the history of New Zealand infrastructure investment.
They have managed the impact the project had on our port operations, kept the cargo flowing and delivered an asset that will support the development of our region for many generations to come. It also took place against a backdrop of sharply rising prices both here and abroad and global political tensions that are less than supportive of business confidence.

Our focus on prudent debt management has enabled us to finish the year, a period of significant infrastructure investment, with a balance sheet that can continue to support the growth of the company and our region.

We are looking ahead now with cautious optimism to improved trading conditions in the new financial year and the teams' focus on ongoing prudent management of debt and budgets.

SAFETY AT THE FOREFRONT

A highlight during the year has been director engagement on port, as Covid segregation measures have reduced. Participating in safety forums, reviewing operations and new infrastructure, and engaging with teams on the ground gives directors insight into the work our teams do every day.

The Board has confidence in the management team's commitment to the health, safety and wellbeing of people on our port. It is prioritised in business planning and investment, but most importantly it is evident in their actions, and those of the wider port team. Health and safety is fundamental to our culture, and our people play key roles as health and safety representatives, fatigue mentors and in emergency management preparedness. This ensures our approaches remain fit for purpose and functional with our teams firmly invested in design, implementation and monitoring activities every day.

Engineered controls are our primary mitigant in removing and, where possible, eliminating critical risks within the port environment. This approach requires commitment and investment in good infrastructure and engineered design. Real-life examples of this in action this year have been our investment in new mooring technology, MoorMaster and ShoreTension units, physical barrier protection to separate people from machines, and our investment in mobile harbour crane log grabs.

The health and safety foundational roadmap that began in 2019 is now complete. Significant progress has been made on critical risk control and assurance activities, mitigating those incidents most likely to cause serious harm; embedding a functional safety management system for reporting; and working towards ISO 45001, aiming for best practice in health and safety management.
We are now entering a new maturity phase, with a continuing focus on critical risk controls management combining with a health and wellbeing focus.

The port sector review by Maritime New Zealand and WorkSafe concluded that Napier Port had no immediate issues to remedy. While this is encouraging and reflects the priority the team has put on safety, there is never room for complacency, and we will always try harder to improve safety for everyone working and visiting Napier Port.

CREATING VALUE AND GROWTH OPPORTUNITIES FOR CUSTOMERS

Te Whiti is an asset for both Hawke's Bay and New Zealand and is well positioned to support the easing of congestion and expand port capacity across the North Island. It can accommodate the larger vessels calling and the increasingly larger exchanges of cargo being transacted. Connections to the road and rail network, and links to strategically located inland hubs, means cargo can flow efficiently across, and in and out of, the whole of the North Island via Napier Port.

With operational improvements underway and freeing up additional storage capacity on port, Te Whiti expands the capability of the whole North Island supply chain. Greater berth availability and operational performance lends itself to future growth in containers, bulk and cruise ship visits for customers, shipping lines and Napier Port.

In addition to Te Whiti, we advanced projects that have improved productivity for cargo owners and efficiency for shipping lines. There is growing support for our site-to-sea logistics capability, which coordinates road, rail and warehousing services, providing customers in the North Island with freight and cargo-handling options via Napier Port.

Log debarking throughput is climbing as we optimise this new operation, including the addition of a second operational shift. In an environmental win for our region, implementation of the debarker enabled us to end methyl bromide fumigation of logs on port and further reduces health and safety risk.

Another advancement in operational efficiency for our customers and safety improvements delivered on port has been the start of our log loading operational trials using our mobile harbour cranes and customised log grabs.

VALUING CULTURE AND DIVERSITY

Embedded in our Te Ao Māori strategy are ongoing partnerships with local iwi and hapū on projects benefitting the local community and environment, including language and diversity education, Matariki celebrations, plantings for biodiversity, and our flagship Marine Cultural Health Programme.

We were delighted to be part of a number of wellbeing, te reo and tikanga Māori initiatives during the year led by the Napier Port's Kāhui group. This includes the significant role the Kāhui played in the official opening of our new wharf and supporting the naming of 6 Wharf as Te Whiti. We are grateful for the valuable tikanga the Kāhui is bringing to Napier Port.

We have been building on last year's Equality, Diversity and Inclusion Policy with a focus on culture development. Central to this is fostering a sense of inclusiveness and establishing the right culture settings so everyone who works at Napier Port feels a sense of belonging. Container terminal operators and team leaders are taking a leading role. They have been heavily involved in culture development workshops at local marae, and are supporting initiatives to attract and retain more diversity into this significant area of Napier Port's operations. This is supporting successful recruitment initiatives with record applicants for operational roles towards the year end.

This year we continued to develop our people and train our supervisors and managers. New front-line leadership roles in operations have been established, providing people with opportunities to grow into expanded roles or hold additional responsibilities. Developing careers is a priority for us; as we optimise our infrastructure investments and grow our business and operations, we also create opportunities for our people.

Employee engagement at Napier Port remains strong with Kōrero Mai, our annual employee engagement survey, showing overall engagement above 70%. Consistent feedback from our team tells us that Napier Port is a great place to work and that our team feels strongly connected to Napier Port and our focus of building a thriving region. We are encouraged that in another year of challenges, our people feel connected to Napier Port and recognise the role that they play in its achievements.

BUILDING A MORE SUSTAINABLE FUTURE

Last year was a landmark year, with the establishment of our Sustainability Committee and the launch of an ambitious sustainability strategy along with our first Climate Change Related Disclosure Report.

We are pleased with developments since, with good progress made on measuring emissions and emissions reduction planning, as we work towards net zero emissions by 2050. An Emissions Reduction Strategy developed this year will provide a framework for reduction pathways going forward. We have widened the scope of our emissions reporting, had our emissions inventory audited externally for the first time by Toitū Envirocare and we have published our second Climate Change Related Disclosure Report.

The delivery against our sustainability strategy continues, with our focus on being economically, socially and environmentally sustainable and the activities we can influence at a regional level. It is aligned to both the United Nations Sustainable Development Goals (SDGs), and the New Zealand Government's position on the SDGs that are incorporated into the country's legal and regulatory framework, and policy making.

More than 50 of the 100 identified actions are now either completed or underway and a further 28 are in planning. An update on the progress we have made on the 18 prioritised initiatives for 2021–2023 and our emissions for FY22 can be found in the Sustainability section of this report.

BOARD CHANGES

We have seen changes in our Board this year.

The Honourable Rick Barker will stand down at the Annual Shareholders' Meeting (ASM) in December. Rick has been a hugely valuable member of the Board since 2019 contributing to our focus on health and safety, sustainability, and with a strong commitment to our region and its people.

We welcomed two new directors, Kylie Clegg and Dan Druzianic, whose combined legal and commercial acumen, leadership and governance experience will add great value to the Board.

We confirmed Blair O'Keeffe as the Chair successor with the full support of his fellow directors. Blair has been on the Board since 2019 and with governance experience in local and central government and NZX-listed companies, Napier Port will be in good hands. Blair will assume the Chair role following the ASM in December 2022.

Retiring Chair, Alasdair MacLeod, leaves the Board at the conclusion of this year's annual meeting having led the company through one of the most consequential periods in Napier Port's history. He leaves as his legacy a safer port operation where people are valued first and foremost. He has also successfully governed us through the initial public offer and listing on the NZX, the company's largest ever investment and infrastructure development, and the successful navigation of periods of national emergency, including the Kaikōura earthquake, the global Covid pandemic and unprecedented disruptions to national and global supply chains. On behalf of shareholders and the Napier Port team we thank Alasdair for his commitment to Napier Port, its people and our region.

OUTLOOK AND DIVIDEND

We remain cautiously optimistic for the year ahead, although there is no room for complacency within the current economic environment. The operating environment remains unpredictable and challenging.

Constraints on labour continue and still strong inflationary pressures represent an ongoing and significant headwind for the region's primary sector exporters and Napier Port. At the same time a global tightening in interest rates and rising geo-political tensions continue to represent a significant challenge to global economic activity and a source of uncertainty.

We are encouraged by the ongoing and resilient demand for our region's food and fibre exports and that there are some early signs of global shipping disruptions and pricing starting to ease. As we move into the new financial year, cruise ships have returned to Hawke's Bay after a two-year Covid-induced hiatus. We look forward to welcoming the 88 cruise ships booked to visit during the 2022–2023 summer season.

With the opening of Te Whiti, we offer shipping lines and customers a unique and compelling proposition. We are a gateway to a thriving region that offers high-value cargo, and we offer new, flexible and efficient road and rail routes through to the wider North Island of New Zealand.

At Napier Port, we now have an uncongested port operation with improved wharf availability providing the flexibility to operate as needed to meet customers' demands, and creating opportunities to ease congestion across the wider New Zealand supply chain. We also have a team that is dedicated to making the most of these assets to drive the prosperity of our region, and with that growth in cargo across our wharves.

All of this gives us confidence in our long-term future.

Meanwhile thanks to the deft execution of Te Whiti and careful management of our capital across many other strategic projects we have entered the new financial year in a strong position. Taking these factors into account Directors have resolved to pay a fully imputed final dividend of 4.7 cents per share, taking total dividends for the 2022 financial year to 7.5 cents per share.

On behalf of the Board and shareholders, we thank the cargo owners who partner with us, and the ongoing commitment and support of the entire Napier Port team. We are proud of what we have all achieved.

We look forward to providing a further update at our annual meeting in December.

Ngā mihi nui,

ALASDAIR MACLEOD	TODD DAWSON
CHAIR	CHIEF EXECUTIVE

RETIRING CHAIR ALASDAIR MACLEOD REFLECTS

It really is the people – right across Napier Port – that make it a fabulous place. Over the past eight years, I've had the opportunity to meet a lot of the people who make Napier Port work, and it's been a privilege. Getting to spend time with mechanics, electricians, crane drivers, forklift drivers and pilots, as well as administrative staff and management, has filled me with pride at the people we have.

That extends to the Board as well. I am optimistic that the region realises what a talented and committed Board we have. They are a collegial, clever, capable and occasionally challenging team of individuals who are collectively amazing. I've never worked with a better team and I know Napier Port is in good hands.

HIGHLIGHTS OF MY TIME AS CHAIR INCLUDE:

- our focus on health and safety: we're not perfect, but we constantly focus on getting people home safely from the port every day, every night;
- hiring Todd Dawson: the right person, at the right time, to build on the legacy nurtured by Garth Cowie;
- being part of the IPO process, from beginning to end: it was one of the most challenging processes I've ever been involved in, and one of the most satisfying to help bring to a successful conclusion;
- being here through the Te Whiti process, from initial design to successful completion: as a former Civil Engineer, I probably poked my nose in more than a good governor should, but I have no regrets; and
- encouraging Blair O'Keeffe to succeed me as Chair: everyone should aspire to find someone brighter and better than them to succeed them, and while it's obviously easier for me than for many, I'm delighted to be handing the baton on to someone as massively talented as Blair.

I have loved every minute of my eight years with Napier Port and it remains a place dear to my heart. My sincere thanks to the whole team for what they deliver every day for our region, and to my colleagues for entrusting me with the Chair role for the past eight years.

"Ehara taku toa i te toa takitahi,
engari he toa takitini" –
My strength is not that of an individual,
but that of the many.

ALASDAIR MACLEOD

photo: Florence Charvin

CHIEF FINANCIAL OFFICER'S MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The 2022 financial year saw a difficult first half of the year. Reduced trading volumes, and therefore financial results, as a result of continued shipping and supply chain disruptions, weather events, and the widespread emergence of Omicron in the community together with general labour shortages, led to reduced overall production within customer operations. The second half saw a relative stabilisation in trade volumes notwithstanding the ongoing effects of the lower primary sector production from the first half.

Compared to the prior year, total Napier Port revenue grew by $5.1 million, or 4.6%, to $114.5 million and the result from operating activities decreased by 8.4% to $40.1 million. Reported net profit after tax decreased by 11.8% to $20.4 million.

Our balance sheet remains in good shape. During the year we refinanced our debt facilities, extending maturities and introducing an additional source of funding by issuing, for the first time, corporate bonds. In addition to $134 million of bonds issued and drawn bank debt, Napier Port had $46 million in undrawn credit facilities, after having spent the significant sum of $72.1 million on the 6 Wharf (Te Whiti) construction project and other capital projects during the year.

In conjunction with this annual report, Napier Port has released Supplemental Trade Volume Data, Supplemental Selected Financial Information and an Annual Results Presentation, that together provide further trade and financial information and which form part of our 2022 reporting suite of information for investors and other stakeholders.

All documents are available in the Napier Port investor centre at **napierport.co.nz/investor-centre**

REVENUE

Revenue of $114.5 million increased by 4.6% from the prior year. This result was achieved due to improved average revenues per unit across bulk cargo and container services and despite annual volume declines in both areas, and the practical absence of cruise vessel calls.

Container services revenue of $70.5 million was 7.8% higher than the prior year.

Total annual container volumes decreased by 7.9% to 254,000 TEU. Cargo laden full export and import containers decreased by 9.2% to 143,000 TEU, while empty and other container movements decreased 6.1% to 112,000 TEU.

Dry export cargo was down by 6.0% to 63,000 TEU. This reduction was mainly due to lower timber and general cargo volumes.

Reefer exports decreased 16.0% to 48,000 TEU mainly due to lower apple and pears, meat and other chilled exports. Apple and pear reefer export volumes reduced 17.5% to 21,000 TEU compared to the prior year.

Containerised imports decreased by 10.5% to 118,000 TEU primarily due to fewer import empty containers required for export cargo.

Other container movements, including Discharge, Load, Restows (DLRs) and transhipped containers, increased 6.9% to 18,000 TEU due to continued container repositioning by shipping lines related to shipping schedule disruptions.

Container services' average revenue per TEU increased by 17.0% compared to the prior year as a result of tariff increases and the introduction of charges to recover the cost of infrastructure investment, and additional revenues earned as a result of continued container shipping disruptions, including additional storage and refrigerated container servicing. These gains were supplemented by higher Port Pack packing volume and depot services revenue during the year and the introduction partway through the year of a fuel cost recovery charge which helped to partially offset the large increase in fuel prices.

Container vessel calls were down to 203 ships from 242 ships in the prior year. Global shipping disruption has continued to result in unpredictable schedules, with scheduled calls missed or delayed reducing overall container shipping capacity from New Zealand and Hawke's Bay. In addition, the Maersk OC1 Trident service ceased calling Napier during the year.

Bulk Cargo revenue of $41.4 million was 0.3% lower than the prior year.

Bulk Cargo total volume of 3.65 million tonnes was 7.6% lower than the prior year. Log export volume decreased by 5.8% to 2.84 million tonnes due to the softer log export market conditions in China throughout the year.

Charter vessel calls decreased to 310 from 343 last year due to the lower bulk volumes and larger average vessel load sizes for log charters.

Bulk Cargo average revenue per tonne increased by 7.9% compared to the prior year. In addition to tariff increases and the introduction of charges to recover the cost of infrastructure investment, this growth resulted from changes in the mix of bulk cargo and export customers and an initial contribution from the commencement of the log debarking operation.

A single domestic cruise vessel called during the 2022 financial year due to the closed international maritime border.

EXPENSES

Total operating expenses grew by 13.3% to $74.4 million, compared to 2021, with employee benefit expenses increasing 10.5%, property and plant expenses increasing by 33.4%, and other operating expenses increasing 6.2%. Expense increases reflect high cost inflation across all expense categories. We have introduced revenue generating recoveries for some of our bigger expense items such as insurance and fuel which are helping to offset some of the cost increases.

Employee benefit expenses increased due to anticipated increases in employee numbers to continue to develop our capability and resilience, and general remuneration increases.

Property and plant expenses increased as a result of fuel and power rate increases and increased repairs and maintenance expenditure across our plant and equipment to maintain fleet integrity as part of our critical risk management programme and as a result of earlier decisions taken to defer replacement capex. Lower cargo volumes resulted in lower fuel consumption volumes for our mobile plant and marine fleets, and diesel-powered reefer generators. This also had the effect of decreasing our total greenhouse gas emissions, which decreased by 5.2%. However, on a per cargo tonne basis, total emissions increased 4.6% with the inclusion for the first time this year of the expanded Scope 3 emissions profile categories – on a like for like basis, emissions on a per cargo tonne basis decreased by 0.7%.

Other operating expenses increased due to another year of significant increases in insurance costs in addition to increased spend on staff welfare and pandemic response costs, with these partially offset by lower operational contract labour expenses.

The result from operating activities of $40.1 million decreased by 8.4% compared to the prior year and as a percentage of revenue was down from 40% to 35%.

Depreciation, amortisation and impairment expenses increased by $0.5 million to $13.6 million which arose from recent asset additions, including from the completion of 6 Wharf (Te Whiti) in the fourth quarter of the year.

Other income was $2.0 million compared to $1.1 million in the prior year. The current year benefited from an unrealised investment property revaluation gain of $1.8 million, compared to $1.2 million in the prior year.

Net finance costs increased to $0.8 million compared to $0.04 million in the prior year. Gross finance costs grew with increased borrowings and significant increases in underlying market interest rates, together with the increased amortisation of historic bank facility costs. The majority of these costs have been capitalised as part of the cost of assets under construction, principally Te Whiti. Following the completion of this project, the majority of finance costs are recorded in the income statement.

Income tax expenses decreased by $1.4 million to $7.2 million due to lower taxable profit in the current year. The effective tax rate of 26% for the year is lower than the statutory tax rate of 28% due to a non-assessable investment property revaluation gain included within profit before income tax.

Reported net profit after tax for the period attributable to the shareholders of the Company of $20.4 million decreased 11.8% from $23.2 million in the prior year. Underlying net profit for the financial year, which excludes unrealised property revaluation gains, was $18.6 million, down from $22.0 million in the prior year.

CAPITAL EXPENDITURE

Capital investment spend in the year of $72.1 million included $56.5 million spent on completing the Te Whiti construction project. Other investments included physical safety improvements, the acquisition of ShoreTension dynamic mooring units, paving improvements, Ahuriri tug dry docking, maintenance dredging, replacement mobile plant, and final payments for bulk cargo hoppers, the log debarker, and mobile harbour crane log loading equipment.

CASHFLOW

Cashflow from operating activities decreased to $33.0 million from $34.8 million year on year, with lower underlying earnings only partially offset by improved working capital in the current year.

Dividend payments during the financial year of $15.0 million, including the final 2021 dividend paid in December 2021 and the interim 2022 dividend paid in June 2022, were $0.6 million lower than the year before.

After the net spend on investing activities of $71.9 million and net proceeds from loans and borrowings, including bond proceeds, of $55.2 million, cash balances increased by $0.5 million during the year.

BALANCE SHEET

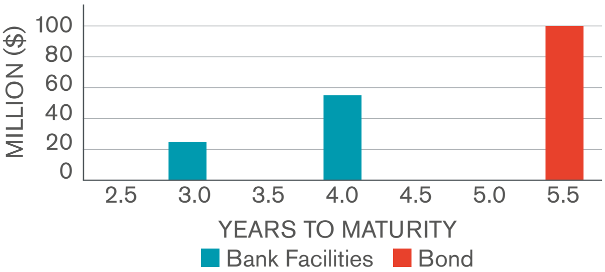
The positive progress with Te Whiti construction continued during the year with the wharf's official opening in July 2022. During the year, as we continued to complete the construction works and close out remaining project risks, we further lowered the cost estimate for the project to $173 million, down from the original estimate of between $173 million and $190 million, excluding capitalised overheads and finance costs. In the final accounting, the final construction cost was $171.1 million, excluding capitalised overheads and finance costs totalling $8.3 million over the life of the project which have been included within property, plant and equipment in the balance sheet.

Coinciding with the completion of Te Whiti and the corresponding reduction in enterprise risk, we refinanced our debt funding arrangements towards the end of the financial year. We extended the maturity dates of our existing facility agreements with Westpac New Zealand and ICBC New Zealand and achieved longer tenor and diversity of funding by issuing corporate bonds for the first time. We issued $100.0 million of unsecured, unsubordinated 5.52% fixed rate bonds, maturing in March 2028, that are listed for trading on the NZX Debt Market. The bond proceeds were used to repay bank debt and for general corporate purposes. We were pleased to provide a preferential opportunity to our shareholders to participate in the offer and then to be able to allocate 100% of the offers received resulting in shareholders taking up $13.1 million of the initial issue.

In addition to the drawn bank lending of $34.0 million and $100.0 million of bonds issued at the balance date, Napier Port had $46.0 million in undrawn credit facilities.

As a result of our debt refinancing, as at the balance date, our weighted average term to maturity was a healthy 4.7 years.

DEBT MATURITY PROFILE



During the year our sea defence assets were revalued, which occurs periodically as the assets are carried in our balance sheet at fair value. Fair value is determined by external valuers on an optimised depreciated replacement cost basis. In addition to $31.1 million of additions relating to Te Whiti construction, a total revaluation uplift of $28.7 million (pre-tax) was recorded within property, plant and equipment and the revaluation reserve during the year relating to sea defence assets. The revaluation result reflects increases in estimates for construction costs and contingencies, amongst other factors, since the last revaluation.

As a result of spend on capital assets, the revaluation of sea defences, increases to the net fair value of hedging instruments, and retained earnings during the year, total assets have grown to $562.7 million at year end with total shareholders' equity of $392.0 million and net loans and borrowings of $131.2 million, compared to total assets of $480.0 million, shareholders' equity of $354.8 million, and loans and borrowings of $77.1 million, for the prior year.

DIVIDEND

Subsequent to the balance sheet date, the Board approved a fully imputed final dividend of $9.4 million (4.7 cents per share) in respect of the 2022 financial year, payable on 15 December 2022 to those on the share register at close of business on 5 December 2022. Including the fully imputed interim dividend of $5.6 million (2.8 cents per share) paid in June 2022, dividends in respect of the 2022 financial year total 7.5 cents per share (2021: 7.5 cents per share).

KRISTEN LIE

CHIEF FINANCIAL OFFICER

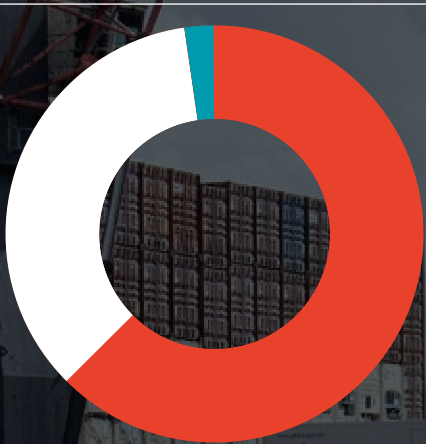
OUR TRADE PORTFOLIO

The mix of products flowing in and out of Napier Port reflects our diversified regional trade base.

The Hawke's Bay region is home to major New Zealand producers, processors and exporters of primary produce, and Napier Port is proud to be their regional gateway to global markets. The majority of businesses exporting through Napier Port are located within 100 kilometres of the port. Exports comprise 82% (by weight) of cargo, and include logs, wood pulp, pipfruit, timber, meat and fresh produce.

Napier Port receives imports for the Hawke's Bay region and lower North Island, and has capacity and the landside logistics in place to increase this quantity, relieving pressure from congested northern ports. Imports represent 18% (by weight) of cargo, and include fertiliser, oil products, general cargo and foodstuffs.

REVENUE BREAKDOWN FY2022

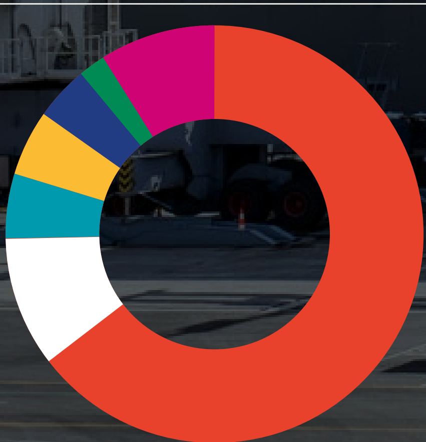


- Container Services 62%
- Bulk Cargo 36%
- Other 2%

EXPORT/IMPORT SPLIT FY2022 BY WEIGHT

- Exports 82%
- Imports 18%

EXPORT PRODUCT MIX FY2022 BY WEIGHT



- Logs 65%
- Wood Pulp 10%
- Pipfruit 5%
- Timber 5%
- Meat 4%
- Fresh Produce 2%
- Other 9%

IMPORT PRODUCT MIX FY2022 BY WEIGHT

- Fertiliser 30%
- Oil Products 30%
- General Cargo 16%
- Foodstuffs 8%
- Cement 7%
- Other 9%

HOW NAPIER PORT CREATES VALUE

OUR PURPOSE:
TOGETHER WE BUILD A THRIVING REGION BY CONNECTING YOU TO THE WORLD.

OUR RESOURCES

PEOPLE

Our motivated and engaged workforce, who have pride in their work keeping the cargo flowing across our wharves.

SKILLS AND KNOWLEDGE

Our deep expertise in port operations and logistics, and the creation of technology solutions for our business and our customers.

PHYSICAL ASSETS

Our assets and infrastructure, including port land, wharves, sea defences, dredged shipping areas, marine and heavy plant fleet, and inland ports.

FINANCIAL

Financial capital provided by our shareholders and debt funders.

RELATIONSHIPS

Our strong relationships with stakeholders – cargo owners, shipping lines, transport partners, local community, iwi – give us our social licence to operate and grow.

NATURAL ENVIRONMENT

The marine and natural environment and how we work within it alongside stakeholders and our community is fundamental to our business.

OUR OUTCOMES

PEOPLE

We provide purposeful and safe employment and development opportunities for our people.

ECONOMIC

We enable and enhance our regional economy, including significant industries, businesses and individual operators.

INFRASTRUCTURE

We maintain and add to our infrastructure for the benefit of current and future generations.

FINANCIAL

We provide economic returns to our financial capital providers.

COMMUNITY

We enhance our local community by being a good corporate citizen, providing employment and supporting community and iwi initiatives.

ENVIRONMENT

We support the maintenance and enhancement of our marine environment and our environmental stewardship and impact.

SERVICES WE PROVIDE

BULK CARGO SERVICES

We provide the infrastructure and storage facilities for cargo owners to load and unload bulk and break-bulk cargo. We also provide log debarking and vessel log-loading services.

CONTAINER OPERATIONS SERVICES

We provide a full-service offering handling all container movements between the entrance gate and onto vessels including on-site storage and refrigerated container handling. We also provide empty container depot services to shipping lines.

MARINE SERVICES

We provide pilotage, vessel towage and berthing and mooring services, including for visiting cruise vessels.

LANDSIDE LOGISTICS SERVICES

We provide landside freight transportation solutions to cargo owners and freight forwarders to get cargo to and from our port.

WAREHOUSING SERVICES

We provide a range of value-add services including container packing and unpacking, on-port warehousing facilities and cargo-handling.

OUR STRATEGY GOALS

To better achieve our purpose, we are focusing on:

CONNECTING WITH OUR CUSTOMERS

A close connection with our customers enables us to know them, their businesses and the environment they are operating in, so we can develop innovative and efficient cargo solutions.

HARNESSING OUR DATA AND TECHNOLOGY

Our innovative technology delivers value to our business, and to our customers and others outside the port gate.

A NETWORKED INFRASTRUCTURE

Connecting customers' cargo to market and enhancing end-to-end supply-chain solutions via an integrated network of infrastructure assets.

COLLABORATIVE PARTNERSHIPS

Partnerships with others help us achieve a better outcome than we would on our own.

OUR FOUNDATION

SUSTAINABILITY FOCUS

Our focus on sustainability enables us to care for our environment, creating a positive legacy for the future.

CULTURE OF CARE

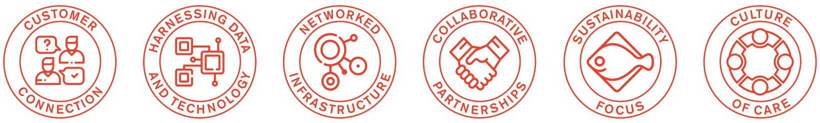
Our strong, resilient and agile workplace culture with a focus on health and safety attracts and retains our high-performing workforce.

WHY 'TE WHITI'?

Te Whiti means 'to transfer or exchange', reflecting the transfer of goods from our region to the world. It also means to shine, indicating rays emanating from Hawke's Bay.

The Napier Port Kāhui took a leading role in naming Te Whiti, researching suitable names and their meanings and putting forward the name that was ultimately selected.

TE WHITI – OUR NEW WHARF OPENS FOR BUSINESS



Te Whiti opened for business on 22 July 2022, a multi-generational asset for Hawke's Bay and the New Zealand supply chain.

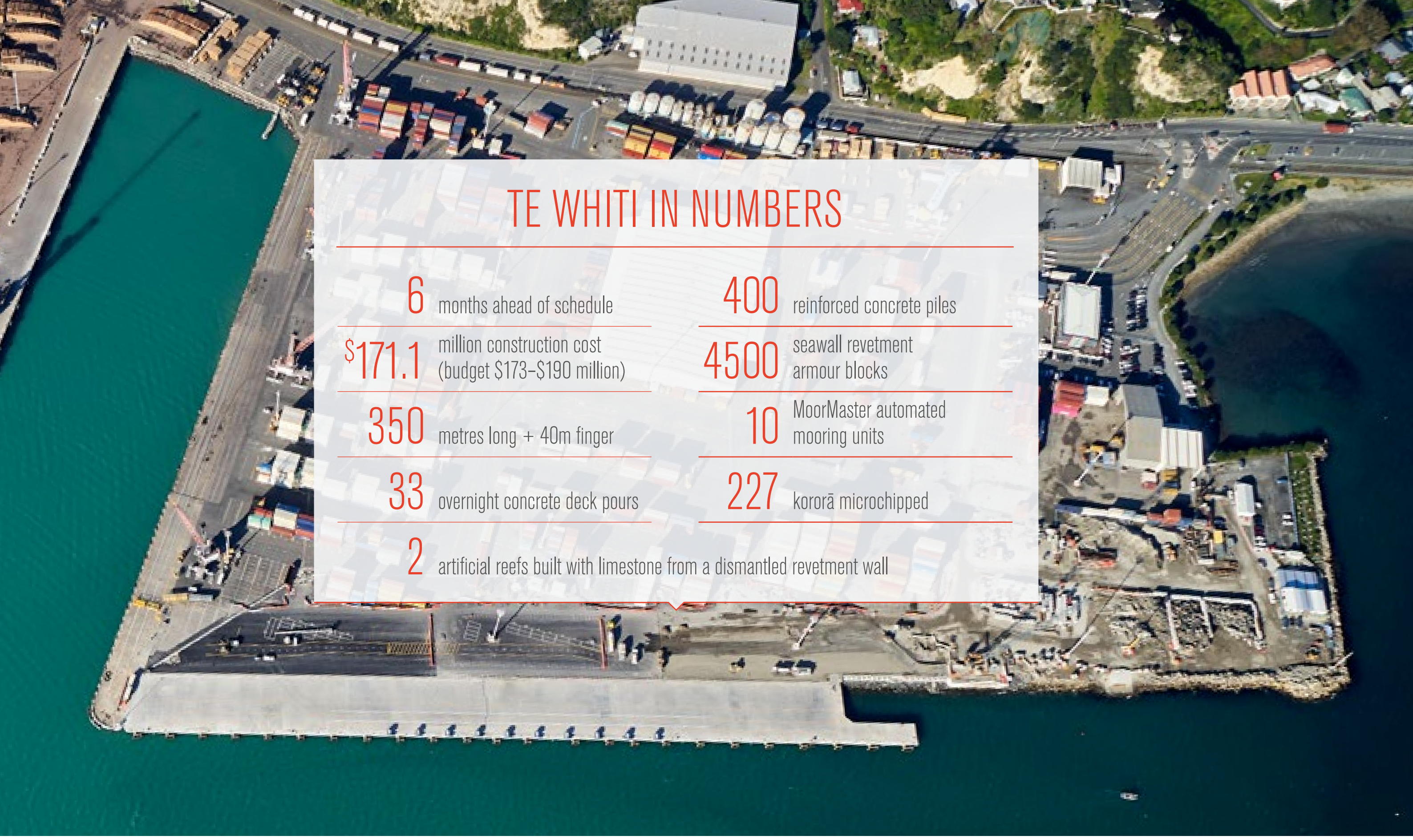
Known as 6 Wharf during its construction, this significant investment in local infrastructure increases access to global markets for cargo owners from Hawke's Bay and the central and lower North Island. The new wharf significantly increases our container-berth capacity and opens up access to all our wharves, increasing operational flexibility. It also allows us to berth the larger container ships now arriving in New Zealand waters, as well as the cruise ships returning to Hawke's Bay in October 2022.

Te Whiti was delivered ahead of schedule and below the budgeted construction cost range of $173 million to $190 million, and was enabled by our listing on the New Zealand Stock Exchange in 2019. Navigating construction constraints during the pandemic is testament to the hard work and ingenuity of our employees and construction partners.

Safety was a key pillar of the new wharf build, with zero serious-harm incidents throughout.

The new wharf has been built to Seismic Importance Level 4 as defined in the New Zealand Building Code, and strengthens Hawke's Bay's resilience in the event of a significant earthquake. Napier Port is part of Hawke's Bay's critical lifeline infrastructure and will be essential in providing access to the region in the event of a natural disaster.

> *"Te Whiti strengthens our operational agility and resilience, delivering capacity to support future regional economic growth."*
>
> Alasdair MacLeod, Chair



TE WHITI IN NUMBERS

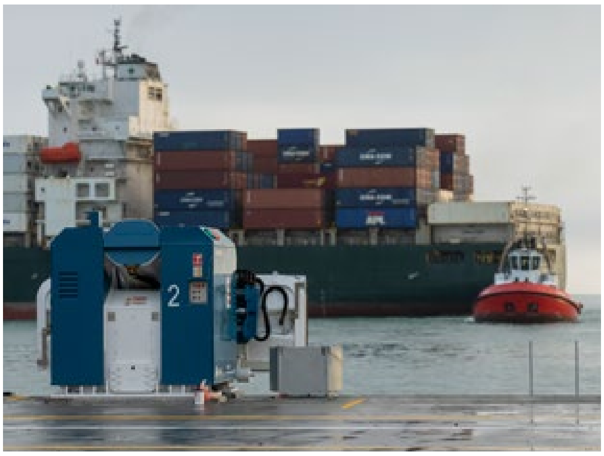
6	months ahead of schedule
$171.1	million construction cost (budget $173–$190 million)
350	metres long + 40m finger
33	overnight concrete deck pours
2	artificial reefs built with limestone from a dismantled revetment wall
400	reinforced concrete piles
4500	seawall revetment armour blocks
10	MoorMaster automated mooring units
227	kororā microchipped

MOORMASTER AUTOMATED MOORING UNITS

In a first for a New Zealand container port, Te Whiti features ten double-padded automated vacuum-mooring units. Known as MoorMasters, the units were designed in Christchurch, New Zealand, by Cavotec, and manufactured in Italy.

MoorMaster units use remote-controlled vacuum pads to moor and release vessels in seconds, constantly adjusting for movements in swell, draft and tides. The units significantly reduce vessel turnaround time, by cutting mooring time and increasing crane productivity through reduced vessel motion. The technology also improves mooring safety and reduces emissions by reducing tugboat time.

Incorporating MoorMaster units in Te Whiti's construction involved building new electrical infrastructure and a data hub to operate the technology.



SUSTAINABILITY DURING TE WHITI'S CONSTRUCTION

Sustainability was at the heart of Te Whiti's construction, with environmental planning and consultation a core tenet of the project.

Mana whenua has been with us on this journey from the start, working with us to protect and enhance our local marine environment during construction. We appointed our first Pou Tikanga, Te Kaha Hawaikirangi, to support our ongoing cultural and environmental journey.

Highlights of our partnership include:

- launching the Marine Cultural Health Programme,
- creating two artificial reefs with limestone from a dismantled revetment wall,
- establishing an on-port kororā sanctuary,
- undertaking regular commercial fishing and water-quality surveys to monitor any changes, and
- protecting the marine environment, in particular Pānia Reef.

Our resource consent application for Te Whiti's construction and associated dredging was approved without appeal to the Environment Court, an indication of the thorough consultation with mana whenua hapū, divers, recreational fishers and the wider community.

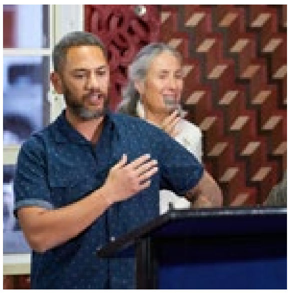
Going forward, our Marine Cultural Health Programme will continue to monitor the marine environment around our port.

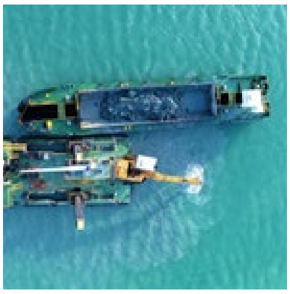
"Te Whiti's commercial, debt-funded investment business model is a fantastic example of what can be done with the right support and vision."

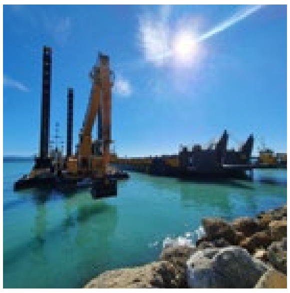
Todd Dawson, CEO

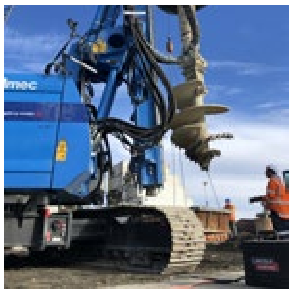
TE WHITI'S JOURNEY

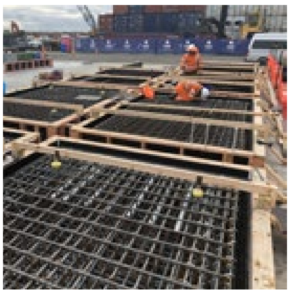
2015	Scientific investigation and wharf design commences
2016	Consultation begins with local iwi, recreational fishers, and the wider community
2017	Planning consent application lodged
2018	Planning consent granted
2019	Napier Port listed on the New Zealand Stock Exchange
	Port team travel to Port Salalah, Oman, to investigate mooring solutions
	On-port kororā sanctuary opens. Kororā from the dismantled limestone revetment wall are relocated to the sanctuary
	Limestone from the dismantled revetment wall is used to create two new artificial reefs
2020	Construction begins, with ground-breaking ceremony on 5 February
	Marine Cultural Health Programme launched, an initiative to monitor marine health in partnership with local mana whenua hapū
2021	MoorMaster mooring units arrive from Italy
	Construction continues throughout Covid lockdowns
2022	Final overnight concrete deck pour
	Electrical substation and data room completed
	Capital dredging programme completed
	Wet commissioning ship trials undertaken
	Groundwork improvements completed
	New wharf handed from construction team to operations team
	Te Whiti officially opens for business on 22 July

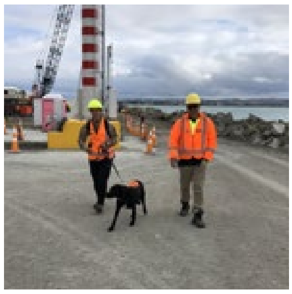


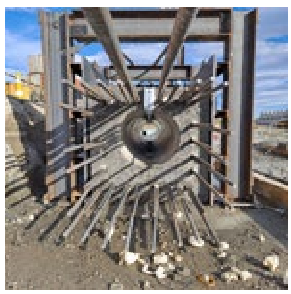












OPENING CELEBRATIONS

Te Whiti's official opening day, 22 July 2022, was a day of celebration to mark the handover of the wharf to our operations teams. The new wharf was officially open for business!

We started the day with a beautiful dawn karakia, with mana whenua and port whānau joining together to unveil 6 Wharf's formal name, Te Whiti. The karakia, led by Tā i te Kawa rōpū of Ngāti Kahungunu, acknowledged the connections between Napier Port, local iwi and the environment around us.

At midday we were joined by hundreds of people who played a part in Te Whiti's creation: representatives from the port team, mana whenua, customers, shareholders, contractors, suppliers, construction partners, and our neighbours and community. Customers showcased their products at a trade fair alongside displays from different parts our business operations.

Board Chair Alasdair MacLeod, CEO Todd Dawson and GM Assets and Infrastucture Michel de Vos all spoke at the event, and the Napier Port Kāhui performed. At the end of the ceremony five ship bells sounded and the cranes and reach stackers swung into action, officially opening the wharf for business and giving guests a close-up view of loading a container ship.

An incredible day culminated in a fireworks display at night, thanking our Hawke's Bay community and announcing Te Whiti's launch in spectacular fashion.


CMA CGM
CMA CGM
TIANJIN BRIDGE


CH3

READY FOR GROWTH – INFRASTRUCTURE INVESTMENT CONTINUES AT PACE

Te Whiti's construction has been our biggest infrastructure project for a generation, but it hasn't been at the expense of other infrastructure investment on port. In the past year we have continued to invest in our on-port infrastructure, with our new investments increasing the services offered to cargo owners and shipping lines, reducing our impact on the environment and improving safety on port.

ON-PORT DEBARKER

In early 2022 our mobile log debarker began operating on port. Debarking strips the top layer of bark from logs bound for export markets, and is an alternative pest eradication measure to methyl bromide fumigation, which ceased to be used at Napier Port this year.

As well as reducing the environmental impact of methyl bromide fumigation, the log debarker has the added benefit of repurposing bark into mulch to be used on orchards, gardens and planting projects. It also improves our log yard utilisation and log turnover capability, and has created employment through two new teams of people hired to operate the debarker in shifts.

Construction of the debarker was made possible through partnerships with several key logging customers.

"We continue to put in place the infrastructure and capabilities that will underpin the success of Napier Port and the economy of Hawke's Bay."

Alasdair MacLeod, Chair

MOBILE HARBOUR CRANE LOG GRABS

Three new log grabs have been designed, built and fitted to our existing mobile harbour cranes, to be used for loading logs onto vessels for export.

The Napier Port team worked with engineers Page Macrae Engineering and stevedores C3 to create and implement the grabs. The process of using electric motors to integrate grapples to our existing cranes is a world-leading design.

The new log grabs eliminate a critical risk from our operations, removing people from the area where the logs are lifted. Previously, log bundles were tied by steel cables and loaded onto vessels by ship's cranes. Using log grabs will allow us to service vessels that don't have their own crane on board.

Loading logs using the new grabs is expected to create operational efficiencies for our customers, helping us to effectively manage the forecast increased log volumes. Our cranes will operate the log grabs, increasing the services we can offer our log exporters.

SHORE TENSION DYNAMIC MOORING SYSTEM

ShoreTension dynamic mooring units are replacing use of traditional mooring lines on port, eliminating a critical risk from mooring operations. These mooring units remove people from close proximity to mooring lines, and also greatly increase the speed and efficiency of mooring operations.

ShoreTension units are automated, using hydraulic rams to keep the lines at a constant tension in changing weather conditions. They reduce the ability for vessels to sway or surge while at berth, which in turn reduces the likelihood that vessels will be unable to berth because of poor weather.

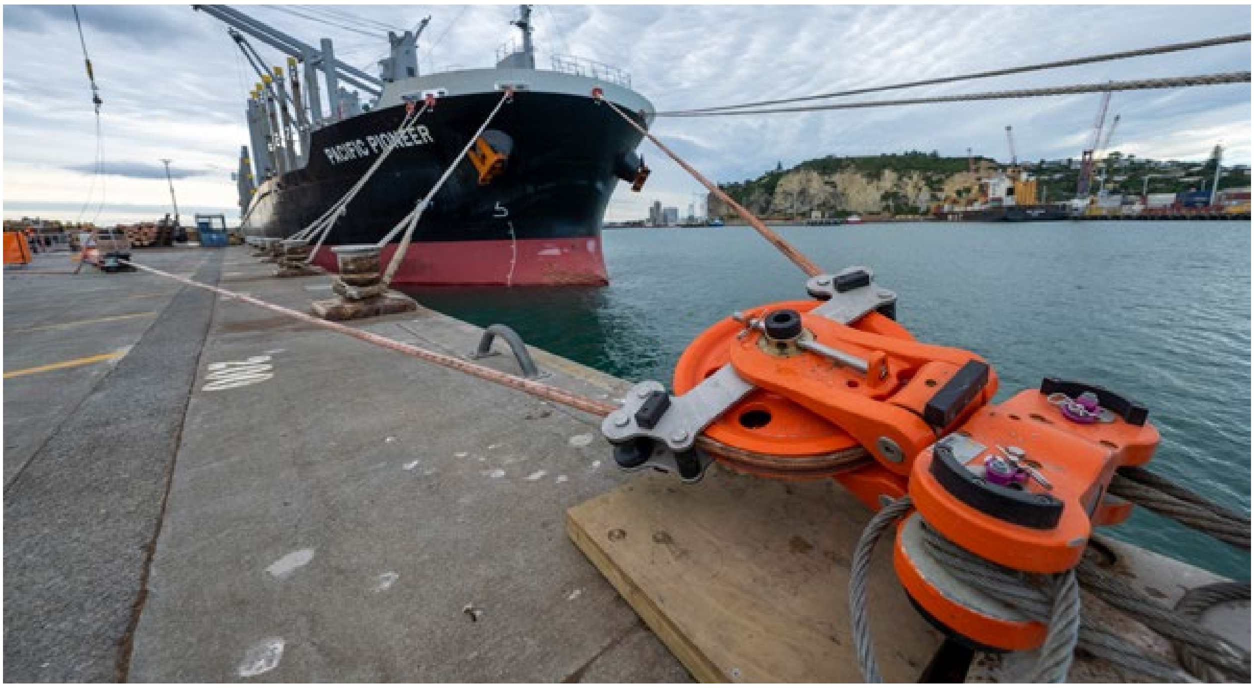
Napier Port has two ShoreTension units in operation at 30 September, and four more units being installed in the first half of the coming year. These mobile units can be moved between wharves as needed.

HOPPERS

Two new hoppers arrived on port in September, the culmination of a project between Napier Port, nutrient and fertiliser manufacturer Ravensdown and stevedores SSA. The hoppers are used in the unloading of imported fertiliser components, which are then trucked to Ravensdown's site some 9 km away in Awatoto.

CONTAINER-HANDLING EQUIPMENT

We've recently invested in new container-handling equipment, purchasing two new reach stackers and two empty container handlers from Kalmar Global. As well as delivering for our operational needs, the new equipment rates highly on the sustainability front by reducing carbon emissions through fuel efficiency, in some cases up to 50 per cent.



SHIPPING AT NAPIER PORT

CUSTOMER CONNECTION

NETWORKED INFRASTRUCTURE

Shipping lines are an essential part of the global supply chain, connecting New Zealand with our export and import markets throughout the world. At Napier Port we currently welcome 10 container shipping lines to our wharves throughout the year.

Primarily an export port for our region's primary producers, we are also an alternative option for out-of-region cargo owners, who choose to ship through Napier Port. Our six wharves, including 350m-long Te Whiti which came online this year, offer ample cargo capacity, and we connect with daily road and rail links throughout the North Island, including to our freight hub at Manawatū Inland Port.

Shipping lines confirmed the ease of working with Napier Port in this year's annual customer survey, citing high service levels and good access to staff. We aim to work proactively with shipping customers to do all we can to alleviate shipping congestion disruption for cargo owners.

ZIM

MSC

COSCO SHIPPING

ANL

PIL

OOCL

ONE OCEAN NETWORK EXPRESS

CMA CGM

MAERSK

HAMBURG SÜD

"With the opening of Te Whiti, we offer the shipping lines and our customers a unique and compelling proposition."

Todd Dawson, CEO

CUSTOMERS' VOICE

Each year we offer our customers the opportunity to anonymously review Napier Port's services, providing feedback on what we do well and where we can improve. Surveys are sent to cargo owners, shipping lines, shipping agents, freight forwarders and transport operators, in order to give us a broad overview of how we're doing.

This year's survey resulted in an average customer satisfaction score of 7.5 out of 10, exceeding our target of 7.0. As well as compliments, we received helpful feedback and suggestions which we are taking into our planning for future services. We always want to do better, and customer feedback is a crucial part of informing development of our services.

Communicating with our customers isn't limited to an annual survey, of course – we love staying connected with our customers throughout the year. In our customers' words:

'Your people are your key strength. They will try to assist as much as is possible.'

'Napier Port is customer-focused for best outcomes.'

'Relationships and approachability of staff at all levels.'

'Good relationships at all levels from CEO down. Helpful and enjoy good open discussions.'

'Thinking outside the box on problem-solving – not afraid to try new things or do things differently.'

'The team are great to deal with and the port systems we use are very user-friendly.'

'Professionally run environment with great communications.'

'The service levels show we get good value for calling Napier Port.'

'Napier Port's technology tools are a key strength.'

"Thank you to our customers for trusting that we do everything we can to open up new opportunities to get your cargo to world markets, and welcome visitors to our region."

Todd Dawson, CEO

NAPIER PORT LOGISTICS SERVICE

CUSTOMER CONNECTION

NETWORKED INFRASTRUCTURE

Napier Port offers a site-to-sea logistics service, optimising container and bulk cargo movements for cargo owners throughout the central and lower North Island. The port is connected to the rail and State Highway networks of the North Island and a series of strategically located inland ports, enabling us to optimise the flow of cargo and offer freight solutions to out-of-region customers.

Launched in 2021, the Napier Port Logistics Service partners with KiwiRail, road transport providers and cool-store operators to provide cargo owners with seamless freight options across the North island.

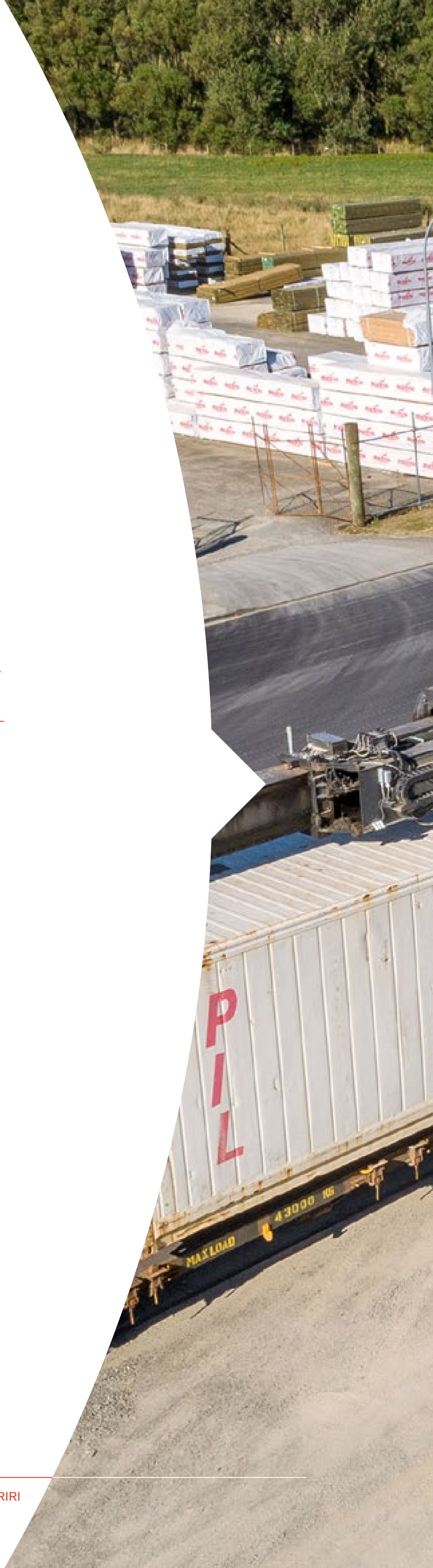
How does it work? As we have visibility of the containerised imports and exports before a vessel arrives at Napier Port, we can optimise the landside network on a large scale. By co-ordinating landside transport options with customer demand and shipping schedules, we are able to:

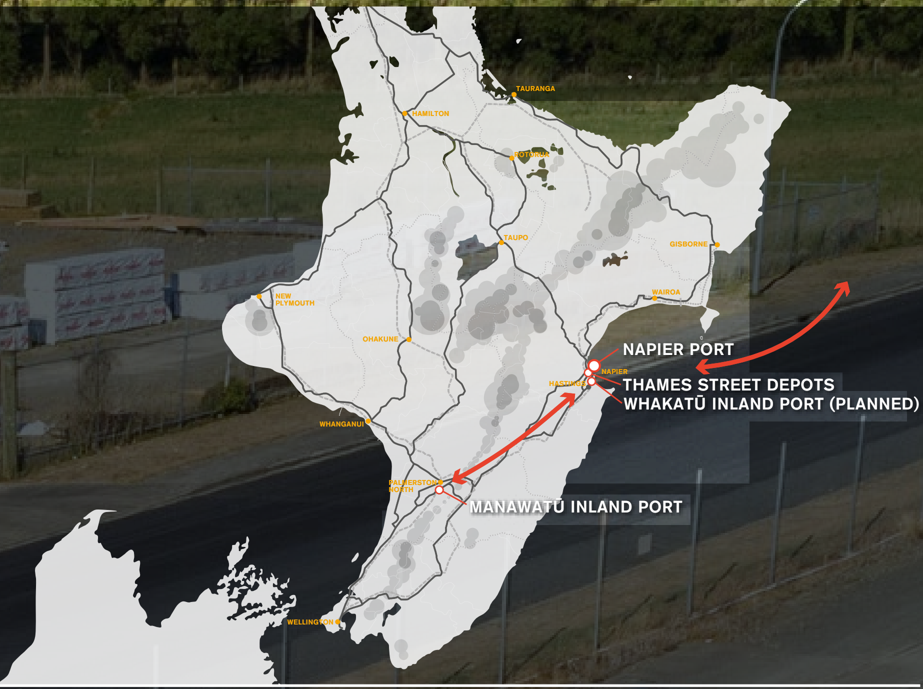
- reduce supply-chain lead times
- plan efficient container movements
- balance import and export capacity on the network, and
- reduce carbon emissions through efficient use of resources.

MANAWATŪ INLAND PORT

Manawatū Inland Port (MIP), our freight hub based at Longburn, near Palmerston North, is a key part of our landside logistics offering.

A joint venture with Ports of Auckland and Talley's Group, MIP provides inland port services to shipping lines from its 1.9ha container yard and warehousing infrastructure. This means that cargo owners can hire and dehire containers at MIP, shortening hireage times and reducing costs, as well as access a range of other port services. Rail and road services regularly run between Napier Port and MIP.





OUR LOGISTICS SERVICE IN ACTION

PREMIER BEEHIVE

Premier Beehive has been crafting bacon, ham and smallgoods in New Zealand for over 25 years. The company processes imported meat products in its premises in Carterton, Wairarapa. Packaged goods are then sold throughout New Zealand under the Beehive brand.

The company uses the Napier Port Logistics Services to efficiently arrange its landside cargo movements to its network of cool stores throughout the lower North Island. Our inhouse logistics team works closely with Premier Beehive's shipping coordinator, securing rail capacity and co-ordinating rail bookings with shipping arrivals. This focused collaboration results in an efficient cargo movements, removing surplus capacity from the supply chain and working together to accommodate shipping schedule changes.

Premier Beehive also dehires empty containers at Manawatū Inland Port, a more cost-effective solution than returning empty containers to port.

Ross Cummins, Premier Beehive's National Supply Chain Manager, says, 'The team at Napier Port work very collaboratively with us providing a cost effective, reliable and efficient supply chain from the port to us. The last couple of years have been incredibly difficult, from a supply chain perspective, and we really appreciate the flexibility, support and can-do approach from the team at Napier Port and MIP who made it a lot easier than otherwise would have been the case.'

BOOTH'S GROUP

The Napier Port Logistics Service partners with road transport providers throughout the lower North Island, which offers cargo owners schedule flexibility and door-to-door freight options. The success of New Zealand's supply chain relies on efficient, reliable road transport options and roading networks.

Booth's Group, which incorporates Tomoana Warehousing and Transport, is an important part of our regional supply chain, offering a range of freight and warehousing services to cargo owners. Our two businesses work closely together to coordinate trucking movements with shipping schedules, presenting an efficient, end-to-end freight solution for cargo owners moving their product through Napier Port.

Booth's Group Director Trevor Booth adds, 'Booth's highly values its close working relationship with Napier Port. We frequently collaborate to offer both inbound and outbound freight owners and agents seamless, timely and cost-effective logistics solutions.'

KIWIRAIL

KiwiRail is a critical link in New Zealand's supply chain, moving about 25 percent of New Zealand's exports throughout the country.

KiwiRail and Napier Port have a productive and valued partnership, working together for the benefit of cargo owners. Our logistics teams work to co-ordinate rail movements with shipping line arrivals and departures, offering rail capacity to cargo owners on KiwiRail's regular services between Napier Port and Manawatū Inland Port and throughout the lower North Island.

Rail services are a sustainable, low emission mode of transport, and KiwiRail is committed to working with its partners to create opportunities for sustainable cargo transport. We work with KiwiRail and cargo owners to align operational capacity and service options, booking both export and import cargo to keep the trains as full as we can for each run.

TECHNOLOGY SOLUTIONS

Technology is a vital component of every part of our business, improving operational efficiency and adding value to the services we offer our customers. Our Digital Technology team develops applications and technology solutions for use right across the port. Some highlights from the year include:

TE WHITI / 6 WHARF DATA HUB

Our new wharf, Te Whiti, has been built with technology to the forefront, with a purpose-built, centralised data hub at its core. The data hub is part of the wharf's new electrical substation.

The new data hub contains the technology that operates the ten MoorMaster automated vacuum-mooring units on Te Whiti. It also provides wireless connectivity to the tablets operating the MoorMaster units, and gathers the environmental data from on-port tide and wind gauges that MoorMaster units use for their continual mooring adjustments.

We also use the new data hub as a central hub for our digital radio network, and to operate the new wharf's CCTV (closed circuit television) surveillance cameras.

"Workstreams promoting Technology and a Digital Future are an important part of our Sustainability Strategy."

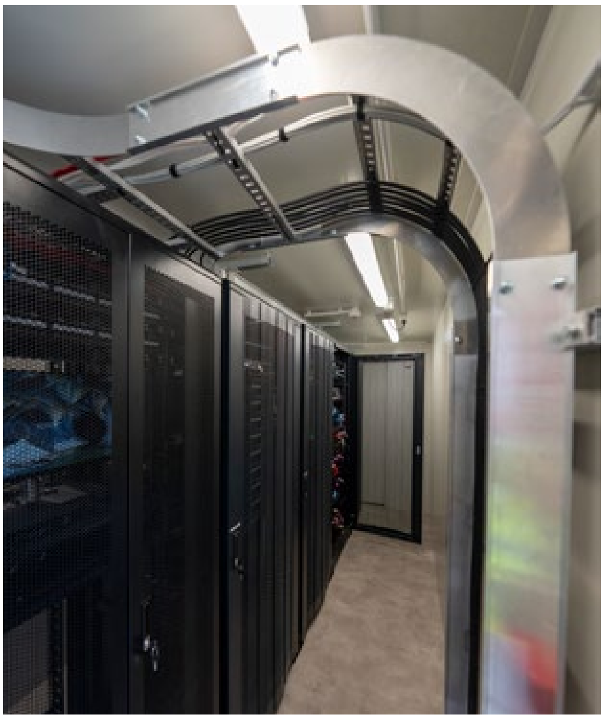
A Sustainable Future – Napier Port Sustainability Strategy

WAREHOUSE MANAGEMENT SYSTEM

Our new warehouse management system (WMS) went live this year, providing benefits to our operations team and our customers. The WMS is operated via a user-friendly mobile app, and the single system and scanner solution allows us to more efficiently process cargo through our on-port warehousing service, reducing costs and improving customer services levels.

Operating a single WMS enables us to consolidate training requirements, reduce downtime due to scanner change-overs and repairs, boost productivity by auto-allocating incoming products to locations, and manage our own hardware solutions. The new WMS also gives us greater insights into customer data, and enhanced reporting and customised billing infrastructure.

Our inhouse expertise with applications development and terminal operating system Navis enabled us to create and further develop the WMS inhouse. We will continue working with customers over the coming year to expand the WMS application to other customers, products and supply chain opportunities.



PORT ACTIVITY MAP

Our interactive Port Activity Map (PAM) has been live for several years now, enabling site work alerts to be issued and viewed straightaway. This application is a user-friendly visual tool that allows port users to instantly see site work activity in one place in real time.

In the past year, we've added reporting capability from our on-port wind gauges, crucial safety information in a port environment. We're also beta testing showing the locations of our heavy plant through GPS trackers, and have restarted training paused due to Covid.

Other New Zealand ports are working with us to learn from our experiences establishing the port activity map and leverage our GIS expertise, improving safety across the port industry nationwide.

PROPEL

This year we continued to develop Propel, our customer portal for on-port landside logistics bookings. Propel can now be used for vehicle bookings, rail transport management, import and export pre-advice and empty container returns.

Our customers report that our digital tools increase efficiency and are easy to work with. We plan to keep extending Propel's functionality in the coming year.

SHAREWATER HARBOUR MANAGEMENT SYSTEM

Our Harbour Management System (HMS), named Sharewater, is used to plan vessel movements and optimise berth availability. It was designed and built inhouse, and the people who use it every day were heavily involved in its development.

In the past year, Port Otago has implemented Sharewater for their own harbour management requirements. The cross-port collaboration has been a highlight, and we are pleased to provide ongoing technical support for Sharewater going forward.

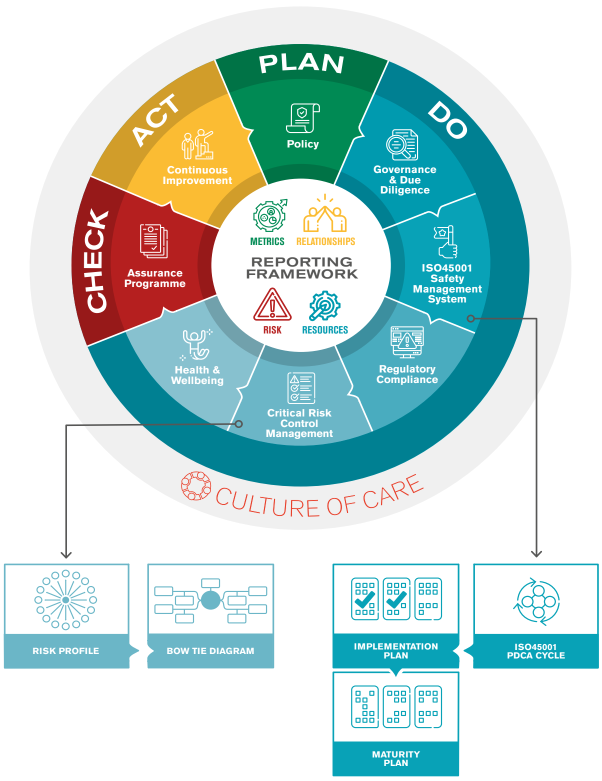
In our annual customer survey, shipping agents affirmed the usefulness of the Sharewater HMS to their businesses, and appreciated their direct access to the system.

HEALTH AND SAFETY

We want everyone who comes to Napier Port to go home safely every day.

Napier Port is on a health and safety journey, constantly working to effectively embed a safety mindset throughout our business. Our goal is to create a 'generative' health and safety culture, which means that we want safety ideas to be raised from within our operational teams, who feel empowered and motivated to report safety concerns and develop appropriate solutions.

Safety is, and must remain, at the heart of everything we do.



Our health and safety plan on a page.

COMPLETION OF OUR FOUNDATIONAL ROADMAP

This year we completed our three-year health and safety foundational roadmap, which had three main objectives:

1. ISO SAFETY MANAGEMENT IMPLEMENTATION

We have implemented 12 ISO 45001 standards over the past three years, completing this programme of work in 2022. ISO 45001 focuses on the proactive prevention of work-related injuries and ill health. The ISO framework of Check – Act – Plan – Do underpins our Health and Safety Management Plan.

As a result of our ISO certification journey, we have now employed a Training Advisor to lead our operations, business, leadership and safety training and development throughout the business.

2. CRITICAL RISK CONTROL MANAGEMENT PROGRAMME

Critical risks are risks that have the potential to cause significant injury, illness or fatality at work. While these risks may occur less frequently than others, they have the potential to cause the greatest harm to workers.

During our three-year programme we have identified 26 critical risks on port. We have completed 23 bow-tie assessments and developed procedures for reducing potential for harm.

3. SAI 360 HEALTH AND SAFETY MANAGEMENT SYSTEM

Our SAI 360 health and safety management system is used to record safety incidents on port. Its implementation is now complete and is well understood and used throughout the business. Data from SAI 360 helps to guide our risk-control management.

OUR NEW MATURITY ROADMAP

We're now underway with our health and safety maturity roadmap, following on from our foundational roadmap. Our goal is to keep our people safe at work, and the maturity roadmap helps us to do this by achieving best practice in health and safety. It also has three key workstreams:

1. CRITICAL RISK CONTROL MANAGEMENT PROGRAMME

Our understanding and mitigation of critical risk in the port environment continues to develop as operations evolve. We undertake bow-tie risk assessments for each critical risk, followed by a rigorous risk controls improvement programme to mitigate critical risk and an inspection and verification programme to check effectiveness of risk controls in action.

2. HEALTH AND WELLBEING FRAMEWORK

Wellbeing is a priority at Napier Port, with a range of wellbeing services provided for our workforce. We seek to take a proactive approach, with occupational health services delivered on port and a focus on education and prevention of injuries.

We surveyed our people during the year to ask which wellbeing initiatives were most widely valued. Following this consultation, we prepared a calendar of all our wellbeing initiatives that will be updated throughout the year ahead.

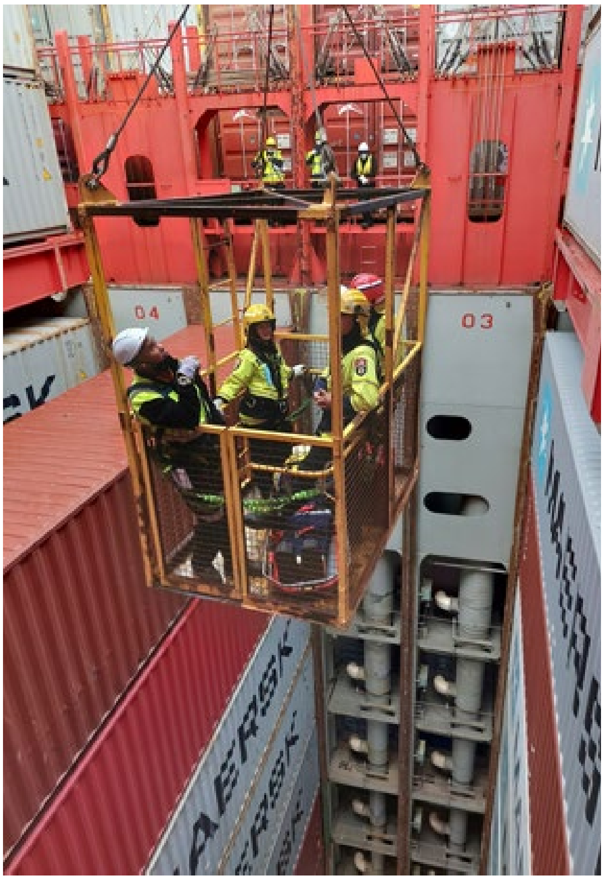
Current wellbeing initiatives include:

- Onsite nurse
- An online wellbeing hub where our people can access information on services in one place.
- Support with managing shift work and fatigue
- Onsite massages
- MoleMap skin checks
- Fresh fruit in breakrooms
- Participation in national awareness-raising events, such as Mental Health Awareness week.

3. EMERGENCY MANAGEMENT

While we can't know exactly when an emergency on port will occur and what it will be, we can prepare for possible scenarios through training and simulated exercises. Our goal is to be ready to calmly and quickly respond to emergency situations.

We now include the Coordinated Incident Management System (CIMS) in our emergency preparedness work. CIMS is a standardised national approach for emergency preparedness and management used by many businesses and agencies throughout New Zealand.



This year we trained our operations leaders in the CIMS framework for managing emergencies on port. Emergencies on port don't only affect Napier Port employees – we interact with people from many different businesses in our work environment. Knowing how to work effectively in an emergency with these businesses, and other organisations such as Fire and Emergency New Zealand, Maritime New Zealand, New Zealand Police and the National Emergency Management Agency, means we'll have a more effective response to emergencies.

HEALTH AND SAFETY REPRESENTATIVES

Our Health and Safety Representative Committee provides everyone at Napier Port a supported channel to raise and discuss safety issues, and provides a level of oversight over safety issues on port.

Every Napier Port team has regular health and safety meetings, and its own Health and Safety rep who supports team members with safety concerns. Reps also play a key role in our port-wide Verification and Assurance Programme, which targets critical risks.

FATIGUE RISK MANAGEMENT

Napier Port operates 24 hours a day, meaning many of our team are rostered workers, making fatigue management an important issue.

Our Fatigue Risk Working Group focuses on fatigue risk, and provides oversight and expertise in this area. The group includes representatives from across our operations teams, our health and safety team and managers and supervisors.

Some of our recent fatigue initiatives include:

- a fatigue mentor programme, where experienced team members share their knowledge and practical solutions to fatigue management
- the addition of a fifth shipside team to our container operations shift roster, helping to mitigate fatigue risk across the whole shipside roster.

PORT SAFETY REVIEW

In 2022, Maritime New Zealand and WorkSafe conducted a review of New Zealand's 13 major commercial ports, reviewing each port's safety culture and procedures. While the full review has not yet been publicly released, we can report that Napier Port had no immediate issues to remedy arising from the review. Nevertheless, we remain committed to continual improvement of our health and safety at Napier Port.

"Health and safety is fundamental to our culture."
Todd Dawson, CEO

HEALTH AND SAFETY AT A GLANCE

1843	Health and Safety inductions completed (2021: 3083)
857	places on health and safety courses (2021: 310)
2.87	lost time injury frequency rate per 200,000 hours worked (2021: 6.57)
11	Critical Risk bow ties developed, giving a total of 23 (2021: 12)
6	ISO45001 frameworks introduced, giving a total of 11 (2021: 5)

OUR COVID RESPONSE

The Covid pandemic's effects on the global supply chain and shipping congestion are well documented. Cargo owners throughout the country grappled with increased shipping costs and schedule uncertainties.

As a maritime border, and a trade gateway for Hawke's Bay, Napier Port kept the cargo flowing across our wharves during all of the pandemic's phases. In the early days of the pandemic, keeping our people safe from Covid entering through the maritime border was our focus; once Covid became endemic in the community we pivoted to supporting our people when they caught the virus, and keeping the port open for business.

KEY POINTS OF OUR COVID RESPONSE

Napier Port was designated an essential business during nationwide lockdowns, as cargo movements in and out of Hawke's Bay were critical for the region. We used a range of strategies to manage Covid, keeping our people safe and our region protected from Covid entering via the maritime border. Key initiatives included:

- Our border-facing employees tested multiple times a week with nasopharyngeal testing for the duration of the pandemic, and our pilot team wore full PPE during vessel calls.
- We set up a testing laboratory on port and undertook daily PCR saliva testing of all employees. The testing identified Covid infection before it became contagious.
- Employees separated into work groups (called 'bubbles') to avoid cross-contamination between teams if one person became ill.
- Mask-wearing, deep cleaning and social distancing became part of business as usual.
- We mandated full vaccination for our employees and all port users after extensive consultation and risk analysis. Vaccination requirements were subsequently removed in line with government guidance.

ON-PORT TESTING LABORATORY

We implemented on-port PCR testing in November 2021 as an additional protective measure, providing reassurance for our people and their families and keeping Napier Port open for business. PCR surveillance rapid saliva testing is more sensitive than the publicly available Rapid Antigen Testing (RAT), and identifies Covid infection before it became contagious.

The PCR surveillance rapid saliva test was developed by Yale University, and is approved as a diagnostic test by the US Food and Drug Administration (FDA). We set up our testing laboratory using testing equipment from Ubiquitome, a New Zealand company.

On-port testing meant we were able to slow the spread of infection on port, because people were able to isolate before spreading the illness to colleagues. This meant we were able to keep port services operating throughout the waves of Covid in the community.

On-port testing was an added layer of assurance to minimise the potential spread of Covid on port, and did not replace official public health testing.

"Our people have displayed vigilance with regards to Covid prevention and containment … this is a testament to our team's determination and can-do attitude that is at the heart of the Napier Port culture."

Todd Dawson, CEO

PEOPLE AND CULTURE

Our port whānau are what makes Napier Port tick. We couldn't do what we do without the customer-focused, whole-of-port approach our people bring to their work every day.

KŌRERO MAI – EMPLOYEE ENGAGEMENT SURVEY

In 2022 we again gave our employees the opportunity to let us know how they feel about working at Napier Port. CultureAmp, an independent employee-experience platform, ran an anonymous employee engagement survey designed to help us understand what we're doing well, and how we can improve.

This is the second year that we have surveyed our workforce using the CultureAmp platform, so we were able to compare 2022 results with results from last year's survey.

What came out on top? It's a boost to hear that 96 per cent of survey respondents consider 'the work we do at Napier Port is important'. This is consistent with 2021's survey results.

Survey participation increased from 71 per cent to 73 per cent of our workforce, especially pleasing as our workforce has also increased in size since the last survey. This high participation rate gives us confidence to draw conclusions from the survey data.

Our workforce overall engagement rate remained high at 74 per cent (2021, 77 per cent), a strong result given that CultureAmp reported an overall average decline in engagement of 8 percentage points for New Zealand companies as a result of a challenging year due in part to Covid pressures.

DIVERSITY AND INCLUSION

Diversity and inclusion is an important part of our Culture of Care. When our team better reflects the diversity of our community, our business thrives.

Our recruitment initiatives aimed to broaden the number and range of applicants applying for roles throughout the business. Container Operations team members took part in a recruitment campaign showcasing what they do on port, and linking the work they do to our purpose of connecting our region to the world. The campaign was effective, with applications for heavy plant operator roles increasing ten-fold.

We also took part in the Graeme Dingle Foundation careers days, where high-school students had the opportunity to learn about careers at Napier Port, and worked with local iwi and business groups to let them know about recruitment opportunities.

As part of our good employer initiatives, where practical, we offer flexible working arrangements to provide a work environment that meets the needs of individual team members. This positively contributes to employee retention, and making Napier Port a desirable place to work.

This year we also began a new programme of work with Container Operations team leaders, focusing on recruitment practices and inclusive work behaviours. Workshops were held at the local Waiohiki Marae.

Pleasingly, the number of female leaders within our Container Operations team has increased from 9 per cent to 20 per cent during the year.

EMPLOYEE EXCELLENCE AWARDS

This year we started the annual Napier Port Employee Excellence Awards, inviting employees to nominate people in our business who go above and beyond. The award categories are:

- Inspirational colleague
- Leader of the year
- Unsung hero
- Rising star
- Health, safety and wellbeing
- People's choice
- Team of the year

The judging panel was made up of people from right across the business, and the Senior Management Team were not eligible to be nominated for the awards. The winners of this year's awards will become next year's judging panel.

The awards programme was very well received, with over 100 nominations submitted from throughout the business.

LEADERSHIP DEVELOPMENT

This year we have continued to promote team members into leadership positions, as well as recruiting outside our business to bring in new skills and experience.

Five new front-line leadership roles were created this year in our Container Operations team. We also added a fifth shipside operations team, creating further leadership opportunities for operations people.

We continue to invest in upskilling our managers, and this year held refresher coaching and feedback skills workshops for leaders and emerging leaders.

360 DEGREE FEEDBACK

This year we introduced a 360 degree feedback leadership development process for our Senior Management Team and other managers. 360 degree feedback gives the recipient the opportunity to receive development feedback from their peers, managers, reporting employees and others they work with across the business. Feedback focuses on leadership skills and attributes, and identifies strengths and areas for development.

TE AO MĀORI

Te Kāhui o Te Herenga Ahuriri (the Napier Port Kāhui) is a group of people committed to promoting Te Ao Māori throughout our business. Led by Pou Tikanga Te Kaha Hawaikirangi, the Kāhui has a strong, committed membership and drives Te Ao Māori and tikanga at Napier Port.

Kāhui members were deeply involved with the launch of Te Whiti wharf, particularly in selecting the wharf's name, and participating in the dawn karakia and the official opening ceremony. Other Te Ao Māori initiaitives this year include:

- Ongoing development of the Marine Cultural Health Programe, a marine monitoring framework that balances Western science with a Māori worldview
- Commissioning and installation of tukutuku panels
- Te reo lessons offered throughout our business for interested employees
- Celebration of Te Wiki o Te Reo Māori (Māori language week), with te reo calendars, te reo labelling in break rooms, and posters of karakia in meeting rooms
- Matariki celebrations for port whānau, learning about Matariki in the Ātea A Rangi Educational Trust's stardome at the Waitangi Regional Park.

We work closely with local iwi and hapū on projects benefitting the local marine environment, and value their important perspective.

OUR WORKFORCE
As at 30 September 2022

341	permanent employees (2021: 298)
17%	of all employees are female (2021: 17%)
83%	of all employees are male (2021: 83%)
33%	of employees are aged under 40 years (2021: 34%)
44	people have worked at the port for more than 20 years (2021: 39)

TUKUTUKU PANELS A NEW TAONGA

This year we commissioned three tukutuku panels from local artist and kuia Te Muri Whaanga. Tukutuku are a customary Māori artform that form part of the traditional walls of a marae. Tukutuku exist as a contemporary artform too, and weavers often experiment with different materials and designs.

Our three tukutuku represent Tangaroa, Moremore (son of Pānia) and Te Herenga Waka o Ahuriri.
The designs of each tukutuku are rich in meaning, and tell the stories of the Ahuriri region and our connection to it.

EMPLOYEE RECOGNITION SCHEME

In 2022 our employee recognition scheme was based on six targets linking employee actions to business outcomes. The measures covered financial targets, health and safety assurance activities, completion of Te Whiti construction and operations milestones, customer survey results and sustainability actions.

Sustainability initiatives were a new addition to the employee recognition scheme this year. Each employee was tasked with taking part in an activity supporting Napier Port's sustainability strategy.

Sustainability is defined broadly, and includes the wellbeing of people and the environment, partnering with others and the community, and sustainable business growth and prosperity for our region.

Our people took up the challenge, and got involved in a wide range of activities, including tree planting, beach clean-ups, energy-saving initiatives, being a health and safety rep or fatigue mentor, kororā sanctuary volunteering, volunteering in the community, Te Ao Māori promotion including te reo lessons and Matariki celebrations, and plenty more. We are delighted that 99 per cent of our team took part in a sustainability initiative this year.

This year, employees (excluding the senior management team) will receive a payment of $1,471.20 (pro rata).

"I would like to acknowledge our whole Port team for the amazing job they do. We would not be here without the incredible collaboration between our teams – whether it's operations, finance, fleet services, infrastructure, or health and safety, every team and every person plays a part."

Todd Dawson, CEO

Recruitment campaign for Container Operations team members.

WHĀNAU DAY

The completion of Te Whiti's construction was the perfect opportunity to hold a day for our employees to bring their families on port to view the new wharf before it opened for business.

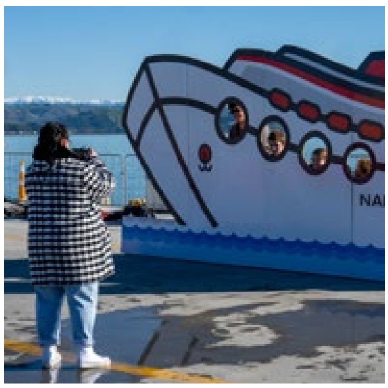
It was a spectacular day, with over 900 people making the most of the opportunity to walk on Te Whiti wharf, an operational area which is normally off limits. There was lots to see and do, and we made the most of the chance to fish from the new wharf, climb the cranes and heavy plant, tour the penguin sanctuary, ride a train along the new wharf, enjoy the tug ballets and live music, and of course refuel at the food court.

Whānau Day 2022 was a relaxed, welcoming event, and the crisp, clear Hawke's Bay winter's day was the icing on the cake.


NAPIER PORT
DO IT ONCE
DO IT SAFELY
DO IT RIGHT


TE MATA


NAPIER PORT



COMMUNITY RELATIONS

SUSTAINABILITY FOCUS

As a business that plays a key role in our region, we strive to be an effective and engaged part of our local and regional community. Part of that relationship means being a good neighbour, supporting our community and helping them to better understand Napier Port.

This links with the People – Manaakitanga pillar of our Sustainability Strategy, which is about safety, well-being/hauora and development of our people and our community.

COMMUNITY ENGAGEMENT RESEARCH

This year we sought to better understand our reputation and standing in the community we operate in. This is important because community support effectively grants us our social licence to operate, as we work to keep our region connected to the world.

We engaged market research firm Research First to survey and interview a range of stakeholders, including community members, about their perception and understanding of Napier Port and our business. Following the general research, we followed up some respondents with in-depth interviews. In total, 342 respondents were surveyed, a mix of local neighbours, residents from Napier, and residents from throughout Hawke's Bay.

The research showed 99 per cent of respondents felt that Napier Port is of key importance to the region. The port is seen as integral to the region's prosperity, bringing in freight and tourists, leading to jobs and economic benefits. We also learned that our environmental work and local and regional advocacy efforts are not as well understood by our community as we might like, with only half of the survey respondents saying that they thought we worked hard to promote environmental sustainability.

COMMUNITY CONSULTATION

IWI RELATIONSHIPS

We feel privileged to work closely with mana whenua on a range of projects, led at Napier Port by our Pou Tikanga.

This year, we have continued to work with the Mana Whenua Steering Komiti to implement a monitoring framework and plan for the Marine Cultural Health Programme. The Marine Cultural Health Programme is New Zealand's first marine monitoring programme to approach marine health through a Te Ao Māori worldview.

Ngāti Kahungunu kaumatua played a key role in the opening of Te Whiti, starting the day with a moving dawn karakia, acknowledging our connection to each other and to the world around us.

WHAKATŪ COMMUNITY CONSULTATION

Our Whakatū inland port development project has reverted back to its original timeframe of 5-10 years in the future, but we are maintaining our communication channels with local mana whenua and community group E Tu Whakatū. We hosted representatives on port during the year, sharing updates and environmental learning.

We also continued our stewardship of the land in Whakatū, with a native-tree planting day along the stream bank to improve water quality.

NOISE MITIGATION

Keeping our port's operational noise to a minimum is important to us and to our neighbours. Our Noise Liaison Committee, comprising people from Napier Port, Napier City Council and local residents, meets regularly to discuss concerns and solutions.

We try to reduce noise from our operations wherever possible, including positioning of containers to buffer sound and installing mufflers on tugs, and we encourage shipping lines to reduce noise from vessels calling at Napier Port.

Noise levels emitted from Napier Port are regularly measured by external consultants, and are below the limits imposed by the Napier City Council District Plan. Nevertheless, we have voluntarily put a multi-year programme of noise-mitigation actions in place, including installing double-glazing and landscaping solutions for the most affected residents.

COFFEE IN THE GULLY

In October we met with residents living near the port to answer questions about port operations, noise mitigation and Te Whiti construction. Port people including our chief executive and senior management team members attended the drop-in session, sharing a coffee and a chat with members of our community.

We intend to hold these sessions regularly – we value having strong communication channels with nearby residents, to hear and address their concerns.

BUSINESS ASSOCIATIONS

Taking part in local business advocacy groups keeps us connected to issues affecting the local business ecosystem.

We have Napier Port representatives involved with a large number of local, regional and national interest groups, including the Hawke's Bay Chamber of Commerce, ExportNZ Hawke's Bay, regional transport committes and MBIE's Hawke's Bay Regional Skills Leadership Group. Involvement in business associations allows us to share Napier Port's news and to advocate for business and community interests.

"We committed to delivering against not only our financial goals but the social, environmental and governance objectives we share with our community."

Alasdair MacLeod, Chair

SPONSORSHIP

This year we reviewed our sponsorship programme, with a focus on aligning it with our sustainability strategy. This approach sees us partnering with and supporting organisations that are driving sustainable initiatives and progress across our region, our communities and our people.

Our sponsorships now closely align to at least one of the four pillars of our Sustainability Strategy:

PEOPLE | MANAAKITANGA

We are focused on the safety, well-being/hauora and development of our people and our community.

PROSPERITY | ŌHANGA ORA

We are focused on sustainable business growth and supporting the prosperity of our region.

PLANET | KAITIAKITANGA

We are focused on protecting/tiaki and enhancing the environment/taiao in which we operate.

PARTNERSHIPS | RANGAŪ

We are focused on authentic partnership with our community, stakeholders and mana whenua hapū.

Our sponsorships this year included:

CAPE SANCTUARY

Cape Sanctuary is a wildlife restoration project based at Ocean Beach in Hawke's Bay, and follows a sustainable 'open' conservation model, sharing what it learns about protecting New Zealand's endangered species. Sponsoring Cape Sanctuary is a tangible way to demonstrate our commitment to sustainability, an underlying foundation of our business strategy.

Cape Sanctuary has been active for 16 years, and has established a number of at-risk species in the predator-free sanctuary, including land birds, reptiles and invertebrates. It is currently implementing a 10-year plan to establish colonies of endangered seabirds and shorebirds to the Cape Kidnapper's peninsula, with the current tasks including construction of more predator-proof fences, digging in artificial burrow sites and preparing permits ready for translocations in December 2022 and April 2023.

Napier Port employees have the opportunity to volunteer at Cape Sanctuary, and a number of our people took part in planting days as part of their sustainability action plan.

"Being a good neighbour and supporting local organisations and communities is important to us. By sharing our time and resources with others, we help grow and nurture the community we are a part of."

Napier Port Sustainability Strategy

NAPIER PORT OCEAN SWIM

This longstanding Napier community event takes place in Ahuriri's sheltered waters, and the 2022 saw another fine event despite some uncertainty due to Covid. In association with Surf Life Saving New Zealand, Sport Hawke's Bay and Triathlon Hawke's Bay, the Napier Port Ocean Swim features events for all ages and abilities, set against the backdrop of the port.

NAPIER PORT FAMILY FISHING CLASSIC

The Napier Port Family Fishing Classic is a much-anticipated event on the local fishing calendar. Held each year in early March and organised by the Hawke's Bay Sports Fishing Club, the event is well supported by the local fishing community, including many Napier Port people and their families.

NAPIER PORT MULTISPORT YOUTH SQUAD

The Napier Port Multisport Youth Squad is a new initiative from Triathlon Hawke's Bay, offering a range of regular multisport training and events for children aged 7 to 19. Designed for complete beginners through to experienced athletes, the multisport youth squad offers Hawke's Bay's young people the opportunity to be part of a multisport club, with a pathway to improve their swimming, cycling and running times with regular coaching.

ĀTEA A RANGI EDUCATIONAL TRUST – WAKA EDUCATIONAL PROGRAMMES

This long-term sponsorship supports the waka taurua sailing and navigational educational experiences offered by the Ātea a Rangi Educational Trust. We also support the Trust's care for Te Matau a Māui – a waka hourua (traditional double-hulled voyaging waka) with drydocking and maintenance activities.

NAPIER PORT HAWKE'S BAY PRIMARY SECTOR AWARDS

Hawke's Bay's primary sector is the cornerstone of our local economy. At Napier Port, we're proud to play our part in connecting these primary producers to their global customers.

The Napier Port Hawke's Bay Primary Sector Awards is an annual event that celebrates our local producers. As principal sponsor, we celebrate the outstanding commitment of our farmers and foresters, and the rural professionals who support them.

HAWKE'S BAY FUTURE FARMING CHARITABLE TRUST

The Hawke's Bay Future Farming Charitable Trust is a new sponsorship for Napier Port this year. The trust was created in 2019 to shine a light on our region's existing and emerging farming expertise, and create a local hub of knowledge for farmers now and in the future. It is an independent voice to champion sustainable agriculture in Hawke's Bay, and works to ensure the health of the region's soil and water, communities and farmers.

EXPORT NEW ZEALAND ASB HAWKE'S BAY EXPORT AWARDS

The Export Awards celebrate businesses from the Hawke's Bay, Gisborne and Tairawhiti regions that are making a name for themselves on the world stage. Napier Port sponsors the 'Unsung Hero' award, which gives exporters the opportunity to recognise a person in their business who makes a huge contribution to their company's export success.

BIG BROTHERS BIG SISTERS HAWKE'S BAY

Big Brothers Big Sisters is a community-based youth-mentoring programme, supporting youth in need of the positive adult relationships that are crucial to childhood development. Young people are matched with an adult mentor who can take a regular interest in their lives, encouraging them to achieve their potential. Napier Port is pleased to sponsor two mentor-mentee matches.

COMMUNITY PROJECTS

Community projects are smaller, short-term initiatives or grass-roots projects. Some of these projects over the past year included:

SALVATION ARMY CHRISTMAS BOXES FOR CHILDREN APPEAL

The Napier Port team filled 300 special shoeboxes with presents for local children.

CRAGGY RANGE – A CHILDREN'S CHRISTMAS

We joined with other local Hawke's Bay businesses to fill over 5000 Santa sacks of presents for underprivileged children in our community.

AHURIRI SHUTTLE RACE

We supported this inaugural local waka ama event that took place on port beach alongside Napier Port.

NAPIER PORT EMPLOYEE INITIATIVES

We support a range of community initiatives proposed by members of the Napier Port team. Contributions to sports teams and events have recently included the Westshore Napier Port surf boat team, an employee's Cook Strait ocean swimming attempt, sponsorship of an employee's speedway team and support of the live steamers club that operates the Keirunga Park Railway in Havelock North.

OUR SUSTAINABILITY EVOLVES

2022 has been another landmark year for sustainability at Napier Port. Of the 100+ sustainability actions mapped out in our 10+ year strategy in 2021, 54 are underway, and where appropriate complete, and a further 28 are in planning.

Our approach to sustainability is embedding it within the business so it is just part of 'what we do'. By focusing our efforts on those issues that we are in the best position to influence and improve, we believe we can make a measurable, meaningful and enduring contribution to sustainability.

In terms of reporting, we have made significant progress in our approach to emissions reduction planning and improving how we measure emissions. We have:

- developed an Emissions Reduction Strategy, to provide a framework for emissions reduction pathways going forward,
- widened the scope of our 'Scope 3' emissions reporting, and
- our emissions inventory was audited externally for the first time by Toitū Envirocare.

"As a company that plays an important part in regional growth and prosperity, we embrace the opportunity to take a leading role in achieving a better and more sustainable future for all."

Alasdair MacLeod, Chair

SECTION 1: DECARBONISING NAPIER PORT

Napier Port is committed to a goal of net zero emission by 2050 and our sustainability strategy includes an objective for the business to develop and adopt an emissions reduction strategy to support this goal.

As we work towards reducing emissions, it is critical the right environmental and investment decisions are made. Port operations are capital intensive with container-handling equipment, marine vessels and truck fleet all having a natural, long-term life cycle. There is still uncertainty regarding emerging technology, cost and the supply and distribution of green electricity, hydrogen and charging networks.

While there are currently a number of viable options for moving to low emission technology, these tend to be for lower-power and lower-range equipment where the technology is well advanced and requires moderate electrical infrastructure, not for Napier Port's major emission sources such as cranes, container handlers, marine fleet and generators.

With the goal of net zero emissions by 2050 front of mind, we believe right now we can make a meaningful difference to emissions by implementing the following goals:

1. Focus on the reduction of diesel consumption
   - Diesel usage is the primary source of our current emissions, with forklifts, marine fleet, generators, cranes and trucks being the top emission sources.
2. Investment in low emissions technology aligned to:
   - Our Asset Renewal Programme
   - Any future Napier Port container terminal transformation programme
   - Availability of emerging technology
3. Grow our electrical infrastructure through potential electrical capacity upgrades, and
4. Establish a decision-making framework that:
   - Requires mandatory consideration of low emissions technologies for any investment or business case
   - Explores the possibility of establishing an internal price of carbon (shadow price) to be used in investment or business development decisions, including the procurement of electricity

This strategy framework will continue to be further developed during the coming years and will involve further investigations into the viability of alternative fuel sources and the range of new low emissions technology.

SECTION 2: ADDRESSING CLIMATE CHANGE

This year, we published our second Climate Change Related Disclosure Report, providing an understanding of the potential financial implications of climate change on the business.

In 2021, we outlined our climate-related risks and opportunities over a 50-year timeframe, describing our processes for identifying, assessing and managing climate-related risks, and considering how those risks are integrated into our overall risk management. To ensure they reflect material changes, we are committed to reviewing these risks at least annually.

A number of de-carbonisation initiatives are currently underway, supporting the reduction of our carbon footprint:

3	electric vehicles and 2 hybrid vehicles introduced
2	new Eco Reachstackers have been ordered
14	LED floodlight towers now installed (up from 9 in FY21)
	At least 50% air travel reduction, offsetting emissions for domestic air travel
	Investigating electrification/alternative fuels of Napier Port's tugs, cranes and forklifts
	Investigating options for hydrogen usage and generation.

The impacts identified as most material to Napier Port in 2021 remain relevant in 2022: increase in sea level, extreme rainfall events, erosion, drought, global shipping, and government regulations to encourage a shift to a low-carbon economy (resulting in higher fuel costs), a shift to alternative fuels, and increased use of rail. Each of these are discussed in detail in our Climate Related Disclosure Report found at **napierport.co.nz/investor-centre**

For each of the risks identified, the likelihood and timeframe has remained consistent with FY21, with the exception of government regulation to encourage shift to a low carbon economy, resulting in higher fuel costs. In this case, we anticipate the likelihood being a moderate risk in the short term and almost certain in the medium to long term, and the timeframe moving from medium to short to medium term.

At this stage, we do not consider that the effects of climate change materially change our overall strategy.

PROGRESS ON CLIMATE-RELATED METRICS AND EMISSION REDUCTION TARGETS

Last year, we focused on defining our greenhouse gas (GHG) inventory scope to reflect best practice, including identifying a wider range of Scope 3 emissions.

Under the GHG Protocol, these emissions are classified under the following categories:

Scope 1 – Direct GHG emissions occurring from sources that are owned or controlled by the company.

Scope 2 – Indirect GHG emissions occurring from the generation of purchased electricity, heat and steam consumed by the company.

Scope 3 – emissions that occur as a consequence of the company's activities, but from sources not owned or controlled by the company. These have been further categorised using the Scope 3 standard categories:

- Purchased goods and services (category 1);
- Business travel (category 3);
- Employee commuting (category 3);
- Capital goods (category 4);
- Fuel and energy-related activities not included in Scope 1 or 2 (category 4);

- Waste generated in operations (category 4);
- Upstream transportation and distribution – electricity (category 4).

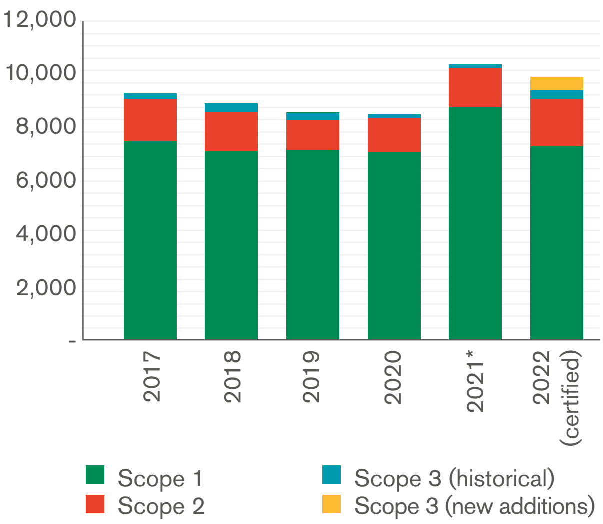
Additional Scope 3 categories are not reported where they are not relevant to our business.

This year, our emissions inventory was audited externally for the first time by Toitū Envirocare. This certification means we've measured and managed the operational emissions of our organisation in accordance with ISO 14064-1:2018 and the GHG Protocol.

This is a significant milestone in our emissions reduction journey.

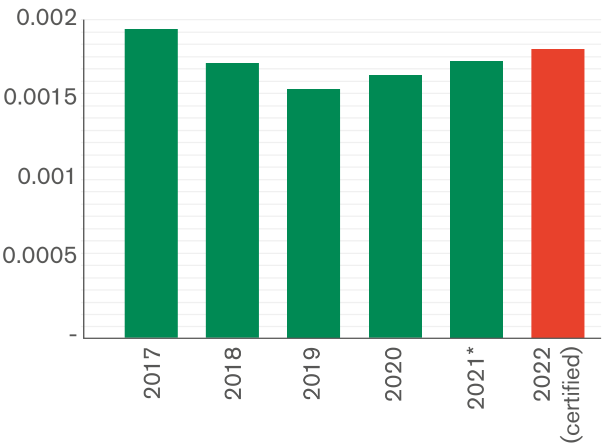
In 2022, our total carbon emissions were 9,744.4 tonnes which was down from 10,284.3 tonnes in 2021. This is shown in Figure 1 below.

FIGURE 1: TOTAL CARBON EMISSIONS ($tCO_{2}e$)



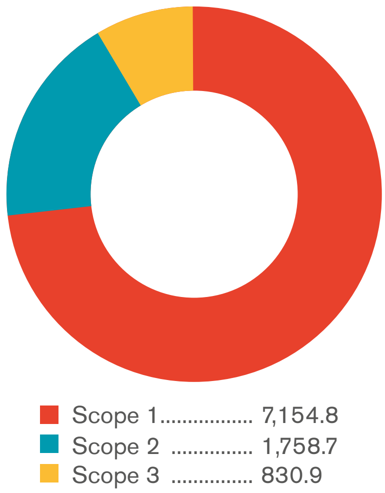
However, our carbon emissions per tonne increased from 0.00173 to 0.00181 in 2021 as shown in Figure 2. This is due to the impact of the two new Scope 3 emissions categories in 2022. On a like for like basis, with these two new Scope 3 emission sources excluded, our carbon emissions per tonne decreased by 0.7%.

FIGURE 2: CARBON EMISSIONS $tCO_{2}e$ PER TONNE



** 2021 Scope 3 emissions relating to waste – landfill with gas recovery has been increased by 63.*

FIGURE 3: TOTAL EMISSIONS BROKEN DOWN BY SCOPE ($tCO_{2}e$)

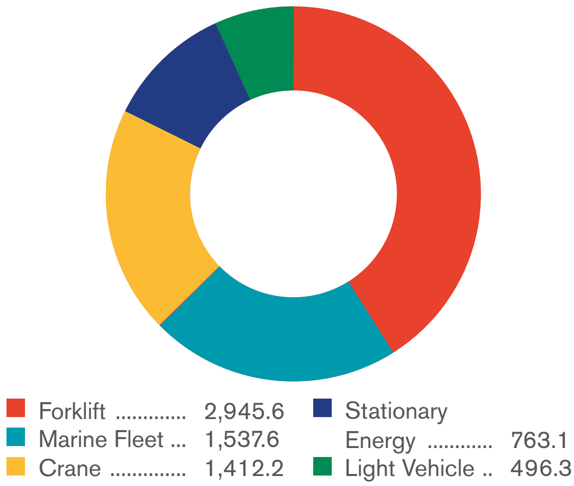


The decrease in total emissions correlates with a decrease in annual cargo volumes during 2022. This has seen a decrease in Scope 1 emissions to 7,154.8 tonnes from 8,627.3 tonnes in 2021 due to a decrease in fuel usage for cranes, tugs, the pilot boat and diesel generators.

Scope 2 and 3 emissions increased. Our purchased electricity (Scope 2) emissions increased to 1,758.7 tonnes from 1,430.0 tonnes in 2021. This was contributed to by the regulator materially increasing the electricity emission Scope 2 factor for 2022 (an 18% increase).

Scope 3 emissions were expected to increase given the scope was widened for 2022 to capture emissions relating to freight and employee commuting. As a result, Scope 3 emissions increased from 227.0 (2021 adjusted) tonnes to 830.9 tonnes when compared to the prior year.

FIGURE 4: SCOPE 1 EMISSIONS BROKEN DOWN BY TOP EMITTERS ($tCO_{2}e$)



73 per cent of Napier Port's total 2022 emissions related to Scope 1 emissions. This is due to our large fleet of diesel-powered mobile plant and marine assets.

SCOPE 2 EMISSIONS (PURCHASED ELECTRICITY)

18% of Napier Port's total FY22 emissions related to Scope 2 emissions. The top emitters within this category are powering refrigerated ('reefer') containers, operational wharf and street lighting towers, and tug shore power and related infrastructure.

SCOPE 3 EMISSIONS

9 per cent of Napier Port's total FY22 emissions related to Scope 3 emissions.

Breaking down the Scope 3 emissions data further, 59 per cent of total Scope 3 emissions are attributable to the two new scope categories Freight (33 per cent) and Employee commuting (26 per cent).

FIGURE 5: SCOPE 3 EMISSIONS BROKEN DOWN BY TOP EMITTERS ($TCO_{2}e$)

- Waste – landfill with gas recovery 122.7
- TEU Rail Freight – diesel tkm* (new) 277.6
- Electricity T&D* losses kWh 162.4
- Employee commuting (new) 216.7
- Other, including air travel/water supply m^3 ...... 51.5

** tkm = tonnes per kilometre*
** T&D = transmission and distribution*

SECTION 3: PROGRESS ON 2021–2023 PRIORITY SUSTAINABILITY ACTIONS

In 2021 we launched our Sustainability Strategy and Action Plan structured around the four pillars of people, planet, prosperity and partnerships. Workstreams have been created within each of these themes, with more than 100 actions spanning a 10+ year horizon. Eighteen of these were given top priority status to progress during 2021–23.

While there are 18 top priorities in this first tranche, progress on many of the Medium (3–10 years) and Long Term (10+ years) workstreams have occurred in parallel, given the interconnected nature of the initiatives.

In this report, we will focus on progress made on the 18 priority workstreams this year, noting that from 2023, the medium and long-term work streams move forward in their timeframes. Those workstreams can be found in our Sustainability Strategy and Action Plan on our website at: **napierport.co.nz/wp-content/uploads/2021/08/Napier-Port-Sustainability-Strategy-and-Action-Plan.pdf**

WORKSTREAM UPDATES

To measure progress in each of our initiatives we have implemented a scorecard.

C = completed
✓ = started and/or ongoing
✓ = in planning
○ = not yet started / on hold

Progress for each initiative is influenced by a range of factors including prioritisation, scope of initiative and resource required to undertake, and time frames for implementation.

PROGRESS ON 2021–2023 PRIORITY SUSTAINABILITY ACTIONS

	UNSDG	2021	2022	PAGE REFERENCE IN THIS ANNUAL REPORT; NOTES
PEOPLE: PRIORITY ACTIONS 2021–23				
SAFE, SECURE & WELL Support vitality, health, safety and security of our people and our community				
Develop a proactive Safety Culture Roadmap to facilitate continuous improvement in health and safety practices and behaviours.	3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 8 DECENT WORK AND ECONOMIC GROWTH	✓	✓	We have completed our three-year health and safety foundational roadmap, and commenced a second three-year health and safety maturity roadmap. Page 32.
Continue to implement a safety management system framework and aspire to external certification such as ISO 45001.		✓	✓	We have completed implementaion of our safety management system and have achieved ISO 45001 certification. Page 32.
Implement an annual Safety and Wellbeing calendar to support planned, ongoing and repetitive focus on safety and well-being focus areas.		✓	✓	We have implemented an annual Safety and Wellbeing calendar. Page 33.
EQUITY, DIVERSITY & INCLUSION Attract and maintain a diverse workforce in an engaged and inclusive working environment				
Develop an Equality, Diversity & Inclusion (EDI) Roadmap – to build a workplace that embraces diversity, values empathetic leadership, employs modern work practices, and facilitates cross-divisional learning.	4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	✓	✓	Our EDI roadmap has been approved and implementation is underway. Page 33.
Foster flexible and alternative working arrangements to provide a work environment that enhances participation, performance and EDI.		✓	✓	We offer flexible working arrangements where possible to accommodate employee needs. Page 37.
PLANET: PRIORITY ACTIONS 2021–23				
HEALTHY REEFS & OCEANS Understand and promote our local reefs and clean oceans				
Establish an enduring Healthy Reefs & Oceans Cultural Monitoring Programme –in partnership with research institutions and Māori to enhance and protect biodiversity, health and mauri (life force) of Pania Reef and the ocean.	4 QUALITY EDUCATION, 6 CLEAN WATER AND SANITATION, 11 SUSTAINABLE CITIES AND COMMUNITIES, 14 LIFE BELOW WATER, 17 PARTNERSHIPS FOR THE GOALS	✓	✓	The Marine Cultural Health Programme is established **marineculturalhealth.co.nz/wp-content/uploads/2021/04/MCHP-Launch-Report-Final.pdf** and **marineculturalhealth.co.nz** and this year won the New Zealand Planning Institute Rodney Davies Project Award 2022 that recognises innovation and creative excellence in the undertaking and completion of a physical work or development.
CLIMATE ACTION & ENERGY Take action to reduce our carbon footprint and support our national zero emission future by 2050				
Develop a 'Whole of Port' Climate Change Risk Assessment – looking at among others infrastructure resilience, trade forecasting, land levels, weather conditions, emergency preparedness and habitat modification.	4 QUALITY EDUCATION, 14 LIFE BELOW WATER, 15 LIFE ON LAND, 17 PARTNERSHIPS FOR THE GOALS	✓	C	Completed and forms the basis of our Climate Change Related Disclosure Report **napierport.co.nz/investor-centre**

	UNSDG	2021	2022	PAGE REFERENCE IN THIS ANNUAL REPORT; NOTES
Develop and adopt a Climate Change Strategy – to support Napier Port's goal of zero net emissions by 2050. Review areas such as transport, energy, land use, buildings, infrastructure and education. Devise action plans to support.		✓	C	An initial emissions reduction strategy has been developed. This is intended to provide the necessary framework for those charged with governance to collectively agree the most effective emissions reduction pathway for Napier Port.
Establish Emissions Inventory and Tracking – ongoing monitoring and reporting for emissions, identifying reduction targets and actions. Reporting emissions and contributing to the Climate Leaders Coalition.		✓	C	We defined our GHG inventory to reflect best practice including measuring a wider range of Scope 3 emissions. This expanded definition of our GHG inventory is being used to determine and report Napier Port's emissions from 2022, which will then be used as the base year for future comparative measurement. Emissions this year were externally audited by Toitū Envirocare.
Reporting emissions and contributing to the Climate Leaders Coalition		✓	O	Following our decision to not yet set an interim emission reduction target, we have placed our application to CLC on hold.

PROSPERITY: PRIORITY ACTIONS 2021–23

ETHICAL & EVOLVING SUPPLY CHAINS

Support responsible practices in the local and global supply chains, including transport networks and corridor protection

	UNSDG	2021	2022	PAGE REFERENCE IN THIS ANNUAL REPORT; NOTES
Articulate an Ethical Supply Chain Sustainability Vision – defining our position regarding ethical supply chain practices and developing a set of performance criteria.	9, 11, 17	✓	✓	Board Sustainability Committee undertook a deep dive session on this and will assess a specific ethical supply chain area annually.
Undertake a Sustainable and Ethical Supply Chain Assessment – of our current business. Identify areas of concern and subsequent action plans.		✓	✓	Ceased methyl bromide fumigation of logs on port from 1 January 2022, alongside implementation of our mobile log debarker.

STRATEGIC PLANNING & INVESTMENT

Optimise use of land, terminal, footprint, infrastructure assets and support sustainability criteria-based assessment for projects

	UNSDG	2021	2022	PAGE REFERENCE IN THIS ANNUAL REPORT; NOTES
Create a Terminal Efficiency Roadmap to optimise yard storage capacity and interface with inbound and outbound cargo.	9, 11, 13, 15	✓	✓	Work on terminal efficiency options progressed alongside the construction of 6W and is continuing into 2023; reconfiguration of the log yard and traffic management improvements have been undertaken.
Progress an Inland Freight Hub Plan – to reduce port congestion, and there by improving the customer experience.		✓	✓	The Whakatū Inland Port project reverted to the original 5+ year timeframe from prioritised 1-2 years, and remains open to bring forward if a business case requires.

	UNSDG	2021	2022	PAGE REFERENCE IN THIS ANNUAL REPORT; NOTES
PARTNERSHIPS: PRIORITY ACTIONS 2021–23				
GOOD NEIGHBOUR Improve the living environment for communities in and around the port managing nuisance, traffic and communication				
Establish a 'Good Neighbourhood Programme' – to regularly engage with local communities with a focus on improving local safety, amenities and communication (including community feedback).	4 QUALITY EDUCATION; 17 PARTNERSHIPS FOR THE GOALS	✓	✓	A regular programme is underway and ongoing including liaison committees, drop in sessions, participation in council, business and community organisations; improved channels for feedback including website, email, phone and home visits. Page 43.
Establish a rolling programme of actions to support the Good Neighbourhood Programme – based on community feedback on such matters as road and pedestrian safety, noise, light and dust.		✓	✓	Undertook a community engagement survey, including neighbours and wider stakeholders, to establish a baseline from which to develop a wider neighbourhood programme. Page 42.
CULTURAL CONNECTIONS Work collaboratively with Iwi Maori partners to engage, integrate cultural values and initiatives				
Develop a Long-Term Cultural Strategy – to strengthen our knowledge and understanding of te reo and Te Ao Māori, through cultural engagement initiatives, education and integration of cultural values across social, environmental and business aspects.	4 QUALITY EDUCATION; 17 PARTNERSHIPS FOR THE GOALS	✓	✓	Our Te Ao Māori strategy has been approved and is being implemented throughout the business. Page 38.
Establish a Marine Cultural Health Programme – to deliver learning to community and others businesses on cultural marine health indicators (based on mana whenua marine knowledge) to enhance monitoring in the marine environment.		✓	✓	Refer to the Healthy Reefs & Oceans action above. This workstream ensures the work on local reefs and clean oceans reflects mana whenua marine knowledge and we share what we learn. This year an agreement has been signed with Ngāti Kahungunu to undertake the monitoring of the Marine Cultural Health Programme.

BOARD OF DIRECTORS

ALASDAIR MACLEOD

Independent Director | HND (Civil), MBA, CMInstD
Chair

Alasdair joined the Napier Port Board in 2014 and was appointed Chair in December 2014. Originally a civil engineer, Alasdair has a broad range of experience across the energy, infrastructure, technology and primary sectors. As a partner at Deloitte for 12 years, Alasdair led the teams that developed New Zealand's Aquaculture Strategy, Horticulture Strategy and Red Meat Sector Strategy.

Alasdair is Chair of technology business Silverstripe, and independent Chair of Trade Window Holdings. He is an independent member of the Board Appointments Committee for IHC New Zealand, and a trustee of Big Brothers Big Sisters Hawke's Bay. Alasdair is the past Chair of the Hawke's Bay chapter of ExportNZ (a division of BusinessNZ), and was involved in authoring the Hawke's Bay Regional Economic Strategy – Matariki.

BLAIR O'KEEFFE

Independent Director | BBS (Hons), MInstD
Board Chair designate and Chair of the Sustainability Committee

Blair was appointed as a director of Napier Port in June 2019. Blair is a Hawke's Bay based company director and board advisor, with governance experience in NZX-listed companies, central and local government, and private entities. He is a former Port Chief Executive, with more than 25 years of local and international senior executive experience, including infrastructure, energy, property and transport.

He is currently a director of Unison Networks and Central Air Ambulance Rescue, and is Chair of the Hawke's Bay Rescue Helicopter Trust. He also operates a board/commercial advisory business. He is a former director of NZX-listed Z Energy, and former Chair of Crown Entity Maritime New Zealand.

STEPHEN MOIR

Independent Director
Chair of the Audit and Risk Management Committee

Stephen was appointed as a director of Napier Port in December 2016. Stephen brings an extensive background in institutional banking and financial markets, having held senior roles at Westpac Institutional Bank, Credit Suisse (Singapore) and Citibank (Singapore, Thailand and Australia).

Stephen is a director of Cigna Life Insurance New Zealand and is the Chair of the Audit Committee, a director of the Todd Family Office, and an advisor to the ASB Bank Investment Committee. He was previously a director of the Guardians of New Zealand superannuation, a non-executive director on the BNZ Board, and Chair of both BNZ Life Insurance and BNZ Insurance Services, as well as the advisory board to the Victoria University Chair of Business in Asia. Stephen was previously a member of the NZ Markets Disciplinary Tribunal.

DIANA PUKETAPU

Independent Director | FCA, CMInstD
Chair of the Remuneration and Nomination Committee

Diana joined the Napier Port Board in December 2017, and has a background in commercial, iwi and sports governance. Diana is a director of Ngāti Porou Holding Company, Tāmaki Redevelopment Company, Manawanui Support, New Zealand Olympic Committee, New Zealand Cricket, DNA Designed Communications, and Trade Window Holdings. She has previously served as a director of Auckland Council Investments, World Masters Games 2017, and was formerly the Chief Financial Officer of Ngāti Whātua Ōrākei Corporate.

Diana is a Fellow Chartered Accountant and a Chartered Member of the Institute of Directors.

JOHN HARVEY

Independent Director | BCom, FCA, CFInstD

John joined the Napier Port Board in February 2019. John has a background in financial services, including NZX listings, acquisitions, mergers and financial reporting, with over 35 years' professional experience as a Chartered Accountant. He was a Partner at PricewaterhouseCoopers for 23 years, including eight years as Managing Partner at the Auckland office.

John is a Chartered Fellow of the Institute of Directors in New Zealand and is currently a director of Heartland Bank and Kathmandu Holdings. He previously served on the Board of Port Otago for nine years, and has been a director of Investore Property, Stride Property Group, Ballance Agri-Nutrients and APN News and Media.

VINCENT TREMAINE AM

Independent Director | BBus, FCPA, FAICD, GAIST (Adv.)
Chair of the Health and Safety Committee

Vincent joined the Napier Port Board in February 2019. He has broad experience in the port sector, having served for 16 years as CEO of Flinders Ports Holdings, which owns seven South Australian ports, the Adelaide Container Terminal and Flinders Logistics.

Vincent is currently Chair of Riverland Water Holdings, Chair of SouthernLaunch.Space, and a director of GeelongPort and Green Industries SA. He has served as Chair of Ports Australia and the South Australian Chamber of Commerce and Industry, and as a director of Australia's National Heavy Vehicle Regulator. Vincent also worked for Toll Ports and Resources, managing the ports of Geelong and Hastings in Victoria. In 2020, Vincent was awarded Membership of the Order of Australia (AM) for 'significant service to shipping infrastructure and freight transport'.

HON RICK BARKER

Director | MPP

Rick joined the Napier Port Board in June 2019. Rick serves as the Chair of the Hawke's Bay Regional Council, and is a director of the Hawke's Bay Regional Investment Company. He was elected as a Councillor for Hastings in 2013, and was previously a Member of Parliament for 18 years, serving six years as a Cabinet Minister, a term as Senior Government Whip, and also elected as Assistant Speaker of the House during his tenure.

Rick provides independent consulting services on a range of issues. Rick completed a Master's Degree in Public Policy in 2012.

DAN DRUZIANIC

Director | BCom (Ag), PG Dip Com, FCA

Dan was appointed as a director of Napier Port in August 2022. Dan is a chartered accountant, business advisor and professional director with broad experience across business sectors including agribusiness, health, infrastructure, property and investment. He is Chair of the Hawke's Bay Regional Investment Company, and sits on the Boards of Unison Networks and Bostock New Zealand and is a Trustee of the Hawke's Bay Community Fitness Centre Trust.

Dan is a Fellow of the Institutes of Chartered Accountants of Australia and New Zealand, and a member of the New Zealand Institute of Directors.

KYLIE CLEGG

Independent Director | LLB, BCom, MInstD

Kylie was appointed as a director of Napier Port in August 2022 and has a corporate legal background across a range of industries. Kylie is currently a director on Auckland Transport and a member of the Waitematā Health New Zealand Capital Advisory Group. Her previous governance roles include Waitematā District Health Board, Counties Manukau District Health Board, Sport New Zealand and High Performance Sport New Zealand.

SENIOR MANAGEMENT

TODD DAWSON

Chief Executive | BSc, PGDipBus, MInstD, PMP, CMILT

Todd joined Napier Port as the Chief Executive in January 2018, bringing broad commercial experience from across a range of industries and deep expertise across the supply chain, transport and logistics sectors. Prior to Napier Port, Todd led strategic partnerships and new ventures at Kotahi Logistics, working on the introduction of bigger ships to New Zealand and the establishment of intermodal freight hubs.

He has over 25 years' experience and has previously held senior roles at IBM NZ, Toll New Zealand, Sainsbury's Supermarkets (UK) and Mainfreight.

Todd holds a Bachelor of Science and a Postgraduate Diploma of Business in Operations Management from the University of Auckland. He is a member of the Institute of Directors in New Zealand and is Chair of the Manawatu Inland Port, Napier Port's intermodal joint venture with Halls Transport and Ports of Auckland.

KRISTEN LIE

Chief Financial Officer | BBS, CA, CFA, CMInstD

Kristen joined Napier Port as Chief Financial Officer in September 2015. Kristen has more than 25 years' financial experience and strong commercial and strategic planning skills. Kristen returned to Hawke's Bay after some 18 years working across London, Moscow and Oslo. His previous roles have been with the London-based office of listed shopping centre group Westfield, London-based property investment company Grosvenor, as well as Ernst & Young and PricewaterhouseCoopers.

Kristen holds a Bachelor of Business Studies from Massey University and is a Chartered Accountant, a Chartered Financial Analyst, and a Chartered Member of the Institute of Directors in New Zealand.

DAVID KRIEL

General Manager – Commercial | M.Prof.Studs. Transport Management (Dist), FCILT

David joined Napier Port as General Manager – Commercial in 2018. David has an extensive background in transport and logistics and worked with Lodestar and Oji Fibre Solutions from 2005 to 2018.

David is a Fellow of the Chartered Institute of Logistics and Transport. He is a member of the Eastern Asian Society for Transport Studies and the Humanitarian Logistics Association. David sits on the board of the New Zealand Cruise Association as well as the advisory board of ExportNZ Hawke's Bay.

MICHEL DE VOS

General Manager – Assets and Infrastructure | BEng (Nav Arc), GDip (Maritime and Logistics Management)

Michel joined Napier Port in April 2014, and is responsible for the procurement, maintenance, planning and construction of port infrastructure and assets, as well as overseeing our environmental and sustainability management programmes. He was Project Director for the construction of Te Whiti /6 Wharf.

Michel has a background in the maritime industry, having held roles with Queensland's Gladstone Ports Corporation and Fremantle Ports in Perth, as well as working with multinational dredging and maritime construction firms on projects throughout Asia. He represents New Zealand members on the board of PIANC, the World Association for Waterborne Transport Infrastructure.

VIV BULL

General Manager – People and Culture | MSc (Hons)

Viv joined Napier Port in 2011 and leads our human resources, health and safety, and culture functions. Her career has included senior management and consultancy roles with the Department of Corrections, KPMG and the State Services Commission.

Viv is an independent member of the audit and risk committee of the Heretaunga Tamatea Settlement Trust. She holds a Master of Science in Organisational Psychology (Hons) from the University of Canterbury.

ANDREA MANLEY

General Manager – Strategy and Supply Chain | BSc/BCom, MZIMR I & II, DipBA

Andrea joined Napier Port in 2019. She is responsible for leading strategic planning and performance, identifying growth opportunities, implementing new strategic initiatives, developing digital solutions and leading Napier Port's supply-chain services. Andrea has previously worked with Kotahi Logistics, Goodman Fielder, Alcatel-Lucent, Brightstar, Vodafone and IBM.

Andrea holds a Bachelor of Science in Statistics, Management Science and Operations Research from the University of Auckland and a Diploma in Business Administration from Henley Management College. She is a Non-Executive Director of Pacificomm, a board member for Hawke's Bay Chamber of Commerce, a member of the University of Auckland Strategic Supply Chain Programme Advisory Group and a founding member of the Auckland Women in Supply Chain Network.

ADAM HARVEY

General Manager – Marine and Cargo Operations | BA, BCom

Adam joined Napier Port in 2010 and is responsible for general cargo, access and shipping operations. He has a background in human resources and prior to his current position, was Napier Port's Container Terminal Manager.

Adam holds a Bachelor of Commerce in Management and Economics and a Bachelor of Arts in Geography and Psychology, both from the University of Otago. He is the immediate past Chairperson of the Port Industry Association.

JO-ANN YOUNG

Corporate Affairs Manager | BA (Hons), MA

Jo-Ann leads the corporate affairs function at Napier Port covering communications, stakeholder and investor relations, and community engagement. She joined Napier Port in 2020 as Communications Manager and assumed the newly created Corporate Affairs Manager role in June 2022. Jo-Ann brings experience in communications, marketing, media, and public affairs across infrastructure, politics, health, education and FMCG sectors, spanning New Zealand, Australia, Turkey, South Korea and the United Kingdom.

Jo-Ann holds a Master of Arts in Political Communication from Victoria University.

FINANCIAL STATEMENTS

NAPIER PORT HOLDINGS LIMITED

CORPORATE GOVERNANCE STATEMENT

The Board of Napier Port Holdings Limited (the Company) and its subsidiaries (collectively the Group) are responsible for the corporate governance of the Group. Corporate governance describes how a company looks after the interests of its shareholders and other stakeholders.

The Board is committed to maintaining best practice governance policies and behaviours. This Corporate Governance Statement sets out the corporate governance policies, practices and processes of the Group as at 15 November 2022 and has been approved by the Board.

The Group's policies, practices and processes are reviewed against the best practice principles included in the NZX Corporate Governance Code (NZX Code). The Board's view is that the Group's corporate governance policies, practices and processes generally follow the recommendations of the NZX Code. This Corporate Governance Statement includes disclosure of the extent to which the Group has followed each of the recommendations in the NZX Code.

Further information about the Group's corporate governance framework is available on the Group's Investor Centre (**www.napierport.co.nz**).

PRINCIPLE 1 – CODE OF ETHICAL BEHAVIOUR

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

CODE OF ETHICS

Recommendation 1.1: *The Board should document minimum standards of ethical behaviour to which the issuer's directors and employees are expected to adhere (a code of ethics).*

The Board and management are committed to ensuring the Group adheres to best practice governance principles and maintains the highest ethical standards. The Group's code of ethics sets out the manner in which directors and employees should conduct themselves. The code of ethics incorporates the requirements set out in recommendation 1.1 of the Code and forms part of the induction process for all new employees.

The Board recognises good governance is not merely a matter of achieving legislative compliance but ensuring that exemplary standards and behaviour are maintained. This involves the establishment and maintenance of a culture at a Board and senior management level and throughout the Group to ensure that directors and employees deal fairly with others, with transparency, and protect the interests of shareholders and look after the rights of stakeholders.

SECURITIES (SHARES AND BONDS TRADING) POLICY

Recommendation 1.2: *An issuer should have a financial product(s) dealing policy which applies to employees and directors.*

The Group has adopted a Securities (Shares and Bonds Trading) Policy which sets out the responsibilities of all directors, officers, employees, personal services contractors, and secondees of Napier Port Holdings Limited and its subsidiaries for trading in the Company's securities within a listed company environment. The Securities (Shares and Bonds Trading) Policy is available on the Group's website. This policy is separate from, and in addition to, the legal prohibitions on insider trading in New Zealand, and does not replace legal obligations.

Insider trading is prohibited at all times. Directors and employees who possess material information must not trade in securities, advise or encourage another person to trade or hold the Company's securities, advise or encourage a person to advise or encourage another person to trade or hold the Company's securities, or directly or indirectly disclose or pass on the material information to anyone else, knowing that the other person will or is likely to use that information to trade in the Company's securities.

Restricted persons including the Directors, Chief Executive Officer, Senior Management Team, Trusts and Companies controlled by these persons, and anyone else notified by the Chief Financial Officer, have additional trading restrictions. Restricted persons are prohibited from trading in securities during specific "black-out" periods, from 30 days prior to the Group's interim and year-end balance dates to the first trading day after the release of the respective periods results to the NZX, 30 days prior to the release of a product disclosure statement for a general public offer, or such other period as determined by the Board.

During any other period restricted persons who do not possess material information may trade the Company's securities subject to notification and consent requirements. Restricted persons may not trade until this written consent has been received.

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

"To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives."

BOARD CHARTER

Recommendation 2.1: *The Board of an issuer should operate under a written charter which sets out the roles and responsibilities of the Board. The Board charter should clearly distinguish and disclose the respective roles and responsibilities of the Board and Management.*

The Board has adopted a formal Board Charter which sets out the respective roles, responsibilities, composition and structure of the Board, and this is available on the Group's website.

The Board is ultimately responsible for setting the strategic direction of the Group, oversight of the management of the Group and direction of its business strategy, with the ultimate aim being to operate the Group as a successful business, while respecting the rights of other stakeholders. This includes establishing the strategies and financial objectives with the Senior Management Team, monitoring the performance of the Senior Management Team, monitoring compliance and risk management, and ensuring the Group has the appropriate controls and policies in place.

The Board delegates the day-to-day affairs and management responsibilities of the Group to the Chief Executive Officer and Senior Management Team to deliver the strategic direction and goals determined by the Board.

NOMINATION AND APPOINTMENT OF DIRECTORS

Recommendation 2.2 and 2.3: *Every issuer should have a procedure for the nomination and appointment of Directors to the Board. An issuer should enter into written agreements with each newly appointed Director establishing the terms of their appointment.*

The Board have delegated to the Remuneration and Nomination Committee the responsibility to make recommendations to the Board in respect of Board and committee composition and, when required, identify individuals believed to be qualified to become Board members. Procedures for the appointment and removal of directors are set out in the Remuneration and Nomination Committee Charter. To be eligible for selection the candidates must demonstrate appropriate qualities and experience, and the Committee must be satisfied that a candidate will commit the time needed to be fully effective in their role. The Committee will ensure proper checks as to the proposed Director's character, experience, education, criminal record and bankruptcy history are conducted and key information about the proposed Director is provided to shareholders to assist their decision as to whether or not to elect or re-elect the Director.

The whole Board will have the opportunity to consider candidates for appointment to the Board. Directors may be appointed by the Board or director nominations may be made by shareholders for election at the Annual Meeting of Shareholders. Directors appointed by the Board must stand for re-election at the next Annual Meeting of Shareholders. The NZX Listing Rules and the Group's constitution requires that all directors stand for re-election at the Annual Meeting of Shareholders within three years of last being elected. The Group enters into a written agreement with each newly appointed director establishing the terms of their appointment. With the pending retirement of two existing directors in December 2022, the Board appointed two new directors in August 2022.

DIRECTORS

Recommendation 2.4: *Every issuer should disclose information about each Director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests and Director attendance at Board meetings.*

The Board currently comprises nine directors; an independent Chair, six independent directors, and two non-executive directors. A profile of experience for each director, including length of service, is available on the Group's website and included in the Annual Report. Director's ownership interests are included in the Other Disclosures section of the Annual Report on page 72.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

For the year ended 30 September 2022.

	Board	Audit and Risk Management Committee	Remuneration and Nomination Committee	Health and Safety Committee	Sustainability Committee
Number of meetings held	10	12	3	3	3
Alasdair MacLeod	10	12[1]	2	3	2[1]
Diana Puketapu	9	10	3	3	3
Stephen Moir	10	11	3[1]	3	3[1]
Vincent Tremaine	10	12	2[1]	3	1[1]
John Harvey	10	12	3	3	3[1]
Blair O'Keeffe	9	10[1]	2	3	3
Hon Rick Barker	9	11[1]	1[1]	3	3
Dan Druzianic	2[2]	1[1]	2[1]	0[1]	1[1]
Kylie Clegg	2[2]	1[1]	1[1]	0[1]	0[1]

1. Non-committee members also in attendance.

2. Appointed as a director of the Board from August 2022.

DIVERSITY AND INCLUSION

Recommendation 2.5: *An issuer should have a written diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.*

The Group has a diversity and inclusion policy which defines the approach of the Group towards diversity and inclusion. It also identifies the responsibilities of the Board, the Senior Management Team and all of the Group's employees. The diversity and inclusion policy is available on the Group's website and is reviewed annually by the Board. The Group recognises the value of a diverse and skilled workforce and is committed to embedding diversity and inclusion into employment practices and all aspects of the Group's operations. The Group will foster a culture of inclusion – where all are welcome and can bring their whole self to work and a variety of different viewpoints and backgrounds are supported. The Board, Senior Management Team, Managers and Supervisors, and Human Resources will collectively and individually support these aspirations.

Progressive and continuous improvement is being made in line with our Future Work Programme addressing equality, diversity and inclusion improvements. Our annual report includes commentary on a number of initiatives progressed during the year. Diversity metrics encompassing the Board, Senior Management Team and the Group's employees are reviewed at a minimum annually.

The following is a breakdown of the gender composition of the Group at the balance date:

	2022*				2021*			
	Female		Male		Female		Male	
	No.	%	No.	%	No.	%	No.	%
Directors	2	22	7	78	1	14	6	86
Senior Management Team	3	37	5	63	2	25	6	75
Permanent employees	55	17	278	83	49	17	241	83
Total	**60**	**17**	**290**	**83**	**52**	**17**	**253**	**83**
Permanent employees in leadership roles (non SMT)	10	17	48	83	5	10	44	90

* *as at 30 September*

DIRECTOR TRAINING

Recommendation 2.6: *Directors should undertake appropriate training to remain current on how to best perform their duties as Directors of the issuer.*

The Board seeks to ensure that any new Directors are appropriately introduced to the Senior Management Team and the Group's business, that all Directors are acquainted with relevant industry knowledge, and receive appropriate company documents to enable them to perform their role as a Director.

Directors will receive induction training upon appointment, and are expected to maintain appropriate levels of financial, legal and industry understanding throughout their appointment.

BOARD EVALUATION

Recommendation 2.7: *The Board should have a procedure to regularly assess Director, Board and Committee performance.*

The Board undertakes a biennial performance evaluation of itself that discusses and assesses the performance of each Director and the Chair, compares the performance of the Board as a whole with the requirements of the Board Charter, reviews the performance of the Board's Committees, and effects any improvements to the respective Charters deemed necessary or appropriate. The performance evaluation is conducted in the manner the Board deems appropriate.

Recommendation 2.8 and 2.9: *A majority of the Board should be independent directors. An issuer should have an independent Chair of the Board. If the Chair is not independent, the Chair and CEO should be different people.*

The Board currently comprises nine directors, seven of whom have been determined to be "Independent Directors" by the Board under the NZX Listing Rules. The Chair of the Board is an Independent Director and is not the Chair of the Audit and Risk Management Committee.

PRINCIPLE 3 – BOARD COMMITTEES

"The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility."

AUDIT AND RISK MANAGEMENT COMMITTEE

Recommendation 3.1: *An issuer's audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should be an independent director and not be the chair of the Board.*

The Audit and Risk Management Committee operates under a written charter, which is available on the Group's website. The Committee is required to have a majority of independent non-executive directors, at least two must have an accounting or financial background, and the Committee is required to meet at least two times per year. The Chair of the Committee is an Independent Director who is not the Chair of the Board. The Audit and Risk Management Committee currently comprises Stephen Moir (Chair), Diana Puketapu, Vincent Tremaine and John Harvey. All directors may attend the Committee meetings at their discretion.

The Audit and Risk Management Committee's purpose is to assist the Board in fulfilling its responsibilities to discharge its financial reporting and regulatory responsibilities, ensure the ability and independence of the external auditor to carry out its statutory audit role, ensure an effective internal audit and internal control system is maintained, and ensure an appropriate framework is maintained for the management of strategic and operational risk.

Recommendation 3.2: *Employees should only attend audit committee meetings at the invitation of the audit committee.*

The Chief Executive Officer, Chief Financial Officer and any other employees the Audit and Risk Management Committee considers necessary to provide appropriate information and explanations may attend the Committee on invitation. The Group's external auditor also attends selected meetings at the Committee's invitation.

REMUNERATION AND NOMINATION COMMITTEE

Recommendation 3.3 and 3.4: *An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee. An issuer should establish a nomination committee to recommend director appointments to the Board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors.*

The Remuneration and Nomination Committee operates under a written charter, which is available on the Group's website. The Committee consists of at least three members of the Board, the majority of the Committee which are required to be Independent Directors. The Committee is required to meet at least two times per year. The Chair of the Committee is an Independent Director. The Remuneration and Nomination Committee currently comprises Diana Puketapu (Chair), Alasdair MacLeod, Blair O'Keeffe and John Harvey. All directors of the Board may attend the Committee meetings at their discretion. The Chief Executive will act as secretary to the Committee and other members of management may attend the Committee meetings on invitation.

The primary responsibilities of the Committee include, nominating and appointing directors to the Board, remuneration of directors, remuneration and evaluation of the Chief Executive Officer, review of the Chief Executive Officer's remuneration recommendations for the Senior Management Team, review of the overall Group's salary and incentive policies, and succession planning.

Recommendation 3.5: *An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.*

HEALTH AND SAFETY COMMITTEE

The Group's ultimate aim is to ensure that everyone working at Napier Port returns safely to their families every day. This is why health and safety is the top priority of the Napier Port Board of Directors and health and safety performance is actively reviewed at every board meeting. The Group also has a Health and Safety Committee whose purpose is to assist the Board in fulfilling its responsibilities in respect of the health, safety and wellness requirements within the Health and Safety at Work Act 2015 and regulatory framework. The Health and Safety Committee operates under a written charter, which is available on the Group's website. The Health and Safety Committee operates in the context of the vision that every person goes home safely every day, a culture of care, and strategic objectives relating to people, place and planet.

The Committee consists of all members of the Board, and is required to meet at least three times per year. The Chair of the Committee is Vincent Tremaine. The Committee may on invitation have in attendance members of management including the General Manager People and Culture, and other persons including senior health and safety staff, that it considers necessary to provide necessary information and explanations. The Chief Executive Officer and the General Manager People and Culture are responsible for drawing to the Committee's immediate attention any material matter that relates to notifiable events and significant near misses or incidents.

SUSTAINABILITY COMMITTEE

The purpose of the Sustainability Committee is to identify and consider relevant environmental, social and governance (ESG) matters to provide strategic guidance and feedback to the Board and management on the Group's ESG related strategies, policies, frameworks, initiatives, performance and reporting. The objectives of the Committee include:

- Oversee the development of Napier Port's ESG strategy and ESG workplan and monitor progress;
- Make recommendations and report to the Board on material ESG matters requiring governance decisions;
- Act as a formal forum for free and open communication between the Board and management with respect to ESG matters;
- Facilitate a common and aligned Board understanding of what is within the scope of ESG matters;
- Ensure an appropriate framework is maintained for the management of ESG related risks; and
- Oversee and review ESG reporting processes, including relevant internal controls and external review and audit processes.

The Sustainability Committee operates under a written charter, which is available on the Group's website. The Committee consists of at least three members of the Board and the Chair of the Committee is appointed by the Board. The Sustainability Committee currently comprises Blair O'Keeffe (Chair), Diana Puketapu and Rick Barker. All directors of the Board may attend the Committee meetings at their discretion. The Committee may on invitation have in attendance members of management including the Chief Executive Officer, Chief Financial Officer, General Manager Assets and Infrastructure, and any relevant external parties determined by the Committee Chair.

TAKEOVER POLICY

Recommendation 3.6: *The Board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. The Board should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.*

Given the Group's shareholding structure, with the Hawke's Bay Regional Council (Council), indirectly controlling approximately 55% of the shares of the Group, the Board considers it highly unlikely that a third-party would make a takeover approach or proposal without the support of Council. Notwithstanding this, the Board consider it prudent to have protocols in place and has established formalised takeover response protocols to assist the Group to prepare for, and respond to any unsolicited approaches or proposals it may receive in relation to a takeover. These protocols would help to inform the Board of their roles and responsibilities with respect to any approach or proposal, assist the Board and its advisers in developing and executing a response strategy, and act as a basic guide on the process for any takeover offer.

In the event of a takeover offer, a Takeover Response Committee would be convened comprising independent directors, management and appropriate financial, legal and strategic advisers.

PRINCIPLE 4 – REPORTING AND DISCLOSURE

"The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

CONTINUOUS DISCLOSURE

Recommendation 4.1: *An issuer's board should have a written continuous disclosure policy.*

As a company listed on the NZX Stock Exchange, the Company is committed to keeping the market informed of all material information relating to the Group and its shares. In doing so, the Group will comply with its obligations in relation to continuous disclosure of material information under the NZX Listing Rules. The Group has a Continuous Disclosure Policy, which is available on the Group's website.

CHARTERS AND POLICIES

Recommendation 4.2: *An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.*

Information about the Group's corporate governance framework (including Code of Ethics, Board and Committee Charters, and other key governance policies) are available to view on the Group's website.

FINANCIAL AND NON-FINANCIAL REPORTING

Recommendation 4.3: *Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering environmental, economic and social sustainability factors and practices. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the Board.*

FINANCIAL REPORTING

The Audit and Risk Management Committee oversees the quality and integrity of financial reporting ensuring the financial reporting is balanced, clear and objective. The Audit and Risk Management Committee's responsibility for the annual and interim financial statements includes, reviewing the quality and acceptability of accounting policies and practices, reporting disclosures and changes thereto, reviewing areas involving significant judgement, estimation or uncertainty, overseeing compliance with financial reporting standards, appropriate laws and regulations, assessing the overall performance of financial management, and approving all financial reporting to shareholders and other stakeholders.

NON-FINANCIAL REPORTING

The Group is committed to collaborating with others to ensure our people, planet and place thrive. Caring for our people, the local community and the environment is core to our Culture of Care, which is the foundation of our purpose and our business strategy.

In 2019, the Group completed a Sustainability Framework focused on what the Group can achieve locally to respond to global challenges like climate change, gender equality and ocean conservation. Our Sustainability Framework is aligned to the United Nations Sustainable Development Goals (SDGs), reflecting the most urgent global environmental, political and economic challenges. Our framework identifies 14 of the SDG goals that we can make a meaningful contribution to as a business. This framework has guided the development of our sustainability strategy.

During 2021, Napier Port's Sustainability Strategy and Action Plan was launched. Focus areas have been developed for each theme of People, Planet, Prosperity and Partnerships, which together with measurable goals, targets and actions to pursue and report on, will drive sustainable business at Napier Port. The Sustainability Action Plan includes 100 time-framed, actionable workstreams which gives us a blueprint that will guide us in our direction and decision-making as we work to implement the actions to meet our goals. The Sustainability Strategy and Action Plan includes an assessment of current progress on each of these workstreams.

The Sustainability Strategy and Action Plan includes the commitment to establish a robust and transparent process for reporting on our sustainability goals. We commit ourselves to transparently reporting on our successes and areas of improvement. It is our long-term goal to work towards Global Reporting Initiative (GRI) reporting or a similar framework.

In November 2021, the Group released an initial Climate Change Related Disclosure Report prepared in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Our second TCFD report was released in November 2022. These seek to provide stakeholders an understanding of the potential financial implications of climate change on our business. We expect to further develop and improve our climate change related disclosures as we gather more information and knowledge, and continue to develop our sustainability goals and strategy. In particular, we have prioritised the development of emissions targets and measurement. Napier Port is also well placed to comply with the soon-to-be-issued XRB Aotearoa New Zealand Climate Standards.

This Annual Report includes reporting on our strategy and various sustainability initiatives undertaken by the Group during the current year.

PRINCIPLE 5 – REMUNERATION

"The remuneration of directors and executives should be transparent, fair and reasonable."

DIRECTORS' REMUNERATION

Recommendation 5.1: *An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.*

The Remuneration and Nomination Committee is responsible for a biennial review of Director remuneration to determine whether Director remuneration is appropriate. This review is required to consider benchmarking data from similar listed companies.

In respect of both their roles as directors of Napier Port Holdings Limited and Port of Napier Limited, fees in aggregate for all Directors are a maximum of $655,000 per annum.

Under Listing Rule 2.11.3, if the total number of Directors subsequently increases, the Directors are permitted (without seeking shareholder approval) to increase the total remuneration by the amount necessary to enable the Group to pay the additional Director or Directors remuneration not exceeding the average amount then being paid to each of the existing Directors (other than the Chair). On 1 August 2022 the number of directors increased by two to nine. The number of directors is expected to reduce to seven again when two existing directors retire from the Board at the next Annual Shareholders' Meeting. The two new directors are receiving the standard director's fee and which is less than the average amount being paid to each of the existing directors (other than the Chair) in accordance with Listing Rule 2.11.3.

Actual remuneration of Directors is included in the Other Disclosures section of the Annual Report on page 73.

REMUNERATION POLICY

Recommendation 5.2: *An issuer should have a remuneration policy for remuneration of directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.*

The Group has adopted a Remuneration Policy which sets out the remuneration principles that apply to the Directors, Chief Executive Officer and Senior Management team. The policy is available on the Group's website. The policy requires that remuneration decisions are fair and reasonable and based on merit, where appropriate. The Group will not discriminate on the grounds of gender, race, religion or belief, disability, age, sexual orientation or gender identity. Remuneration will be set at levels that recognise an individual's market value (i.e. level of skills and experience, the demand for skill and performance in the role, and the commercial environment).

DIRECTORS

The Group's policy is that all remuneration of Directors will be paid in cash, they will not receive any performance-based remuneration or retirement benefits. All Directors (excluding the Chair) will be paid a base fee and additional fees will be payable to the Chairs of the Committees and the Board Chair a Chairs' fee, all as recommended by the Remuneration and Nomination Committee and subject to the aggregate director remuneration limit approved by Shareholders from time to time.

CHIEF EXECUTIVE OFFICER (CEO) AND SENIOR MANAGEMENT TEAM

Determination of remuneration for the CEO and Senior Management team is subject to a fair and thorough process. Remuneration will be determined by the scale and complexity of the relevant employee's role. A remuneration review is undertaken by the Remuneration and Nomination Committee annually.

Under the Group's remuneration framework, individual performance and market relativity are key considerations, balanced by the context in which the Group operates.

Remuneration of the CEO and Senior Management team includes a mix of fixed and variable components. A summary of the current provisions is as follows:

- Fixed remuneration – this includes the relevant employee's base salary and cash allowances and any direct non-cash benefits (e.g. KiwiSaver contributions, health insurance and annual leave);
- Other variable remuneration – some Senior Management team positions, including the CEO, are eligible for additional remuneration from Long-Term Incentive (LTI) and Short-Term Incentive (STI) plans. Eligibility is determined by the Board of Directors and, in the case of the Senior Management team, together with the CEO. The terms and conditions of any STI or LTI plan are identified in the individual employment agreements of the Senior Management team member to whom it applies;
- Total remuneration – this includes fixed and variable remuneration. Total target remuneration will typically be set within a range of 80% to 120% of the relevant median comparatives.

- STI remuneration is conditional upon the achievement of minimum financial targets in relation to EBITDA and certain banking covenants, along with a series of non-financial objectives, and is subject to the Board's discretion.

The remuneration policy is reviewed by the Board annually.

CHIEF EXECUTIVE OFFICER (CEO) REMUNERATION

Recommendation 5.3: *An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short-term incentives and long-term incentives and the performance criteria used to determine performance-based payments.*

The remuneration of the CEO for the year ended 30 September 2022 is included in the Other Disclosures section of the Annual Report on page 73.

The remuneration of the CEO includes a mix of fixed and variable components. Fixed remuneration includes a base salary, life insurance and superannuation contributions. Variable components include a Short-Term Incentive (STI) linked to objectives set annually and performance assessed by the Board, and a Long-Term Incentive (LTI).

SHORT TERM INCENTIVES

The STI is based on the achievement of both financial and non-financial objectives with an actual opportunity in the range of 0–40% of the CEO's current base salary. Strategic objectives are set each year by the Remuneration Committee (and approved by the Board) and closely align to Napier Port's strategic goals. The financial objective is to meet or exceed the Company's financial performance targets for the year. Non-financial objectives for 2022 included strategic objectives in relation to health and safety, sustainability, people engagement and infrastructure project delivery. STI remuneration is conditional upon the achievement of minimum Board approved debt coverage and EBITDA levels and is subject to the Board's discretion. The Remuneration Committee assesses the CEO's performance against these objectives and recommends the STI for approval by the Board. The Board retains complete discretion over paying a STI and may determine, despite the actual performance against objectives, that a reduced STI or no STI will be paid in any given year.

LONG TERM INCENTIVES

The LTI grants share rights to the CEO that will vest at the completion of a three-year vesting period. The proportion of share rights that will actually vest depends on the CEO's continuous employment during the vesting period, the achievement of total shareholder return (TSR) hurdles over the vesting period, and for the initial grant, certain EBITDA targets over the prospective financial information period (2019 and 2020 financial years).

The TSR hurdles over the vesting period are as follows:

Napier Port's TSR	Percentage of the relevant share rights that vest
Is not positive	0%
Less than or equal to the NZX 50 Peer Group median TSR	0%
Greater than the NZX 50 Peer Group median TSR	50%
Exceeds the NZX 50 Peer Group median TSR, but does not exceed the 75th percentile of the NZX 50 Peer Group	50% - 100% (pro rata)
Equal to or greater than the 75th percentile TSR of the NZX 50 Peer Group	100%

Any vesting shares under the LTI are eligible for additional dividend shares based on any cash dividends paid by the Group during the vesting period.

PRINCIPLE 6 – RISK MANAGEMENT

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

RISK MANAGEMENT

Recommendation 6.1: *An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. An issuer should report the material risks facing the business and how these are being managed.*

The Board and Senior Management Team are committed to managing risk to protect our people, the environment, financial business risks, company assets and our reputation. The Audit and Risk Management Committee is responsible for ensuring that management is implementing the Group's risk management framework and policies.

The Group has a comprehensive risk management system in place which is used to identify and manage business risks. The system identifies the key risks facing the Group and the status of initiatives employed to reduce them. Management report to the Board periodically, on the effectiveness of the Group's management of these material risks. As part of risk management the Group also has a comprehensive treasury policy that sets out procedures to minimise financial market risk. The Group maintains insurance policies that it considers adequate to meet insurable risks.

The Group has completed a 'Whole of Port' Climate Change Risk Assessment – looking at infrastructure resilience, trade forecasting, land levels, weather conditions, emergency preparedness and habitat modification, identifying climate-related risks and opportunities. The material findings from this work have been incorporated into the Group's Climate Change Related Disclosure report, which is available on the Group's website.

HEALTH AND SAFETY

Recommendation 6.2: *An issuer should disclose how it manages its health and safety risks and should report on its health and safety risks, performance and management.*

The Group aims to ensure that everyone working at Napier Port returns safely to their families every day. To ensure a safe and healthy work environment, the Group has developed, and seeks to continuously improve a health and safety management system that is managing safety performance and promotes a safety culture.

Managing safety performance is achieved by:

- Setting health and safety objectives and performance criteria for all work areas, tracking performance through lead and lag indicators, identifying trends and implementing appropriate responses;
- Ensuring the health and safety framework is reviewed at least annually;
- Actively encouraging accurate and timely reporting of all accidents, incidents, near misses and unsafe conditions;
- Ensuring all serious accidents, incidents, near misses are investigated and root cause analyses conducted;
- Ensuring risk assessments are conducted, controls are identified and implemented based on those assessments and where necessary updated where risks or controls may have changed;
- In the event of an injury ensuring the Group takes an active role in employee's safe and early return to work;
- Ensuring the Group meets its obligations under the Health and Safety at Work Act 2015, associated regulations, codes of practice and standards and guidelines regulating worker health and safety.

Promoting a health and safety culture is achieved by:

- Supporting a "Just Culture" philosophy where health and safety is supported and promoted through enabling worker participation, ensuring adequate resources are allocated to health and safety initiatives and providing training and information about specific health and safety risks; and
- Promoting continuous improvement and good practice in health and safety.

To promote a best practice approach to health and safety the Group has introduced a safety implementation road map consisting of three strategic projects. The road map includes:

- A Safety Management System to align to best practice standard for Occupational Health and Safety practice (ISO 45001);
- A Critical Risk Control Management programme focusing on the management and control of the port critical risks;
- A replacement health and safety information management system (SAI360) to support streamlined reporting, compliance and structured assurance activity.

The initial foundational safety implementation roadmap phase has recently been completed and planning is now underway for a safety maturity programme including further development of critical risk controls, learning and development, and our health framework, amongst other objectives.

Every Director, Senior Manager, Middle Manager, Team Leader/Supervisor and worker is expected to share in this commitment to the Health and Safety Policy by following the duties and responsibilities specified in the Napier Port Health and Safety Duties and Responsibilities Policy.

PRINCIPLE 7 – AUDITORS

"The Board should ensure the quality and independence of the external audit process."

EXTERNAL AUDIT

Recommendation 7.1 and 7.2: *The Board should establish a framework for the issuer's relationship with its external auditors. This should include procedures prescribed in the NZX Code. The external auditor should attend the issuer's annual meeting to answer questions from shareholders in relation to the audit.*

The Audit and Risk Management Committee is responsible for the oversight of the Group's external audit arrangements. These arrangements include procedures for the matters described in Recommendation 7.1 of the NZX Code.

Subject to any requirements of the Auditor General, the Audit and Risk Management Committee is responsible for recommending the appointment and removal of the independent auditor. The Committee is also responsible for reviewing the independence of the external auditors and the appropriateness of any non-audit services they undertake, having direct communication with, and unrestricted access to, the independent auditor, and ensuring that the key audit partner (as defined in the NZX Listing Rules) is rotated every five years.

Napier Port has an External Auditor Relationship Framework Policy which complements the Audit and Risk Management Committee Charter by outlining requirements in relation to the provision of services to Napier Port by any external auditor on behalf of the Auditor General. The purpose of this framework is to ensure that the independence of Napier Port's external auditor is not impaired, or put in a position where it could reasonably be perceived to be impaired, such that Napier Port's external financial reporting is viewed as highly reliable and credible.

The auditor of the Group is the Auditor General. The Auditor General may approve external audit firms to undertake the external audit of the Group. The Group's external auditor is EY. The total fees paid to EY in their capacity as auditor are disclosed in the Annual Report on page 85.

The group invites EY to attend the Annual Meeting of Shareholders and the audit partner is available to answer shareholder questions about the conduct of their audit and the preparation and content of the auditor's report.

INTERNAL AUDIT

Recommendation 7.3: *Internal audit functions should be disclosed.*

The Audit and Risk Management Committee is responsible for ensuring an effective internal audit programme and internal control system is maintained. These responsibilities include reviewing the objectives and scope of the internal audit programme, ensuring these are aligned with Napier Port's overall risk management framework, and reviewing significant matters reported by the internal audit programme and how management is responding to them.

The Group engages external providers to undertake internal audits.

PRINCIPLE 8 – SHAREHOLDER RIGHTS AND RELATIONS

"The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

SHAREHOLDER INFORMATION

Recommendation 8.1: *An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.*

The Group is committed to providing shareholders with all information necessary to assess the Group's direction and performance.

This is done through a range of communication methods, including continuous disclosure to NZX, interim and annual reports and the Annual Shareholders' Meeting. The Group's website provides company and financial information, information about its directors, and copies of its governance documents for shareholders and other interested stakeholders to access at any time.

Recommendation 8.2: *An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.*

Shareholders have the option of receiving their communications electronically, including by email. The Group is committed to open dialogue with shareholders and welcomes investor enquiries.

Recommendation 8.3 and 8.4: *Quoted equity security holders should have the right to vote on major decisions which may change the nature of the issuer in which they are invested. If seeking additional equity capital, issuers of quoted equity securities should offer further equity securities to existing equity security holders of the same class on a pro rata basis, and on no less favourable terms, before equity securities are offered to other investors.*

In accordance with the Companies Act 1993, the Company's constitution, the NZX Listing Rules, and other applicable laws, the Group refers any significant matters to Shareholders for approval at a Shareholders' meeting.

Recommendation 8.5: *The Board should ensure that the notices of annual or special meetings of quoted equity security holders are posted on the issuer's website as soon as possible and at least 20 working days prior to the meeting.*

The Group posts any Notices of Shareholder Meetings as soon as possible and seeks, where possible, to provide these at least 20 working days prior to the Shareholders' meeting.

OTHER DISCLOSURES

PRINCIPAL ACTIVITIES

The other disclosure information below has been prepared for Napier Port Holdings Limited and its subsidiaries (the Group). The Group's principal activities remain the commercial operation of Napier Port. There has been no significant change in the nature of the Group's business during the year.

DIRECTORS' INTERESTS

The Company is required to maintain an Interests Register in which particulars of certain transactions and matters involving the Directors must be recorded. The matters set out below were recorded in the Interest Register of the Company during the financial year. The Directors of the Company have declared interests in the following identified entities as at 30 September 2022:

DIRECTOR	INTEREST	ENTITY
Alasdair MacLeod	Chair/Shareholder	Silverstripe Limited
	Chair	Hold Fast Investments Limited
	Member	IHC – Board Appointments Committee
	Trustee	Silverstripe Trustee Limited
	Chair	Big Brothers Big Sisters Hawke's Bay
	Chair	Trade Window Holdings Limited
Diana Puketapu	Director	Manawanui Support Limited
	Director	Ngati Porou Holding Company Limited and subsidiaries
	Director	Tamaki Redevelopment Company Limited and subsidiaries
	Director	New Zealand Cricket
	Director	New Zealand Olympic Committee
	Director	DNA Designed Communications Limited
	Director	Trade Window Holdings Limited
	Shareholder	Napier Port Holdings Limited
Stephen Moir	Director	Todd Family Office Limited
	Director	IJAP Limited
	Advisor	ASB Bank Investment Committee
	Director	Cigna Life Insurance New Zealand Limited
Vincent Tremaine	Chair	Riverland Water Holdings Pty Limited
	Chair	Riverland Water Pty Limited
	Chair	SouthernLaunch.Space Pty Limited
	Director	Green Industries SA
	Chair	Ports Pty Limited
	Chair	GeelongPort Pty Limited
John Harvey	Director	Heartland Bank Limited
	Director	Kathmandu Holdings Limited
Blair O'Keeffe	Managing Director	Endzone Commercial Limited
	Chair	Hawke's Bay Rescue Helicopter Trust
	Director	Central Air Ambulance Rescue Limited
	Director	Unison Networks Limited
	Advisor	Z Energy Limited
	Shareholder	Napier Port Holdings Limited
Hon Rick Barker	Chair	Hawke's Bay Regional Council
	Director	Hawke's Bay Regional Investment Company Limited
Kylie Clegg	Advisory Group Member	Waitemata Health New Zealand Capital Advisory Group
	Director	Auckland Transport
Dan Druzianic	Chair/ Director	Hawke's Bay Regional Investment Company Limited
	Director	Unison Networks Limited
	Director	Unison Contracting Services Limited
	Trustee	Hawke's Bay Community Fitness Trust
	Director	Bostock New Zealand Limited

SHARE DEALINGS BY DIRECTORS

During the year, the Directors, or entities related to them, disclosed in respect of section 148(2) of the Companies Act 1993 that they acquired or disposed of a relevant interest in company shares as follows:

Share Transaction	Date of Transaction	Number of Ordinary Shares Acquired
Blair O'Keeffe[1]	August 2022	6,630

1. Blair O'Keeffe declared a beneficial interest in securities acquired by K&B Trust.

DIRECTORS' SHAREHOLDINGS

At 30 September 2022 the following Directors, or entities related to them, had interests in company shares:

Share Transaction	Number of shares
Diana Puketapu	5,393
Blair O'Keeffe	6,630

DIRECTORS' INSURANCE

All directors are beneficiaries of a company indemnity and directors' liability insurance provided by the company in relation to any personal liabilities and associated costs incurred while acting in their capacity as a director of the company, other than arising from criminal liability, where precluded by statute, or from a breach of a director's fiduciary duty to the company.

REMUNERATION

EMPLOYEE REMUNERATION

The number of employees and former employees of the Group who, during the year, received total annual remuneration greater than $100,000 are shown below:

Remuneration range	Number of employees 2022
$100,000 - $109,999	27
$110,000 - $119,999	29
$120,000 - $129,999	35
$130,000 - $139,999	31
$140,000 - $149,999	11
$150,000 - $159,999	13
$160,000 - $169,999	8
$170,000 - $179,999	4
$180,000 - $189,999	4
$190,000 - $199,999	1
$200,000 - $209,999	4
$210,000 - $219,999	2
$220,000 - $229,999	1
$230,000 - $239,999	1
$260,000 - $269,999	1
$270,000 - $279,999	1
$290,000 - $299,999	2
$300,000 - $309,999	1
$310,000 - $319,999	1
$320,000 - $329,999	1
$340,000 - $349,999	1
$370,000 - $379,999	1
$400,000 - $409,999	1
$540,000 - $549,999	1
$900,000 - $910,000	1
	183

The annual remuneration of employees includes salary, redundancy, and short-term incentive payments on achievement of targets, and employer's contribution to superannuation when earned, the value of share-based payment awards when they vest, and any other sundry benefits received in their capacity as employees.

DIRECTORS' REMUNERATION

The aggregate pool of fees able to be paid to Directors is subject to shareholder approval and is currently $655,000 per annum. Directors received the following fees and remuneration during the year[1]:

	2022 $000
Alasdair MacLeod (Chair)	143
Stephen Moir	85
Vincent Tremaine	85
Diana Puketapu	85
John Harvey	74
Blair O'Keeffe	85
Hon Rick Barker	74
Kylie Clegg	12.5
Dan Druzianic	12.5
Total	**656**[2]

1. The directors' remuneration above includes fees and remuneration paid for Napier Port Holdings Limited. Directors' fees payable were increased in January 2022 (the first adjustment since 2019). Adjusted director fees set for the Chair of the Board are $145,000 per annum (previously $135,000 per annum), directors other than the Chair, $75,600 per annum (previously $70,000 per annum), and Committee Chairs, $10,800 per annum (previously $10,000 per annum).

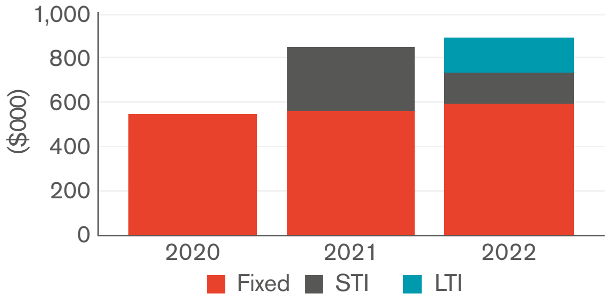
2. Two new directors were appointed from 1 August 2022 increasing the number of directors to nine. In accordance with the Listing Rule 2.11.3 the new directors were paid no more than the average amount being paid to each of the existing directors (other than the Chair). Any adjustment to the aggregate fee pool required beyond the next Annual Shareholder Meeting (ASM) will be considered at the ASM.

CHIEF EXECUTIVE OFFICER'S (CEO'S) REMUNERATION

The CEO received the following remuneration and other benefits earned during the year[1]:

	2022 $000	2021 $000	2020 $000
Base salary	583	558	538
Other benefits	26	17	21
Short Term Incentive (STI)[2]	138	294	-
Long Term Incentive (LTI)[3]	160	-	-
	907	**869**	**559**

THREE YEAR SUMMARY – CEO REMUNERATION



1. The CEO's base salary and other benefits are based on the amounts earned during the year. Other benefits comprise superannuation and life insurance benefits.

2. STIs are disclosed in the financial year they are earned. STI payments are generally paid to recipients at the beginning of the following financial year after the year in which they were earned. The STI target is based on the achievement of objectives set annually and performance assessed by the Board in respect of the financial year. For 2022 a target STI of 30% of fixed annual remuneration (FAR) was set by the Board with an overachieve potential up to 39% of FAR based on the achievement of both financial and non-financial objectives.

Non-financial objectives for 2022 included strategic objectives in relation to health and safety, sustainability, people engagement and infrastructure project delivery. Financial objectives for 2022 were based on the achievement of minimum Board approved debt coverage and EBITDA levels. The final Board approved outcome for 2022 was 76.5% of the target STI.

3. LTIs are included in the financial year they vest. In November 2021 the CEO was granted 57,317 share rights under the Executive LTI plan (December 2020: 44,836 share rights, and August 2019: 62,307 share rights). The total fair value of LTI plan share rights granted to the CEO during 2022 was $85,000 (2021: $78,000), which is expensed to the Group's Consolidated Income Statement on a straight-line basis over the vesting period. These share rights have a three year vesting period and entitle the CEO to the receipt of one Napier Port Holdings Limited ordinary share per share right at nil cost, plus additional shares to the value of any dividends which would have been paid on the underlying shares during the vesting period. Vesting is subject to the CEO remaining employed by the Group during the vesting period, the achievement of total shareholder return (TSR) hurdles over the vesting period, and for the 2019 initial grant, the achievement *of certain EBITDA targets over the IPO PDS prospective financial information period (2 years). The proportion of share rights that actually vest depends on the Group's TSR performance ranking relative to the NZX 50 index. To the extent that performance hurdles are not met or the CEO leaves employment of the Group prior to vesting, the share rights will be forfeited. Further information on the Executive LTI plan is available in the document titled "Other Material Information" forming part of the Company's IPO documents available on the Disclose Register operated by the New Zealand Companies Office.*

During August 2022 share rights issued in August 2019 vested. An external report determined that 82% of the share rights vested in accordance with the performance hurdles and Executive LTI plan rules. An additional 8.2% return on vested shares was attributable to dividends. As a result, 55,271 Napier Port Holdings Limited ordinary shares are to be transferred to the CEO (subsequent to the 2022 balance date). For the purposes of the LTI remuneration disclosure table above a share price of $2.90 per ordinary share has been assumed, which was the closing NZX NPH share price on 19 October 2022.

SHAREHOLDER INFORMATION

The ordinary shares of Napier Port Holdings Limited are listed on the NZX. The information in the disclosures below has been taken from the Company's registers as at 30 September 2022.

TWENTY LARGEST SHAREHOLDERS AT 30 SEPTEMBER 2022

Holder	Number of Shares Held	% of Issued Equity
Hawke's Bay Regional Investment Company Limited	110,000,000	55.00
National Nominees New Zealand Limited[1]	21,573,658	10.79
Custodial Services Limited <4 A/C>	6,573,209	3.29
Tea Custodians Limited[1]	5,810,573	2.91
Accident Compensation Corporation[1]	4,020,164	2.01
JB Were (NZ) Nominees Limited	3,013,417	1.51
JP Morgan Chase Bank[1]	2,555,771	1.28
Citibank Nominees (NZ) Limited[1]	1,919,658	0.96
Premier Nominees Limited[1]	1,554,249	0.78
Tatau Tatau Commercial Limited Partnership	1,442,307	0.72
New Zealand Depository Nominee	1,408,697	0.70
Forsyth Barr Custodians Limited	1,281,536	0.64
New Zealand Permanent Trustees Limited[1]	1,250,000	0.63
BNP Paribas Nominees NZ Limited[1]	960,906	0.48
Private Nominees Limited[1]	956,987	0.48
Cogent Nominees (NZ) Limited[1]	932,483	0.47
Hobson Wealth Custodian Limited	742,532	0.37
Wairahi Investments Limited	700,000	0.35
New Zealand Superannuation Fund Nominees Limited[1]	688,632	0.34
FNZ Custodians Limited	640,972	0.32
Total	**168,025,751**	**84.03**

1. Shareholdings held in New Zealand Central Securities Depository Limited (NZCSD) and the total holding at 30 September 2022 in NZCSD was 43,136,691.

DISTRIBUTION OF ORDINARY SHARES

Holder	Number of Holders	Number of Shares Held	% of Issued Equity
1 – 5,000	7,578	14,033,386	7.01
5,001 – 10,000	595	4,411,417	2.21
10,001 – 100,000	347	8,170,262	4.09
100,001 and over	26	173,384,935	86.69
Total	**8,546**	**200,000,000**	**100.00**

GEOGRAPHIC DISTRIBUTION

Holder	Number of Holders	Number of Shares Held	% of Issued Equity
New Zealand	8,494	199,499,734	99.75
Australia	28	384,337	0.19
Other	24	115,929	0.06
Total	**8,546**	**200,000,000**	**100.00**

SUBSTANTIAL SECURITY HOLDERS

The following information is given in accordance with sub-part 5 of Part 5 of the Financial Markets Conduct Act 2013. According to notices received, the following persons were substantial product holders in the Company as at 30 September 2022.

Holder	Number of Shares Held	Date of substantial product holder notice	% of Issued Equity
Hawke's Bay Regional Investment Company Limited	110,000,000	20 August 2019	55.00%
National Nominees New Zealand Limited (ACF Australian Ethical Investment Limited)[1]	12,879,049	17 December 2021	6.44%

1. National Nominees Limited ACF Australian Ethical Investment Limited is the registered holder and beneficial owner of the products. National Nominees Limited is the custodian of registered managed investment schemes; Australian Ethical Investment Limited is the responsible entity.

BOND HOLDER INFORMATION

Napier Port's $100 million corporate bonds were issued on 23 September 2022 and are listed on the NZX Debt Market.

TEN LARGEST REGISTERED BOND HOLDERS AS AT 30 SEPTEMBER 2022

Holder	Number of Corporate Bonds	% of Corporate Bond
Custodial Services Limited	33,734,000	33.73
Forsyth Barr Custodians Limited	8,638,000	8.64
BNP Paribas Nominees NZ Limited[1]	8,600,000	8.6
FNZ Custodians Limited	6,948,000	6.95
Citibank Nominees (NZ) Limited[1]	5,745,000	5.75
Pt (Booster Investments) Nominees[1]	4,250,000	4.25
HSBC Nominees (New Zealand) Limited[1]	4,022,000	4.02
Investment Custodial Services Limited	1,670,000	1.67
Forsyth Barr Custodians Limited	1,540,000	1.54
Tea Custodians Limited[1]	1,500,000	1.5
Total	**76,647,000**	**76.65**

1. Bond holdings held in New Zealand Central Securities Depository Limited (NZCSD). The total holding at 30 September 2022 in NZCSD was 28,394,000.

DISTRIBUTION OF BONDHOLDERS AND HOLDINGS AS AT 30 SEPTEMBER 2022

Size of holding	Number of Bondholders	Number of Bonds Held	Holding quantity %
1 – 5,000	107	535,000	1.0
5,001 – 10,000	152	1,447,000	1.0
10,001 – 100,000	328	10,860,000	11.0
100,001 and over	27	87,158,000	87.0
Total	**614**	**100,000,000**	**100.00**

All holders of Napier Port's corporate bonds were domiciled in New Zealand at 30 September 2022.

SUBSIDIARY COMPANY DIRECTORS

All directors of Napier Port Holdings Limited are also directors of Port of Napier Limited (the subsidiary of the Company).

DONATIONS

During the year the Company made no donations (2021: $nil) and subsidiaries made donations amounting to $4,000 (2021: $11,000).

WAIVERS FROM NZX LISTING RULES

Napier Port Holdings Limited has not obtained or relied on any waivers from NZX Listing Rules in the financial year ended 30 September 2022.

AUDIT FEES AND OTHER SERVICES

Under Section 19 of the Port Companies Act 1988, the Auditor-General is the auditor of the Company. The Auditor-General has appointed Ernst & Young to undertake the audit on its behalf, pursuant to Section 15 of the Public Act 2001.

Fees paid to the auditors are disclosed in the financial statements within note 5.

CREDIT RATING

Napier Port Holdings Limited does not have a credit rating at the date of this Annual Report.

EXERCISE OF NZX DISCIPLINARY POWERS

NZX did not exercise any of its powers under Listing Rule 9.9.3 in relation to the Company in the financial year ended 30 September 2022.

NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 $000	2021 $000
Revenue	**4**	**114,523**	**109,460**
Employee benefit expenses		39,968	36,176
Property and plant expenses		15,377	11,524
Other operating expenses	5	19,084	17,973
Operating expenses		**74,429**	**65,673**
Result from operating activities	**24**	**40,094**	**43,787**
Depreciation, amortisation and impairment expenses	16,17	13,580	13,080
Other (income) and expenses	5	(1,991)	(1,142)
Profit before finance costs and tax		**28,505**	**31,849**
Net finance costs	6	846	39
Profit before income tax		**27,659**	**31,810**
Income tax expense	7	7,238	8,646
Profit for the period attributable to the shareholders of the Company		**20,421**	**23,164**

EARNINGS PER SHARE:

Basic earnings per share	9	0.10	0.12
Diluted earnings per share	9	0.10	0.12

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 $000	2021 $000
Profit for the period attributable to the shareholders of the Company		**20,421**	**23,164**
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Changes in fair value of cash flow hedges		5,757	1,241
Cash flow hedges transferred to profit or loss		(301)	(139)
Deferred tax on changes in fair value of cash flow hedges	8	(1,528)	(309)
Items that will not be reclassified to profit or loss:			
Changes in fair value of cash flow hedges		(83)	(183)
Cash flow hedges transferred to property, plant and equipment		83	183
Revaluation of sea defences	17	28,709	-
Deferred tax on revaluation of sea defences	8	(1,498)	-
Other comprehensive income for the period, net of tax		31,139	793
Total comprehensive income for the period attributable to the shareholders of the Company		**51,560**	**23,957**

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 YEAR ENDED 30 SEPTEMBER 2022

	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 2021		**245,850**	**70,308**	**714**	**525**	**37,450**	**354,847**
Profit for the period		-	-	-	-	20,421	20,421
Other comprehensive income		-	27,211	3,928	-	-	31,139
Total comprehensive income for the period		**-**	**27,211**	**3,928**	**-**	**20,421**	**51,560**
Dividends	10	28	-	-	-	(14,993)	(14,965)
Transfer from treasury stock - employee recognition scheme	11	249	-	-	-	-	249
Fair share loans - employee repayments	11	82	-	-	-	-	82
Share-based payments	20	-	-	-	204	-	204
Total transactions with owners in their capacity as owners		**359**	**-**	**-**	**204**	**(14,993)**	**(14,430)**
Total movement in equity		**359**	**27,211**	**3,928**	**204**	**5,428**	**37,130**
Balance at 30 September 2022		**246,209**	**97,519**	**4,642**	**729**	**42,878**	**391,977**
Balance at 1 October 2020		**245,750**	**70,308**	**(79)**	**389**	**29,877**	**346,245**
Profit for the period		-	-	-	-	23,164	23,164
Other comprehensive income		-	-	793	-	-	793
Total comprehensive income for the period		**-**	**-**	**793**	**-**	**23,164**	**23,957**
Dividends	10	32	-	-	-	(15,591)	(15,559)
Fair share loans - employee repayments	11	68	-	-	-	-	68
Share-based payments	20	-	-	-	136	-	136
Total transactions with owners in their capacity as owners		**100**	**-**	**-**	**136**	**(15,591)**	**(15,355)**
Total movement in equity		**100**	**-**	**793**	**136**	**7,573**	**8,602**
Balance at 30 September 2021		**245,850**	**70,308**	**714**	**525**	**37,450**	**354,847**

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 30 SEPTEMBER 2022

	Notes	2022 $000	2021 $000
EQUITY			
Share capital	11	246,209	245,850
Reserves	11	102,890	71,547
Retained earnings		42,878	37,450
		391,977	**354,847**
NON-CURRENT LIABILITIES			
Loans and borrowings	14	131,180	77,065
Deferred tax liability	8	22,552	17,924
Lease liabilities	19	197	320
Derivative financial instruments	23	1,405	-
Provision for employee entitlements	13	490	465
		155,824	**95,774**
CURRENT LIABILITIES			
Taxation payable		-	2,155
Lease liabilities	19	200	201
Derivative financial instruments	23	319	-
Trade and other payables	12	14,394	27,020
		14,913	**29,376**
		562,714	**479,997**
NON-CURRENT ASSETS			
Property, plant and equipment	17	523,248	448,648
Intangible assets	16	1,191	1,145
Investment properties	18	12,200	10,400
Derivative financial instruments	23	4,791	528
		541,430	**460,721**
CURRENT ASSETS			
Cash and cash equivalents		1,942	1,403
Derivative financial instruments	23	1,619	464
Taxation receivable		739	-
Trade and other receivables	15	16,984	17,409
		21,284	**19,276**
		562,714	**479,997**

On behalf of the Board of Directors, who authorised the issue of these financial statements on 15 November 2022.

Chair **Director**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	2022 $000	2021 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	114,430	108,037
Cash was applied to:		
Payments to suppliers and employees	(74,982)	(62,512)
Income taxes paid	(8,530)	(9,718)
GST received/(paid)	2,122	(978)
Net cash flows generated from operating activities	**33,040**	**34,829**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from disposal of property, plant and equipment	201	63
Cash was applied to:		
Acquisition of property, plant and equipment and intangible assets	(72,071)	(103,682)
Net cash flows used in investing activities	**(71,870)**	**(103,619)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Proceeds from bank loans and borrowings	-	78,000
Net proceeds from issuance of fixed rate bonds	99,204	-
Repayment of fair share loans by employees	110	100
Cash was applied to:		
Repayment of bank loans and borrowings	(44,000)	-
Dividends paid	(14,993)	(15,591)
Repayment of lease liabilities	(239)	(213)
Finance costs paid	(713)	(39)
Net cash flows generated from financing activities	**39,369**	**62,256**
Net increase/(decrease) in cash and cash equivalents	**539**	**(6,533)**
Cash and cash equivalents at beginning of the year	1,403	7,936
Cash and cash equivalents at end of the year	**1,942**	**1,403**

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

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

	2022 $000	2021 $000
Profit for the period	**20,421**	**23,164**
Adjust for non-cash items:		
Fair value gain	(1,800)	(1,200)
Depreciation and amortisation	13,580	13,080
Net loss/(gain) on disposal of property, plant and equipment	(195)	65
Share-based payments	204	136
Other non-cash items	4	(7)
Deferred tax	1,601	934
	13,394	**13,008**
Other adjustments:		
Decrease in current taxation payable	(2,894)	(2,006)
Increase in non-current provision	25	18
	(2,869)	**(1,988)**
Movements in working capital:		
Decrease/(increase) in trade and other receivables	1,145	(1,714)
Increase in trade and other payables	949	2,359
	2,094	**645**
Net cash flows generated from operating activities	**33,040**	**34,829**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1. REPORTING ENTITY

The 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.

2. BASIS OF PREPARATION

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

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group is a for-profit entity for NZ GAAP purposes. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other Financial Reporting Standards as applicable to the Group as a for-profit entity, and International Financial Reporting Standards (IFRS).

BASIS OF MEASUREMENT

The 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.

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in New Zealand Dollars (NZD), which is the Group's functional and presentation currency and are rounded to the nearest thousand dollars ($'000), unless otherwise stated.

USE OF JUDGEMENTS AND ESTIMATES

In applying the Group's accounting policies, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In particular, significant areas of estimation and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are as follows:

- Valuation of sea defences (note 17)
- Estimation of useful lives and residual values for depreciation expense (note 17)
- Deferred taxes (note 8)

Assessments of materiality require judgement and includes consideration of relevant qualitative and quantitative factors. Information that is considered material and relevant to understanding these financial statements is included within the notes accompanying the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below or, where an accounting policy is directly related to an individual note, within the accompanying notes to the financial statements. These policies have been consistently applied to the years presented unless otherwise stated.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements for the Group for the year ended 30 September 2022 with comparative information for the year ended 30 September 2021.

Subsidiaries are those entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its investment in the entity, and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. The effects of intercompany transactions are eliminated in preparing the consolidated financial statements.

OTHER TAXES

Revenue, expenses, assets and liabilities are recognised net of the amount of GST, except receivables and payables, which are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a basis net of the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the IRD which is classified as part of operating cash flows.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, and bank deposits and other highly liquid investments that are readily convertible to cash and have a maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of transaction. At balance date, foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these are included in the Income Statement.

NEW AND AMENDED STANDARDS

There are no new accounting standards and interpretations that are issued but not yet adopted that are expected to have a material impact on the Group.

4. REVENUE AND SEGMENT REPORTING

	2022 $000	2021 $000
Disaggregation of revenue		
Container services	70,457	65,331
Bulk cargo	41,370	41,488
Cruise	12	-
Sundry income	277	282
Port operations	112,116	107,101
Property operations	2,407	2,359
Operating income	**114,523**	**109,460**

Rental income on investment properties within property operations was $24,000 during the year (2021: $54,000).

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 year the Group had three customers which comprised 16%, 13% and 11% of total revenue respectively (2021: two customers comprising 18% and 11% of total revenue respectively).

5. OTHER INCOME AND EXPENSES

	2022 $000	2021 $000
Included within other operating expenses are:		
Auditor remuneration - audit fees	206	202
Auditor remuneration - non audit services	28	27
Directors' fees	656	582

Auditor remuneration - non audit services comprises fees to EY for interim reviews.

	Note	2022 $000	2021 $000
Included within other income and expenses are:			
(Gain)/loss on disposal of property, plant and equipment		(195)	65
Fair value gain on investment property		(1,800)	(1,200)
Changes in expected credit loss allowance	15	4	(7)
Other income		**(1,991)**	**(1,142)**

6. NET FINANCE COSTS

	Note	2022 $000	2021 $000
Interest income		(19)	(16)
Finance income		**(19)**	**(16)**
Interest and finance charges on borrowings		6,497	1,522
Fair value gain on cash flow hedges transferred from other comprehensive income		(92)	(139)
Change in fair value of fair value hedges		1,723	-
Change in fair value of loans and borrowings subject to fair value hedges		(1,723)	-
Lease imputed interest	19	26	37
Less: Interest capitalised to property, plant and equipment		(5,566)	(1,365)
Finance expenses		**865**	**55**
Net finance costs		**846**	**39**

ACCOUNTING POLICIES:

Borrowing costs are expensed as incurred except when they are directly attributable to the acquisition of a qualifying asset. When this is the case borrowing costs are capitalised during the period of time that is required to complete the asset for its intended use.

7. INCOME TAX EXPENSE

	Note	2022 $000	2021 $000
Reconciliation between income tax expense and tax expense calculated at the statutory income tax rate:			
Profit before income tax		27,659	31,810
Income tax at 28%		7,745	8,907
Adjustment to prior year tax		1	27
Tax effect of non-deductible items		11	48
Tax effect of non-assessable items		(519)	(336)
Income tax expense		**7,238**	**8,646**

	Note	2022 $000	2021 $000
The income tax expense is represented by:			
Current tax on profits for the year		5,210	7,978
Adjustments for current tax of prior periods		427	(266)
Current income tax expense		5,637	7,712
Deferred income tax expense for the period	8	2,027	641
Adjustments for deferred tax of prior periods		(426)	293
Deferred income tax expense		1,601	934
Income tax expense		**7,238**	**8,646**

ACCOUNTING POLICIES:

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted for changes in deferred tax assets and liabilities attributable to temporary differences.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

8. DEFERRED TAX LIABILITY

	2022 $000	2021 $000
Balance 1 October	(17,924)	(16,681)
Adjustment to prior year provision	426	(293)
Deferred portion of current year tax expense	(2,027)	(641)
Amounts credited and charged direct to equity	(3,027)	(309)
Balance at 30 September	**(22,552)**	**(17,924)**
Deferred tax is represented by:		
Deferred tax asset		
Other	1,656	1,306
	1,656	**1,306**
Deferred tax liability		
Property, plant and equipment - other	(11,187)	(9,675)
Property, plant and equipment - sea defences	(11,188)	(9,277)
Other	(1,831)	(278)
	(24,206)	**(19,230)**
Net deferred tax liability	**(22,552)**	**(17,924)**
Imputation credit account		
Balance at 30 September	**10,484**	**11,112**

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

- Imputation credits that will arise from the payment of the amount of the provision for income tax;
- Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date.

ACCOUNTING POLICIES:

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for where the initial recognition of assets or liabilities does not affect neither accounting nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and subsequently reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured based on the tax consequences that follow from the manner of their expected recovery or settlement, the determination of which requires the application of judgement and estimates. Deferred tax liabilities are not recognised for fair value adjustments to land, including the estimated residual portion of revalued sea defence assets and investment properties, as their value is deemed to be recoverable through eventual sale. Whether the residual portion of revalued sea defence assets are non-depreciable and recoverable through eventual sale is a significant judgement in the determination of deferred tax balances as is the estimation of this non-depreciable amount.

9. EARNINGS PER SHARE

	2022 Cents	2021 Cents
Basic earnings per share		
Basic earnings per share	0.10	0.12
Diluted earnings per share		
Diluted earnings per share	0.10	0.12

	2022 $000	2021 $000
Reconciliation of earnings used in calculating earnings per share:		
Basic and diluted earnings per share		
Net profit attributable to the ordinary shareholders of the Company	20,421	23,164

	2022 Number (000)	2021 Number (000)
Weighted average number of shares used as the denominator:		
Weighted average number of ordinary shares (excluding treasury stock) used as the denominator in calculating basic earnings per share	199,568	199,437
Adjustments for calculation of diluted earnings per share:		
Executive Long-Term Incentive Plan share rights	332	273
Executive Long-Term Incentive Plan share rights vested but not yet issued	114	-
Fair Share Plan	391	439
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	200,406	200,149

ACCOUNTING POLICIES:

BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

10. DIVIDENDS

	2022 $000	2021 $000
Dividends paid	14,993	15,591
	14,993	**15,591**

ACCOUNTING POLICIES:

Provision is made for dividends when they have been approved by the Board of Directors on or before the end of the reporting period but not distributed at the end of the reporting period.

11. CAPITAL AND RESERVES

SHARE CAPITAL

	2022 Number of Shares (000)	2022 Nominal Value $000	2021 Number of Shares (000)	2021 Nominal Value $000
Balance at 1 October	199,452	245,850	199,425	245,750
Treasury shares issued to employees	83	217	-	-
Gain on issue of treasury stock	-	32	-	-
Fair Share plan	33	110	27	100
Balance at 30 September	**199,568**	**246,209**	**199,452**	**245,850**

All ordinary shares have no par value, equal voting rights and share equally in dividends and surplus on winding up.

ACCOUNTING POLICIES:

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

TREASURY SHARES

	2022 Number of Shares (000)	2022 Nominal Value $000	2021 Number of Shares (000)	2021 Nominal Value $000
Balance at 1 October	124	323	124	323
Issued to employees	(83)	(217)	-	-
Balance at 30 September	**41**	**106**	**124**	**323**

FAIR SHARE PLAN

	2022 Number of Shares (000)	2022 Nominal Value $000	2021 Number of Shares (000)	2021 Nominal Value $000
Balance at 1 October	424	1,062	451	1,162
Fair share loan repayments	(33)	(82)	(27)	(68)
Dividends paid	-	(28)	-	(32)
Balance at 30 September	**391**	**952**	**424**	**1,062**

ACCOUNTING POLICIES:

HEDGING RESERVE
The hedging reserve comprises the effective portion of the cumulative net change in fair value of derivatives that are designated and qualify as cash flow hedge instruments, related to hedged transactions that have not yet occurred.

REVALUATION RESERVE
The revaluation reserve relates to the revaluation of the port sea defences.

SHARE-BASED PAYMENT RESERVE
The employee equity reserve is used to record the value of share-based payments.

TREASURY SHARES
The Group's own equity instruments, which are reacquired for later use in share-based payment arrangements, are deducted from share capital.

12. TRADE AND OTHER PAYABLES

	2022 $000	2021 $000
Trade payables	4,142	13,551
GST payable	725	-
Trade accruals	4,355	7,636
Employee entitlement accruals	5,170	5,833
Amounts payable to related party	2	-
	14,394	**27,020**

ACCOUNTING POLICIES:

Trade and other payables are initially recorded at fair value and subsequently at amortised cost using the effective interest method.

Liabilities for wages, salaries and performance payments, including annual leave, expected to be settled within 12 months of the reporting date are recognised in respect of employee services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

13. PROVISION FOR EMPLOYEE ENTITLEMENTS

	2022 $000	2021 $000
Balance at 1 October	465	447
Additional provision made	127	69
Amount utilised	(102)	(51)
Balance at 30 September - Non-current	**490**	**465**

ACCOUNTING POLICIES:

The liability for long service leave is recognised and measured at the present value of the expected future entitlements to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service.

14. LOANS AND BORROWINGS

The note below provides information about the contractual terms of the Group's interest bearing loans and borrowings:

2022		Committed Facilities/ Bond Face Value	Undrawn Facilities	Drawn Facilities/ Bonds Issued	Capitalised Loan Costs	Fair Value Adjustments	Carrying Value
Non-current	**Coupon**	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**
Bank facilities	Floating	80,000	46,000	34,000	-	-	34,000
Fixed rate NZD Bonds	Fixed	100,000	-	100,000	(1,097)	(1,723)	97,180
Total non-current		**180,000**	**46,000**	**134,000**	**(1,097)**	**(1,723)**	**131,180**

2021		Committed Facilities/ Bond Face Value	Undrawn Facilities	Drawn Facilities/ Bonds Issued	Capitalised Loan Costs	Fair Value Adjustments	Carrying Value
Non-current	**Coupon**	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**
Bank facilities	Floating	180,000	102,000	78,000	(935)	-	77,065
Total non-current		**180,000**	**102,000**	**78,000**	**(935)**	**-**	**77,065**

The Group has two facilities with Westpac New Zealand Limited and Industrial and Commercial Bank of China (New Zealand) Limited (ICBC New Zealand) which provide total available facilities of $80 million to fund general corporate purposes. Of the total facilities, $25 million matures September 2025 and $55 million matures September 2026.

On 23 September 2022, the Group issued $100 million of unsecured, unsubordinated, 5.52% fixed rate bonds maturing 23 March 2028.

The Group's loans and borrowings require that certain covenants are met and will require the Group to maintain or better specified Debt Coverage, Interest Coverage, Equity and Group Coverage ratios.

Security for loans and borrowings is by way of negative pledge over the assets of the Group in respect of both the sale of assets and other security interests.

ACCOUNTING POLICIES:

On initial recognition all borrowings are recognised at the fair value of consideration received less directly attributed transaction costs. Borrowings are subsequently measured at amortised cost using the straight line method.
The carrying value of borrowings that are designated as hedged items in fair value hedges are adjusted for changes in fair values attributable to the hedged risk in effective hedging relationships.

15. TRADE AND OTHER RECEIVABLES

	2022 $000	**2021 $000**
Trade receivables	9,942	9,469
GST receivable	-	1,397
Prepayments	7,042	6,543
	16,984	**17,409**

The aging of trade receivables at reporting dates is set out below:

	2022 $000	2021 $000
Not past due	10,045	9,221
Past due 0 - 30 days	79	396
Past due 30 - 60 days	8	2
Past due > 60 days	-	40
	10,132	**9,659**

The carrying value of trade and other receivables includes an expected credit loss allowance of $190,000 in respect of trade receivable balance at 30 September 2022 (2021: $190,000). To measure the expected credit loss allowance amount, historical loss rates are adjusted to reflect forward-looking information. Trade receivables are grouped in accordance with their shared credit risk characteristics and global credit rating historical industry information applied to estimate future default and loss percentage rates. Trade receivable balances written-off during the period were $4,000 (2021: nil).

ACCOUNTING POLICIES:

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any lifetime expected credit losses.

16. INTANGIBLE ASSETS

COMPUTER SOFTWARE

	2022 $000	2021 $000
COST		
Opening balance at 1 October	8,011	7,456
Additions	581	555
Disposals	(940)	-
Closing balance at 30 September	**7,652**	**8,011**
ACCUMULATED AMORTISATION		
Opening balance at 1 October	6,866	6,079
Amortisation for the period	535	787
Disposals	(940)	-
Closing balance at 30 September	**6,461**	**6,866**
Closing net book value at 30 September	**1,191**	**1,145**

ACCOUNTING POLICIES:

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives of between 3 to 10 years.

17. PROPERTY, PLANT AND EQUIPMENT

	Port Land	Sea Defences	Site Improvements	Wharves and Jetties	Buildings	Plant and Equipment	Dredging	Work in Progress	Total
Cost or fair value									
At 1 October 2021	38,655	82,407	71,569	51,591	31,164	135,682	18,119	146,825	576,012
Additions	-	31,077	21,429	85,820	1,871	11,093	47,138	(138,821)	59,607
Additions – Leases	-	-	-	-	-	90	-	-	90
Revaluations	-	27,174	-	-	-	-	-	-	27,174
Disposals	-	-	(1,379)	(79)	(1,315)	(7,945)	(4,613)	-	(15,331)
At 30 September 2022	**38,655**	**140,658**	**91,619**	**137,332**	**31,720**	**138,920**	**60,644**	**8,004**	**647,552**
Accumulated depreciation and impairment									
At 1 October 2021	-	1,367	28,824	11,260	13,149	64,766	7,998	-	127,364
Depreciation	-	366	2,401	1,044	888	7,637	709	-	13,045
Revaluations	-	(1,536)	-	-	-	-	-	-	(1,536)
Disposals	-	-	(1,379)	(79)	(1,315)	(7,183)	(4,613)	-	(14,569)
At 30 September 2022	**-**	**197**	**29,846**	**12,225**	**12,722**	**65,220**	**4,094**	**-**	**124,304**
Closing net book value 2022	**38,655**	**140,461**	**61,773**	**125,107**	**18,998**	**73,700**	**56,550**	**8,004**	**523,248**
Cost or fair value									
At 1 October 2020	38,655	88,255	70,485	48,466	29,576	132,273	18,119	46,456	472,285
Additions	-	-	1,084	3,125	1,597	3,717	-	100,369	109,892
Disposals	-	(5,848)	-	-	(9)	(308)	-	-	(6,165)
At 30 September 2021	**38,655**	**82,407**	**71,569**	**51,591**	**31,164**	**135,682**	**18,119**	**146,825**	**576,012**
Accumulated depreciation and impairment									
At 1 October 2020	-	6,887	26,593	10,512	12,318	57,450	7,348	-	121,108
Depreciation	-	328	2,231	748	839	7,497	650	-	12,293
Disposals	-	(5,848)	-	-	(8)	(181)	-	-	(6,037)
At 30 September 2021	**-**	**1,367**	**28,824**	**11,260**	**13,149**	**64,766**	**7,998**	**-**	**127,364**
Closing net book value 2021	**38,655**	**81,040**	**42,745**	**40,331**	**18,015**	**70,916**	**10,121**	**146,825**	**448,648**

Plant and Equipment includes right-of-use assets relating to leased plant and equipment (see note 19).

Sea defences were revalued to fair value as at 31 March 2022 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.

SIGNIFICANT ESTIMATES – VALUATION OF SEA DEFENCES

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 cost of $90,000 to $131,000 per square metre and seawall replacement costs (per square metre) of $16,000 for demolition, $26,000 for rock, and $66,000 for rock revetment). Other factors include the condition and performance of assets, estimated total and remaining 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.

The historical cost of the sea defence asset class is $35,774,000 (2021: $4,696,000).

The fair value measurement has been categorised as a Level 3 fair value based on inputs which are not based on observable market data.

ACCOUNTING POLICIES:

RECOGNITION AND MEASUREMENT OF ASSETS

Sea defences are measured at fair value, based on periodic valuations by suitably qualified and experienced professionals, less accumulated depreciation and impairment. Revaluations are performed with sufficient regularity to ensure that the carrying value does not differ materially from its fair value. Differences between the valuations and the preceding carrying values are taken to the revaluation reserve. If the net balance of a revaluation reserve was to become a debit this would be charged to the income statement.

All other property, plant and equipment assets are accounted for at historical cost less accumulated depreciation and impairment. This is the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of assets constructed by the Group includes the cost of all materials used in construction, associated borrowing costs, direct labour on the project and an appropriate amount of directly attributable costs. Costs cease to be capitalised as soon as the asset is ready for productive use.

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group. All other costs are recognised in the income statement as an expense as incurred.

Work in progress are costs incurred in the course of bringing assets to the location and condition necessary for their intended service and includes costs of obtaining resource consents where required to proceed with capital projects.

DEPRECIATION

Depreciation is provided on all tangible property, plant and equipment other than freehold land and capital dredging, at rates calculated to allocate the assets' cost less estimated residual value, over their estimated useful lives.

The following main classes of property, plant and equipment are depreciated on a straight-line basis and their estimated useful lives are:

	Years		**Years**
Site Improvements	10-80	Wharves and Jetties	10-80
Vehicles, Plant and Equipment	3-25	Buildings	10-60
Floating Plant	30	Sea Defences	100-200
Maintenance Dredging	8		

Depreciation on crane assets is calculated on a unit-of-production basis with estimated useful lives of 33,000-36,000 operating hours.

Land and capital dredging are not depreciated as they are considered to have indefinite useful lives.

The residual values and useful economic lives adopted for depreciation purposes are key assumptions in determining depreciation of sea defences.

IMPAIRMENT

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

18. INVESTMENT PROPERTIES

	2022 $000	2021 $000
Balance at 1 October	10,400	9,200
Gain from fair value adjustments	1,800	1,200
Balance at 30 September	**12,200**	**10,400**

Investment properties were externally valued at 31 March 2022 by a registered valuer with relevant experience of the property type and location.

The fair value has been determined by the valuer using a market approach based on comparable property sales within the area. The fair value measurement has been categorised as a Level 2 fair value based on inputs which are observable but not quoted prices.

19. LEASES

AS LESSEE

	2022 $000	2021 $000
Right-of-use assets – plant and equipment		
Balance at 1 October	484	697
Additions	90	-
Depreciation	(206)	(213)
Balance at 30 September	**368**	**484**
Lease liabilities		
Balance at 1 October	521	734
Additions	90	-
Imputed interest expense	25	37
Lease payments - cash	(239)	(250)
Balance at 30 September	**397**	**521**
Lease liabilities		
Current	200	201
Non-current	197	320
	397	**521**

The Group leases plant and equipment for port operations typically for fixed periods of 5 to 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

ACCOUNTING POLICIES:

The Group recognises a right-of-use asset and a lease liability at the commencement date of a lease except for short-term operating leases, where the lease term is less than 12 months, or related to low value assets, which are expensed on a straight-line basis over the term of the lease.

On initial recognition lease liabilities are recognised at the net present value of the lease payments discounted using the interest rate implicit in the lease. Lease liabilities are subsequently measured at amortised cost.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability. Right-of-use assets are included within property, plant and equipment in the statement of financial position and are subsequently measured on the same basis.

AS LESSOR

The Group leases land and buildings to port users for terms of 1–30 years. The Group manages the risk associated with leased land and buildings by having formal contracts which include obligations on tenants to observe relevant laws, regulations, port operating requirements, and the right to conduct contaminant testing and require reinstatement to agreed standards.

Future minimum lease payments receivable under non-cancellable operating leases as at 30 September 2022 are as follows:

	2022 $000	2021 $000
Receivable within one year	2,087	1,971
Between one and two years	2,073	1,909
Between two and five years	4,706	4,697
Over five years	9,890	9,008
	18,756	**17,585**

ACCOUNTING POLICIES:

Lease income from operating leases is recognised as income on a straight-line basis over the term of the lease.

20. SHARE-BASED PAYMENTS

FAIR SHARE PLAN

At the time of the initial public offering employees of the Group were offered an interest-free limited recourse loan to purchase up to $5,000 worth of ordinary shares at the price that the shares initially listed on the NZX. The shares are held in Trust on behalf of the employees until the employee's loans are settled in full. The employee loans are repayable on the earlier of the tenth anniversary of Napier Port Holdings Limited listing on the NZX, the date an employee ceases employment with the Group, or when an employee voluntarily repays their loan balance. Any dividends paid by the Group while the employee loans are outstanding are credited against the employees' loan balance. If at the time employees are required to repay their loans the shares are worth less than the loan, the employees are not required to repay the loan balance but they will forfeit their shares.

As the conditions of the Fair Share plan give the employee the right, but not necessarily the obligation, to subscribe to shares the arrangement is considered for accounting purposes, an in-substance share option plan, and is accounted for under NZ IFRS 2 Share-Based Payments. Because the employees can leave at any time and repay their loans, or early repay their loans at any time, and take legal ownership of their shares, there is no vesting period and the full amount of the fair value of the award has been recognised in the consolidated income statement at the grant date (2019) and there will be no further adjustment.

EXECUTIVE LONG-TERM INCENTIVE (LTI) PLAN

The Group maintains an equity-settled Executive Long-Term Incentive (LTI) plan. Under this LTI plan, share rights are issued to participating executives with a three year vesting period. The vesting of share rights entitle the executive to the receipt of one Napier Port Holdings Limited ordinary share per share right at nil cost, plus additional shares to the value of any dividends which would have been paid on the underlying shares during the vesting period. Vesting is subject to the executive remaining employed by the Group during the vesting period, the achievement of total shareholder return (TSR) hurdles over the vesting period and, for the initial August 2019 grant, the achievement of certain EBITDA targets over the prospective financial information period (2 years).

The proportion of share rights that vests depends on the Group's TSR performance ranking relative to the NZX 50 index during the vesting period.

To the extent that performance hurdles are not met or executives leave employment of the Group prior to vesting, the share rights are forfeited.

Number of Share Rights Issued:

2022

Grant Date	Vesting Date	Balance at 30 September 2021	Granted during the year	Lapsed during the year	Vested during the year	Balance at 30 September 2022
19-Aug-19	19-Aug-22	139,613	-	(25,130)	(114,483)	-
2-Dec-20	2-Dec-23	160,977	-	(14,668)	-	146,309
30-Nov-21	30-Nov-24	-	203,642	(17,851)	-	185,791
Total LTI Plan		**300,590**	**203,642**	**(57,649)**	**(114,483)**	**332,100**

2021

Grant Date	Vesting Date	Balance at 30 September 2020	Granted during the year	Lapsed during the year	Vested during the year	Balance at 30 September 2021
19-Aug-19	19-Aug-22	139,613	-	-	-	139,613
2-Dec-20	2-Dec-23	-	160,977	-	-	160,977
Total LTI Plan		**139,613**	**160,977**	**-**	**-**	**300,590**

Share rights are valued as zero cost in-substance options at the date at which they are granted, using the Monte Carlo Option Pricing model. The following table lists the key inputs into the valuation:

	2022	**2021**
Grant Date	30-Nov-21	2-Dec-20
Vesting Date	30-Nov-24	2-Dec-23
Grant Date Share Price	$3.08	$3.61
Risk Free Interest Rate	0.94%	0.94%
Expected Dividends	$0.26	$0.26
Valuation per Share Right	$1.49	$1.75

The weighted average remaining contractual life of the share rights at 30 September 2022 is 1.73 years (2021: 1.57 years).

During the year ended 30 September 2022, an expense of $204,000 (2021: $136,000) has been recognised in respect of the LTI plan in the Consolidated Income Statement.

ACCOUNTING POLICIES:

The cost of share-based payment transactions are spread over the period in which the employees provide services and become entitled to the awards.

The cost of the equity-settled share-based transactions are measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost of equity settled transactions is recognised in the income statement, together with a corresponding increase in the share-based payment reserve in equity.

21. RELATED PARTY TRANSACTIONS

Transactions with owners		**2022 $000**	**2021 $000**
RELATED PARTY	NATURE OF TRANSACTIONS	VALUE OF TRANSACTIONS	
Hawke's Bay Regional Council	Rates, levies, consents and services	41	40
	Council Services	318	-
	Cost recoveries	(8)	(8)
	Lease income	(22)	(21)
	Accounts receivable by the Group	-	1
	Accounts payable by the Group	(319)	-
Hawke's Bay Regional Investment Company	Dividends	8,250	8,580
	Cost recoveries	(53)	(47)

Hawke's Bay Regional Investment Company Limited owns 55% of the ordinary shares of Napier Port Holdings Limited. Hawke's Bay Regional Investment Company Limited is wholly owned by Hawke's Bay Regional Council, which is the ultimate controlling party of the Group.

The amounts owing to related parties are paid in accordance with the Group's normal commercial terms of trade.

Certain directors of the Group are also directors of other companies with whom the Group transacts. All such transactions are on normal commercial terms.

Key management compensation

Compensation of directors and executives, being the key management personnel is as follows:

	2022 $000	2021 $000
Short-term employee benefits	3,761	4,309
Share-based payments	204	136
	3,965	**4,445**

22. COMMITMENTS AND CONTINGENCIES

CAPITAL EXPENDITURE COMMITMENTS

At balance date there were commitments in respect of contracts for capital expenditure totalling $846,000 (2021: $37,930,000).

CONTINGENT LIABILITIES

There were no material contingent liabilities at balance date (2021: $nil).

FINANCIAL GUARANTEES

The Group has financial performance guarantees in place. The maximum callable under the guarantees at 30 September 2022 is $99,000 (2021: $112,000).

23. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base, which the Group defines as total shareholder's equity, so as to maintain shareholder and banker confidence and to sustain the future development of the Group. The Group has established policies in capital management, including specific requirements relating to minimum interest cover, minimum debt to debt plus equity, and minimum total committed funding to maximum debt over the next 12 months.

FINANCIAL RISK MANAGEMENT

The Group’s activities expose it to a variety of financial risks, including credit risk, liquidity risk, and market risks. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

23.1 CREDIT RISK

In the normal course of its business the Group incurs credit risk from accounts receivable, bank balances and derivative financial assets. The Group has a policy of assessing the credit risk of significant new customers and monitors the credit quality of existing customers. Counterparties to cash and derivative financial assets are major banks, approved by the Directors. The Group's maximum credit risk exposures at the end of the reporting period are the carrying values recorded in the statement of financial position for these items. The Group's maximum daily credit risk to a single trade debtor during the reporting period was $4.7 million (2021: $3.9 million). Collateral or other security is not held.

23.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash and borrowing facilities available to meet its liabilities when due, under both normal and adverse conditions.

The Group's cash flow requirements and the utilisation of borrowing facilities are continuously monitored.

The following table sets out the contractual cash flows for all financial liabilities/(financial assets):

Contractual maturity analysis

	Carrying Amount $000	Cash flows to Maturity $000	Less than 1 Year $000	1 – 2 Years $000	2 – 5 Years $000	More than 5 Years $000
2022						
Trade payables	4,867	4,867	4,867	-	-	-
Lease liabilities	397	420	217	201	2	-
Loans and borrowings	131,180	171,559	7,320	7,320	54,159	102,760
Interest rate swaps - fair value hedges	1,723	1,932	476	626	739	91
Interest rate swaps - cash flow hedges	(6,410)	(7,088)	(1,668)	(1,875)	(3,521)	(24)
	131,757	**171,690**	**11,212**	**6,272**	**51,379**	**102,827**
2021						
Trade payables	13,551	13,551	13,551	-	-	-
Lease liabilities	521	521	225	175	164	-
Loans and borrowings	77,065	85,546	2,522	2,522	80,502	-
Interest rate swaps - cash flow hedges	(992)	(1,065)	71	(120)	(901)	(115)
	90,145	**98,553**	**16,369**	**2,577**	**79,765**	**(115)**

	2022 $000	2021 $000
At balance date the Group had bank facilities of:		
Overdraft	1,000	1,000
Credit facilities	80,000	180,000
Total	**81,000**	**181,000**
At balance date the utilisation of bank facilities was:		
Overdraft	-	-
Credit facilities	34,000	78,000
Total	**34,000**	**78,000**

23.3 MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and fuel prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(I) INTEREST RATE RISK

The Group's main interest rate risk arises from loans and borrowings with variable interest rates. The Group utilises interest rate caps and swaps to manage variable interest rate exposures for future periods. Generally, the Group enters into long-term borrowings at floating rates and swaps a portion of them into fixed rates. The Group's treasury policy defines the use of approved hedging instruments to manage interest rate exposures within minimum and maximum bands of fixed interest rate cover.

The notional principal amounts (including forward starting swaps) and the expiry period of interest rate swaps at the end of the reporting period were:

Interest rate swaps - cash flow hedges (pay fixed)	2022 $000	2021 $000
1 - 2 years	-	15,000
2 - 5 years	50,000	30,000
Greater than 5 years	30,000	20,000
	80,000	**65,000**

The effects of the interest rate swaps on the Group's financial position and performance are as follows:		
Carrying amount (asset)	(6,410)	(992)
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments	(6,410)	(992)
Change in value of hedged item used to determine hedge effectiveness	6,410	992
Weighted average hedged (index) rate	2.50%	1.32%

Interest rate swaps - fair value hedges (receive fixed)	2022 $000	2021 $000
1 - 2 years	-	-
2 - 5 years	-	-
Greater than 5 years	95,000	-
	95,000	**-**

The effects of the interest rate swaps on the Group's financial position and performance are as follows:		
Carrying amount (liability)	1,723	-
Hedge ratio	1:1	-
Change in fair value of outstanding hedging instruments	1,723	-
Change in value of hedged item used to determine hedge effectiveness	(1,723)	-
Weighted average hedged (index) rate	4.07%	-

SENSITIVITY:
At the reporting date, if bank interest rates had been 100 basis points higher/lower with all other variables held constant, it would increase/(decrease) profit or loss and other comprehensive income by the amounts shown below.

	Profit or Loss		Other Comprehensive Income	
	100bp Increase $000	100bp Decrease $000	100bp Increase $000	100bp Decrease $000
Variable rate loans	(340)	340	-	-
Interest rate swaps - fair value hedges	(3,718)	3,957	-	-
Interest rate swaps - cash flow hedges	-	-	2,879	(2,344)
30 September 2022	**(4,058)**	**4,297**	**2,879**	**(2,344)**
Variable rate loans	(780)	780	-	-
Interest rate swaps - cash flow hedges	350	(350)	2,364	(2,527)
30 September 2021	**(430)**	**430**	**2,364**	**(2,527)**

(II) FOREIGN EXCHANGE RATE RISK
The Group undertakes transactions denominated in foreign currencies from time to time which exposes the Group to changes in foreign exchange rates until such transactions are settled. It is the Group's policy to hedge highly probable foreign currency risks above a certain value threshold as they arise and use forward foreign exchange contracts or foreign currency cash purchases to manage these exposures.

There were no forward foreign exchange contracts in place at 30 September 2022 (2021: nil).

(III) COMMODITY PRICE RISK
There are no commodity swap contracts in place at 30 September 2022 (2021: nil).

23.4 FAIR VALUES

FINANCIAL ASSETS AND LIABILITIES

	2022 $000	2021 $000
Financial assets at amortised cost		
Cash and cash equivalents	1,942	1,403
Trade receivables	9,942	9,469
	11,884	**10,872**
Financial assets at fair value		
Interest rate swaps - cash flow hedges	6,410	992
	6,410	**992**
Total financial assets	**18,294**	**11,864**
Financial liabilities at amortised cost		
Trade payables	4,867	13,551
Fixed rate bond	97,089	-
Bank borrowings	34,000	77,065
Lease liabilities	397	521
	136,353	**91,137**
Financial liabilities at fair value		
Interest rate swaps - fair value hedges	1,723	-
	1,723	**-**
Total financial liabilities	**138,076**	**91,137**

The carrying value of all financial assets and liabilities approximates their fair value except for fixed rate bonds.

Fair value hierarchy – estimation of the fair value of financial instruments

The fair value of financial instruments is determined on a hierarchical basis that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments recognised on the Group's statement of financial position at fair value sit within Level 2.

ACCOUNTING POLICIES: DERIVATIVE FINANCIAL INSTRUMENTS

(I) CLASSIFICATION OF DERIVATIVES

Derivatives are only used for economic hedging purposes and not as speculative investments.

(II) MEASUREMENT OF DERIVATIVES

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at each balance date. The fair value of derivative financial instruments are determined by reference to market values for similar instruments. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement.

For derivative financial instruments that are designated and qualify as cashflow hedges, the effective hedge portion of changes in fair value are recognised in other comprehensive income in the hedging reserve within equity. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecasted transaction occurs. The gain or loss relating to any ineffective portion of the hedge is recognised in the income statement.

For derivative financial instruments that are designated and qualify as fair value hedges, changes in fair value are recognised in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to any ineffective portion is recognised in the income statement.

(III) HEDGING AND HEDGE INEFFECTIVENESS

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

FORWARD CONTRACTS/FOREIGN CURRENCY CASH BALANCES

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

INTEREST RATE SWAPS

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge all of its borrowings, therefore the hedged item is identified as a proportion of the outstanding loans and borrowings up to the notional amount of the swaps. As all critical terms are matched, the economic relationship are considered to be 100% effective.

Hedge ineffectiveness for interest rate swaps may arise if there is a difference in the critical terms between the swaps and the hedged borrowings or as a result of fluctuations in interest rate swap Credit/Debit or funding valuation adjustments.

COMMODITY SWAPS

For hedges of diesel fuel commodity purchases, the Group enters into derivative hedge relationships where the critical terms of the hedging instrument match the terms of the hedged item. The price of diesel fuel purchases includes a variable SingGasOil component, despite SingGasOil not being specified in any contractual agreement. Based on the evaluation of the market structure and refining process, this market price risk component is separately identifiable and reliably measurable. Fuel commodity hedging instruments are designated as a hedge of the market price risk in the SingGasOil component of highly probable diesel purchases. There is 1:1 hedging rate of the hedging instrument to the SingGas Oil component identified as the hedged item. The Group does not hedge 100% of its diesel fuel commodity purchases, therefore the hedged item is identified as a proportion of diesel fuel commodity purchases up to the notional amount of the swaps. In addition, the diesel fuel commodity hedging instrument is in NZD and therefore also hedges foreign exchange rate risk in relation to these purchases.

In hedges of commodity purchases, ineffectiveness may arise if the timing of the commodity purchases differs from the derivative settlement date or if there are changes in the credit risk of the Group or the derivative counterparty.

24. ALTERNATIVE NON-NZ GAAP PERFORMANCE MEASURE

The result from operating activities reported on the face of the consolidated income statement is a non-NZ GAAP measure that is not required by nor defined by relevant reporting standards. The Group considers this metric useful as it provides the result from core operating activities for comparison from period to period.

The result from operating activities is intended to be calculated as operating income less operating expenses. The measure excludes income and expenses related to the depreciation, amortisation, impairment and retirement of operating and other assets, income and expenses arising from fair value changes, non-recurring and abnormal, and joint-venture and other investment activity.

The result from operating activities measure includes certain non-cash income and expenses related to core operating activities such as accrued income and expenses and share-based payments.

25. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the balance sheet date, a fully imputed dividend of $9.4 million (4.7 cents per share) was approved by the Board of Directors.

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Independent auditor's report to the Shareholders of Napier Port Holdings Limited

The Auditor-General is the auditor of Napier Port Holdings 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 audit of the consolidated financial statements of the Group on his behalf.

Opinion

We have audited the consolidated financial statements of the Group on pages 77 to 101, that comprise the consolidated statement of financial position as at 30 September 2022, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 September 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and New Zealand Equivalents to International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In addition to the audit, we have provided interim reviews to the Group which are compatible with those independence requirements. We have no other relationship with, or interest in, Napier Port Holdings Limited or any of its subsidiaries.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Capital Expenditure on Te Whiti

Why significant	How our audit addressed the key audit matter
The Group completed the development of 6 Wharf (Te Whiti) in August 2022 with $187m of assets being transferred from capital work-in-progress to property, plant and equipment. This represents 33% of the Group's total assets. Judgement was exercised by management in allocating useful lives to the components of the completed wharf to ensure depreciation is appropriately calculated. Accordingly, this was considered a key audit matter. Total capital expenditure during the year was $60m with $45m related to the completion of the Te Whiti construction project. Additions to property, plant and equipment during the year comprise external contractor costs, a capitalised portion of internal labour costs and capitalised interest costs. Disclosures regarding property, plant and equipment are included in Note 17 to the financial statements.	Our audit procedures included: ► selecting a sample of external costs capitalised during the year, agreeing these to supporting evidence and assessing their eligibility for capitalisation against the criteria contained in NZ IAS 16 *Property, Plant and Equipment*; ► assessing the extent of labour costs capitalised, the basis for this capitalisation and the roles performed by the relevant personnel; ► assessing the extent of interest costs capitalised during the period and the appropriateness of the point in time that capitalisation of interest ceased; ► assessing the timing of when the Group commenced depreciating the Te Whiti assets; ► assessing the reasonableness of the depreciation rates applied to the components of Te Whiti and the consequential expense recognised considering the useful lives of each asset class component; and ► considering the adequacy of the Group's disclosures relating to property, plant and equipment in accordance with NZ IAS 16 *Property, Plant and Equipment*. We considered the results of the procedures above satisfactory in forming our opinion on the financial statements as a whole.

Port Operations Revenue Recognition

Why significant	How our audit addressed the key audit matter
The Group generates 98% of its revenue from port operations. Revenue is a key determinant of the Group's operating result. Disclosures regarding revenue are included in Note 4 of the Group to the financial statements.	Our audit procedures included: ► assessing the Group's revenue recognition accounting policies and procedures against the requirements of NZ IFRS 15 *Revenue from Contracts with Customers*;

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- analysing the correlation between the Group's recorded revenue and movements in accounts receivable and cash using data analysis techniques;
- selecting a sample of revenue transactions recorded around period end and assessing whether they had been recorded in the correct period; and
- assessing the adequacy of the Group's disclosures in relation to revenue.

We considered the results of the procedures above satisfactory in forming our opinion on the financial statements as a whole.

Sea Defence Assets Valuation

Why significant	How our audit addressed the key audit matter

Sea defence assets of $140m represent 25% of total assets. All of the Group's infrastructure assets are measured at historic cost (less accumulated depreciation) with the exception of sea defence assets which are measured at fair value. The revaluation of sea defence assets was considered a key audit matter due to the judgement involved in assessing the fair value.
 	
Given the unique characteristics and lack of market comparatives for such assets, the valuation is determined with reference to the optimised depreciated replacement cost. The Group has engaged an independent specialist to complete a valuation of the sea defence assets in March 2022.
 	
Disclosures regarding the valuation of sea defence assets are included within note 17 to the financial statements.
	Our audit procedures included:
	► Assessing whether the information provided to the external valuer was consistent with the information held in the Group's accounting records;
	► Our valuation specialists considered
	   ► the competence, capability and objectivity of the Group's independent valuation specialist;
	   ► the appropriateness of the basis of valuation adopted;
	   ► key valuation inputs and judgements associated with the valuation;
	► Assessing the adequacy of the Group's disclosures in relation to the sea defence asset valuation; and
	► Assessing the Group's accounting policies, methodology and procedures against the requirements of *NZ IFRS 13 Fair value measurement* and *NZ IAS 16 Property, Plant and Equipment*.
	As a result of the above procedures, we considered the valuation techniques and key assumptions reasonable in forming our opinion on the financial statements as a whole.

Other information

The Directors are responsible on behalf of the Group for the other information. The other information comprises the information included in the Annual Report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

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

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

The Directors' responsibilities arise from the Financial Markets Conduct Act 2013.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related

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to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Stuart Mutch
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand
15 November 2022

NAPIER PORT HOLDINGS LIMITED

TRADE AND FINANCIAL FIVE YEAR SUMMARY

	2022	2021	2020	2019	2018
Total Cargo (million tonnes)	5.39	5.87	5.05	5.46	5.09
Container Volumes (TEU)	254,438	276,129	268,266	271,221	266,006
Bulk Cargo (million tonnes)	3.65	3.95	3.12	3.40	3.07
Cruise vessel calls	1	-	76	70	57
Revenue ($m)	114.5	109.5	100.4	99.6	91.7
Result from Operating Activities* ($m)	40.1	43.8	41.2	42.0	38.9
Net Profit After Tax ($m)	20.4	23.2	22.0	6.8	17.6
Dividends paid ($m)	15.0	15.6	5.0	54.0	10.0
Capital Investment ($m)	72.1	103.7	46.1	17.6	15.7
Net Debt ($m)	129.2	75.7	-	-	80.6
Equity Ratio	70%	74%	90%	91%	64%
Debt Coverage Ratio	3.36	1.79	n/a	n/a	2.03
Interest Coverage Ratio	6.3	31.7	n/a	11.6	8.9
Return on Operating Assets %**	9.8%	14.4%	13.6%	13.3%	12.6%
Return on Shareholder's Funds %***	5.5%	6.6%	6.5%	2.5%	8.4%

Note: prior to 2019, data relates to Port of Napier Limited only.

* *Profit from operating activities before interest, tax, depreciation, amortisation and impairments, other income and expenses, joint venture results, and IPO transaction costs*

** *Result from operating activities divided by average non-current assets used in operations (excluding work in progress)*

*** *Net profit after tax divided by average shareholders' funds*

DIRECTORY

DIRECTORS

Alasdair MacLeod (Chair)
Blair O'Keeffe
Stephen Moir
Diana Puketapu
John Harvey
Vincent Tremaine
Rick Barker
Kylie Clegg
Dan Druzianic

SENIOR MANAGEMENT TEAM

Todd Dawson – Chief Executive
Kristen Lie – Chief Financial Officer
David Kriel – General Manager Commercial
Viv Bull – General Manager People and Culture
Adam Harvey – General Manager Marine and Cargo
Andrea Manley – General Manager Strategy and Supply Chain
Michel de Vos – General Manager Assets and Infrastructure
Jo-Ann Young – Corporate Affairs Manager

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New Zealand

Industrial and Commercial Bank
of China (New Zealand) Limited
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Auckland Central 1010
New Zealand

BOND SUPERVISOR

Public Trust
Level 16, SAP Tower
151 Queen Street
Auckland 1010

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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Auckland 1010

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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

15 December 2022	Final dividend payment
16 December 2022	Annual meeting
31 March 2023	Half-year balance date
May 2023	Interim results announced
June 2023*	Interim dividend payment
30 September 2023	Financial year end
November 2023	Annual results announcement

* *Subject to board approval*