



NAPIER^o
PORT
Te Herenga Waka o Ahuriri

NINE MONTH FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 JUNE 2020

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NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE NINE MONTHS ENDED 30 JUNE 2020

	Notes	30 June 2020 Unaudited \$'000	30 June 2019 Unaudited \$'000
Revenue	5	76,553	77,624
Employee benefit expenses		24,418	21,505
Maintenance expenses		6,464	6,582
Other operating expenses		14,592	13,802
Operating expenses		45,474	41,889
Result from operating activities		31,079	35,735
Depreciation, amortisation and impairment expenses		9,187	8,730
Other (income)/expenses	6	(1,679)	38
IPO transaction and related costs		(201)	-
Share of loss and impairment of investment in joint venture		-	1,080
Profit before finance costs and tax		23,772	25,887
Net finance (income)/costs		(151)	3,033
Profit before income tax		23,923	22,854
Income tax expense	7	5,210	6,590
Profit for the period attributable to the shareholders of the Company		18,713	16,264
EARNINGS PER SHARE:			
Basic earnings per share	3	0.09	0.15
Diluted earnings per share	3	0.09	0.15

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

NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 JUNE 2020

	30 June 2020 Unaudited \$000	30 June 2019 Unaudited \$000
Profit for the period attributable to the shareholders of the Company	18,713	16,264
Other comprehensive income		
<i>Items that will be reclassified to profit or loss:</i>		
Changes in fair value of cash flow hedges	-	(2,144)
Cash flow hedges transferred to profit or loss	-	1,185
Deferred tax on changes in fair value of cash flow hedges	-	268
<i>Items that will not be reclassified to profit or loss:</i>		
Cash flow hedges transferred to property, plant and equipment	(200)	-
Deferred tax on changes in fair value of cash flow hedges	56	-
Deferred tax on revaluation of sea defences	-	4,374
Total comprehensive income for the period attributable to the shareholders of the Company	18,569	19,947

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 NINE MONTHS ENDED 30 JUNE 2020

	Share Capital \$000	Revaluation Reserve \$000	Hedging Reserve \$000	Share-based Payment Reserve \$000	Retained Earnings \$000	Total Equity \$000
Balance at 1 October 2019	246,404	75,451	144	333	13,149	335,481
Profit for the period	-	-	-	-	18,713	18,713
Other comprehensive income	-	-	(144)	-	-	(144)
Total comprehensive income for the period	-	-	(144)	-	18,713	18,569
Dividends	11	-	-	-	(5,000)	(4,989)
Transaction costs arising on share issuance	101	-	-	-	-	101
Share-based payments	-	-	-	42	-	42
Fair Share loans to employees	40	-	-	-	-	40
Total transactions with owners in their capacity as owners	152	-	-	42	(5,000)	(4,806)
Total movement in equity	152	-	(144)	42	13,713	13,763
Balance at 30 June 2020 (Unaudited)	246,556	75,451	-	375	26,862	349,244
Balance at 1 October 2018	21,000	71,077	(3,823)	-	124,158	212,412
Profit for the period	-	-	-	-	16,264	16,264
Other comprehensive income	-	4,374	(691)	-	-	3,683
Total comprehensive income for the period	-	4,374	(691)	-	16,264	19,947
Dividends	-	-	-	-	(10,000)	(10,000)
Total transactions with owners in their capacity as owners	-	-	-	-	(10,000)	(10,000)
Total movement in equity	-	4,374	(691)	-	6,264	9,947
Balance at 30 June 2019 (Unaudited)	21,000	75,451	(4,514)	-	130,422	222,359

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 JUNE 2020

	30 June 2020 Unaudited \$000	30 Sept 2019 Audited \$000
EQUITY		
Share capital	246,556	246,404
Reserves	75,826	75,928
Retained earnings	26,862	13,149
	349,244	335,481
NON-CURRENT LIABILITIES		
Deferred tax liability	16,614	18,436
Lease liabilities	575	734
Provision for employee entitlements	477	436
	17,666	19,606
CURRENT LIABILITIES		
Taxation payable	2,553	3,358
Lease liabilities	210	200
Trade and other payables	16,529	12,471
	19,292	16,029
	386,202	371,116
NON-CURRENT ASSETS		
Property, plant and equipment	344,637	317,185
Intangible assets	1,193	1,110
Investment properties	8,200	8,200
	354,030	326,495
CURRENT ASSETS		
Cash and cash equivalents	17,955	31,224
Trade and other receivables	14,217	13,197
Derivative financial instruments	-	200
	32,172	44,621
	386,202	371,116

On behalf of the Board of Directors, who authorised the issue of the financial statements on 24 August 2020.


 Chairman


 Director

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

NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED 30 JUNE 2020

	30 June 2020 Unaudited \$000	30 June 2019 Unaudited \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Receipts from customers	75,093	74,161
Receipt of wage subsidy	2,036	-
Net GST received	27	278
<i>Cash was applied to:</i>		
Payments to suppliers and employees	(46,042)	(43,831)
IPO transaction and related costs	(478)	-
Net finance costs received/(paid)	151	(3,024)
Income taxes paid	(7,781)	(4,405)
Net cash flows generated from operating activities	23,006	23,179
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Proceeds from sale of property, plant and equipment	58	25
<i>Cash was applied to:</i>		
Acquisition of property, plant and equipment and intangible assets	(30,936)	(11,404)
Net cash flows used in investing activities	(30,878)	(11,379)
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Repayment of Fair Share loans by employees	51	-
<i>Cash was applied to:</i>		
Repayment of loans and borrowings	-	(500)
Repayment of lease liabilities	(149)	(141)
Transaction costs arising on share issuance	(299)	-
Dividends paid	(5,000)	(10,000)
Net cash flows used in financing activities	(5,397)	(10,641)
Net (decrease)/increase in cash and cash equivalents	(13,269)	1,159
Cash and cash equivalents at beginning of the period	31,224	(109)
Cash and cash equivalents at end of the period	17,955	1,050

NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE NINE MONTHS ENDED 30 JUNE 2020

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

	30 June 2020 Unaudited \$000	30 June 2019 Unaudited \$000
Profit for the period	18,713	16,264
<i>Adjust for non-cash items:</i>		
Depreciation and amortisation	9,187	8,730
Net loss on sale of property, plant and equipment	18	38
Share of loss and impairment from investment in joint venture	-	1,080
Share-based payments	42	-
Other non-cash items	339	10
Deferred tax	(1,766)	(1,078)
	7,820	8,780
<i>Other adjustments:</i>		
(Decrease)/increase in current tax	(805)	3,262
Increase in non-current provision	41	4
	(764)	3,266
<i>Movements in working capital:</i>		
Increase in trade and other receivables	(1,459)	(3,464)
Decrease in trade and other payables	(1,304)	(1,667)
	(2,763)	(5,131)
Net cash flows generated from operating activities	23,006	23,179

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

NAPIER PORT HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 JUNE 2020

1 REPORTING ENTITY

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

2 BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with the Companies Act 1993.

STATEMENT OF COMPLIANCE

The interim financial statements have been prepared in accordance with New Zealand equivalents to International Accounting Standard 34, Interim Financial Reporting (NZ IAS 34), and International Accounting Standard 34, Interim Financial Reporting. The Group is a for-profit entity for NZ GAAP purposes. These interim financial statements do not include all the information normally included in an annual financial report. Accordingly, these should be read in conjunction with the Group's annual financial statements for the year ended 30 September 2019.

BASIS OF MEASUREMENT

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 30 September 2019.

The weighted average number of shares on issue for the calculation of basic and diluted earnings per share for the nine months ended 30 June 2019 has been retrospectively restated to 110,000,000 shares (previously 21,000,000 shares) following the initial public offering (IPO) in August 2019. As a result basic earnings per share for the nine months ended 30 June 2019 has been restated to \$0.15 per share (previously \$0.77 per share).

4 UNCERTAINTIES, ESTIMATES AND JUDGEMENTS

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

In preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty, are consistent with those applied to the Group's consolidated financial statements for the year ended 30 September 2019 other than the impact of the COVID-19 pandemic as described below.

As at the balance sheet date and as at the date of authorisation of these financial statements, the Group was operating in conditions affected by the COVID-19 virus global pandemic. The potential economic and public health consequences of this pandemic increase uncertainties regarding the Group's future trading results, including those arising from the pandemic's potential impact on our direct and indirect cargo customers. Risks that the Group is exposed to include financial risk, including credit risk and market risks, and the carrying value of assets, as further described in the Group's annual financial report. The revised economic situation at 30 June 2020 has required additional consideration of the expected credit loss in relation to accounts receivable, of impairment, and of the fair value of investment property. These additional considerations have resulted in an increase in the expected credit loss allowance (Note 6) but has not resulted in significant changes to the recorded amounts of other assets or liabilities.

5 REVENUE AND SEGMENT REPORTING

	30 June 2020 Unaudited \$000	30 June 2019 Unaudited \$000
Disaggregation of revenue		
Port operations	74,975	76,157
Property operations	1,578	1,467
Operating income	76,553	77,624

ACCOUNTING POLICIES:

Operating segments

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

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

The Group operates in one geographic area, that being New Zealand. During the period the Group had a single customer which comprised 11% of total revenue.

6 OTHER (INCOME)/EXPENSES

	30 June 2020 Unaudited \$000	30 June 2019 Unaudited \$000
Included within other (income)/expenses are:		
Loss on sale of assets	18	38
Expected credit loss allowance	339	-
Receipt of wage subsidy from the New Zealand Ministry of Social Development	(2,036)	-
Other (income)/expenses	(1,679)	38

In light of the COVID-19 impact on credit risks at the reporting date, the Group has recognised an expected credit loss allowance of \$339,000 in respect of its trade receivable balance at 30 June 2020. 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. There have been no specific trade receivable balances written-off during the period.

7 INCOME TAX

	30 June 2020 Unaudited \$000	30 June 2019 Unaudited \$000
Reconciliation between income tax expense and tax expense calculated at the statutory income tax rate		
Profit before income tax	23,923	22,854
Income tax at 28%	6,698	6,399
Adjustment to prior year tax	17	161
Tax effect of non-assessable items	(596)	(84)
Tax effect of non-deductible items	599	114
Reinstatement of tax depreciation on buildings	(1,508)	-
Income tax expense	5,210	6,590
<i>The income tax expense is represented by:</i>		
Current tax on profits for the period	6,954	7,589
Adjustments for current tax of prior periods	22	79
Current income tax expense	6,976	7,668
Deferred income tax expense for the period	(1,761)	(1,160)
Adjustments for deferred tax of prior periods	(5)	82
Deferred income tax expense	(1,766)	(1,078)
Income tax expense	5,210	6,590

On 26 March 2020 the COVID-19 Response (Taxation and Social Assistance Urgent Measures) Bill was enacted which reinstated the ability for companies to claim depreciation on buildings that have an estimated useful life of 50 years or more from the 2020-21 income tax year. The reinstatement of tax depreciation on buildings required the Group to reinstate the tax base of its buildings. The Group has also removed the effect of the initial recognition exemption on those buildings acquired post May 2010. This net change has resulted in a decrease in the deferred tax liability of \$1,508,000 and a corresponding income tax benefit in the current period.

8 RELATED PARTY TRANSACTIONS AND BALANCES

		30 June 2020 Unaudited \$000
Related Party		
Hawke's Bay Regional Council	Rates, levies and consents	44
	Subvention payment	7
	Lease income	(19)
	Cost recoveries	(9)
	Accounts receivable by Port of Napier	9
	Accounts payable by Port of Napier	2
Hawke's Bay Regional Investment Company	Dividends	2,750
	Subvention payment	217
	Cost recoveries	(38)
	Accounts receivable by Port of Napier	38

9 COMMITMENTS & CONTINGENCIES

CAPITAL EXPENDITURE COMMITMENTS

At balance date there were commitments in respect of contracts for capital expenditure totalling \$131,971,000 (2019: \$8,853,000).

CONTINGENT LIABILITIES

There were no material contingent liabilities at balance date (2019: Nil).



Review Report to the Shareholders of Napier Port Holdings Limited

We have reviewed the consolidated interim financial statements of Napier Port Holdings Limited (the "Company") and its subsidiaries (the "Group") on pages 1 to 10, which comprise the consolidated statement of financial position of the Group as at 30 June 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the nine months ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's shareholders, as a body. Our review has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our review work, for this report, or for our findings.

Directors' Responsibilities

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

Reviewer's Responsibilities

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

The Auditor-General is the auditor of Napier Port Holdings Limited and its subsidiaries. Simon Brotherton, appointed by the Auditor-General, performs the annual audit of the Group using the staff and resources of Ernst & Young. As a result, and in compliance with NZ SRE 2410, Ernst & Young is required to comply with the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Basis of Statement

A review of consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.



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The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on the consolidated interim financial statements.

In addition to the audit and this review we have provided quality assurance over risk assessment processes to the Group and a limited assurance engagement, which are compatible with those independence requirements. Other than the audit, this review and these engagements, we have no relationship with or interests in the Group.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements, set out on pages 1 to 10, do not present fairly, in all material respects, the financial position of the Group as at 30 June 2020 and its financial performance and cash flows for the nine months period ended on that date in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*.

Our review was completed on 24 August 2020 and our findings are expressed as at that date.

A stylized, handwritten-style signature of 'Ernst & Young' in black ink.

Chartered Accountants
Auckland, New Zealand

DIRECTORY

DIRECTORS

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

SENIOR MANAGEMENT TEAM

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

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AUDITORS

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

SHARE REGISTRY

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

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

FINANCIAL CALENDAR

30 September 2020	2020 financial year end
November 2020	2020 year end results announcement
December 2020	Annual meeting
31 March 2021	2021 half year end
May 2021	2021 half year results announcement
August 2021	2021 third quarter results announcement

