



NAPIER^o
PORT
Te Herenga Waka o Ahuriri

KEEPING OUR REGION CONNECTED TO THE WORLD

ANNUAL REPORT – TE PŪRONGO Ā-TAU / 2021

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**OUR PURPOSE
REMAINS CLEAR:
TOGETHER WE BUILD
A THRIVING REGION
BY CONNECTING YOU
TO THE WORLD**



HIGHLIGHTS

\$9.4
MILLION
FINAL DIVIDEND
–
4.7 CENTS
PER SHARE

3.0
MILLION
TONNES OF
LOG EXPORTS
–
UP 27.6%

276
THOUSAND
TEU CONTAINERS
HANDLED
–
UP 2.9%

\$109.5
MILLION
REVENUE
–
UP 9.0%

45
THOUSAND
TEU HANDLED
THROUGH PORT PACK
–
DOWN 7.6%

343
CHARTER
VESSEL CALLS
–
UP 12.8%

\$23.2

MILLION

NET PROFIT

–

UP 5.2%

\$43.8

MILLION

**RESULT FROM
OPERATING ACTIVITIES**

–

UP 6.4%

5.9

MILLION

**TONNES OF
CARGO HANDLED**

–

UP 16.3%

242

**CONTAINER
VESSEL CALLS**

–

DOWN 17.4%

3.95

MILLION

**TONNES OF BULK
CARGO HANDLED**

–

UP 26.6%



CHAIR'S REPORT

TĒNĀ KOUTOU E NGĀ KAIWHAKARATO MONI,

In the face of a global pandemic, lockdowns, global shipping congestion, disrupted shipping schedules and supply chains, Napier Port has over the last year again delivered on its commitments to its customers, its shareholders, and its region.

We have kept the cargo flowing, moving a record 3.95 million tonnes of bulk cargo and more than 276,000 TEU¹ of containers, respectively a 26.6% and 2.9% improvement on the prior year's volumes. More than 80% of the traffic was for export markets, the food and fibre products that underpin the prosperity of our region.

Reflecting the strong cargo volumes, and despite the COVID-19 pandemic preventing cruise ship visits to Napier, revenue for the year to 30 September 2021 increased 9% to a record \$109.5 million from \$100.4 million in the prior financial year.

Net profit after tax rose 5.2% to \$23.2 million from \$22 million.

As we said at the half year, a key strength of Napier Port is the diversity of trades that pass across our wharves. This diversification, the stability of earnings it provides, and our confidence in the long-term outlook for our region gives Napier Port a mandate to continue to invest in the infrastructure that will support our region and our customers into the future.

Our 350m-long 6 Wharf is the centre piece of this investment.

We are pleased with the progress we are making on this once-in-a-generation project. We now expect 6 Wharf to be operational in the second half of the 2022 financial year, earlier than the contractual completion date at the end of 2022.

Risks remain, but thanks largely to the more advanced stage of the project and the associated reduction in construction risk, we now expect the final cost to range between \$173 million and \$179 million, lower than our earlier estimate of \$173 million to \$190 million.

We continue to invest more widely in strategic infrastructure to provide improved service and efficiencies to customers.

Over the financial year we have moved, as planned, from funding our investment programme from the proceeds of our 2019 initial public offer, to borrowings. Net debt at the end of the financial year stood at \$75.7 million up from \$32.1 million at the end of March. We have the headroom to fund our existing investment programme with undrawn facilities of \$102 million.

SAFETY, GOVERNANCE AND SUSTAINABILITY

The Board regards any injury to people as unacceptable and we are determined to continue delivering improvements that maximise the safety of Napier Port's people. Two years into our three-year health and safety roadmap, considerable progress has been made on critical risk management and assurance activities, focusing on mitigating the risks most likely to cause serious harm. We are committed to investing in, and developing, strategies to ensure everyone at Napier Port returns home safely each day. The Board is uncompromising on this.

¹ Twenty foot container equivalent unit

As a company, we were pleased to update our diversity and inclusion policy and officially launch a Te Ao Māori strategy this year, reflecting our people's passion for integrating wellbeing, te reo and tikanga Māori into their work. We are committed to strong partnerships with mana whenua and our Marine Cultural Health Programme, detailed on page 26, is a good example of when we have done this well. Engaging authentically with our community is a priority for the Board.

It is important to the Board that our actions as a business match the aspirations and expectations of our shareholders, as well as our people, customers and the community. A highlight of the year was the creation of a Sustainability Committee at Board level, followed by the launch of a comprehensive sustainability strategy and action plan.

We feel our strategy is one of the most comprehensive plans in our industry and region, adopting 14 of the 17 United Nations Sustainable Development Goals. Focusing our efforts locally and on those issues that we are in the best position to influence and improve, we have identified more than 100 social, economic and environmental actions to ensure we develop a truly sustainable business; including the creation of two artificial reefs to increase biodiversity, surveying and monitoring water quality and fish species, and protection of at-risk bird species that make their home at Napier Port.

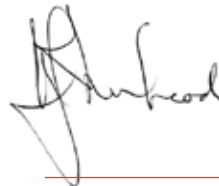
We are also pleased this year to release our first Climate Change Related Disclosure Report, outlining the potential financial implications of climate change on our business. While we have been measuring and reporting on Scope 1, 2 and limited Scope 3 emissions for a number of years, our focus this year has been on establishing a baseline for emissions, including an expanded Scope 3, to better enable opportunities for reductions, setting targets and measures, and reporting progress.

Finally, as a company that plays an important part in regional growth and prosperity, the team at Napier Port has been unwavering in their commitment to keeping COVID-19 out of the region and keeping our people and the community safe. Thank you to Todd and the senior management team for the tenacity with which they have adopted a leading position on border protocols, mandatory vaccinations and testing.

On behalf of the Board, shareholders and management team I thank our cargo owners who have worked with us to overcome the considerable disruptions we have faced. To the entire team at Napier Port, including contractors, suppliers and transport operators, a sincere thank you for the work you do every day connecting our cargo owners, and community, to global markets.

DIVIDEND

We have declared a final dividend of 4.7 cents per share. The dividend has a record date of 6 December 2021 and a payment date of 16 December 2021.



ALASDAIR MACLEOD
Chair



CHIEF EXECUTIVE'S REPORT

TĒNĀ KOUTOU

Napier Port has been more than resilient this year, it has performed incredibly well, under very challenging circumstances.

I am immensely proud of the Napier Port team. Once again, they moved record volumes of cargo, worked with customers to deliver supply chain solutions tailored to their needs and generated a strong financial result for shareholders. And they did all of this while keeping each other and our community safe from the pandemic.

STRONG TRADE VOLUMES

Despite forestry harvesting ceasing during the August 2021 lockdown, we moved a record 3.02 million tonnes of logs across our wharves during the year, 27.6% higher than the 2.37 million tonnes in the prior year.

This surge in volume follows on from buoyant international markets, their demand for New Zealand forest products and the maturation of large plantations established in the mid-1990s; the 'wall of wood' that is expected to continue to flow through Napier Port.

Napier Port's success in attracting cargo from outside Hawke's Bay has been a factor in driving increased volumes. Our partnerships with forestry sector exporters and the renewal of our contract with timber and pulp manufacturer WPI are prominent examples of Central and Lower North Island cargo owners that are sending more

cargo our way. Both value our ability to meet and secure their supply chain requirements with access to global markets and a port operation that continues to provide efficient, reliable and resilient services.

While logs underpinned a total bulk cargo trade of 3.95 million tonnes, 26.6% higher than the 3.12 million tonnes in the prior year, imported oil products and fertiliser also contributed.

Annual container volumes increased by 2.9% to 276,000 TEU compared to 268,000 TEU last year, with an increase in high-value reefer containers, due principally to higher meat exports offsetting lower dry exports and slightly lower apple volumes.

This result is particularly pleasing when it is considered against the challenges we faced within the global supply chain and container shipping trade.

Charter vessel visits for the bulk trade increased to 343, up from 304 the previous year. In contrast, container ship visits fell to 242 compared to 293 in the year before resulting from the ongoing volatility in global shipping. Significantly we hosted all these vessels while operating with reduced space on port due to the construction of 6 Wharf, requiring additional area for equipment and site access as the piling advanced and concrete was laid.

The result is a credit to the region's cargo owners who have continued to deliver resilient volumes, despite labour shortages, shipping disruption and COVID-19 operating constraints on production.

FINANCIAL RESULTS

The cargo volumes translated into record revenues of \$109.5 million, a 9% increase on the prior year's result of \$100.4 million. Bulk cargo revenue accounted for most of the change rising 32.7% to \$41.5 million, while container revenue rose 4.8% to \$65.3 million.

The result from operating activities rose 6.4% to \$43.8 million from \$41.2 million in the prior year, with the higher revenue offset by a 10.8% increase in total operating expenses. This increase followed an unwinding of measures introduced in the prior year that were designed to protect us from the pandemic. We reinstated incentives and eased pay constraints. We also lifted hiring restrictions and resumed recruitment, lifting the number of full-time equivalents, mainly to drive growth and deliver the service and supply chain solutions our customers expect. Higher insurance costs also contributed to the increase in operating costs.

Underlying net profit after tax, after adjusting for non-recurring and unrealised reported net gains, including property revaluations, increased by 7% to \$22.0 million from \$20.5 million.

These strong financial results enable us to deliver for shareholders, while also investing in infrastructure, plant and equipment to support customers' long-term growth strategies.

CUSTOMER-CENTRIC STRATEGY

Our clear strategy has been pivotal to our success, with its focus on connecting with customers, harnessing data and technology, developing a resilient and agile infrastructure, fostering collaborative partnerships, and recognising that our people and unique Napier Port culture are the foundation of our business success. Detail can be found on pages 22 to 49 of this report.

In this year of adversity, we have benefited from the work we commenced when we set this strategy in motion three years ago. While we could not resolve all the burdens of fractured supply chains for our customers, the relationships we have established meant we were more adept at finding solutions to alleviate the impact.

Our teams worked closely with cargo owners, and everyone along the supply chain, including shippers, carriers, agents, and government agencies, to create as many opportunities as possible to ensure their cargo continued to flow. We thank our customers for trusting that we were doing all we could to bring vessels in and keep them connected to markets.

This year we paused to review our strategy, to ensure it is still current within today's environment and remains focused on our core purpose of working together with our customers and partners to build a thriving region. It stood up to the test, but it has been enhanced with the addition of a renewed focus on sustainability alongside the culture of care we strive to foster on the port.

NATIONAL SUPPLY CHAIN

The supply chain challenges faced by New Zealand this year further reinforced our viewpoint that we need a national supply chain strategy that includes ports, road and rail networks. A cornerstone of such a strategy will be sensible infrastructure development, based on sound business cases and delivering the most efficient supply chain options for New Zealand cargo owners.

Napier Port's 6 Wharf development is a clear example of the kind of disciplined investment such a strategy should foster. This is a once-in-a-generation project. In the two years since our Initial Public Offer that underpinned its financing, and despite two periods of lockdown during its construction, we have made excellent progress with building 6 Wharf.

As of 30 September, we had completed all 400 piles, 69% of the dredging programme, and 22 of the 32 concrete deck pours. The 10 MoorMaster mooring system units have arrived on port and groundwork improvements are underway. Once the new electrical substation, deck and dredging are complete, development will move to ship and container exchange trials.

As Alasdair noted, we now expect 6 Wharf to be operational in the second half of the new financial year with the expected project cost range to now be lower than originally anticipated.

Cargo owners, and our regional economy, will benefit immediately from 6 Wharf. It will offer increased shipping capacity, the ability to handle more and larger vessels and improved availability across all our wharves, which will allow Napier Port to support the demands of our region today and the growth we see coming into the future.

In addition to 6 Wharf, this year we embarked on a range of other investments to enhance our service proposition with our customers. This includes working with them to deploy an on-port mobile log debarker and preparing for our mobile harbour cranes to load logs on charter vessels.

The debarker will allow us to stop methyl bromide fumigation of logs at Napier Port from 1 January 2022, a move which we have been committed to as soon as a feasible alternative was available.

PEOPLE AND PARTNERSHIPS

Napier Port's people are the foundation of our success and building resilience and capability into our team continues to be a priority through training, development and safety and wellbeing initiatives.

We are committed to ensuring the ongoing safety of our people, so it was pleasing to see all three strategic projects underpinning our health and safety roadmap progress well this year. Notably, our focus on critical risk control management significantly moved ahead and in the coming year we will be validating this work and implementing any required changes.

This year we introduced a new employee performance and feedback tool, launched our Te Ao Māori strategy, and updated our diversity and inclusion policy.

Whilst at Alert Level 1, we held the first port-wide Whānau Day in eight years, hosting 600 whānau on port to say thank you to our team and their families for the support they provide. We also implemented a new annual employee engagement survey, Korero Mai, and were delighted with an overall engagement score of 77%. We're determined to improve on this result year on year.

We want everyone who is part of the team and contributes to our success to have an ownership stake in the business and we are proud of the fact that as part of our Initial Public Offer in 2019, 97% of our employees became shareholders in Napier Port.

This year – for the first time – our employee recognition scheme offers Napier Port shares together with a cash payment. The scheme is linked to key business metrics which we report on monthly with employees. We are delighted that this year through the hard work and dedication of our teams, each Napier Port employee (excluding senior management) will receive \$2,779 consisting of cash and shares, ensuring that all our team will be invested in our business and benefit from our success.

OUTLOOK

While confronting the ongoing threat of COVID-19, we remained vigilant, implementing some of the strictest border protocols in the industry to keep everyone safe at work and prevent the virus entering the community through our port.

Towards the end of our financial year, it became clear we were now facing risk on two fronts, land and sea. Napier Port took a strong position on mandatory vaccination, becoming the first port company, and one of the first businesses in New Zealand, to introduce mandatory COVID-19 vaccination for employees. Phase two will see this rollout to all port users towards the end of the calendar year and into early 2022.

While this is still unfolding, and we anticipate further challenges in the year ahead, Napier Port's focus will remain on keeping its people and community safe while maintaining our ability to operate effectively to support our customers and regional economy. This has served us well this past year and allowed us to post a pleasing full year result for shareholders.



TODD DAWSON
Chief Executive



CHIEF FINANCIAL OFFICER'S MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Napier Port's expectations coming into the 2021 financial year were tempered given the ongoing pandemic effects and risks, and knowing there would be no cruise ship visits contributing to our 2021 financial results. We have this year reported another year of records in our key financial metrics with the main driver being the stable and positive export market conditions for New Zealand logs throughout 2021. Log exports through Napier Port increased 27.6% to reach 3.02 million tonnes. This led to bulk cargo revenue growing \$10.2 million, or 32.7%, to \$41.5 million for 2021, more than offsetting the loss of cruise revenue which was \$4.3 million in 2020.

Compared to the prior year, total Napier Port revenue grew by \$9.0 million, or 9.0%, to \$109.5 million and the result from operating activities increased by 6.4% to \$43.8 million. Reported net profit after tax increased by 5.2% to \$23.2 million.

Our balance sheet is strong. At the end of the financial year, Napier Port had net drawn debt of \$78.0 million, in addition to \$102 million in undrawn credit facilities, after having spent the significant sum of \$103.7 million on the 6 Wharf 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

Investor Presentation, that together provide further trade and financial information and which form part of our 2021 reporting suite of information for investors and other stakeholders.

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

REVENUE

Revenue of \$109.5 million increased by 9.0% from the prior year. This result was driven by volume growth in bulk cargo and container services together with improved average revenues per unit across both areas, which outweighed the absence of cruise vessel calls during the 2021 financial year.

Container services revenue of \$65.3 million was 4.8% higher than the prior year.

Total annual container volumes increased by 2.9% to 276,000 TEU. Cargo-laden export and import containers increased by 1.3% to 157,000 TEU, while empty and other container movements increased 5.1% to 119,000 TEU.

Dry export cargo was down by 3.4% to 67,000 TEU. This reduction was mainly due to lower wood pulp and timber volumes, which were impacted by shipping schedule disruptions and shipping capacity constraints during the year, and exporters' plant maintenance and shutdowns.

Reefer exports increased 4.7% to 57,000 TEU mainly due to higher meat exports. Apple and pear reefer export volumes reduced 1.5% to 25,000 TEU compared to the prior year.

Containerised imports increased by 1.7% to 132,000 TEU as general cargo imports grew, while reefer and empty imports were in line with the prior year.

Other container movements, including Discharge, Load, Restows (DLRs) and transhipped containers, increased 58.4% to 17,000 TEU due to increased container repositioning by shipping lines related to shipping schedule disruptions.

Container services average revenue per TEU increased by 1.8% compared to the prior year, largely due to additional revenues earned as a result of container shipping disruptions, including additional storage and refrigerated container servicing. These gains were offset by lower Port Pack pulp and timber packing volumes during the year.

Container vessel calls were down to 242 ships from 293 ships in the prior year. Global shipping congestion and disrupted supply chains have continued to result in volatile schedules, with scheduled calls missed and significant reductions in total container shipping capacity from New Zealand and Hawke's Bay. We have also experienced a relatively high number of weather event days, further restricting shipping during 2021.

Bulk cargo revenue of \$41.5 million was 32.7% higher than the prior year.

Bulk cargo total volume of 3.95 million tonnes was 26.6% higher than the prior year. Log export volume increased by 27.6% to 3.02 million tonnes due to the favourable log export market conditions in China throughout the year.

Charter vessel calls increased to 343 from 304 last year, as a result of the increase in bulk cargo volume.

Bulk cargo average revenue per tonne increased by 4.8% compared to the prior year. In addition to tariff increases, this growth resulted from changes in the mix of bulk cargo and export customers, and as a result of non-recurring cost recovery revenue during the year.

No cruise vessels called during the 2021 financial year due to the closed international border. Last year 76 cruise ships called at Napier Port earning \$4.3 million in revenue.

EXPENSES

As a result of the arrival of COVID-19 in early 2020, we instituted a number of short-term measures to prudently protect our cashflow and balance sheet in light of the pandemic's uncertainties and our capital commitments related to the construction of 6 Wharf. These measures reduced and deferred expenditure during the 2020 financial year. Whilst we remain cautious in the face of the ongoing impacts of COVID-19, we did not expect the temporary cost measures implemented during 2020, to continue to the same degree in 2021.

Total operating expenses grew by 10.8% to \$65.7 million compared to 2020, with employee benefit expenses and other operating expenses increasing 10.8%, and property and plant expenses increasing by 10.7%.

Employee benefit expenses increased due to anticipated increases in employee numbers, general remuneration increases, and the resumption of staff and executive incentives which were cancelled during 2020 as part of our COVID-19 response measures.

Property and plant expenses increased primarily as a result of higher fuel consumption, including fuel to power refrigerated containers on port for longer periods. Additional plant expenses arose as a result of hiring additional power generators and truck transport capacity to manage container shipping schedule disruptions, within a reduced container terminal footprint due to the construction of 6 Wharf. Managing the container supply chain and terminal disruptions during the year also had the effect of increasing our greenhouse gas emissions, both in total, which increased by 22.5%, and on a per cargo tonne basis, which increased 5.4%.

Other operating expenses increased due to another year of significant increases in insurance costs in addition to increasing technology expenses.

The result from operating activities of \$43.8 million increased by 6.4% compared to the prior year and as a percentage of revenue was down from 41% to 40%.

Depreciation, amortisation and impairment expenses increased marginally by \$0.1 million to \$13.1 million. Excluding the asset impairment of \$0.6 million recorded during 2020, the year-on-year increase was 5.2% which arose from recent asset additions and increased software asset amortisation.

Other income was \$1.1 million compared to \$0.7 million in the prior year. The current year benefited from an unrealised investment property revaluation gain of \$1.2 million, compared to \$1.0 million in the prior year.

Net finance costs recorded in the income statement were negligible across both years. However, accrued facility costs and interest margins on drawn balances of \$1.4 million associated with our bank lending facilities were recognised during 2021, with these costs being capitalised as part of the cost of 6 Wharf. When 6 Wharf is complete the majority of our finance costs will be recorded in the income statement.

Income tax expenses increased by \$1.3 million to \$8.6 million due to higher taxable profit in the current year and the non-recurring \$0.7 million deferred tax benefit from the reinstatement of tax depreciation on buildings during 2020. The effective tax rate of 27% for the year is slightly lower than the statutory tax rate of 28% due to a non-assessable investment property revaluation gain. This effective rate is higher than the 25% in the prior year, which was lowered further by the gain from the reinstatement of tax depreciation on buildings.

Reported net profit after tax for the period attributable to the shareholders of the company of \$23.2 million increased 5.2% from \$22.0 million in the prior year.

CAPITAL EXPENDITURE

Capital investment spend in the year of \$103.7 million included \$94.7 million spent on 6 Wharf construction, as significant progress was made on all the major project workstreams. Other investments included increasing our capacity to store refrigerated containers, new plant for the log debarker and mobile harbour crane log loading trial, and maintenance and replacement spend on the Te Mata tug dry docking, wharves, paving and buildings, and replacement bulk cargo hoppers, among others.

CASHFLOW

Cashflow from operating activities increased to \$34.8 million from \$29.3 million year on year, with improved underlying earnings and working capital in the current year offsetting higher tax payments.

Dividend payments during the financial year of \$15.6 million, including the final 2020 dividend paid in December 2020 and the interim 2021 dividend paid in June 2021, were \$10.6 million higher than the year before.

After the net spend on investing activities of \$103.6 million, cash balances decreased by \$6.5 million and the balance of spend was funded from drawings on our bank lending facilities. Drawn bank debt increased from nil to \$78 million during the year.

BALANCE SHEET

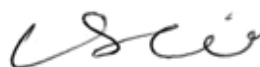
In addition to the drawn bank lending at the balance date, Napier Port had \$102 million in undrawn credit facilities to continue with our future capital investment programme, and in particular, 6 Wharf.

At the end of the financial year the Group had total assets of \$480.0 million which were funded by \$354.8 million of equity balances and \$125.2 million of current and non-current liabilities.

The positive progress to date with 6 Wharf construction has seen the range of remaining risk from this project reduce, enabling us to reduce the range of expected cost outcomes. Whilst significant risks with the project remain, we expect the total construction project cost to be between \$173 million and \$179 million, excluding capitalised overheads and finance costs, which is lower than the original \$173 million to \$190 million estimate. We expect 6 Wharf to be available during the second half of the 2022 financial year and, with this milestone we look forward to a significant reduction in our overall enterprise risk profile.

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 2021 financial year, payable on 16 December 2021 to those on the share register at close of business on 6 December 2021. Including the interim dividend of \$5.6 million (2.8 cents per share) paid in June 2021, dividends in respect of the 2021 financial year total 7.5 cents per share (2020: 5 cents per share).



KRISTEN LIE
Chief Financial Officer

ABOUT NAPIER PORT

Napier Port has been connecting Hawke's Bay and its surrounding regions with the people and markets of the world for around 150 years.

We plan, operate and maintain port land and shipping channels, and we have the cargo handling capacity, facilities and infrastructure required 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 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 providing safe and secure access to our sites and services.

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

OUR PORT, HUBS AND INFRASTRUCTURE



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



**50 HECTARES
OF ON-SITE
PORT LAND**



**SIX MOBILE
HARBOUR
CRANES**



THREE TUGS



**OPEN 364
DAYS A YEAR**



**OVER 320
EMPLOYEES**



**36,600 SQUARE
METRES
OF WAREHOUSING**



**1123 CONNECTION POINTS
FOR REFRIGERATED CARGO**



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



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



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



**10 HECTARES
OF DEDICATED
LOG STORAGE,
WORKING 24/7**



**12.3 HECTARES OF
LAND IN WHAKATŪ
FOR FUTURE
DEVELOPMENT**



**16 HECTARES
OF CONTAINER
TERMINAL SPACE**



**FLEET OF 38
HEAVY CONTAINER
HANDLING
MACHINES**



TRADE PORTFOLIO

A diversified regional trade base is a key strength of our business. Hawke's Bay is a major New Zealand producer, processor and exporter of primary produce.

Key exports across our wharves include logs, wood pulp, timber, pipfruit, meat and general cargo. The majority of our exporters are located within 100 kilometres of Napier Port, providing a nearby, cost-effective route to market. Hawke's Bay's pipfruit exports represent 63% of New Zealand's total planted pipfruit area, and log exports represent 8% of New Zealand's total planted forest area.

Key imports include fertiliser, oil products, general cargo, foodstuffs and cement. Imports are an important growing

part of our business, and with our supply chain logistics service coming online we are well positioned to bring in increased cargo volumes for customers from outside our region.

In 2021, bulk cargo totalled a record 3.95 million tonnes, including a record 3.02 million tonnes of logs. Container volumes also grew year-on-year to 276,000 TEU, despite lockdowns, seasonal labour shortages, global shipping congestion and disrupted supply chains.

REVENUE BREAKDOWN FY2021



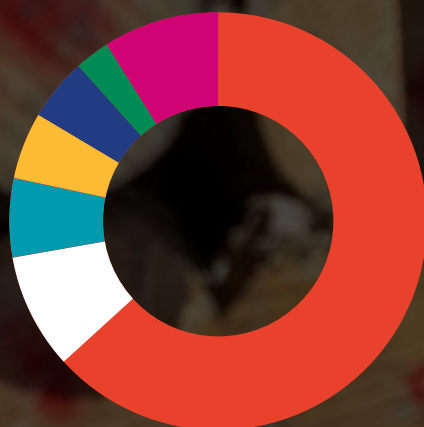
Container Services	60%
Bulk Cargo	38%
Other	2%

EXPORT/IMPORT SPLIT FY2021 BY WEIGHT



Exports	81%
Imports	19%

EXPORT PRODUCT MIX FY2021 BY WEIGHT



Logs	63%	Meat	5%
Wood Pulp	9%	Fresh Produce	3%
Pipfruit	6%	Other	9%
Timber	5%		

IMPORT PRODUCT MIX FY2021 BY WEIGHT



Fertiliser	35%	Foodstuffs	8%
Oil Products	30%	Cement	5%
General Cargo	15%	Other	7%

YEAR IN REVIEW

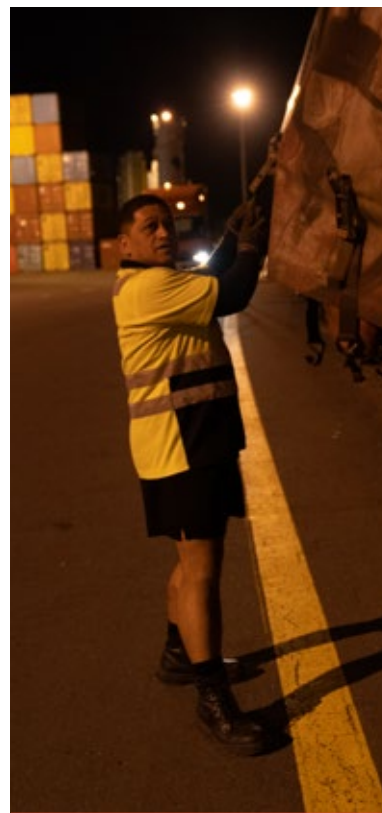
Strong customer connection and investment leads to pleasing results, despite challenging trading conditions.

Customers were front and centre of our efforts during a year of ongoing global shipping disruption. Strong and sustained offshore demand for logs saw record volumes pass across our wharves, despite harvests ceasing during the COVID-19 Alert Level 4 lockdown in August.

Construction of 6 Wharf, our new 350-metre wharf, continued at pace. Major construction milestones include the completion of piling and delivery of 10 MoorMaster

mooring units from Italy. We are excited to unlock the operational efficiencies and increased port capacity that will result from bringing the new wharf on line.

COVID-19 cast its shadow throughout the year, and we have worked hard to keep our border strong and our region and New Zealand safe. All Tier 1A border workers at Napier Port have been fully vaccinated since April.



OCTOBER

Renewing our partnership with WPI for 10 more years (with two five-year rights of renewal) was a great start to the new financial year. October also saw the celebration of our local primary producers with the Napier Port Primary Sector Awards.

NOVEMBER

In November we held a second hui with the Whakatū community and mana whenua about development of an inland port at Whakatū. We also held our inaugural Whānau Day, inviting family and friends on port to learn more about what we do at work.

DECEMBER

We came together in December to fill more than 240 shoeboxes of gifts for children in support of the annual Salvation Army Christmas Boxes for Children appeal. The 150th kororā (little blue penguin) on port was microchipped, and the first two kororā chicks were born in our on-port sanctuary.



JANUARY

In January, we launched our Port Activity Map, using Geographic Information Systems (GIS) technology to map in real-time work undertaken on port. We also refurbished our mooring loft, adding a new kitchen and dining area, bathroom, office space, a locker room with plenty of storage and six bedrooms with new beds.



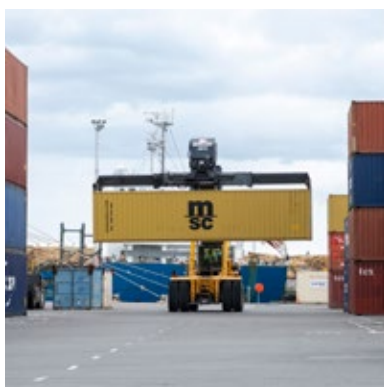
FEBRUARY

Our landside logistics service launched in February, providing an increased range of rail and road cargo options for both export and import customers, moving cargo within region and out of region. COVID-19 vaccinations began for our Tier 1A border workers, and a second artificial reef was created (in partnership with LegaSea Hawke's Bay). Five new navigation buoys were delivered to mark the extended dredge channel, and hundreds of people took to the water for the annual Napier Port Ocean Swim. February also saw the largest discharge of empty containers in Napier Port's history – 740.



MARCH

March saw trains running between Wairoa and Napier Port reinstated – a fast, efficient way to move large volumes of logs off-road. Our second 29.5 metre B Double Tractor Trailer unit became operational, and the two-day Napier Port Family Fishing Classic was held. A Sustainability Committee was established at board level, and a third hui was held with the Whakatū community to discuss a new inland port. We celebrated a record day this month for the number of reefers on power – 1310.



APRIL

In April, we were proud to launch our Marine Cultural Health Programme, in association with the mana whenua hāpu of Ahuriri. Vaccinations of Tier 1A border workers were completed, and we issued an increase in our earnings guidance for the year.

MAY

May saw institutional investors attending our inaugural Investor Day on port, to better understand our business strategy and to see 6 Wharf under construction.

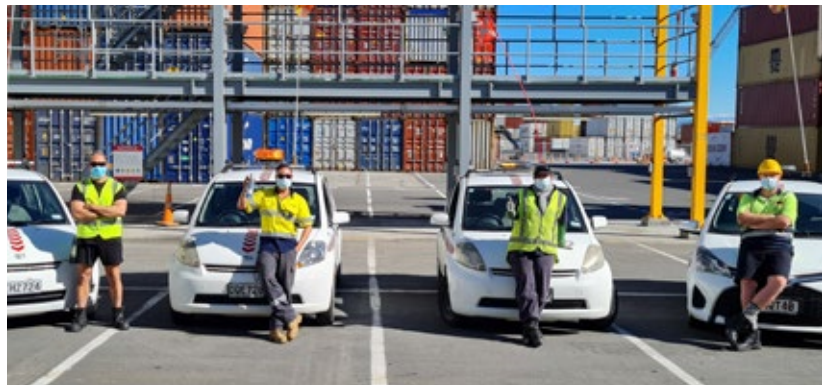
JUNE

In June, our refreshed strategy was finalised and communicated throughout the business, with presentations and workshops for all teams. Our people also came together to collect winter pyjamas for needy Hawke's Bay families in the Jammies for June appeal.



JULY

MoorMaster units arrived on port from Italy in July, a big day for our 6 Wharf build. We also celebrated our region's exporters at the Hawke's Bay Export Awards, and spearheaded a fundraising drive that raised over \$16,000 for Save the Children Fund's COVID-19 relief efforts in Fiji.



AUGUST

A New Zealand-wide COVID-19 Alert Level 4 lockdown took place in August. At Napier Port, we kept the cargo flowing across our wharves, operating under Level 4 protocols developed during the lockdowns of 2020. August also saw the release of our Sustainability Strategy, with over 100 defined workstreams to advance sustainability in our business and community.



SEPTEMBER

In September, our new truck unchaining area became operational, making log operations safer on port. We renewed our ongoing accreditation with Maritime New Zealand under the New Zealand Port and Harbour Marine Safety Code, the national best practice guidance to port operators and councils to manage the safety of marine activities in their ports and harbours. Piling was completed on the 6 Wharf build, and our annual penguin count located 178 nests on port. We also clicked over 3 million tonnes of logs moved across our wharves this year, a milestone to celebrate!

OUR STRATEGY EVOLVES

OUR REASON FOR BEING IS TO BUILD A THRIVING REGION BY CONNECTING OUR CUSTOMERS TO THE WORLD.

In 2018 we developed our strategy with this purpose in mind, creating a 10-year plan. The strategy focused on setting a clear roadmap for our business, defined in three phases: foundation-setting, capability-building and transformation.

This year we refreshed our business strategy, re-examining our goals to ensure they remain relevant. We looked even more outwards, placing our customers, our community and region at the centre of our thinking, creating a refreshed strategy that is a mixture of planning for what we expect, as well as adjusting to take advantage of opportunities when the unexpected happens.

Our core purpose and goals remain relevant for our business. Our scope has widened though and the pace of change has accelerated. As part of our strategy to 2030, we are focusing on:

CUSTOMER CONNECTION

Working more closely with our customers to know them, their business and the environment they are operating in, and developing efficient cargo solutions they require.

HARNESSING DATA AND TECHNOLOGY

Continuing to develop innovative technology that delivers value to our business, extending that value to our customers and other industries outside the port gates.

NETWORKED INFRASTRUCTURE

Connecting a whole North Island network that can provide end-to-end supply-chain solutions, developing our own logistics services and landside solutions, to create an efficient supply chain for our customers.

COLLABORATIVE PARTNERSHIPS

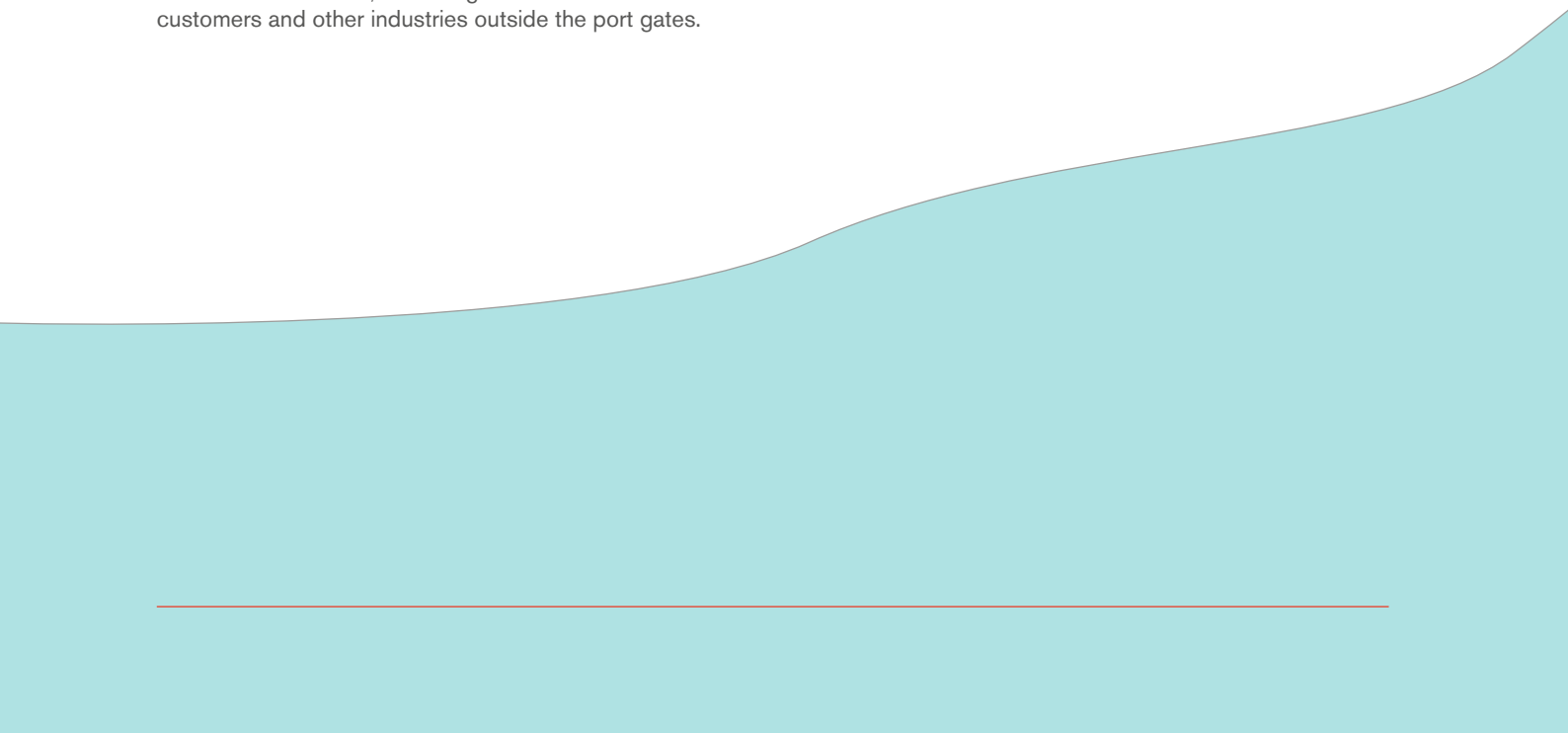
Partnering with others, because we can achieve a better outcome together than we would on our own.

OUR FOUNDATION

As part of our strategy refresh, we prioritised sustainability (people, planet, prosperity and partnership) as an important part of our foundation. Along with our culture, it is an integral component to us achieving our purpose. We are determined to leave a positive legacy for the future.

CULTURE OF CARE

Underpinning our strategy is our culture of care. We actively build a strong, resilient and agile culture at Napier Port, with care for our people. This is the bedrock that enables us to achieve our goals.



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

OUR
PURPOSE

OUR
GOALS

OUR
TEAM
PLANS

OUR OBJECTIVES

OUR
FOUNDATION



PEOPLE

PLANET

PROSPERITY

PARTNERSHIPS



OUR
CULTURE

SUSTAINABILITY

ME MAHI TAHI TĀTOU MŌ TE ORANGA O TE KATOA WE WORK TOGETHER FOR THE WELLBEING OF ALL

Advancing sustainability at Napier Port is embedded in our business strategy, reflecting the importance of leaving a positive legacy for future generations while delivering for our customers, community and the wider regional economy.

Our sustainability journey is one of continuous improvement. We are committed to improving our environmental, social and economic performance by identifying and managing risks and finding opportunities to use our resources more efficiently. It's about taking action, not just talking about it.

In August 2021, we launched A Sustainable Future: He Āpōpō Toitū, our ambitious and comprehensive sustainability strategy. Development of this strategy began in 2018, as an outcome of our 30-year Master Plan.

The Sustainability Strategy is structured around a framework with four interconnected pillars – people, planet, prosperity and partnerships. Sustainability initiatives have been created within each of these themes – with over 100 actions in total, 18 of which have been given top priority status for the 2021-23 period. Work on other identified medium and long-term actions will continue in parallel, given the interconnected nature of many of the actions.

The strategy focuses on local, achievable initiatives, which we believe will make a difference in addressing urgent global challenges like climate change, environmental degradation, prosperity and wellbeing for people and communities. Some of our local initiatives include:

- Promoting healthy reefs and clean oceans locally
- Aiming for zero net emissions by 2050
- Running community projects and good neighbour programmes
- Protecting marine and bird life
- Continuing to build a workplace that embraces diversity and cultural values
- Adopting clean energy solutions, and
- Minimising waste and duplication of resources.

Many of the planned sustainability actions are already underway. These include:

- Launching a Marine Cultural Health Programme
- Installing LED floodlight towers
- Reducing carbon emissions
- Creating artificial reefs to increase biodiversity
- Undertaking water quality surveys and monitoring, and
- The protection of at-risk bird species that make their home at Napier Port.

We recognise that becoming a more sustainable business is a journey, not a destination. While we have a solid foundation, we understand that the quick fixes are few, and a sustained, long-term effort is required.





PEOPLE MANAAKITANGA

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



PLANET KAITIAKITANGA

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

OUR SUSTAINABILITY FRAMEWORK



PROSPERITY ŌHANGA ORA

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



PARTNERSHIPS RANGAŪ

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

UN GLOBAL SUSTAINABLE DEVELOPMENT GOALS

In its 2030 Agenda for Sustainable Development, the United Nations set out its 17 interlinked Sustainable Development Goals, designed to be 'a blueprint to achieve a better and more sustainable future for all'. The SDGs form part of the United Nations' universal call for all countries to address the urgent environmental, political and economic challenges facing our world. At Napier Port we have identified 14 of the 17 SDGs as relevant to our sustainability strategy.

**SUSTAINABLE
DEVELOPMENT
GOALS**

3 GOOD HEALTH
AND WELL-BEING



4 QUALITY
EDUCATION



5 GENDER
EQUALITY



6 CLEAN WATER
AND SANITATION



7 AFFORDABLE AND
CLEAN ENERGY



8 DECENT WORK AND
ECONOMIC GROWTH



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



10 REDUCED
INEQUALITIES



11 SUSTAINABLE CITIES
AND COMMUNITIES



13 CLIMATE
ACTION



14 LIFE BELOW
WATER



15 LIFE ON
LAND



16 PEACE, JUSTICE
AND STRONG
INSTITUTIONS



17 PARTNERSHIPS
FOR THE GOALS



MARINE CULTURAL HEALTH PROGRAMME

The Marine Cultural Health Programme (MCHP) is a partnership between mana whenua hapū and Napier Port to monitor the health of the marine environment in and around the Ahuriri area. Launched in 2021, it is the first marine cultural health programme of its kind in New Zealand.

To develop the programme, we worked side by side with a Steering Komiti of representatives from different marae, hapū and mana whenua entities, to develop an innovative monitoring framework that balances Western science and a Māori worldview.

The Cultural Monitoring Framework monitors health through use of two pou – Mana Moana, representing the health and wellbeing of the Ahuriri marine ecosystem, and Mana Tangata, representing the strength of connection of mana whenua to the marine environment. The framework uses a 'family tree' of indicators

to measure qualitative and quantitative data and assess the overall health of the Ahuriri area and its people. This data is available to the public in real time on marineculturalhealth.co.nz

Since its launch, the MCHP has been of significant interest to universities, councils and the wider marine science community. We are currently engaging with Ngāti Kahungunu to undertake the monitoring component of the programme from summer 2021/22.

ARTIFICIAL REEF CONSTRUCTION – PARTNERSHIP WITH LEGASEA HAWKE'S BAY

This year saw the creation of two new artificial reefs to enhance the existing habitat and health of the region's marine life and provide for local recreational fishing. The reefs are the successful outcome of a constructive and ongoing partnership between Napier Port and LegaSea Hawke's Bay, a group of recreational fishers dedicated to rebuilding Hawke's Bay fish stock.

The reefs were constructed with naturally occurring limestone rock, taken from a revetment wall at Napier Port which was dismantled as part of the new 6 Wharf construction.

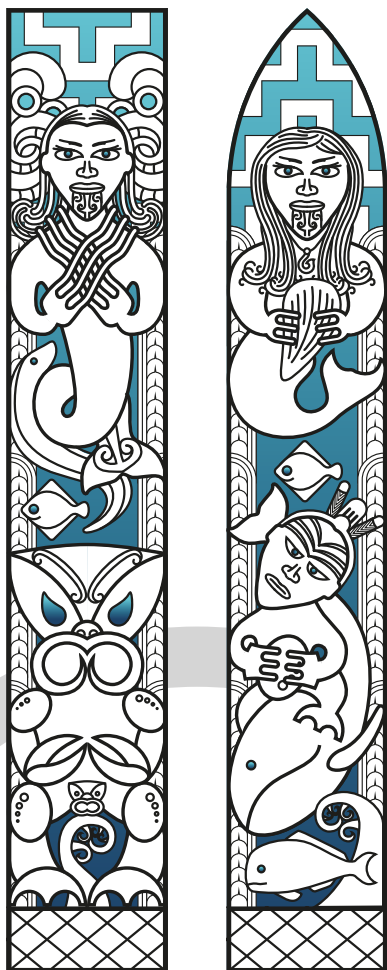
We have also worked closely with the Mana Whenua Steering Komiti and the wider Fisheries Liaison Group. Both groups have been set up in partnership with Napier Port to protect water quality, Pānia Reef, kai moana, fisheries, and other sites of cultural, environmental and recreational significance in Te Matau a Māui, or Hawke Bay, as Napier Port undertakes its current 6 Wharf construction and dredging programme.

KORORĀ SANCTUARY AND RESEARCH PARTNERSHIP WITH MASSEY UNIVERSITY

The Napier Port kororā (little blue penguin) sanctuary was established in 2019, to protect this at-risk species. The on-port sanctuary provides a safe space for the little blue penguins as it is free from cats and dogs and has no public access.

We are now in our third year of a partnership with Professor John Cockrem, Professor of Comparative Endocrinology at Massey University, to support kororā research and conservation advocacy at Napier Port and around New Zealand. New work that has begun this year includes tracking studies to give the first data for the Hawke Bay on kororā foraging locations and diving behaviour.

The health of our local kororā population is considered a good indicator in mātauranga Māori of the general health of the coastal environment. At last count, we had 178 kororā locations around our wharves as well as breeding pairs in the kororā sanctuary.



CLIMATE CHANGE RELATED DISCLOSURE REPORT

In 2021 we published our inaugural Climate Change Related Disclosure Report, seeking to provide stakeholders with an understanding of the potential financial implications of climate change on the Napier Port business. The report was prepared in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

We expect to continue to improve our climate-change-related disclosures as we gather more information and knowledge, and continue to deliver our sustainability goals and strategy. In particular we are prioritising the development of emission measurement and reduction pathways.

Following a 'whole of port' climate change risk assessment – looking at infrastructure resilience, trade forecasting, land levels, weather conditions, emergency preparedness and habitat modification – we identified 53 climate-related risks and opportunities. This year's report sets out our governance of climate-related risks and opportunities over a 50-year timeframe. It describes our processes for identifying, assessing and managing climate-related risks, and considers how those risks are integrated into our overall risk management. Climate-related risks are reviewed at least annually to ensure they reflect material changes in our knowledge, business strategy and operating environment.

The impacts of climate change considered most material to Napier Port are summarised below.

PHYSICAL RISKS

(in particular due to our coastal location and susceptibility to sea-level rise):

- Increase in sea level, leading to inundation
- Extreme rainfall events, affecting our stormwater system
- Erosion, particularly shingle movement during swell events
- Drought, particularly its impact on our meat and horticulture customers.

TRANSITION IMPACTS

(risks and opportunities from transitioning to a lower-emission global economy):

- Government regulation regarding a shift to the low-carbon economy resulting in higher fuel costs
- Government regulation to encourage shift to alternative fuels
- Shipping, particularly ship to shore power connecting to a 'green' grid
- Rail, as a material increase in use would require changes to our operations and infrastructure.

At this stage, we do not consider that the effects of climate change materially change our overall strategy. This is because sustainability is embedded into our ways of working as we continue to look after people, planet and place. Planning to address larger financial infrastructure improvements required over the medium to long-term will be embedded within our asset management plans and infrastructure master plan. In the short-term, we are completing more detailed investigations of physical climate-change effects, and will then include mitigation of these physical risks into our Master Planning and procurement processes.

During 2021, we conducted additional work on further defining our greenhouse gas emissions inventory to enable a better understanding of our emissions profile. This enables ongoing measuring and reporting and our setting of targets.

We have reported on our Scope 1, Scope 2 and limited Scope 3 emissions for a number of years on our website. We are currently improving our reporting systems, with 2022 being our first complete year of emissions measurements using expanded Scope 3 definitions.

In the year to 30 September 2021, our total carbon emissions were 10,221 tonnes or 0.00174 tonnes/CO₂e per cargo tonne, up from 8,341 tonnes or 0.00165 tonnes/CO₂e per cargo tonne in 2020. The increase in emissions correlates with an increase in annual cargo volumes, with the majority of the increase relating to increased fuel usage for generators to keep refrigerated containers cool while stored on port awaiting shipment. Our peak season extended longer, and refrigerated containers resided longer on port as a consequence of global shipping disruption. This disruption also required increased container handling movements, increasing heavy plant activity and fuel consumption. We expect infrastructure improvements over time combined with new technology to enable us to contain emissions as trade volumes increase.

Our Sustainability Strategy and the Climate Change Related Disclosure Report are available at www.napierport.co.nz





ACHIEVING OUR GOALS

OUR FOUR KEY GOALS – CUSTOMER CONNECTION, HARNESSING DATA AND TECHNOLOGY, NETWORKED INFRASTRUCTURE AND COLLABORATIVE PARTNERSHIPS – DRIVE OUR ACTIVITIES TOWARDS DELIVERING ON OUR PURPOSE. OUR GOALS GUIDE OUR PLANNING, BUT ARE FLEXIBLE ENOUGH TO ALLOW US TO RESPOND QUICKLY TO CHANGE AROUND US.







CUSTOMER CONNECTION

We want to work more closely with our customers to know them, their business and the environment they are operating in, developing efficient cargo solutions they need.

Customers are the lifeblood that keeps our business operating, and we work hard to understand their businesses and how we can help them to achieve their goals. Uncertainty around the supply chain, with global shipping disruption and COVID-19 lockdowns, has been a big challenge this year, and we have done all we can to support our customers' resilience and tenacity.

STRATEGIC PRIORITIES TO FOSTER A CLOSER CUSTOMER CONNECTION INCLUDE:

CREATING VALUE FOR CUSTOMERS

In a time of global shipping disruption and congestion issues within New Zealand's northern ports and supply chain infrastructure, we have done our best to be responsive and flexible, doing all we can to ensure shipping continues smoothly through Napier Port. Our goal has been to be as approachable, accommodating and available as possible. Tangible examples of this include widening cargo receipt windows, prioritising quick response times, proposing customer-focused solutions and improving service levels across the board.

This year we commissioned four independent, anonymous surveys of our customer segments for honest feedback on our service levels and where we can improve. We set ourselves a target of 7.3 out of 10 as an overall customer satisfaction score, and were very pleased to receive a consolidated overall customer satisfaction score across the four surveys of 7.9. Our customers recognise that here at Napier Port we are doing all we can to keep their goods flowing across our wharves, and developing flexible, fit-for-purpose solutions to their shipping challenges.

PROPEL CUSTOMER SOLUTIONS

Propel, our vehicle booking system designed for transport operators, was rolled out last year to great success, achieving a customer satisfaction rating of 9.5/10 in an anonymous and independently managed survey.

This year, we have begun to extend the use of the highly flexible and secure Propel platform for customer-facing digital services and communications, including digital delivery of import advice and export pre-advice processes.

Design and development of this expansion of the Propel platform has been completed and is currently being tested.

OPERATIONAL IMPROVEMENTS FOR OUR LOGGING CUSTOMERS

Log volumes through the port have significantly increased this year, but of course our land footprint has not. We have focused on refining our layout and traffic management plans to allow for this increase in volume.

Methyl bromide as a phytosanitary treatment of logs has been a requirement of some log export markets for many years. This year, the New Zealand government has implemented requirements for stepped improvements to increases of the capture of methyl bromide from containers and covered log stacks, starting from 1 January 2022.

At Napier Port, we will no longer allow the use of methyl bromide for fumigation of logs from 1 January 2022, ahead of the government's timetable. In its place, we have commissioned the construction of a mobile log debarker. Benefits from using a debarker include improved log yard utilisation, reduced emissions of environmentally harmful methyl bromide, improved log turnover capability and turning bark from our log yard into mulch to be used on orchards, gardens and planting projects.

Commitments from our valued logging customers have enabled us to confidently invest in the new debarker machinery.

A further bulk cargo initiative commencing this year is the development of log grabs for use on our existing mobile harbour cranes. These will be used for loading logs onto vessels. We are currently having prototype log grabs built, and will be trialling them in 2022. Log grabs replace the loading of logs onto vessels using wire slings from ships' cranes and will be a significant safety improvement for log loading operations on port as well as enabling operational efficiencies with an increased throughput of logs.



STRONGER CUSTOMER RELATIONSHIPS

Close working relationships with our valued customers are essential to our business. Our customers trust in us and our reliability, innovation and commitment to move their cargo across our wharves. Here are some examples of closer customer connection in action.

PAN PAC FOREST PRODUCTS

For 50 years, Pan Pac has been growing, processing and delivering quality forest products to international markets. Napier Port has been alongside from day one, moving Pan Pac's timber and wood-pulp products across our wharves and out to the world.

Established in Whirinaki in 1971, Pan Pac is a significant economic contributor to the Hawke's Bay region. With a workforce of over 380 permanent employees and 450 contractors in forestry, harvesting and transport operations, approximately 1% of Hawke's Bay's workforce are employed directly or indirectly by the company.

Pan Pac is a significant strategic customer of Napier Port through its log, pulp and timber businesses. Our Port Pack operations pack all of Pan Pac's containerised exports on port, which allows for bulk delivery and reduced movements of empty containers across the region. We have strong relationships at all levels of Pan Pac, with close communication between the respective management and operational teams.

Pan Pac's commitment to supporting log debarking services and mobile harbour crane trials at Napier Port has been a vote of confidence for us to proceed with this investment. Both businesses share technical expertise in infrastructure and engineering, and are aligned across many community and sustainability initiatives.

Pan Pac Managing Director Tony Clifford says, 'Napier Port is a vital link in Pan Pac's international supply chain for logs, lumber and pulp. One of the reasons why Pan Pac established its operations at Whirinaki 50 years ago was the nearby access to a deep-water port with international capabilities. Pan Pac's volume through the Port and the services that are provided have continued to grow over this time.'

CEO Todd Dawson says, 'Pan Pac's presence in Hawke's Bay and volume through the port contributes significantly to the ability of Napier Port to attract and retain international shipping services to Napier. We are proud to enable Pan Pac to deliver its products to the world.'

FORTUNA FOREST PRODUCTS

Napier Port is proud to work with Fortuna Forest Products, a growing log-trading company shipping sustainably grown logs from forests across the central North Island to China and other Asian markets. Fortuna supplies radiata pine logs in all grades and lengths, and also offers smaller volumes of douglas fir, poplar, eucalyptus, macrocarpa and spruce.

Fortuna's log volumes across our wharves have increased significantly since we began working together in 2017, and the company is now one of our largest log exporters. A flexible and responsive operator, Fortuna is collaborating with Napier Port to support our debarker initiative and mobile harbour crane trials.

KRAFT HEINZ NEW ZEALAND

Kraft Heinz New Zealand is a major exporter and employer for our region, with many of its iconic Wattie's-branded products grown and processed right here in Hawke's Bay. Part of one of the world's leading food and beverage companies, Kraft Heinz New Zealand is a global company with a strong local history. The company's Wattie's story started in Hawke's Bay in 1934, and it now has two large, world-class manufacturing sites in Hastings.

Napier Port works closely with Kraft Heinz delivering containerised imports and exports to the Hawke's Bay region, collaborating closely to manage recent global shipping disruption and scheduling challenges. We have strong, long-term relationships with the Kraft Heinz teams in both New Zealand and Australia, and often work together on wider supply chain solutions for the region.







HARNESSING DATA AND TECHNOLOGY

We are developing innovative technology that delivers value to our own business and are now extending that value to our customers and other industries outside the port gate.

Effective use of data and technology throughout our business drives efficiencies and creates new income opportunities for the port.

COMMERCIALISATION OF DIGITAL APPS

We have continued to develop our digital applications and grow our customer base. This has not only achieved new revenue streams for Napier Port, but is enabling us to develop a user community that can share and leverage leading practice.

OUR RANGE OF COMMERCIALISED DIGITAL APPLICATIONS INCLUDE:

SHAREWATER

Our in-house Harbour Management Software is used to plan and optimise vessel movements. Sharewater enables us to more efficiently deploy our people, plant and infrastructure in the port's marine environment. It has been designed and built by our people, who use it every day. We have now commenced delivery of customised Sharewater application services for other New Zealand ports, who will be using it for their harbour management needs, and are in discussions with international ports.

PORT PASS

A Maritime New Zealand endorsed identity card, Port Pass is used for secure access to port operations. Linked to our safety induction process and automated security system, we currently have approximately 7000 port pass cards issued to port users.

PROPEL

Our in-house Vehicle Booking System makes it easier for transport operators to book a timeslot for pick-up and delivery of containers at Napier Port, providing improved visibility, access and communication with Napier Port to help our customers and supply-chain partners with their business planning. This simple and intuitive software also allows us to better manage terminal capacity and demand.

INTEGRATED BUSINESS PLANNING

Continual improvement in the development and use of planning technology has enabled us to better link customer needs with our operational planning. In a time of shipping disruption and change, this has allowed us to plan more effectively and to provide flexibility for our customers.

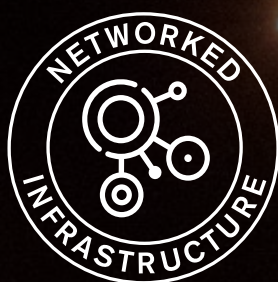
Customer feedback has confirmed that improvements in operational planning through technology enhancements is achieving tangible benefits for our customers' businesses, by allowing Napier Port to respond dynamically to rapidly changing supply-chain patterns throughout the year.



PORT PASS







NETWORKED INFRASTRUCTURE

Napier Port is part of an interconnected network of supply-chain infrastructure that supports New Zealand's importers and exporters. At Napier Port we're building and connecting our infrastructure with a long-term view in mind. We want to connect a whole North Island network that can provide end-to-end supply-chain solutions for our customers and our region, building in resilience and ensuring those networks connect seamlessly. We're now extending our services across this network by offering our own logistics services with landside transport, cargo handling and logistics solutions that create efficiencies for our customers.

SUPPLY CHAIN NETWORK SOLUTIONS

As part of our increased service offering to customers, we launched the Napier Port Logistics Service in March this year. This logistics service provides our customers with a greater range of freight and cargo-handling options, and allows us to extend our reach by offering our services to customers outside the Hawke's Bay region. We've extended our partnership with KiwiRail and local transport and logistics providers to offer Napier Port managed logistics services, providing a seamless link to our port across both import and export cargo. Growing the central and lower North Island supply chain network is an important strategic initiative for our business.

MANUWATŪ INLAND PORT

The Manawātū Inland Port (MIP) has gone from strength to strength this year, forming an important part of our wider network of supply-chain infrastructure and linkages through to the central North Island for customers of Napier Port. MIP offers a range of port services including container handling, storage, pre-trip, rail marshalling, transitional facility services and MPI biosecurity inspections, cross-dock facilities, dry storage warehousing, pick pack and devanning services, cargo fumigation and container repairs.

MIP is a joint venture partnership between Napier Port, Ports of Auckland and Hall's Group. It provides inland port services to major shipping lines (Maersk, Hamburg Sud, CMA CGM, ANL and MSC) and offers cargo owners convenient access to shipping services within the Manawātū region and the ability to onhire and dehire container equipment locally through MIP.

Rail services run five days a week between Napier Port and MIP, with complementary road services seven days a week. MIP is a formal point of acceptance for empty and full containers both to and from Napier Port. This end-to-end service has attracted new cargo to Napier Port, giving customers the option of one-way landside moves and better access to container shipping equipment and services.

WHAKATŪ INLAND PORT

The timeframe for development of another important part of our supply chain network solution, the Whakatū Inland Port, has shifted from the coming year to its original medium- to longer-term timeframe. We remain committed to developing the Whakatū Inland Port as part of our supply-chain network infrastructure, and are continuing to engage with all stakeholders, including the local community and mana whenua.

6

WHARF

Construction of 6 Wharf, is continuing at pace. One of the most significant investment projects in our 150-year history, this 350-metre wharf will unlock future growth opportunities across the central and lower North Island.

6 Wharf will open Napier Port up to handle and manage the increasing numbers of shipping vessels arriving every day. We will be able to accommodate the larger container trade vessels arriving in New Zealand, providing us with greater operational flexibility and significantly reducing port congestion for bulk cargo vessels as well. The new wharf will be able to accommodate much larger vessels, including 50-metre-wide container ships and Oasis-class cruise liners.

Construction of 6 Wharf is progressing well, and the Wharf is now expected to open during the second half of the 2022 financial year. We expect the final cost to range between \$173-\$179 million, lower than our earlier estimate of \$173-\$190 million.

By year end we had completed installation of all 400 deck piles, a major construction milestone. The construction risk profile has now reduced with the completion of the piling.

Bringing 6 Wharf online will increase our resilience in the event of a significant earthquake. The wharf is being built to Importance Level 4, which provides a high level of seismic resilience. Napier Port is part of New Zealand's critical lifeline infrastructure, and the port will be essential in keeping cargo flowing for our region should a natural disaster occur.

Sustainability has been an overriding consideration throughout the 6 Wharf build, with detailed planning undertaken with mana whenua, fishing groups and other marine users during a comprehensive resource consent process. We remain fully compliant with our consent conditions, in particular the water quality requirements at Pānia Reef.

Many of our sustainability actions set out in the Sustainability Strategy are associated with the construction of 6 Wharf, including the construction of two artificial reefs from the limestone from a dismantled revetment wall, creation of our kororā sanctuary and regular commercial fishing and water quality surveys to monitor our local marine environment.

PAVEMENT
AND GROUND
IMPROVEMENTS
UNDERWAY

22
OF 32
DECK POURS
COMPLETE

OVER
185
KORORĀ
MICROCHIPPED
ON PORT

10
MOORMASTER
UNITS HAVE
ARRIVED ON
PORT

ALL
400
REINFORCED
CONCRETE PILES
COMPLETED

ALL
4500
SEAWALL REVETMENT
ARMOUR BLOCKS
CAST

69%
OF DREDGING
IS COMPLETE

PROJECT
COMPLETION
BROUGHT FORWARD
TO SECOND HALF
OF 2022 FINANCIAL
YEAR



*Mana Whenua Steering Komiti members
Chad Tareha, Jenny Mauger and
Margie McGuire at the launch of the
Marine Cultural Health Programme in April.*



COLLABORATIVE PARTNERSHIPS

We want to partner with others, because we recognise we can achieve a better outcome working together than we would on our own.

COMMUNITY ENGAGEMENT

At Napier Port we recognise that we operate within a broader ecosystem and create a significant imprint on our community and surroundings. We want to be an active participant in our local community and it is important to us that we openly engage with our community throughout the year to better understand and communicate issues that affect us all.

COMMUNITY INITIATIVES INCLUDE:

MANA WHENUA STEERING KOMITI

Our Mana Whenua Steering Komiti continued to meet and work well this year, providing invaluable input into Marine Cultural Health Programme and the monitoring commitments therein. The komiti comprises 15 representatives from different marae, hapū and mana whenua entities together with Napier Port.

COFFEE IN THE GULLY

In October we met with neighbours in Sturm's Gully on Bluff Hill, a residential area adjacent to our operations. A coffee cart provided refreshments while we spoke with people about port operations, noise mitigation and 6 Wharf construction. Following positive feedback, we plan to hold another Coffee in the Gully morning this summer.

NOISE MITIGATION PROGRAMME

We know that keeping noise to a minimum is important to our community, and we proactively work to minimise the noise of our operations. Positioning of containers to buffer sound, investing in new quieter mobile plant, relocating transfer operations away from properties and installing mufflers on tugs are some of the ways noise is minimised on port.

We meet regularly with the Napier City Council and local residents to ensure best practice in noise minimisation and mitigation, going further than the requirements in the City of Napier District Plan. We have a noise monitor on Napier Hill that monitors and reports decibel levels, and data is used for compliance with the district plan's noise limits. We have completed noise mitigation packages at 13 houses. Four more houses currently have mitigation underway, and a further five are scheduled for assessment.

COMMUNITY ENGAGEMENT SURVEY

This year we commissioned independent market research specialists Research First to carry out a community engagement survey, gauging the level of community sentiment towards Napier Port and our operations. The survey followed up with one-on-one interviews with some individual participants, deep diving into their perceptions of Napier Port, what we do well and areas for improvement.

SPONSORSHIPS

Sponsorship of initiatives supporting our community, sustainability initiatives and our people aligns with our purpose of creating a thriving region. At Napier Port we are proud to support many fantastic initiatives across our region, including the following:

CAPE SANCTUARY

Cape Sanctuary, a wildlife restoration project based at Ocean Beach in Hawke's Bay, is a new sponsorship for Napier Port. Its model for sustainable conservation, and its 'open source' philosophy means it shares what it learns about protecting New Zealand's endangered species. Sponsoring the Cape Sanctuary is a tangible way to demonstrate our commitment to sustainability, which is an underlying foundation of our business strategy.

Cape Sanctuary is home to many endangered species, including the shearwater, a threatened seabird. Supporting the shearwater ties in well with the name of our Sharewater harbour management software.

NAPIER PORT HAWKE'S BAY PRIMARY SECTOR AWARDS

These awards recognise the outstanding commitment of our region's primary sector farmers, foresters and the rural professionals who support them. We're proud to be the principal sponsor of this annual event promoting excellence and showcasing the fantastic primary sector industry that underpins the success of our port.

EXPORTNZ HAWKE'S BAY EXPORT AWARDS

Exports are the lifeblood of our region, and Napier Port is proud to connect exporters and their products with markets around the world, showcasing the fantastic primary sector industry that underpins the success of our port. We sponsor the Unsung Hero Award at the ExportNZ Hawke's Bay Export Awards.



WAKA EDUCATION PROGRAMMES

We are proud to support the Ātea a Rangi Educational Trust to deliver educational experiences for youth about waka taurua sailing and navigation skills. We also support the Te Matau a Māui Voyaging trust in their work with their 22-metre waka hourua, a double-hulled voyaging canoe based in Ahuriri, Napier.

NAPIER PORT OCEAN SWIM

Ocean swimming has a keen following in Hawke's Bay, and we are pleased to support this annual event celebrated right on our doorstep in the sheltered waters along Hardinge Road next to our port. In association with Surf Life Saving New Zealand, Sport Hawke's Bay and TriHB, the Napier Port Ocean Swim features events for all ages and abilities.

NAPIER PORT FAMILY FISHING CLASSIC

As primary sponsor of the Napier Port Family Fishing Classic, we are proud to work with the Hawke's Bay Sports Fishing Club to support our fishing community and families with this boat-based competition. This year we had some special guests: two orca feeding along the Hawke's Bay's coast came to visit.







CULTURE OF CARE

Our business can only ever be as good as the people within it – and we have the best! A thriving culture of care underpins our business strategy, making it all possible. This year we have made good progress on innovative recruitment and retention approaches, implemented and refined our COVID-19 preparedness during the Alert Level 4 lockdown in August, and launched a new employee engagement survey mechanism to better understand our workforce's views.

PERFORMANCE AND TALENT DEVELOPMENT PROCESS

A new performance and development process was implemented this year, enabling an efficient cascade of objectives across our teams and through to individuals, and a method to track and review performance.

Our port-wide talent and succession-planning process has become more strongly established, ensuring we keep the spotlight on our established and emerging talent across the business as well as keeping a close eye on areas of potential risk with key individuals and teams.

KORERŌ MAI – EMPLOYEE ENGAGEMENT SURVEY

We kicked off a new annual employee engagement survey, Korero Mai. Survey responses were anonymous, with responses collated and reported to us by Culture Amp, an independent employee-experience platform. We were pleased that 71% of our workforce participated in the survey, which revealed a 77% overall engagement score, 5 percentage points higher than comparable benchmarks from Culture Amp's Oceania database of 4500 companies.



EMPLOYEE RECOGNITION SCHEME

Our annual employee recognition scheme had a refresh this year, incorporating Napier Port shares as part of the overall payment that is issued annually at the discretion of the board. The metrics for achieving the payment cover financial targets, customer survey results, health and safety metrics, and process improvements for bulk and containerised cargo. Each year we will review these metrics and set new targets for the year ahead.

When Napier Port listed in 2019, 97% of our employees became shareholders, creating a shared sense of ownership in our business and its performance. This is an important part of our culture; including shares as part of the recognition payment links employee actions to a stake in our business outcomes. Providing shares as part of our employee recognition scheme also provides us with the opportunity to maintain a high level of employee ownership over time.

With strong performance across most metrics in 2021 and record turnover and profit, employees (excluding the senior management team) will each receive a pro-rata payment of \$2,779 consisting of cash and shares.

TE AO MĀORI

Our Te Ao Māori strategy considers ways to incorporate te reo and te ao Māori (Māori language and worldview) into the Napier Port business. Te Kāhui o te Herenga Waka O Ahuriri, established in 2020, has gone from strength to strength, meeting regularly and driving te ao Māori throughout our business.

Current initiatives include:

- Te reo classes for interested employees. The first cohort has completed their twice weekly Level 1 and 2 classes, and a new round of classes has started for the second cohort.
- Launching of the Marine Cultural Health Programme. This marine monitoring programme has an innovative framework that balances Western science and a Māori worldview.
- Port-wide involvement with Te Wiki o Te Reo Māori (Māori Language Week), with te reo calendars, te reo labelling in break rooms, meeting room phrase cards, te reo translations of job titles for email signatures and additional cards added to our Akoranga Puti Kāri (te reo learning cards).
- Support for Matariki celebrations, with our people attending Ātea A Rangi Educational Trust events at the Waitangi Regional Park.



DIVERSITY AND INCLUSION

Our Diversity and Inclusion policy was updated this year, and features throughout our strategic plan. At Napier Port we believe that when our team better reflects the diversity of our community, our business thrives.

Diversity and inclusion is part of our Culture of Care. This year we have focused on strong recruitment practices and the development of career pathways for our operations teams, including working with local schools and marae to highlight employment opportunities at Napier Port. We have taken on summer interns in our health and safety and infrastructure teams, and prioritised wellbeing including Mental Health Awareness week initiatives. Fostering talent, succession planning and supporting people through career transitions (retirement and reskilling) are also important work streams in this area.

WHĀNAU DAY

In November we opened our Port to family and friends for our first Whānau Day in eight years. Over 600 people took the opportunity to take a closer look at Napier Port and its operations.

Whānau were invited to take a tour of a tug, sit in the cabs of some of our heavy machinery and jump on board the Art Deco buses for a tour of the port including the 6 Wharf development. Tug boat 'ballet' shows, demonstrations from talented Customs' dogs, a bouncy castle and our penguin team were all highlights from the day.

FUTURE CAREERS AT NAPIER PORT

We were pleased to support the Graeme Dingle Foundation at two career days at local high schools, highlighting potential operational careers at Napier Port. We also enjoyed hosting students through Connexis' Girls With Hi Vis programme, encouraging young women to consider training for infrastructure careers.



COVID-19 RESPONSE

As a maritime border, our Tier 1A border workers have been tested regularly for COVID-19 since 2020. All our Tier 1A border workers are fully vaccinated. We have now moved to update our COVID-19 Response policy to bring mandatory vaccination for all Napier Port employees into place.

At Napier Port we take our obligations to provide for the health and safety of our employees, port users and community extremely seriously and will be working with our community of port users alongside public health officials and government guidance to introduce mandatory vaccination requirements for all people accessing Napier Port facilities.

HEALTH AND SAFETY ROADMAP

Our overriding health and safety goal is to ensure everyone who comes to Napier Port goes home safely every day.

Progress continues on our Health and Safety roadmap, which began in 2020. The roadmap focuses on three key strategic projects:

- Safety Management System, implementing the ISO45001 management system,
- Critical Risk Control Management programme, and
- Implementation and bedding in of the SAI 360 health and safety management information system.

This year we have completed 12 critical risk bow-tie assessments, focusing on hazards with the potential to kill or cause serious harm. These 12 critical risks addressed a range of marine and shore-based hazards that could be encountered in day-to-day port operations as well as an assessment of COVID-19 risk.

The next step, already well underway, is to complete and validate critical control plans for each of these risks and to implement changes throughout the business if required. Significant financial support has been allocated in budgets to ensure progress continues at pace.

FATIGUE MANAGEMENT

Managing fatigue from shift work is an important health and safety focus for our business. The Fatigue Working Group, whose members are drawn from across our workplace, regularly develop fatigue management initiatives. These include a fatigue-management toolkit, a shift-work educational booklet, coaching, and integrating labour allocation rosters with FAID Quantum fatigue assessment software to ensure safe shift-work schedules.

TSUNAMI EVACUATION

On 5 March 2021, our tsunami preparedness was tested when three earthquakes struck near the Kermadec Islands, some 600km off the coast of New Zealand. Given the subsequent tsunami threat to low-lying coastal areas of Hawke's Bay, people in the red evacuation zone in Hawke's Bay were advised to evacuate by the Hawke's Bay Civil Defence Emergency Management Group.

At Napier Port we had practised a full port evacuation in 2020, so when the call came to evacuate, we were ready. After waiting at our nearby tsunami evacuation point on Bluff Hill, we returned to the port when it was safe to do so after being given the all clear.



OUR PEOPLE



298

TOTAL
PERMANENT
EMPLOYEES¹



17% 83%

OF
EMPLOYEES
ARE FEMALE OF
EMPLOYEES
ARE MALE



34%

OF EMPLOYEES
ARE UNDER
40 YEARS



39

PEOPLE HAVE
WORKED AT THE PORT
FOR 20+ YEARS



3,083

HEALTH & SAFETY
INDUCTIONS
COMPLETED



310

PLACES ON
HEALTH AND SAFETY
COURSES²



6.57

LOST TIME INJURY
FREQUENCY RATE PER
200,000 HOURS WORKED³



12

CRITICAL RISK BOW
TIES DEVELOPED



5

ISO45001
HEALTH & SAFETY
FRAMEWORKS
INTRODUCED
(A TOTAL OF 11)

¹ As at 30 September 2021.

² Course availability was reduced due to COVID-19 restrictions.

³ Reflects an increase in soft-tissue injuries.

BOARD OF DIRECTORS

ALASDAIR MACLEOD

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

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 Limited, and the independent member of the Board Appointments Committee for IHC New Zealand, and a trustee of Big Brothers Big Sisters Hawke's Bay. He has recently been appointed independent Chair of Trade Window Holdings Limited (after balance date).

Alasdair was until recently 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.

STEPHEN MOIR

Independent Director

Stephen was appointed as a director of Napier Port in December 2016 and is the Chair of the Audit and Risk Committee. 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 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 Limited and BNZ Insurance Services Limited, 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.

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 Auckland Managing Partner.

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

VINCENT TREMAINE AM

Independent Director BBus, FCPA, FAICD, GAIST

Vincent joined the Napier Port Board in February 2019. Vincent 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 Pty Limited, Chair of Southern Launch Space Pty Limited, and a director of South Australia's Statewide Superannuation Pty Limited, Geelong Port Pty Limited, and Green Industries SA (South Australia Government Body Corporate). 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 was elected as a Councillor for Hastings in October 2013. He is also Chair of the West Coast District Health Board, and a director of the Hawke's Bay Regional Investment Company Limited. He 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 is currently working on behalf of the Minister for Treaty of Waitangi Negotiations to settle historic grievances against the Crown. Rick also provides independent consulting services on a range of issues. Rick completed a Master's Degree in Public Policy in 2012.

DIANA PUKETAPU
Independent Director
FCA, CMInstD

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 Limited, Manawanui Support Limited, New Zealand Olympic Committee, New Zealand Cricket, DNA Designed Communications Limited, and most recently Trade Window Holdings Limited (after balance date). She has previously served as a director of Auckland Council Investments Limited, 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.

BLAIR O'KEEFFE
Director
BBS (Hons), MInstD

Blair was appointed as a director of Napier Port in June 2019. Blair is a professional company director, with governance experience in local and central government, and NZX-listed companies. He is currently a director of NZX-listed Z Energy, Central Air Ambulance Limited and Chair of Hawke's Bay Rescue Helicopter Trust. He has significant port and maritime experience as former Chair of Crown entity Maritime New Zealand, and as longstanding CEO of a New Zealand port company.



From top left: Alasdair MacLeod, Stephen Moir, Diana Puketapu, John Harvey, Vincent Tremaine, Rick Barker, Blair O'Keeffe

SENIOR MANAGEMENT

TODD DAWSON

Chief Executive
BSC, PGDipBus, MInstD, PMP

Todd joined Napier Port as Chief Executive Officer in January 2018, bringing broad commercial experience across the transport and logistics sectors. Prior to Napier Port, Todd led strategic partnerships and new ventures at Kotahi Logistics, working on the introduction of big ships to New Zealand and intermodal freight hub joint ventures. He has over 20 years' experience behind him, having worked on international projects including the transformation of UK supermarket Sainsbury's supply chain. He has previously held senior roles at IBM, Toll New Zealand 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 Napier Port's intermodal joint venture Manawātū Inland Port.

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 East 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.

VIV BULL

General Manager – Culture and Community
MSc (Hons)

Viv joined Napier Port in 2011 and leads our human resources, health and safety, and community functions. Her career has included senior management 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 from the University of Canterbury.

ADAM HARVEY

General Manager – Marine and Cargo Operations
BA, BCA

Adam joined Napier Port in 2010 and is responsible for log operations, logistics and planning, security 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 current Chairperson of the Port Industry Association.

ANDREA MANLEY

General Manager – Strategy and Innovation
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 and developing digital solutions. 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 member of the University of Auckland Strategic Supply Chain Programme Advisory Group and a founding member of the Auckland Women in Supply Chain Network.

KIA ZIA**General Manager –
Container Operations
BCom, BEng**

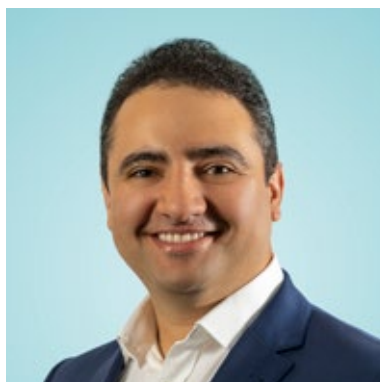
Kia joined Napier Port in March 2020, and is responsible for Napier Port's Container Operation including Depot, Fleet Services and Port Pack. Kia brings extensive experience in strategy and operations both locally and globally, having held leadership roles at Toyota Motor Corporation, Kraft Heinz and McKinsey & Company.

Kia holds a Bachelor of Commerce as well as a Bachelor of Engineering, majoring in Mechanical and Manufacturing, both from the University of Melbourne.

**MICHEL DE VOS****General Manager –
Infrastructure Services
BEng (Nav Arc), GDip (Maritime
and Logistics Management)**

Michel joined Napier Port in April 2014, and is responsible for the maintenance, planning and construction of all port infrastructure, as well as overseeing our environmental sustainability management programme and is Project Director for 6 Wharf.

Michel has a background in marine engineering, having held roles with Queensland's Gladstone Ports Corporation and Fremantle Ports in Perth, as well as working with multi-national 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.



From top left: Todd Dawson, Kristen Lie, David Kriel, Viv Bull, Adam Harvey, Andrea Manley, Kia Zia, Michel de Vos.



FINANCIAL STATEMENTS AND OTHER DISCLOSURES

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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 2021 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.

SHARE TRADING POLICY

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

The Group has adopted a Share 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 Share 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 to fill vacancies 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.

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 seven directors: an independent Chair, four directors who are independent, and two other 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 66.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

For the year ended 30 September 2021.

	Board	Audit and Risk Management Committee	Remuneration and Nomination Committee	Health and Safety Committee	Sustainability Committee
Number of meetings held	8	12	4	2	3
Alasdair MacLeod	8	11 ¹	4	2	1 ¹
Diana Puketapu	8	11	4	2	3
Stephen Moir	8	12	2 ³	2	2 ¹
Vincent Tremaine	8	12	2 ³	2	-
John Harvey	7	10	2 ²	2	-
Blair O'Keeffe	8	7 ¹	4	2	3
Hon Rick Barker	8	7 ¹	-	2	3

¹ Non-committee members also in attendance.

² Appointed as a member of the Remuneration Committee from April 2021.

³ Retired as a member of the Remuneration Committee from April 2021.

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. 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.

The diversity of the Board, Senior Management Team and the Group's employees will be reviewed annually against agreed metrics by the Board. A diversity working group has been established to develop a five year Equity, Diversity and Inclusion (EDI) strategy and determine which initiatives will be implemented to improve diversity.

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

	2021*				2020*			
	Female		Male		Female		Male	
	No.	%	No.	%	No.	%	No.	%
Directors	1	14	6	86	1	14	6	86
Senior Management Team	2	25	6	75	2	25	6	75
Permanent employees	49	17	241	83	43	16	233	84
Total	52	17	253	83	46	16	245	84

* 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. The last Board evaluation was completed in November 2020.

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 seven directors, five 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 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, 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

Health and safety is a strong 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 Culture and Community, 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 Culture and Community 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

During the current year, the Group has established a Sustainability Committee. The purpose of the 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 Infrastructure Services, 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.

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). This seeks 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.

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).

Actual remuneration of Directors is included in the Other Disclosures section of the Annual Report on page 67.

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 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, include 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.

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 2021 is included in the Other Disclosures section of the Annual Report on page 67.

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).

The STI is based on the achievement of both financial and non-financial objectives with an actual opportunity in the range of 0 - 50% 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. The non-financial objectives include strategic objectives in relation to health and safety, sustainability, key project governance and other growth initiatives. 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 an STI and may determine, despite the actual performance against objectives, that a reduced STI or no STI will be paid in any given year.

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 75 th percentile of the NZX 50 Peer Group	50% - 100% (pro-rata)
Equal to or greater than the 75 th 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.

During 2021, the Group has also 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 inaugural 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 (ISO45001);
- A Critical Risk Control Management program 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.

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 partners (as defined in the NZX Listing Rules) are 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 78.

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 is 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.

NAPIER PORT HOLDINGS LIMITED

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 2021:

Director	Interest	Entity
Alasdair Macleod	Chair/ Shareholder Chair Member Director Trustee	Silverstripe Limited Hold Fast Investments Limited IHC – Board Appointments Committee Silverstripe Trustee Limited Big Brothers Big Sisters Hawke's Bay
Diana Puketapu	Director Director Director Director Director Director	Manawanui Support Limited Ngati Porou Holding Company Limited and subsidiaries Tamaki Redevelopment Company Limited and subsidiaries New Zealand Cricket New Zealand Olympic Committee DNA Designed Communications Limited
Stephen Moir	Director Director Advisor	Todd Family Office Limited IJAP Limited ASB Bank Investment Committee
Vincent Tremaine	Chair Director Chair Director Consultant Chair Chair	Riverland Water Holdings Pty Limited Statewide Superannuation Pty Limited SouthernLaunch.Space Pty Limited Green Industries SA Sentient Hubs Pty Limited Ports Pty Limited Geelong Port Pty Limited
John Harvey	Director Director Director Director Director	Heartland Bank Limited Investore Property Limited Stride Property Limited Stride Investment Management Services Limited Kathmandu Holdings Limited
Blair O'Keeffe	Managing Director Chair Director Director	Endzone Commercial Limited (ECL). Contractor to: - Hawke's Bay Regional Investment Company Limited - Hawke's Bay Regional Council Hawke's Bay Rescue Helicopter Trust Central Air Ambulance Rescue Limited Z Energy Limited
Hon Rick Barker	Chair / Councillor Chair Director	Hawke's Bay Regional Council West Coast District Health Board Hawke's Bay Regional Investment Company 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/(Disposed)
Diana Puketapu ¹	December 2020	5,393

1. Diana Puketapu declared a beneficial interest in securities acquired by Almax Trust.

DIRECTOR'S SHAREHOLDINGS

At 30 September 2021 the following Director, or entities related to them, had interests in company shares:

Share Transaction	Number of shares
Diana Puketapu	5,393

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 2021
\$100,000 - \$109,999	27
\$110,000 - \$119,999	37
\$120,000 - \$129,999	36
\$130,000 - \$139,999	13
\$140,000 - \$149,999	13
\$150,000 - \$159,999	6
\$160,000 - \$169,999	3
\$170,000 - \$179,999	5
\$180,000 - \$189,999	3
\$190,000 - \$199,999	2
\$200,000 - \$209,999	2
\$210,000 - \$219,999	1
\$220,000 - \$229,999	1
\$250,000 - \$259,999	2
\$260,000 - \$269,999	1
\$320,000 - \$329,999	1
\$370,000 - \$379,999	4
\$390,000 - \$399,999	1
\$410,000 - \$419,999	1
\$520,000 - \$529,999	1
\$860,000 - \$869,999	1
	161

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 year¹:

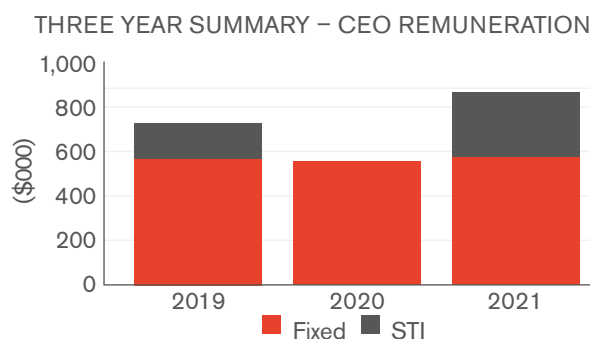
	2021 \$000
Alasdair MacLeod (Chair)	134
Stephen Moir	79
Vincent Tremaine	79
Diana Puketapu	75
John Harvey	70
Blair O'Keeffe	75
Hon Rick Barker	70
Total	582

1. The directors' remuneration above includes fees and remuneration paid for Napier Port Holdings Limited. Directors fees have been set for the Chair of the Board (\$135,000 per annum), Directors other than the Chair (\$70,000 per annum), and Committee Chairs (additional \$10,000 per annum). Directors' remuneration was reduced by 10% for 1 month (2020: 5 months) as part of the Group's COVID-19 response measures.

CHIEF EXECUTIVE OFFICER'S (CEO'S) REMUNERATION

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

	2021 \$000	2020 \$000	2019 \$000
Base salary ¹	558	538	510
Other benefits ¹	17	21	67
Short Term Incentive (STI) ²	294	-	150
Long Term Incentive (LTI) ³	-	-	-
	869	559	727



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. In 2019 other benefits included a one-off discretionary payment of \$48,000 in relation to the completion of the IPO.
2. STI's 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.
3. LTI's are included in the financial year they vest. In December 2020 the CEO was granted 44,836 share rights under the Executive LTI plan (August 2019: 62,307 share rights). The total fair value of LTI plan share rights granted to the CEO during 2021 was \$78,000 (2019: \$79,000), 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 initial grant, the achievement of certain EBITDA targets over the prospective financial information period (2 years). The proportion of share rights that will actually vest depends on the Group's TSR performance ranking relative to the NZX50 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.

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 2021.

TWENTY LARGEST SHAREHOLDERS AT 30 SEPTEMBER 2021

Holder	Number of Shares Held	% of Issued Equity
Hawke's Bay Regional Investment Company Limited	110,000,000	55.0
National Nominees New Zealand Limited ¹	15,306,632	7.65
Custodial Services Limited <4 A/C>	7,176,976	3.59
Tea Custodians Limited ¹	5,919,306	2.96
Accident Compensation Corporation ¹	5,448,676	2.72
JB Were (NZ) Nominees Limited	3,356,204	1.68
Citibank Nominees (NZ) Limited ¹	2,802,570	1.40
New Zealand Depository Nominee	2,413,972	1.21
New Zealand Permanent Trustees Limited ¹	2,350,000	1.18
BNP Paribas Nominees NZ Limited ¹	1,699,524	0.85
Premier Nominees Limited ¹	1,554,249	0.78
Forsyth Barr Custodians Limited	1,459,329	0.73
Tatau Tatau Commercial Limited Partnership	1,442,307	0.72
BNP Paribas Nominees NZ Limited ¹	1,130,403	0.57
Private Nominees Limited ¹	1,111,049	0.56
Hobson Wealth Custodian Limited	1,018,921	0.51
JP Morgan Chase Bank ¹	862,275	0.43
Arden Capital Limited	815,604	0.41
PT Booster Investments Nominees Limited	803,591	0.40
FNZ Custodians Limited	701,571	0.35
Total	167,373,159	83.69

1. Shareholdings held in New Zealand Central Securities Depository Limited (NZCSD). The total holding at 30 September 2021 in NZCSD was 39,753,395.

DISTRIBUTION OF ORDINARY SHARES

Holder	Number of Holders	Number of Shares Held	% of Issued Equity
1 – 5,000	7,928	14,823,379	7.41
5,001 – 10,000	634	4,740,065	2.37
10,001 – 100,000	330	7,683,887	3.84
100,001 and over	25	172,752,669	86.38
Total	8,917	200,000,000	100.00

GEOGRAPHIC DISTRIBUTION

Holder	Number of Holders	Number of Shares Held	% of Issued Equity
New Zealand	8,875	199,546,122	99.77
Australia	22	350,097	0.18
Other	20	103,781	0.05
Total	8,917	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 2021.

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 Limited (ACF Australian Ethical Investment Limited) ¹	10,335,471	16 September 2021	5.17%

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.

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 donations of \$nil (2020: \$nil) and subsidiaries made donations amounting to \$11,000 (2020: \$nil).

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 2021.

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 in 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 2021.

NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 \$000	2020 \$000 Restated
Revenue	4	109,460	100,427
Employee benefit expenses		36,176	32,638
Property and plant expenses		11,524	10,407
Other operating expenses	5	17,973	16,216
Operating expenses		65,673	59,261
Result from operating activities	24	43,787	41,166
Depreciation, amortisation and impairment expenses	16,17	13,080	12,983
Other income	5	(1,142)	(704)
IPO transaction and related costs		-	(285)
Profit before finance costs and tax		31,849	29,172
Net finance costs/(income)	6	39	(149)
Profit before income tax		31,810	29,321
Income tax expense	7	8,646	7,309
Profit for the period attributable to the shareholders of the Company		23,164	22,012
EARNINGS PER SHARE:			
Basic earnings per share	9	0.12	0.11
Diluted earnings per share	9	0.12	0.11

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

NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 \$000	2020 \$000
Profit for the period attributable to the shareholders of the Company		23,164	22,012
Other comprehensive income			
<i>Items that will be reclassified to profit or loss:</i>			
Changes in fair value of cash flow hedges		1,241	(110)
Cash flow hedges transferred to profit or loss		(139)	-
Deferred tax on changes in fair value of cash flow hedges	8	(309)	31
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in fair value of cash flow hedges		(183)	-
Cash flow hedges transferred to property, plant and equipment		183	(200)
Deferred tax on changes in fair value of cash flow hedges	8	-	56
Impairment of sea defences		-	(5,782)
Deferred tax on impairment of sea defences	8	-	703
Other comprehensive income for the period, net of tax		793	(5,302)
Total comprehensive income for the period attributable to the shareholders of the Company		23,957	16,710

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 2021

	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 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
Balance at 1 October 2019		246,404	75,451	144	333	13,149	335,481
Profit for the period		-	-	-	-	22,012	22,012
Other comprehensive income		-	(5,079)	(223)	-	-	(5,302)
Total comprehensive income for the period		-	(5,079)	(223)	-	22,012	16,710
Business reorganisation	21	-	-	-	-	(348)	(348)
Dividends	10	11	-	-	-	(5,000)	(4,989)
Transaction costs arising on share issuance	11	(720)	-	-	-	-	(720)
Fair share loans - employee repayments	11	55	-	-	-	-	55
Share-based payments	20	-	-	-	56	-	56
Transfer from revaluation reserve		-	(64)	-	-	64	-
Total transactions with owners in their capacity as owners		(654)	(64)	-	56	(5,284)	(5,946)
Total movement in equity		(654)	(5,143)	(223)	56	16,728	10,764
Balance at 30 September 2020		245,750	70,308	(79)	389	29,877	346,245

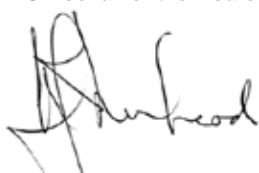
The above statement of changes in equity should be read in conjunction with the accompanying notes.

NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021

	Notes	2021 \$000	2020 \$000
EQUITY			
Share capital	11	245,850	245,750
Reserves	11	71,547	70,618
Retained earnings		37,450	29,877
		354,847	346,245
NON-CURRENT LIABILITIES			
Loans and borrowings	14	77,065	-
Deferred tax liability	8	17,924	16,681
Lease liabilities	19	320	521
Derivative financial instruments	23	-	111
Provision for employee entitlements	13	465	447
		95,774	17,760
CURRENT LIABILITIES			
Taxation payable		2,155	4,161
Lease liabilities	19	201	213
Trade and other payables	12	27,020	17,000
		29,376	21,374
		479,997	385,379
NON-CURRENT ASSETS			
Property, plant and equipment	17	448,648	351,177
Intangible assets	16	1,145	1,377
Investment properties	18	10,400	9,200
Derivative financial instruments	23	528	-
		460,721	361,754
CURRENT ASSETS			
Cash and cash equivalents		1,403	7,936
Derivative financial instruments	23	464	-
Trade and other receivables	15	17,409	15,689
		19,276	23,625
		479,997	385,379

On behalf of the Board of Directors, who authorised the issue of these financial statements on the 15th November 2021.

 Chair


 Director

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

NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 \$000	2020 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Receipts from customers	108,037	99,051
<i>Cash was applied to:</i>		
Payments to suppliers and employees	(62,512)	(61,336)
IPO transaction and related costs	-	(478)
Net finance costs (paid)/received	(39)	149
Income taxes paid	(9,718)	(7,471)
Net GST paid	(978)	(588)
Net cash flows generated from operating activities	34,790	29,327
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Proceeds from sale of property, plant and equipment	63	56
<i>Cash was applied to:</i>		
Acquisition of property, plant and equipment and intangible assets	(103,682)	(45,988)
Investment in joint venture	-	(80)
Net cash flows used in investing activities	(103,619)	(46,012)
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Net proceeds from loans and borrowings	78,000	-
Repayment of fair share loans by employees	100	67
<i>Cash was applied to:</i>		
Transaction costs arising on share issuance	-	(1,122)
IPO proceeds transferred to HBRIC as part consideration for shares of PONL	-	(348)
Dividends paid	(15,591)	(5,000)
Repayment of lease liabilities	(213)	(200)
Net cash flows generated from/(used in) financing activities	62,296	(6,603)
Net decrease in cash and cash equivalents	(6,533)	(23,288)
Cash and cash equivalents at beginning of the year	7,936	31,224
Cash and cash equivalents at end of the year	1,403	7,936

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

NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

	2021 \$000	2020 \$000
Profit for the period	23,164	22,012
<i>Adjust for non-cash items:</i>		
Fair value gain	(1,200)	(1,000)
Depreciation and amortisation	13,080	12,432
Impairment of assets	-	551
Net loss on sale of property, plant and equipment	65	19
Share of loss and impairment from investment in joint venture	-	80
Share-based payments	136	56
Other non-cash items	(7)	197
Deferred tax	934	(965)
	13,008	11,370
<i>Other adjustments:</i>		
(Decrease)/increase in current tax	(2,006)	803
Increase in non-current provision	18	11
	(1,988)	814
<i>Movements in working capital:</i>		
Increase in trade and other receivables	(1,714)	(1,795)
Increase/(decrease) in trade and other payables	2,320	(3,074)
	606	(4,869)
Net cash flows generated from operating activities	34,790	29,327

NAPIER PORT HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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).

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.

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 trading results, including those arising from the pandemic's potential impact on our direct and indirect cargo customers.

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 at 30 September 2021 and 30 September 2020.

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.

RESTATEMENT OF PRIOR PERIOD COMPARATIVES

The Group has changed the classification of operating expenses within the consolidated income statement to provide more relevant information for users. Maintenance expenses have been replaced by property and plant expenses. Employee benefit expenses, property and plant expenses, and other operating expenses for the year ended 30 September 2020 have been restated on a comparable basis resulting in \$3.0 million of previously disclosed other operating expenses being reclassified to property and plant expenses, and \$1.2 million being reclassified to employee benefit expenses for the year ended 30 September 2020.

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 STANDARDS ADOPTED

There have been no new accounting standards adopted and applied by the Group in the year ended 30 September 2021.

COMPARATIVES

Certain immaterial adjustments have been made to prior year comparatives to align with the current year disclosure.

4 REVENUE AND SEGMENT REPORTING

	2021 \$000	2020 \$000
Disaggregation of revenue		
Container services	65,331	62,339
Bulk cargo	41,488	31,275
Cruise	-	4,300
Sundry income	282	252
Port operations	107,101	98,166
Property operations	2,359	2,261
Operating income	109,460	100,427

Rental income on investment properties within property operations was \$54,000 during the year (2020: \$59,000).

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

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

OPERATING SEGMENTS

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

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

The Group operates in one geographic area, that being New Zealand. During the year the Group had two customers which comprise 18% (2020: 19%) and 11% of total revenue respectively.

5 OTHER INCOME AND EXPENSES

	2021 \$000	2020 \$000
Included within other operating expenses are:		
Auditor remuneration - audit fees	202	199
Auditor remuneration - non audit services	27	55
Directors' fees	582	551

Auditor remuneration - non audit services comprises fees to EY for interim reviews and a limited assurance engagement.

	Note	2021 \$000	2020 \$000
Included within other income and expenses are:			
Loss on sale of property, plant and equipment		65	19
Fair value gain on investment property		(1,200)	(1,000)
Share of loss and impairment of investment in joint venture		-	80
Expected credit loss allowance	15	(7)	197
Other income		(1,142)	(704)

6 NET FINANCE COSTS

	Note	2021 \$000	2020 \$000
Interest income		(16)	(217)
Finance income		(16)	(217)
Interest expense on borrowings		1,383	18
Lease imputed interest	19	37	50
Less: Interest capitalised to property, plant & equipment		(1,365)	-
Finance expenses		55	68
Net finance costs		39	(149)

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	2021 \$000	2020 \$000
Reconciliation between income tax expense and tax expense calculated at the statutory income tax rate:			
Profit before income tax		31,810	29,321
Income tax at 28%		8,907	8,210
Adjustment to prior year tax		27	18
Tax effect of non-deductible items		48	37
Tax effect of non-assessable items		(336)	(306)
Reinstatement of tax depreciation on buildings		-	(650)
Income tax expense		8,646	7,309
The income tax expense is represented by:			
Current tax on profits for the year		7,978	8,251
Adjustments for current tax of prior periods		(266)	23
Current income tax expense		7,712	8,274
Deferred income tax expense/(credit) for the period	8	641	(960)
Adjustments for deferred tax of prior periods		293	(5)
Deferred income tax expense/(credit)		934	(965)
Income tax expense		8,646	7,309

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

	2021 \$000	2020 \$000
Balance 1 October	(16,681)	(18,436)
Adjustment to prior year provision	(293)	5
Deferred portion of current year tax (expense)/credit	(641)	960
Amounts credited and charged direct to equity	(309)	790
Balance at 30 September	(17,924)	(16,681)
Deferred tax is represented by:		
Deferred tax asset		
Other	1,306	1,316
	1,306	1,316
Deferred tax liability		
Property, plant and equipment - other	(9,675)	(8,592)
Property, plant and equipment - revaluation of sea defences	(9,277)	(9,405)
Other	(278)	-
	(19,230)	(17,997)
Net deferred tax liability	(17,924)	(16,681)
Imputation credit account		
Balance at 30 September	11,112	11,410

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 judgment in the determination of deferred tax balances as is the estimation of this non-depreciable amount.

9 EARNINGS PER SHARE

	2021 Cents	2020 Cents
Basic earnings per share		
Basic earnings per share	0.12	0.11
Diluted earnings per share		
Diluted earnings per share	0.12	0.11
	2021 \$000	2020 \$000
Reconciliation of earnings used in calculating earnings per share:		
<i>Basic and diluted earnings per share</i>		
Net profit attributable to the ordinary shareholders of the Company	23,164	22,012
	2021 Number (000)	2020 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	199,437	199,414
<i>Adjustments for calculation of diluted earnings per share:</i>		
Executive Long-Term Incentive Plan share rights	273	145
Fair Share Plan	439	462
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	200,149	200,021

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

	2021 \$000	2020 \$000
Dividends paid	15,591	5,000
	15,591	5,000

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

	2021 Number of Shares (000)	2021 Nominal Value \$000	2020 Number of Shares (000)	2020 Nominal Value \$000
Balance at 1 October	199,425	245,750	199,404	246,404
Fair Share plan	27	100	21	66
	199,452	245,850	199,425	246,470
Less: Transaction costs arising on issue of shares	-	-	-	(720)
Balance at 30 September	199,452	245,850	199,425	245,750

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

	2021 Number of Shares (000)	2021 Nominal Value \$000	2020 Number of Shares (000)	2020 Nominal Value \$000
Balance at 1 October	124	323	124	323
Balance at 30 September	124	323	124	323

FAIR SHARE PLAN

	2021 Number of Shares (000)	2021 Nominal Value \$000	2020 Number of Shares (000)	2020 Nominal Value \$000
Balance at 1 October	451	1,162	472	1,228
Fair share loan repayments	(27)	(68)	(21)	(55)
Dividends paid	-	(32)	-	(11)
Balance at 30 September	424	1,062	451	1,162

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

	2021 \$000	2020 \$000
Trade payables	13,551	10,615
Trade accruals	7,636	2,741
Employee entitlement accruals	5,833	3,644
	27,020	17,000

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

	2021 \$000	2020 \$000
Balance at 1 October	447	436
Additional provision made	69	27
Amount utilised	(51)	(16)
Balance at 30 September - Non-current	465	447

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:

		Committed Facilities	Undrawn Facilities	Drawn Facilities	Capitalised Loan Costs	Carrying Value
2021						
Non-current	Coupon	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
2020						
Non-current	Coupon	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Bank facilities	Floating	180,000	180,000	-	-	-
Total non-current		180,000	180,000	-	-	-

The Group has entered into three facilities with Westpac New Zealand Limited, Industrial and Commercial Bank of China (New Zealand) Limited (ICBC New Zealand) and Industrial and Commercial Bank of China (Asia) Limited (ICBC Asia) which provide total available facilities of \$180 million, to fund the completion of the 6 wharf expansion project and general corporate purposes. Of the total facilities, \$60 million matures July 2023 and \$120 million matures September 2024. Establishment and line fees accrued on the facilities are included as a prepayment within trade and other receivables until the facilities are drawn down. When the facilities are drawn down they are included within the loans and borrowings carrying value.

The facility agreements 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 the facilities with the banks 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 effective interest method. Fees paid on the establishment of loan facilities are amortised over the term of the loan following initial drawdown.

15 TRADE AND OTHER RECEIVABLES

	2021 \$000	2020 \$000
Trade receivables	9,469	8,833
GST receivable	1,397	420
Prepayments	6,543	6,436
	17,409	15,689

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

	2021 \$000	2020 \$000
Not past due	9,221	7,866
Past due 0 - 30 days	396	1,071
Past due 30 - 60 days	2	92
Past due > 60 days	40	1
	9,659	9,030

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 2021 (2020: \$197,000). 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. There have been no specific trade receivable balances written-off during the period.

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

	2021 \$000	2020 \$000
COST		
Opening balance at 1 October	7,456	6,878
Additions	555	731
Disposals	-	(153)
Closing balance at 30 September	8,011	7,456
ACCUMULATED AMORTISATION		
Opening balance at 1 October	6,079	5,768
Amortisation for the period	787	462
Disposals	-	(151)
Closing balance at 30 September	6,866	6,079
Closing net book value at 30 September	1,145	1,377

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 & Jetties	Buildings	Plant & Equipment	Dredging	Work in Progress	Total
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
Cost or fair value									
At 1 October 2019	38,655	88,120	63,615	47,428	28,748	119,645	16,712	18,159	421,082
Additions	-	135	6,870	1,038	828	13,794	1,407	28,297	52,369
Disposals	-	-	-	-	-	(1,166)	-	-	(1,166)
At 30 September 2020	38,655	88,255	70,485	48,466	29,576	132,273	18,119	46,456	472,285
Accumulated depreciation and impairment									
At 1 October 2019	-	757	24,111	9,885	11,436	51,078	6,630	-	103,897
Depreciation	-	348	1,931	627	882	7,464	718	-	11,970
Impairment	-	5,782	551	-	-	-	-	-	6,333
Disposals	-	-	-	-	-	(1,092)	-	-	(1,092)
At 30 September 2020	-	6,887	26,593	10,512	12,318	57,450	7,348	-	121,108
Closing net book value 2020	38,655	81,368	43,892	37,954	17,258	74,823	10,771	46,456	351,177

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 30 June 2017 by AECOM New Zealand Ltd and the revalued amounts included in the statement of financial position as at 30 September 2017. 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. Directors intend for the next revaluation to be completed in 2022.

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, the condition and performance of assets, estimated total and remaining effective lives of 70 to 156 years and 5 to 62 years, respectively, and estimated residual values of 20% of replacement cost. Other inputs incorporated into the valuation process include Statistics NZ Indices and an allowance for project on-costs of 10-12%. 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 \$4,696,000 (2020: \$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	10-50	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

	2021 \$000	2020 \$000
Balance at 1 October	9,200	8,200
Gain from fair value adjustments	1,200	1,000
Balance at 30 September	10,400	9,200

Investment properties were externally valued at 30 June 2021 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

	2021 \$000	2020 \$000
Right-of-use assets – plant and equipment		
Balance at 1 October	697	910
Depreciation	(213)	(213)
Balance at 30 September	484	697
Lease liabilities		
Balance at 1 October	734	934
Interest expense	37	50
Lease payments - cash	(250)	(250)
Balance at 30 September	521	734
Lease liabilities		
Current	201	213
Non-current	320	521
	521	734

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 2021 are as follows:

	2021 \$000	2020 \$000
Receivable within one year	1,971	1,799
Between one and two years	1,909	1,703
Between two and five years	4,697	4,877
Over five years	9,008	8,219
	17,585	16,598

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 10th 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

In August 2019, the Group introduced 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 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 NZX50 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:

2021

Grant Date	Vesting Date	Balance at 30 September 2020	Granted during the year	Lapsed 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

2020

Grant Date	Vesting Date	Balance at 30 September 2019	Granted during the year	Lapsed during the year	Balance at 30 September 2020
19-Aug-19	19-Aug-22	162,689	-	(23,076)	139,613
Total LTI Plan		162,689	-	(23,076)	139,613

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:

	2021	2019
Grant Date	2-Dec-20	19-Aug-19
Vesting Date	2-Dec-23	19-Aug-22
Grant Date Share Price	\$3.61	\$2.60
Risk Free Interest rate	0.94%	0.94%
Expected Dividends	\$0.26	\$0.26
Valuation per Share Right	\$1.75	\$1.26

The weighted average remaining contractual life of the share rights at 30 September 2021 is 1.57 years (2020: 1.83 years).

During the year ended 30 September 2021, an expense of \$136,000 (2020: \$56,000) 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

		2021 \$000	2020 \$000
Transactions with owners			
RELATED PARTY	NATURE OF TRANSACTIONS	VALUE OF TRANSACTIONS	
Hawke's Bay Regional Council	Rates, levies, consents and services	40	70
	Subvention payment	-	7
	Cost recoveries	(8)	(18)
	Lease income	(21)	(25)
	Accounts receivable by the Group	1	-
Hawke's Bay Regional Investment Company	Return of capital post IPO	-	348
	Dividends	8,580	2,750
	Subvention payment	-	217
	Cost recoveries	(47)	(38)
K. Ali-Dawson	Communications consultancy	4	-

K. Ali-Dawson is a close family member of a member of key management personnel and has provided communications consultancy services to the Group during the period on an arms-length basis.

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:

	2021 \$000	2020 \$000
Short-term employee benefits	4,309	3,421
Termination benefits	-	58
Share-based payments	136	56
	4,445	3,535

22 COMMITMENTS & CONTINGENCIES**CAPITAL EXPENDITURE COMMITMENTS**

At balance date there were commitments in respect of contracts for capital expenditure totalling \$37,930,000 (2020: \$118,681,000).

CONTINGENT LIABILITIES

There were no material contingent liabilities at balance date (2020: \$Nil).

FINANCIAL GUARANTEES

The Group has financial performance guarantees in place. The maximum callable under the guarantees at 30 September 2021 is \$112,000 (2020: \$96,000).

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 exposure at the end of the reporting period is as disclosed in the statement of financial position. The Group's maximum daily credit risk to a single trade debtor during the reporting period was \$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
2021						
Trade payables	13,551	13,551	13,551	-	-	-
Lease liabilities	521	564	225	175	164	-
Loans and borrowings	77,065	85,546	2,522	2,522	80,502	-
Interest rate swaps	(992)	(1,065)	71	(120)	(901)	(115)
	90,145	98,596	16,369	2,577	79,765	(115)

2020						
Trade payables	10,615	10,615	10,615	-	-	-
Lease liabilities	734	815	251	225	339	-
Fuel commodity swap	111	994	994	-	-	-
	11,460	12,424	11,860	225	339	-

	2021 \$000	2020 \$000
At balance date the Group had bank facilities of:		
Overdraft	1,000	1,000
Credit facilities	180,000	180,000
Total	181,000	181,000
At balance date the utilisation of bank facilities was:		
Overdraft	-	-
Credit facilities	78,000	-
Total	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 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	2021 \$000	2020 \$000
1 - 2 years	15,000	-
2 - 5 years	30,000	-
Greater than 5 years	20,000	-
	65,000	-

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

Carrying amount (asset)	(992)	-
Hedge ratio	1:1	-
Change in fair value of outstanding hedging instruments	(992)	-
Change in value of hedged item used to determine hedge effectiveness	992	-
Weighted average hedged (index) rate	1.32%	-

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	(780)	780	-	-
Interest rate swaps	350	(350)	2,364	(2,527)
30 September 2021	(430)	430	2,364	(2,527)
Cash and cash equivalents	70	(70)	-	-
30 September 2020	70	(70)	-	-

(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 2021.

The Group's exposures to financial instrument foreign currency risk at the end of the reporting period were:

	NZD Amount \$000	Currency Amount \$000
Foreign exchange contracts		
2020		
EUR cash balances	3,088	1,750

(III) COMMODITY PRICE RISK

The Group utilises commodity swap contracts to reduce the impact of market price changes on fuel costs used in operations. The effects of commodity swap contracts on the Group's financial position and performance are as follows:

	2021 \$000	2020 \$000
Fuel commodity swaps		
Carrying amount asset/(liability)	-	(111)
Notional amount (litres)	-	2,000,000
Maturity date	-	Oct 20 - Sept 21
Hedge ratio	-	1:1
Change in value of hedged item used to determine hedge effectiveness	-	111
Weighted average hedged rate for the year (NZD/litre)	-	\$0.50

23.4 FAIR VALUES**FINANCIAL ASSETS AND LIABILITIES**

	2021 \$000	2020 \$000
Financial assets at amortised cost		
Cash and cash equivalents	1,403	4,848
Cash and cash equivalents (EUR)	-	3,088
Trade receivables	9,469	8,833
	10,872	16,769
Financial assets at fair value		
Interest rate swaps	992	-
	992	-
Total financial assets	11,864	16,769
Financial liabilities at amortised cost		
Trade payables	13,551	10,615
Loans and borrowings	77,065	-
Lease liabilities	521	734
	91,137	11,349
Financial liabilities at fair value		
Fuel commodity swaps	-	111
	-	111
Total financial liabilities	91,137	11,460

The carrying value of all financial assets and liabilities approximates their fair value.

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 immediately 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 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.

NAPIER PORT HOLDINGS LIMITED

TRADE AND FINANCIAL FIVE YEAR SUMMARY

	2021	2020	2019	2018	2017
Total Cargo (million tonnes)	5.87	5.05	5.46	5.09	4.75
Container Volumes (TEU)	276,129	268,266	271,221	266,006	288,444
Bulk Cargo (million tonnes)	3.95	3.12	3.40	3.07	2.51
Revenue (\$m)	109.5	100.4	99.6	91.7	86.7
Result from Operating Activities* (\$m)	43.8	41.2	42.0	38.9	37.4
Net Profit After Tax (\$m)	23.2	22.0	6.8	17.6	16.7
Dividends (\$m)	15.6	5.0	54.0	10.0	10.7
Capital Investment (\$m)	103.7	46.1	17.6	15.7	18.7
Net Debt (\$m)	75.7	-	-	80.6	83.3
Equity Ratio	74%	90%	91%	64%	63%
Debt Coverage Ratio	1.7	-	-	2.1	2.2
Interest Coverage Ratio	31.7	n/a	11.6	8.9	9.0
Return on Operating Assets %**	14.4%	13.6%	13.3%	12.6%	12.5%
Return on Shareholder's Funds %***	6.6%	6.5%	2.5%	8.4%	8.5%

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 & 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



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, Simon Brotherton, 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 70 to 96, that comprise the consolidated statement of financial position as at 30 September 2021, 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 2021, 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 and annual meeting vote counting agreed-upon-procedures 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.



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

Why significant	How our audit addressed the key audit matter
<p>As an infrastructure business, the Group's property, plant and equipment is critical to its operations. The Group has continued the development of 6 wharf, a major strategic initiative to expand the port's capacity. Total capital expenditure during the year was \$110m with \$101m of this related to 6 wharf.</p> <p>Additions to property, plant and equipment in the year comprise external contractor costs, a portion of internal employee costs and capitalised finance costs. The latter two categories contain a greater degree of judgement in terms of the value of costs to be capitalised. Finance costs are recorded based on a model which takes into account both interest and non-interest costs (e.g. facility and line fees) and allocates these based on past drawdown history and future borrowing assumptions. In addition, claims for variations from the agreed project scope and timeline have been made by the external contractors which may or may not be agreed by the Group.</p> <p>Disclosures regarding property, plant and equipment are included in Note 17 to the financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ▶ selected a sample of external costs capitalised during the year, agreed these to supporting evidence and assessed their eligibility for capitalisation against the criteria contained in NZ IAS 16 <i>Property, Plant and Equipment</i>; ▶ assessed the extent of internal employee costs capitalised, the basis for this capitalisation and the roles performed by the relevant personnel; ▶ considered the Group's model and assumptions used to allocate finance costs to the 6 wharf project. In doing so we considered the expected future profile of borrowings in relation to the anticipated capital expenditure plan; ▶ assessed the costs capitalised in light of our understanding of the progress made in relation to the 6 Wharf development. Our understanding of the status of the project was informed by: <ul style="list-style-type: none"> ▶ consideration of the external quantity surveyor's September monthly report and their summary of the status of claims made by the external contractors ▶ consideration of the internal monthly project management reporting ▶ discussion of the status of, and plans for, the 6 wharf development with the internal project manager to understand progress made in the year, likely future costs and timeframes and any potential delays that could result in further costs being required to complete the project; and ▶ considered the adequacy of the Group's disclosures relating to property, plant and equipment in accordance with NZ IAS 16 <i>Property, Plant and Equipment</i>.



Port Operations Revenue Recognition

Why significant	How our audit addressed the key audit matter
<p>The Group generates 98% of its revenue from port operations.</p> <p>Revenue is a key determinant of the Group's operating result and has been impacted in the year by changes in shipping patterns and freight flows, partly as a result of COVID-19 impacts.</p> <p>Disclosures regarding revenue are included in Note 4 of the Group to the financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ▶ assessed the Group's revenue recognition accounting policies and procedures against the requirements of NZ IFRS 15 <i>Revenue from Contracts with Customers</i>; ▶ analysed the correlation between the Group's recorded revenue and movements in accounts receivable and cash using data analysis techniques; ▶ selected a sample of revenue transactions recorded around period end and assessed whether they had been recorded in the correct period; and ▶ assessed the adequacy of the Group's disclosures in relation to revenue.

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.

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 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.

A handwritten signature in blue ink, appearing to read 'S Brotherton', is positioned above the printed name.

Simon Brotherton
Ernst & Young
Chartered Accountants
On behalf of the Auditor-General
Auckland, New Zealand
15 November 2021

DIRECTORY

DIRECTORS

Alasdair MacLeod (Chair)
 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
 Kia Zia – General Manager Container Operations
 Michel de Vos – General Manager Infrastructure Services

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Industrial and Commercial Bank
 of China (Asia) Limited
 26/F ICBC Tower
 Garden Road
 Central Hong Kong

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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 Email: napierport@linkmarketservices.co.nz

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

FINANCIAL CALENDAR

16 December 2021	Final dividend payment
17 December 2021	Annual meeting
31 March 2022	Half-year balance date
May 2022	Interim results announced
June 2022*	Interim dividend payment
30 September 2022	Financial year end
November 2022	Annual results announcement

* Subject to board approval

