NAPIER PORT
Te Herenga Waka o Ahuriri

STANDING STRONG FOR OUR REGION

ANNUAL REPORT – TE PŪRONGO Ā-TAU / 2020

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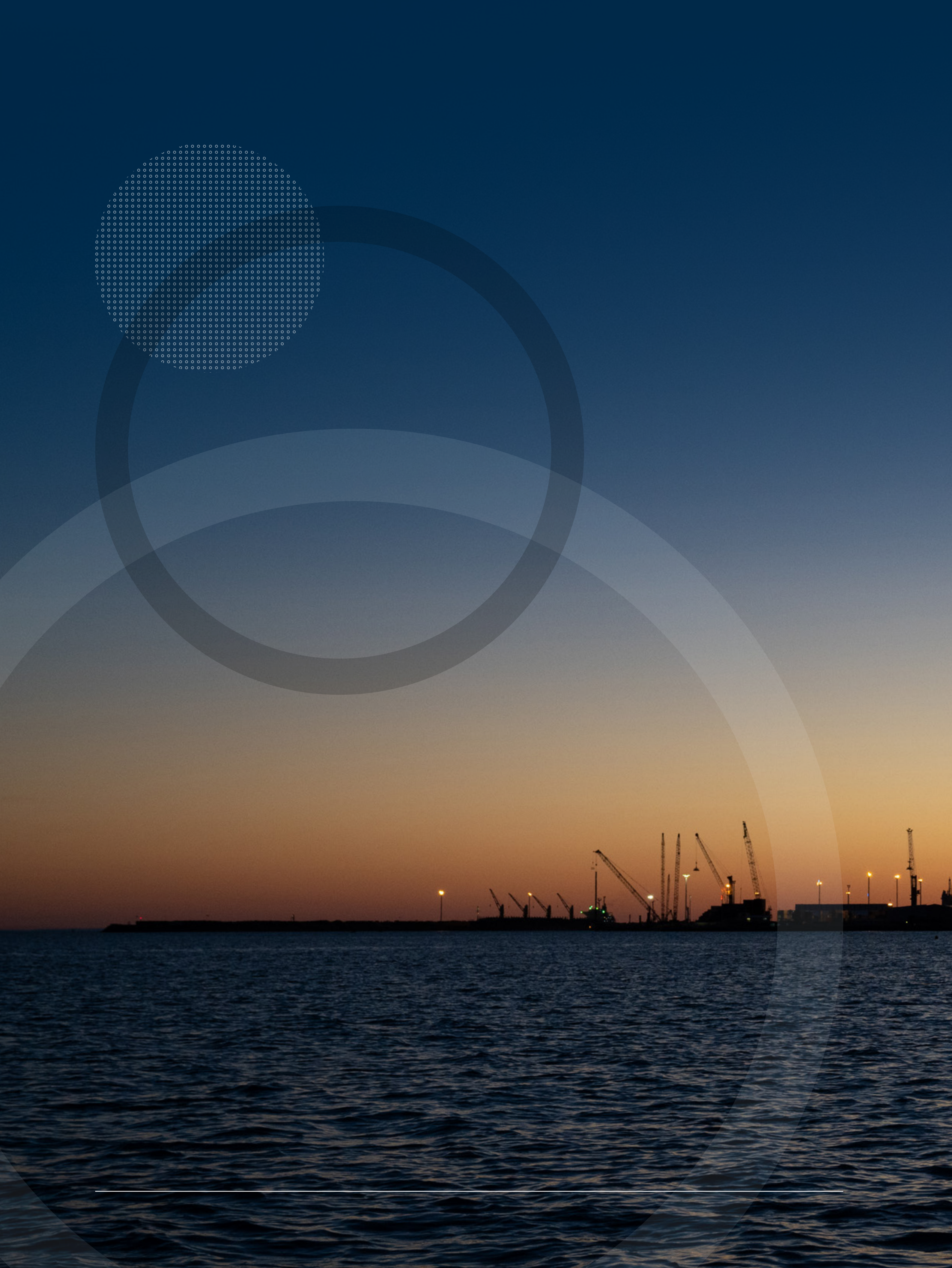
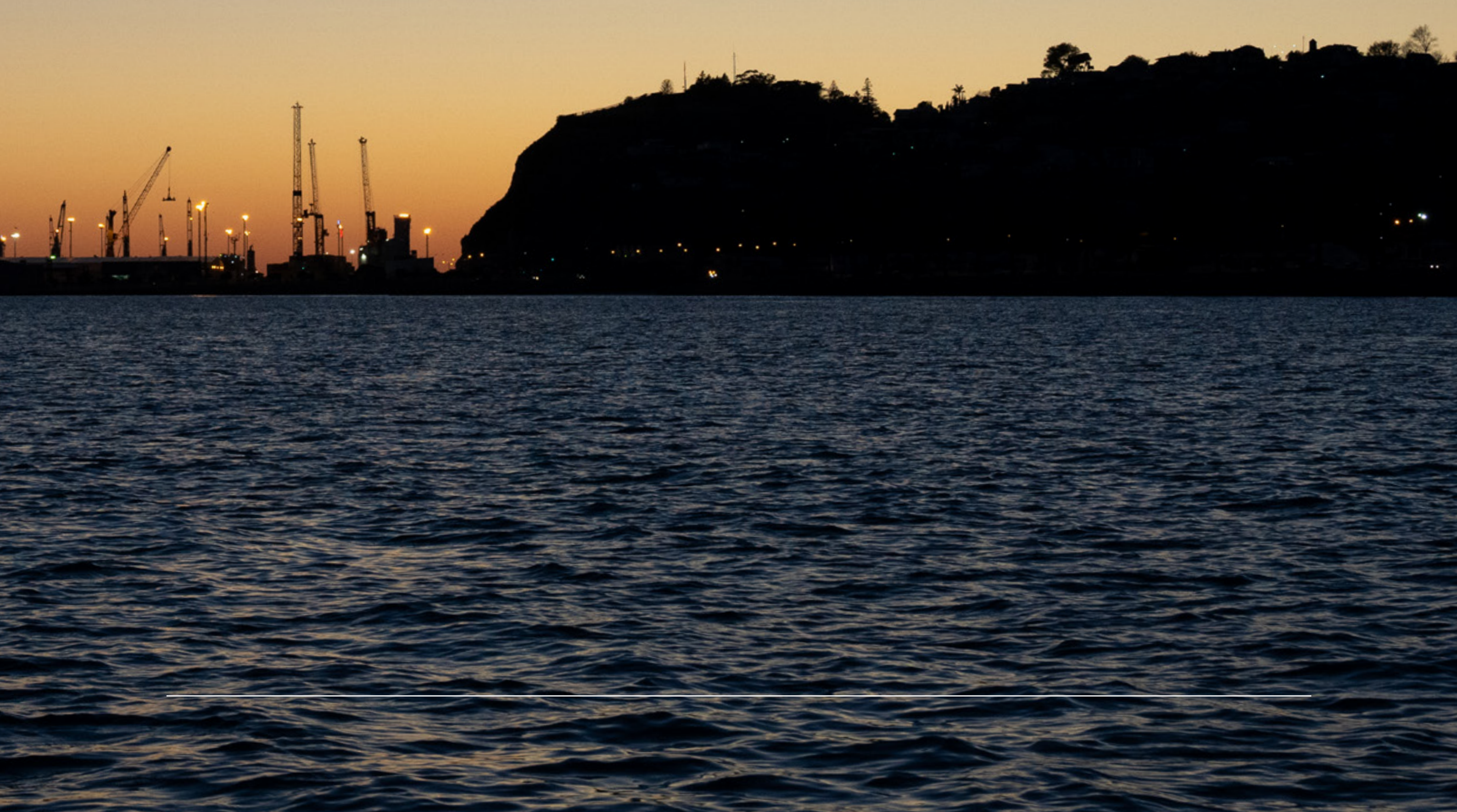


OUR STRATEGIC LOCATION AND CARGO HANDLING CAPACITY MAKE US A KEY CONNECTION IN THE SUPPLY CHAIN, BUT IT'S OUR PEOPLE, THE SERVICE WE PROVIDE AND OUR INNOVATIVE SYSTEMS THAT ARE THE FOUNDATIONS OF OUR SUCCESS



HIGHLIGHTS

$10 MILLION
FINAL DIVIDEND
–
5 CENTS
PER SHARE

$22 MILLION
NET PROFIT
–
UP 221%

2.4 MILLION
TONNES OF LOG EXPORTS
–
DOWN 8.3%

268 THOUSAND
TEU CONTAINERS HANDLED
–
DOWN 1.1%

49 THOUSAND
TEU HANDLED THROUGH PORT PACK
–
DOWN 2.2%

304
CHARTER VESSEL CALLS
–
DOWN 3.2%

$100.4 MILLION

REVENUE

–

UP 0.8%

5.0 MILLION

TONNES OF CARGO HANDLED

–

DOWN 7.5%

3.1 MILLION

TONNES OF BULK CARGO HANDLED

–

DOWN 8.3%

293

CONTAINER VESSEL CALLS

–

DOWN 3.3%

76

CRUISE SHIP CALLS

–

UP 8.6%

CHAIRMAN'S REPORT STANDING STRONG FOR OUR REGION

HE WAKA EKE NOA – WE ARE ALL IN THIS TOGETHER / WE'VE GOT THIS

TĒNĀ KOUTOU E NGĀ KAIWHAKARATO MONI,

Napier Port's first year of operation as a listed entity was significantly more challenging than we anticipated at listing, as we navigated the uncharted territory of COVID-19.

Despite all the uncertainties associated with the pandemic, our management and people have worked through these unique challenges with commitment and calm. They, along with all the others who kept the economy moving, deserve our thanks.

This resilience operationally, backed up by tight financial controls, has left Napier Port in a stronger position than we anticipated at the outset of COVID-19. It has further cemented our position as the major freight gateway for our region and the lower North Island.

The recovery was so strong that the Board moved to repay the Government wage subsidy for which we qualified and accepted in the early stages of the health crisis.

On behalf of shareholders and the entire port team I want to record our appreciation for the prompt Government response to COVID-19 and the support it gave to Napier Port, our region and the broader economy.

The wage subsidy gave us the confidence to retain all our staff on full pay, even if they were not able to physically attend at the port. Nevertheless, given the underlying strength of the business and the strong recovery, we believed that a refund was the right thing to do.

Our confidence in the region and in the quality of our offering is such that through this period we have forged ahead with the construction of our new wharf – 6 Wharf. This vital piece of infrastructure is scheduled to be completed by late 2022, and when finished will give us the ability to handle bigger ships, more shipping lines, and the ever-increasing volume of cargo generated by the region, or attracted to Napier Port by our superior service.

FINANCIAL RESULTS

Despite this, the health crisis has not left us unscathed. As signalled earlier this year, the 2020 financial year was 'a year of two halves', with the first largely in line with forecasts given at the time of the IPO and the second seeing significant disruptions due largely to COVID-19 lockdowns.

Notwithstanding the trading disruptions, Napier Port's total container trade was down just 1.1% to 268,000 twenty-foot equivalent units (TEU), while bulk cargo volumes fell 8.3% to 3.1 million tonnes, principally reflecting the impact of the lockdowns on the log export trade. Meanwhile, the cruise ship season was brought to a premature end.

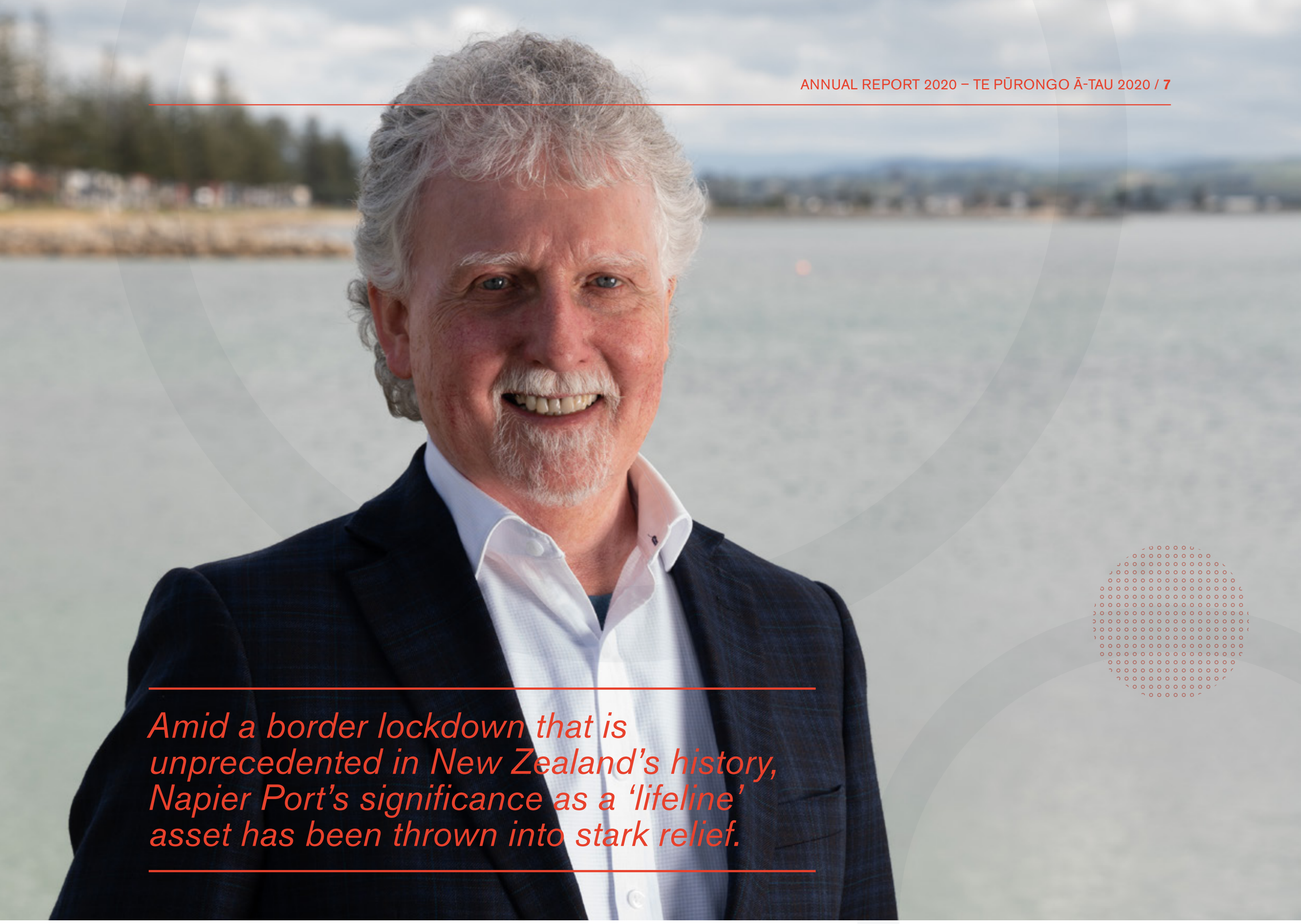
Revenue for the year to 30 September 2020 rose to $100.4 million from $99.6 million in the same period a year ago, due principally to resilient cargo flows and increased tariffs. Net profit after tax rose from $6.8 million to $22.0 million. The result for the prior year included several one-off charges, including the costs related to the IPO and capital restructuring.

Stripping out these adjustments, pro forma net profit after tax rose to $20.4 million from $19.6 million in the prior year, a figure ahead of the guidance we gave at the time of the IPO.

Given the disruption to the year we are very pleased with the result. In no small measure it reflects belt tightening across the port, including a reduction in the Director fee pool, wage and salary increase deferrals and a broader range of capital and other operational expenditures.

The response of our team to these changes, from our Chief Executive Todd Dawson and the Senior Management Team through to those on the front-line moving cargo, has been inspiring.

Without exception, the team has worked hard to protect the health and safety of our people and our region while applying themselves assiduously to the task of keeping cargo moving across our wharves. It is tangible proof of the value in fostering what we call a 'culture of care' at Napier Port.



Amid a border lockdown that is unprecedented in New Zealand's history, Napier Port's significance as a 'lifeline' asset has been thrown into stark relief.

DIVIDEND AND OUTLOOK

The IPO has given Napier Port a sound balance sheet. We ended the financial year with net cash of $7.9 million, compared to $31.2 million at the same time a year ago, and retained undrawn borrowing facilities of $180 million.

While this is a stronger liquidity position than we envisaged at the time of the IPO, we now face a more uncertain outlook. This uncertainty comes at a time when we are investing in a once-in-a-generation upgrade to our core infrastructure.

Notwithstanding the resilient cargo flows we have seen through the COVID-19 crisis, the longer-term impact of the pandemic remains uncertain. Finally, as we signalled earlier in the year, we do not expect a resumption of cruise ship visits this cruise season and we are conscious of the uncertainty regarding the timing and eventual extent of this industry's revival.

We continue to exercise a disciplined approach to operating and capital expenditure and are pursuing efficiencies. However, several of the cost saving measures introduced in response to COVID-19, including the already signalled deferrals of operational and capital expenditure, cannot be sustained in the new financial year.

For many of these reasons, the Board cancelled the interim dividend and Directors still believe protecting Napier Port's balance sheet remains a prudent stance. We have therefore declared a final dividend of 5 cents per share, up from the 2.5 cents per share paid at the same time a year ago but less than forecast at the time of the IPO.

The dividend has a record date of 4 December and a payment date of 18 December.

Napier Port is standing strong for our region. Over many years we have established a record of working with our customers and our broader community of stakeholders to ensure an efficient, agile and resilient supply chain for our region.

Our focus for the current year – despite the uncertainty – is to continue to build on this success. We are looking forward to providing an update on our progress at our annual shareholders meeting in December.

Finally, on behalf of the Board, shareholders, and our region, I extend our thanks to the cargo owners who entrust their cargo to Napier Port, and to the entire Napier Port team. In the face of the uncertainty and an ongoing public health challenge, you have delivered an outstanding result.

Ngā mihi nui,

ALASDAIR MACLEOD
Chairman

CHIEF EXECUTIVE'S REPORT
A STRATEGY THAT ENDURES

TĒNĀ KOUTOU

In our first year as a publicly listed company, Napier Port can look back on 2020 with a real sense of pride and achievement.

In the face of the significant challenges we saw as a result of COVID-19, we have continued to deliver on our strategic purpose to work for our region. We have done this by maintaining and strengthening our global connections that are fundamental to linking Hawke's Bay and New Zealand's central and lower North Island supply chains to the world.

In the 12 months to 30 September 2020 we hosted 293 container vessels and moved 268,000 TEU across our wharves, a 1.1% reduction on the prior year. The fall was mainly due to the COVID-19 lockdown when all trade apart from essential cargo, ceased.

Some 304 bulk charter vessels visited during the year onto which were loaded 2.4 million tonnes of logs (down 8.3% on the prior year), 140k tonnes of other exports (down 16.5%), and unloaded 616k tonnes of imports (down 6.2%). Again COVID-19 trade disruptions, particularly within forest products, were responsible for the fall. We hosted 76 cruise lines and their 116,000 passengers and 55,000 crew.

In any other year, Napier Port would treat this as business as usual. What makes this year stand out is that we achieved all of this, as well as an outstanding financial result, when – more than ever - the health, safety and the economic wellbeing of our people and our region were at stake.

DRIVING GROWTH AND RESILIENCE

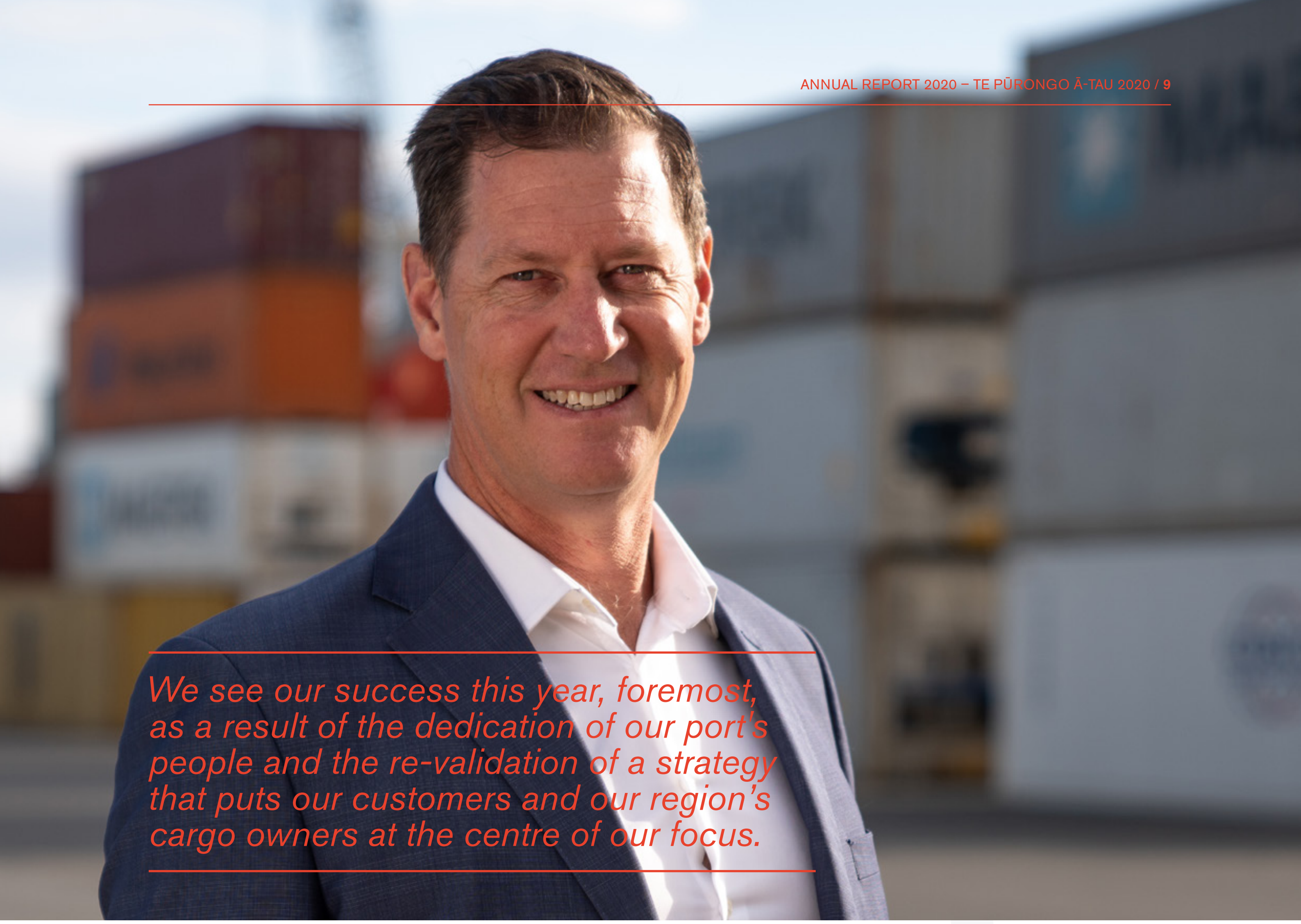
We see our success this year, foremost, as a result of the dedication of our port's people and the re-validation of a strategy that puts our customers and our region's cargo owners, at the centre of our focus.

Our strategy focuses on five key areas: connecting with customers, harnessing data and technology, developing resilient and agile infrastructure, fostering collaborative partnerships and recognising our people are the foundation of our business success.

I am delighted to report significant progress on all areas of the strategy this year.

Building deeper connections with our customers (detailed on page 19 of this report) ensures we are responsive to their changing needs. As our relationship with our longstanding customer Winstone Pulp International (WPI) demonstrates, these connections lead to longer term and enduring relationships.

In early October, just after balance date, WPI and Napier Port renewed our agreement for a further 10 years with two further 5-year rights of renewal secured to export WPI's pulp and timber products from its mill in the central North Island through Napier Port. A key decision factor for WPI, in selecting Napier Port as its supply chain partner, was the resilience we've shown, our passion for service delivery with their business and the certainty it gives them that Napier Port is a port with a clear plan for the future of the central and lower North Island.



We see our success this year, foremost, as a result of the dedication of our port's people and the re-validation of a strategy that puts our customers and our region's cargo owners at the centre of our focus.

We have continued to build our capability this year, making significant progress with extending our network of infrastructure (page 27). The centrepiece of this programme is the development of our new 350-metre long 6 Wharf. As the cornerstone development of our future container terminal this key project remains on budget and on track for completion in 2022. 6 Wharf will unlock future growth for Hawke's Bay, and the central and lower North Island, by providing a port infrastructure that has greater capacity and capability for moving cargo. As a result, customers across the North Island will have access to a smooth, efficient, timely solution for moving large volumes of cargo to, and from, global markets.

Our commitment to harnessing data and technology (page 23) is driving real efficiency gains on port and creating new income streams off port. Successful developments this year have included: Sharewater, for marine harbour planning and management; Port Pass, which makes identity and site access management easy and the launch of our new vehicle booking system, Propel. These applications and others we have developed, are delivering new value across our sites and with our customers today.

Napier Port has continued to build and develop its collaborative partnerships in order to ensure our region keeps growing and we were delighted this year with the government's announcement and commitment to assist with the acceleration of our planned Whakatū inland port development. This support provides us with an exciting opportunity to further engage with our customers and communities in the development of efficient infrastructure connections across Hawke's Bay, New Zealand and global supply chain networks. This comes at a time when critical infrastructure development has never before been seen as so important to the economic recovery of New Zealand following a downturn. The Whakatū inland port development will provide the critical infrastructure required by our future generations to enable growth and we are committed to working alongside the broad range of stakeholders, especially the local community of Whakatū, to ensure we progress this development responsibly over time.

These partnerships are also at the heart of our commitment to our people, planet and place. We have included in this report an update on our progress and plans towards our environmental, social and governance (ESG) goals (pages 40 to 41), which are founded on 14 of the UN's 17 Sustainable Development Goals.

BUILDING CAPABILITY

The foundation of our strategy is built upon the value of our people and building a resilient culture of care. We have a diverse and skilled team and the safety of our team and community has never before been so important, with our continuing focus on implementing a comprehensive health and safety programme over the next three years, making excellent progress this year.

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During the height of New Zealand's COVID-19 lockdown period our immediate focus went to ensuring our people and community's physical health and safety, and emotional wellbeing, was being taken care of during a very testing time (page 37). Today the Napier Port team remains vigilant in its focus to protect our people, their whānau and the wider community from the risks of COVID-19 entering via our port border.

We have managed to retain our people in the face of the economic impacts of COVID-19 and have continued to build on the capability and resilience within our team. Notable additions this year have included new marine services, legal services, finance and communications team members. The coming year will see additions as we build a domestic logistics services capability for our customers, with the aim of strengthening our offerings and providing more efficient linkages between our cargo owner customers and the port.

OUTLOOK

The resilience and continuity of our cargo base and our shipping line trade over the last year has been very pleasing. Sentiment amongst our customers remains upbeat and positive, particularly in the meat and forestry products sectors, however significant uncertainty remains for our cruise industry customers entering into the new year. Neither Napier Port nor its customers are complacent about the risks to both the global, national and regional economy as we look to the future.

In addition to these uncertainties, there are secondary effects which have a direct bearing on the region and cargo flows through Napier Port. The pipfruit industry remains dependent on Recognised Seasonal Employer (RSE) workers, who for the most part remain unable to travel to our region today. New Zealand's import supply chains continue to be disrupted by the pandemic and the congestion issues being felt at New Zealand's northern most ports are likely to continue creating issues for the foreseeable future as port infrastructure and road and rail networks struggle to keep up with growth demands.

Napier Port will continue to engage with our customers and broader stakeholders in assessing how these trends will play out and we will maintain our focus on ensuring our region remains connected and thriving.

Finally, I want to again echo Alasdair's thanks to our customers and our Napier Port team, and thank the Board for their support of the management team over this challenging period. Napier Port is performing very well. We are looking forward to the future and to making a difference for Hawke's Bay's and New Zealand's importers and exporters.

Ngā mihi nui,

TODD DAWSON
Chief Executive

CHIEF FINANCIAL OFFICER'S MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Napier Port has stood strong during a year of disruptions and challenges for our customers, community and our people, delivering results in most key financial metrics in-line with the forecasts made at the time of our IPO during 2019.

Compared to the prior year, revenue grew by 0.8% and while statutory net profit has increased by $15.2 million to $22.0 million largely due to IPO and the capital restructuring costs during 2019. The result from operating activities was slightly weaker, decreasing by 2.0% to $41.2 million.

At financial year-end Napier Port held $7.9 million in cash and cash equivalents, in addition to $180 million in undrawn credit facilities, after having spent $46 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 Presentation that together provide further trade and financial information, comparisons to Prospective Financial Information (PFI) forecasts published in July 2019 as part of the IPO process, and which form part of our 2020 reporting suite of information for investors. All documents are available in the investor centre at: www.napierport.co.nz/investor-centre/

REVENUE

Revenue of $100.4 million increased by 0.8% from the prior year and surpassed the $100 million milestone for the first time. This result was driven by improved average revenues per unit across container services, bulk cargo, and cruise services, which outweighed the effect of lower container and bulk cargo trade volumes.

Container services revenue of $62.3 million was 1.9% higher than the prior year.

Total annual container volumes reduced by 1.1% to 268,000 TEU. Export containers reduced by 4.2% to 128,000 TEU and import containers reduced by 1.4% to 130,000 TEU.

Dry export cargo reduced by 8.6% to 69,000 TEU. This reduction included cargo classified as 'non-essential' and thus ceased to enter Napier Port during the COVID-19 Alert Level 4 lockdown, such as wood pulp and timber, wool and paper products. Canned food and other food volumes were also lower.

Reefer export cargo increased by 1.4% to 54,000 TEU. Apples, meat and other chilled produce were categorised as 'essential cargo' and therefore continued to ship during the lockdown period. Containerised apple and pear volumes reduced only marginally (1.0%) despite the challenges seen in the sector due to COVID-19.

Containerised imports reduced by 1.4% to 130,000 TEU due to small reductions in imports of dry goods and empty containers.

Other container movements, including Discharge, Load, Restows ('DLR's) and transhipped containers, increased by 5,000 TEU, or 71%, to 11,000 TEU.

Container services' average revenue per TEU increased by 3% compared to the prior year due to a full year's impact of charges introduced to recover the cost of infrastructure investments in prior years, growth in reefer container services, and general tariff increases, offset by lower container storage and depot services revenue.

Container vessel calls were down to 293 ships from 303 ships in the prior year. Shipping service schedule disruptions arose due to COVID-19, congestion in Australian ports, and weather events.

Bulk Cargo revenue of $31.3 million was 3.1% lower than the prior year.

Bulk Cargo total volume of 3.1 million tonnes was 8.3% less than the prior year. Log export volume reduced 8.3% due to market disruptions in China in the second quarter and the Alert Level 4 cessation of harvesting in the third quarter. Bulk imports were lower than the prior year due to lower demand for oil products during the lockdown period and anticipated reductions in fertiliser volumes. Charter vessel calls were 304 compared to 314 last year.

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Bulk Cargo average revenue per tonne increased by 5.7% compared to the prior year as a result of general tariff increases and changes in cargo mix.

The 76 cruise vessel calls for the 2020 financial year were 6 more than 2019, albeit 11 fewer than originally forecast as a result of seven cancellations due to COVID-19 and four lost to unfavourable weather. Cruise revenue increased by 14.9% to $4.3 million.

COVID-19

As the effects of the COVID-19 pandemic became apparent during the second quarter of the financial year we identified a number of measures to prudently protect our cashflow and balance sheet in light of our commitments related to the construction of 6 Wharf and our determination to look after our people.

Key measures identified for implementation in the period through to the end of September 2021 included:

- Reduction of 20% in the director fee pool[1] for 6 months
- Deferral on renewal of wage and salary increases for one year
- Specific cost reductions and deferrals across capital and operational expenditure
- Receipt of the Government Wage subsidy (subsequently received and then returned)
- Cancellation of the interim dividend in respect of the 2020 financial year.

These measures were expected to reduce and defer cash spend during the 2020 and 2021 financial years. Some of the savings accruing from these measures are still being worked through and may impact the 2021 financial year, and many of the temporary measures implemented in the 2020 year will conclude with normal conditions resuming during 2021. Meanwhile, we continue to maintain operating and capital expenditure discipline, and the pursuit of efficiency opportunities.

The on-going effects of COVID-19 include month to month trading volume volatility and elevated uncertainty in respect of international markets and national economic health, including the uncertainties within key sectors such as pipfruit, and their challenge of attracting seasonal labour, and cruise where the timing and eventual magnitude of this industry's revival is unknown. This leads us to a cautious perspective but anchored in confidence in the region's products and prospects.

EXPENSES

For the financial year total operating expenses grew by 2.8% to $59.3 million compared to 2019, with employee benefit expenses increasing 6.5%, maintenance expenses decreasing 4.6%, and other operating expenses increasing 0.7%. Employee benefit expenses increased due to anticipated increases in employee numbers, general remuneration increases agreed before the year commenced, offset by cancelled staff and executive incentives.

Maintenance expenses decreased primarily as a result of lower fuel expenses. Other operating expenses increased compared to 2019 due to another significant increase in insurance costs, incremental listed company costs, offset by lower site expenses from deferred activity.

The net result from operating activities of $41.2 million decreased by 2% compared to the prior year. This result decreased as a percentage of revenue from 42.1% to 41%.

Depreciation, amortisation and impairment expenses increased by $0.8 million to $13.0 million as recent asset additions commenced being depreciated and we recorded an impairment of infrastructure assets that are necessarily being removed as part of the 6 Wharf construction.

Other income and expenses were $0.7 million income compared to $0.9 million expense in the prior year. The prior year included the $0.9 million impairment of the Group's interest in the Longburn Intermodal Freight Hub joint venture and the current year benefitted from an investment property unrealised revaluation gain of $1.0 million. The current year also saw, as a result of COVID-19 uncertainties, the initial recognition of a $0.2 million expected credit loss allowance in anticipation of potential future trade debtor credit losses.

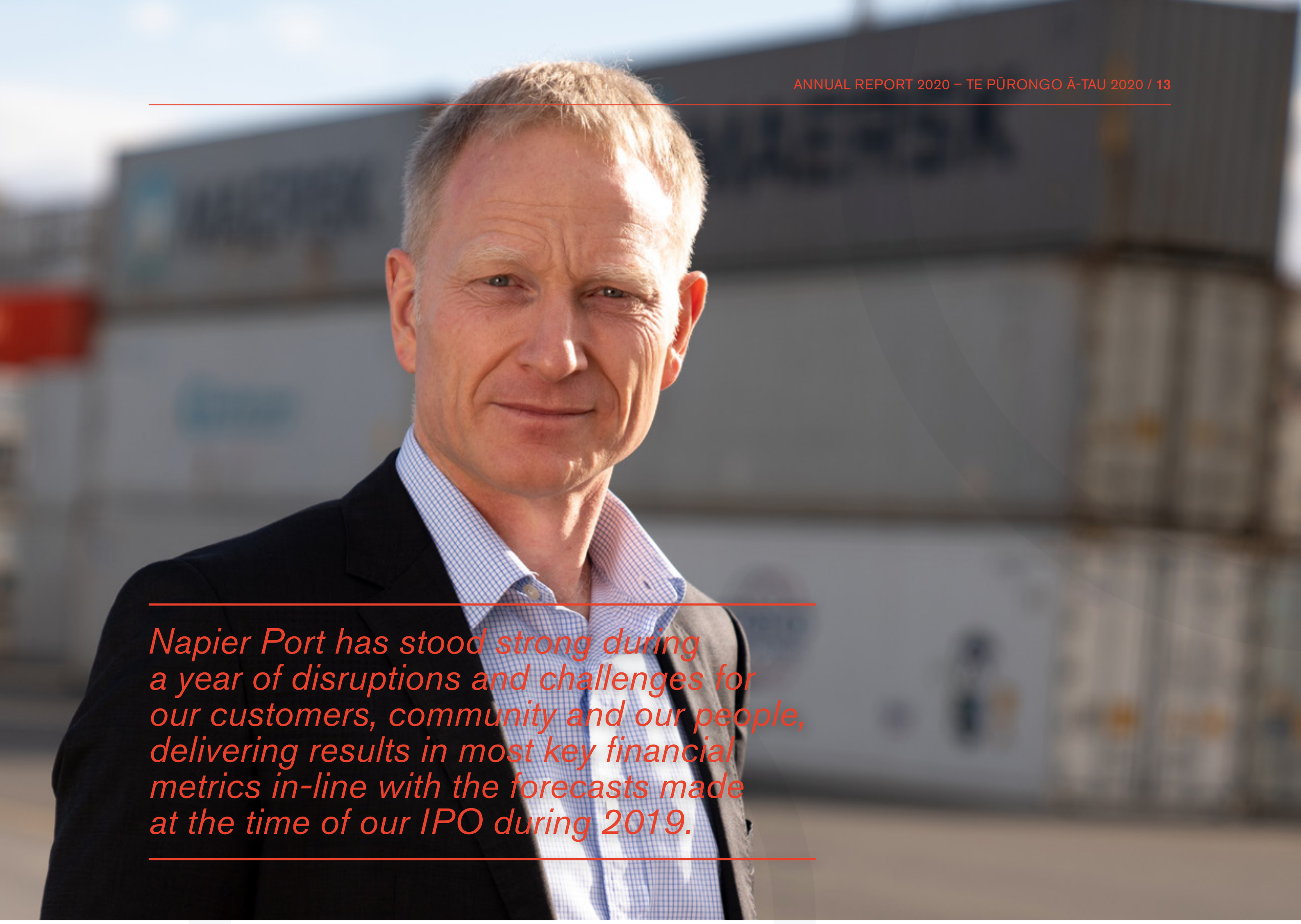
IPO transaction and related costs were a net income of $0.3 million in the year compared to the $6.4 million expense in the prior year as a result of estimates of expenses in the prior year.

Net finance income of $0.1 million compared to $10.4 million of net finance costs in the prior year, principally due to our net cash positive position in the current year and the $3.6 million gross interest expense on borrowings and $7.1 million of costs for closing out interest rate swaps in the prior year.

Income tax expense increased by $2.1 million to $7.3 million compared to the prior year due to higher taxable profits. The effective tax rate was 25% for the year due to the non-assessable investment property revaluation gain and the reinstatement of tax depreciation on buildings during the year which resulted in a tax benefit of $0.7 million being recognised. This effective rate is significantly less than the 43% in the prior year, which was affected by non-deductible expenses related to the IPO transaction and joint venture impairment expenses.

Reported net profit for the period attributable to the shareholders of the Company of $22.0 million increased significantly from $6.8 million in the prior year.

1 Consisting of a reduction of 10% paid to existing directors and 10% from deferring the appointment of an additional director.



Napier Port has stood strong during a year of disruptions and challenges for our customers, community and our people, delivering results in most key financial metrics in-line with the forecasts made at the time of our IPO during 2019.

CAPITAL EXPENDITURE

Capital expenditure spend in the year of $46.0 million included $25.6 million spent on 6 Wharf construction. Other projects included the commissioning of a third tug, *Kaweka*, the completion of development of our off-port container depot site in Thames Street, Napier, wharf maintenance activity, maintenance dredging, paving works and replacements of mobile plant.

CASHFLOW

Cashflow from operating activities remained steady at $29.3 million year on year, with higher tax payments and working capital in the current year offsetting reduced net finance costs and IPO transaction costs.

Final payments relating to the issuance of shares in the IPO and the $5.0 million dividend paid in December 2019 resulted in a net financing activity cash outflow of $6.6 million during the year.

After the spend on investing activities of $46.0 million the net decrease in cash balances during the year was $23.3 million. Napier Port ended the 2020 financial year with no debt and $7.9 million in cash and cash equivalents. In addition, at the balance date, Napier Port had $180 million in undrawn credit facilities to continue with our future capital investment programme, and in particular, the 6 Wharf development.

Subsequent to balance date, as a result of the continued investment activity in 6 Wharf, Napier Port has commenced drawing on its bank facilities during October 2020.

BALANCE SHEET

At the end of the financial year the Group had total assets of $385.4 million, including $7.9 million of cash and cash equivalents and $377.4 million of property, plant and equipment and other assets, which were funded by $346.2 million of equity balances and $39.1 million of current and non-current liabilities.

DIVIDEND

Subsequent to the balance sheet date, the Board approved a fully imputed dividend of $10 million (5 cents per share) payable on 18 December 2020 to those on the share register at close of business on 4 December 2020.

KRISTEN LIE
Chief Financial Officer

STRATEGY DELIVERS RESILIENCE IN UNCERTAIN TIMES

Throughout 2020, our strategy remained relevant and kept us on course: building our capability to grow customer solutions, strengthening partnerships and driving value. In these uncertain economic times, we continued to steadfastly focus on partnering with our customers on smart solutions, and improving efficiencies through innovative use of data and technology. This year we have seen significant progress on key strategic projects and this is due to Napier Port's people, whose depth of expertise, adaptability and commitment has delivered results despite the disruption of COVID-19.

OUR PURPOSE

AT NAPIER PORT OUR PURPOSE IS VERY CLEAR:

TOGETHER, WE BUILD A THRIVING REGION BY CONNECTING OUR CUSTOMERS, PEOPLE AND COMMUNITY TO THE WORLD.

OUR STRATEGIC PILLARS

To achieve our purpose, Napier Port's strategy is based on four pillars – Customer Connection, Networked Infrastructure, Harnessing Data and Technology and Collaborative Partnerships – all underpinned by our Culture of Care. Each focus area has goals, which are then translated into team plans. Everyone at Napier Port plays a critical role in helping achieve our purpose.

CUSTOMER CONNECTION

Better understanding what our customers want and how we can help them achieve their goals.

- Developing close, responsive relationships with customers
- Delivering innovative logistics solutions to customers
- Improving supply chain efficiencies for customers
- Being responsive to the needs of customers

NETWORKED INFRASTRUCTURE

Using connected network infrastructure to ensure seamless supply chains across our region and beyond.

- Connecting customers' cargo to market with a seamless infrastructure network
- Operating as an integrated and intelligent network system
- Growing our reach across catchment areas
- Providing opportunities to develop improved customer solutions

OUR FOUNDATION

CULTURE OF CARE

- Caring for our people, the local community and the environment
- Building a strong and resilient culture

This drives everything we do and sets the scene for our strategy, which provides a robust and comprehensive direction for the next ten years.

This purpose, together with the ten-year strategy we embarked on in 2018, has proved itself more relevant than ever in these times of global economic uncertainty.

While carefully managing our way through the disruption caused by COVID-19 this year, we have continued to make progress on our strategic priorities: building our capacity; growing customer solutions, partnerships and value; and transforming business and regional outcomes.

HARNESSING DATA AND TECHNOLOGY

Collecting and harnessing data and using technology to optimise our operations.

- Developing innovative technologies that create efficiencies for customers and Napier Port operations
- Capturing data from supply chains and operations to deliver productivity gains for customers and Napier Port

COLLABORATIVE PARTNERSHIPS

Working with all stakeholders to help drive growth in the region, to drive growth for the port.

- Building a thriving region with others
- Supporting our local communities
- Working alongside others for the benefit of people, place, planet

STRATEGIC PRIORITIES PROGRESS WELL DESPITE DISRUPTION

CUSTOMER CONNECTION

Create value by gaining rich insights through deeper customer relationships.

PROJECT	RESULTS
Streamlining of bulk cargo flows to better accommodate an increase in log volumes	An increase in bulk cargo through the existing on-port footprint and improved safety practice through workflow efficiencies.
Propel Vehicle Booking System improved	Propel, a new vehicle booking system developed by our innovation team has replaced the previous application and delivered significant savings in time and ease of use for customers when placing vehicle bookings. What was a six-step process is now reduced to just one step. Significant cost savings were achieved with the system developed in-house.

NETWORKED INFRASTRUCTURE

Support an evolving supply chain with a resilient and agile infrastructure network.

PROJECT	RESULTS
Landside transport solutions for containerised cargo customers	New landside transport services established: ▪ value generation and improved share across cargo owners through smart matching of imported product in non-operating reefer containers with reefer export cargo ▪ Manawatū Inland Port introduced as a point for empty container pick-up and full export receival with CMA and trials with other shipping lines.
Whakatū Freight Hub development brought forward	Provincial Growth Fund support means we have the potential to bring forward development of our inland freight hub as part of government's COVID-19 infrastructure investment programme. The Freight Hub is envisaged to provide new regional cool-store capacity, to provide transport efficiencies for customers and improve sustainability outcomes.
Maintain port operations capability during 6 Wharf construction	We have achieved an efficient transition of container operations to a reduced footprint on Port, thanks to the development of the Thames II off-port site, maintaining customer service performance while 6 Wharf is under construction.

HARNESSING DATA & TECHNOLOGY

Leverage intelligent data to create new value.

PROJECT	RESULTS
Commercialisation of Napier Port digital apps	Our in-house innovation team have developed a number of digital apps designed to create value through efficiencies in our operations. Further value has been derived through their commercialisation: ▪ Sharewater for marine harbour planning and management ▪ Port Pass makes identity and site access management easy. While endorsed by Maritime NZ, Port Pass is not specific to ports and can be used on any site that requires authentication and identification of staff and visitors where site access is dependent on a H&S induction ▪ A container inspection mobile app has been developed to enable any exporter receiving empty containers to easily inspect and record container quality for standards compliance ▪ A Product Damages mobile app can be used by any organisation receiving, storing and packing product to photograph and report product and packaging issues.
Port Activity Map (PAM) developed and implemented	PAM provides a dynamic visual map of the Port site with all the activity scheduled on site and their associated traffic management plans. It also enables a forward view of future planned activity. Integrated with ArcGIS (geographical information system) and our H&S management system, PAM saves significant administrative time reviewing site work alerts and mitigates potential safety risks from activities being scheduled concurrently.
Introduction of electronic sequence sheets automating the vessel unload and load plan	The development and introduction of electronic sequence sheets for use by operators in container handling machinery, reduces container re-handling, saves administrative time and saves an estimated 2.5t of paper records annually.

COLLABORATIVE PARTNERSHIPS

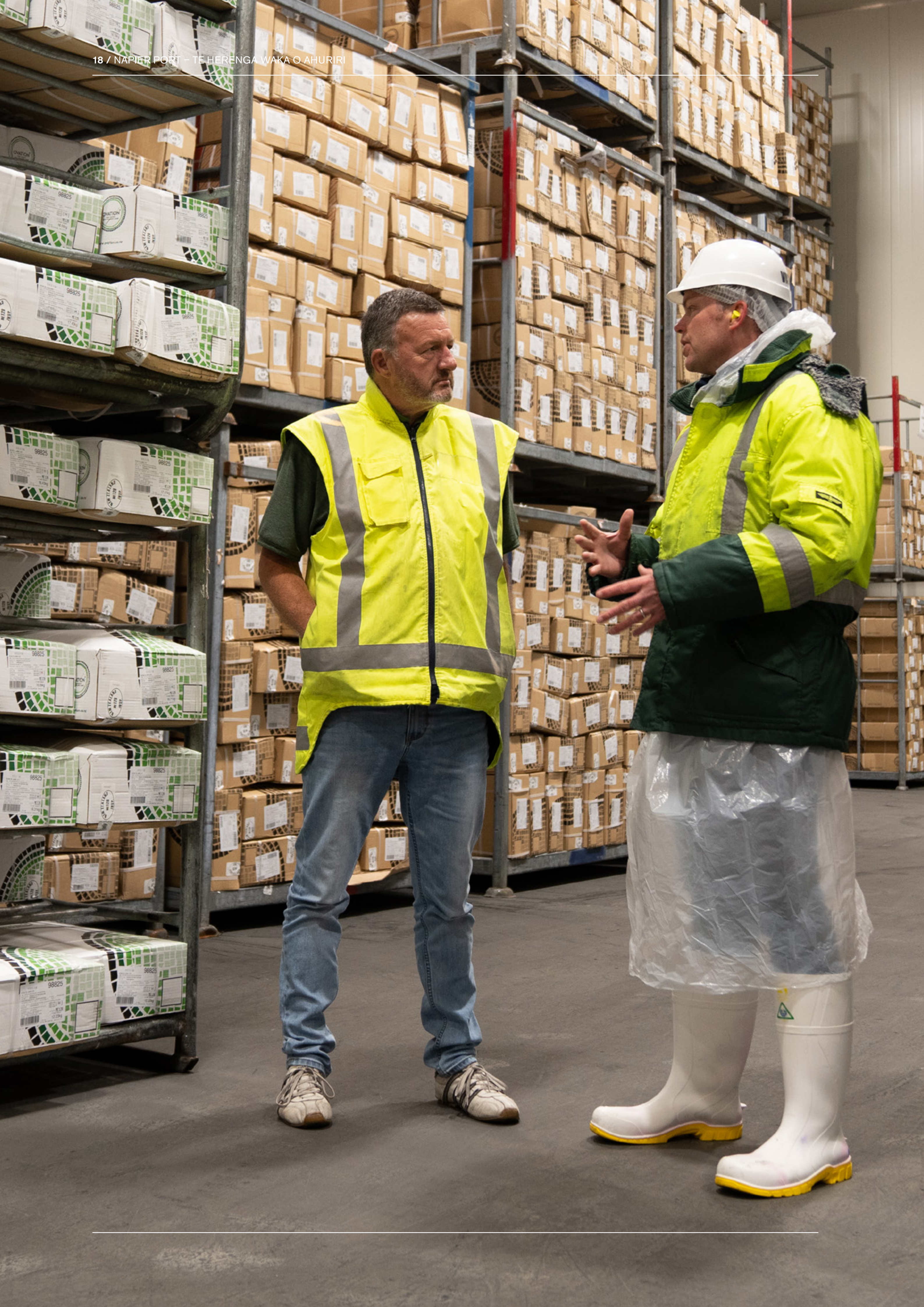
Collaborate to look after people, planet and place to ensure our business and community thrives

PROJECT	RESULTS
Sustainability strategy completed	The Port's first sustainability strategy has been developed and implementation is underway.
A new Safety Management System implemented to meet international best practice standard ISO 45001	Six health & safety frameworks have been developed, consulted, endorsed and implemented across the organisation.

CULTURE OF CARE

Resilient and agile culture of care

PROJECT	RESULTS
People Plan implementation	We have implemented a new HR information system. A talent and succession process was developed and implemented to support people leaders. A performance and engagement process was developed and we identified a supporting system ready for implementation in the 2021 financial year.



CUSTOMER CONNECTION

Customers and Napier Port worked closely together to adapt to COVID-19 lockdown restrictions and keep cargo moving safely across our wharves. The resilience of our customers over the last year has been extraordinary – agriculture, forestry and horticulture are the backbone of New Zealand and are contributing to the country's economic recovery, despite facing continued uncertainty.

We will continue to invest to support the long-term growth of our customers and remain firmly committed to developing close, collaborative partnerships so we can maximise efficiencies in their supply chains, offer innovative logistics solutions and be responsive to their needs.

By building strong relationships with customers we can provide the systems, infrastructure and services they need to connect to global markets.

DEVELOPING INLAND SITES TO DELIVER GREATER EFFICIENCIES FOR CUSTOMERS AND THE ENVIRONMENT

MANAWATŪ INLAND PORT COMMERCIAL TRIAL

Napier Port is working hard to build the most efficient supply chain between our customers and international markets. The means focusing not only on the port infrastructure our customers need, but the freight hubs, warehousing, and manufacturing they rely on and the road, rail and sea links that connect them all to the Port – their gateway to the world.

The Manawatū Inland Port was developed in partnership between Napier Port, Ports of Auckland and Hall's Group, to create further supply chain efficiencies for our customers, and grow regional outcomes.

An exciting commercial trial we are leading at Manawatū Inland Port is already delivering cost efficiencies and greater shipping choice for regional importers and exporters across the central North Island. By designating the freight hub in Longburn a container point of acceptance, customers throughout Taranaki, Whanganui and Manawatū are able to take advantage of cost-effective one-way landside moves and can now access additional container shipping line services through Napier Port. Designed to reduce time to clear imports and exports, Manawatū Inland Port is set up as a one-stop hub with an integrated transport system and offering a range of services including MPI biosecurity inspection, cross-dock facilities, dry storage, packing and unpacking facilities, fumigation and container repairs.

Led by Napier Port in collaboration with the CMA CGM Group, MSC, Hamburg Süd, and Maersk container shipping lines, the trial at Manawatū aims to bring Napier Port to its customers, creating greater value and productivity for them, transport operators and shipping lines alike. The solution benefits haulers who can better utilise their assets by eliminating empty truck and rail moves. Notably, this takes waste out of the supply chain and reduces carbon emissions across the transport network.

The trial has seen successful results to date – improved supply chain efficiencies and decreased costs, with more full containers travelling to and from the shipping lines at Napier Port.

WHAKATŪ FREIGHT HUB

Inland ports and freight hubs are vital infrastructure boosting capacity and capability to meet the future regional growth that is expected within Hawke's Bay and across the wider North Island in the years ahead.

The Whakatū freight hub project is part of Napier Port's 30 Year Master Plan, which provides a vision for how we plan to shape the development of the Port over the next 30 years. This document was published as a draft plan at the end of 2019 and is available on our website.

The Whakatū freight hub will be a 12 ha offsite port at Whakatū, situated between Napier and Hastings in the heart of the pipfruit industry of Hawke's Bay and with direct rail and road connections to Napier Port and the central/lower North Island. The project is currently a greenfield site, being utilised as an apple orchard under a lease agreement; and is undeveloped from an infrastructure perspective.

The freight hub development provides for:

- Future growth of Napier Port, which has limited on-port expansion capacity
- Enablement of regional growth, in particular through the direct connection to the Manawatū Inland Port and the proposed Kiwirail Regional Rail Hub at Bunnythorpe
- Improved supply chain efficiencies for Napier Port and our customers, local Hawke's Bay businesses and lower North Island region businesses
- Increased imports and distribution locally and regionally providing further employment and business creation opportunities in Hawke's Bay
- An improvement in New Zealand and Hawke's Bay supply chain sustainability, including environmental benefits through the reduction of emissions and greater use of rail.

In June we submitted to the Crown for $20 million investment towards bringing forward phase one of the freight hub development and to support COVID-19 recovery through shovel ready projects. The application was approved in principle.

While the detail still needs to be worked through, we are engaging with the Whakatū community about our plans and we are looking forward to helping accelerate economic growth in the region and additional employment opportunities for the Hawke's Bay community.

ELIMINATING WASTE IN THE SUPPLY CHAIN HELPS OVATION DELIVER GLOBALLY

Ovation New Zealand Limited is an integrated lamb sourcing, processing and global exporting business of high-quality lamb that is fully New Zealand privately owned and operated. Ovation's stretch extends well across the upper, central and lower North Island with its head office based in Hawke's Bay.

Through supply chain improvements, Napier Port strengthened its long-term partnership with Ovation this year, by providing more flexible and highly efficient land side transport solutions together with a greater choice of shipping services connecting them to international markets.

As a result, we welcomed an increase in Ovation's lower North Island export cargo from its Feilding plant through our transport links at Manawatū. By removing transportation waste from their supply chain, we have supported Ovation to cut down on CO2 emissions, provided access to additional container shipping line services and reduced unnecessary movement of trucks from plant to port. The result is an efficient, cost-effective supply chain for Ovation and additional future cargo volumes flowing through the wharves at Napier Port.

REGIONAL RESILIENCE KEEPS PRIMARY SECTOR EXPORTS ON TRACK

As the lower North Island's gateway to world markets, Napier Port is connected into primary sector businesses across the region and this close customer connection proved invaluable during the COVID-19 lockdown. Together primary sector customers and Napier Port adapted to the restrictions and kept cargo flowing safely through the port.

Apples, meat and other chilled produce were categorised as 'essential cargo' and therefore continued to ship during the lockdown period; however, timber, wood pulp, wool, and paper products were deemed 'non-essential' cargo during the lockdown period and reduced empty container imports.

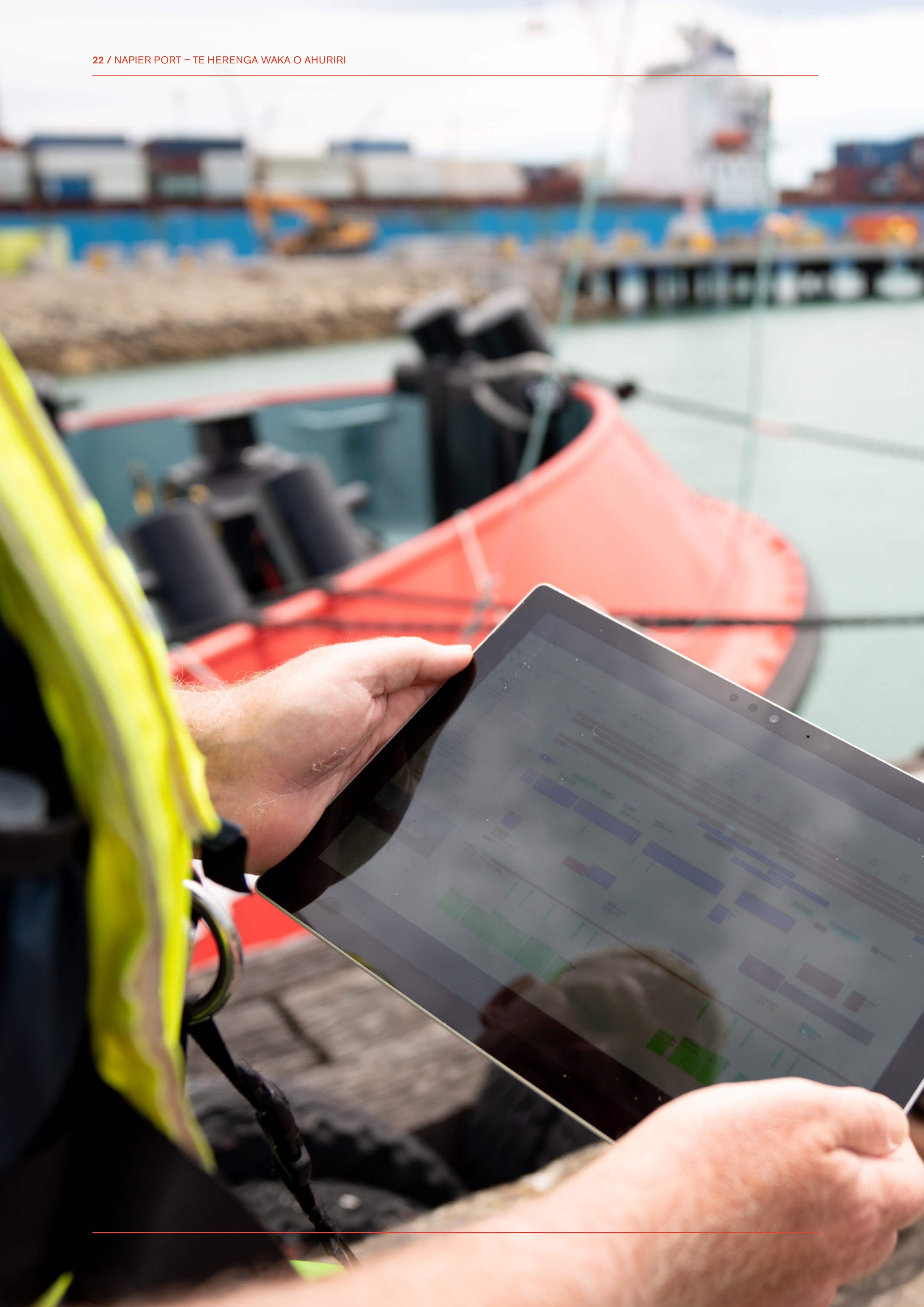
Despite the disruptions, 2020 was a successful crop for apple exporters, with 26,000 TEU of Hawke's Bay apples crossing Napier Port's wharves on their way to world markets. This is virtually the same quantity as last year's record season, despite the challenges seen due to COVID-19 including physical distancing and the difficulties recruiting labour, which is a great outcome.

Log export volumes in the first half of the year were impacted due to market disruptions in China and the Alert Level 4 lockdown which saw the cessation of harvesting. Since then however, log volumes have seen a good recovery. While overall volumes were down on the prior year, they were well ahead of the fourth quarter in the prior year with a total log export volume of 2,365,000 tonnes this year.

As the backbone of New Zealand, the agriculture, forestry and horticulture sectors are playing a significant role in bolstering regional and national economic response and recovery and Napier Port will continue to invest to support that long-term growth and our customers.

CELEBRATING CUSTOMERS' SUCCESS

New Zealand is driven by the success of the primary sector and when the sector is growing and succeeding, our port and our economy are too. Napier Port is especially passionate about supporting our primary producers. We have been proud sponsors of the Napier Port Primary Sector Awards for the last four years, recognising talent in the industry and celebrating innovation.



HARNESSING DATA AND TECHNOLOGY

DATA AND TECHNOLOGY

Our innovation team is focused on capturing data to develop innovative technologies that deliver productivity and efficiency gains for customers and our port operations. Our ability to integrate quickly and easily, creating versatile apps as required is becoming a success factor and point of difference for Napier Port. This year we implemented multiple digital applications developed by our in-house team, that are providing efficiency gains and opening up new income streams off port.

Through development of creative and practical data and technology solutions, our innovation team continues to maintain and develop world class systems to support better performance and better outcomes. We are dedicated to building new and unique tools that benefit customers, Port operations, and can also be used by others in the wider port industry and beyond.

Through harnessing data and technology, we are continuously improving the systems our people use, as well as offering customers and suppliers a better service and experience when putting cargo through Napier Port.

Our ability to develop digital applications that quickly and easily deliver efficiency gains on port and further afield is a true point of difference for Napier Port and one we are proud to have been able to commercialise. As well as developing great things in house, we are also looking to collaborate with others who create great things too.

SHAREWATER – HARBOUR PLANNING TECHNOLOGY DEVELOPED BY HARBOUR PLANNING EXPERTS

Sharewater is a software application developed in-house to plan and optimise vessel movements. Acting as a single source of truth, Sharewater ensures that all teams are aware of a vessel's movement plan and their role in it. This has enabled us to more efficiently deploy people, plant and infrastructure and deliver more cohesive operational performance.

Sharewater originated because we needed a Harbour Management System that worked with both marine and land-based teams, and accurately reflected port operations – where planning is a process of managing constant change and carefully balancing outcomes.

Unlike alternative harbour management systems, Sharewater is customised for ports like ours. Built from the ground up, Sharewater provides increased visibility on berth activity, management of key marine resources and makes it easier to maintain control of the complex port environment. It provides a snapshot view of what is happening any time, with any vessel.

As an application, Sharewater has been well proven through development for and use at Napier Port and can be adopted by any Port operation where complex marine activity would benefit from having a single system approach to planning and management. Based on feedback from other Ports who tried it and were impressed by Sharewater's functionality, we have taken it to market, with positive results so far.

NAPIER PORT VESSEL OPERATIONS GOES MOBILE

This year we digitised container vessel planning processes - replacing printed plans with a mobile app for crane operators, shipside heavy forklift operators and stevedores. This means our operations can be more dynamic and responsive, with the ability to extend the window for accepting cargo from customers.

As well as providing greater flexibility for customers, eliminating the print process has reduced Napier Port's paper consumption by 2.5 tonnes a year.

The app also captures data on crane and forklift performance, which is analysed to identify further efficiency opportunities.

PORT PASS – MARITIME NEW ZEALAND ENDORSED IDENTITY CARD

Our in-house innovation team has developed, and we have implemented our new secure identity card and access system, called Port Pass.

We saw value in implementing a secure identification system that met International Ship and Port Facility Security and maritime legislation requirements, and was a valid form of ID on its own, similar to a driver's licence or passport. We also wanted it to link to the Port's safety induction process and automated security system that authorises safe and efficient access to our sites.

Port Pass is endorsed by Maritime New Zealand and provides authorised, automated access to our Port for our people, other port users, and all visitors. Currently, there are 5,615 users representing 881 companies registered for Port Pass.

Like Sharewater, Port Pass is a commercialised application available to any port operator wanting the benefit of authenticating people and a single system approach to access.

A MARINE SIMULATOR FOR EFFICIENT, SAFE TRAINING THAT REPLICATES LOCAL CONDITIONS

Napier Port became the first New Zealand port to invest in a SimFlex4 ship simulator system from FORCE Technology in Denmark, to help train pilots and tug masters in a safe, more controlled environment.

The simulator was originally commissioned as a training resource as part of the 6 Wharf development project and was fast-tracked due to COVID-19 border closures, which prevented our marine teams from travelling internationally for training.

The simulator enhances efficiency and safety by enabling teams to practice more difficult manoeuvring strategies that replicate real-world, local conditions.

Pilots and tug masters can train individually or together, as the simulator consists of two simulator bridges linked together. The main simulator can be used for commercial ships such as container, bulker, tanker, cruise ships and others but can also be used for ASD and VSP tugs.

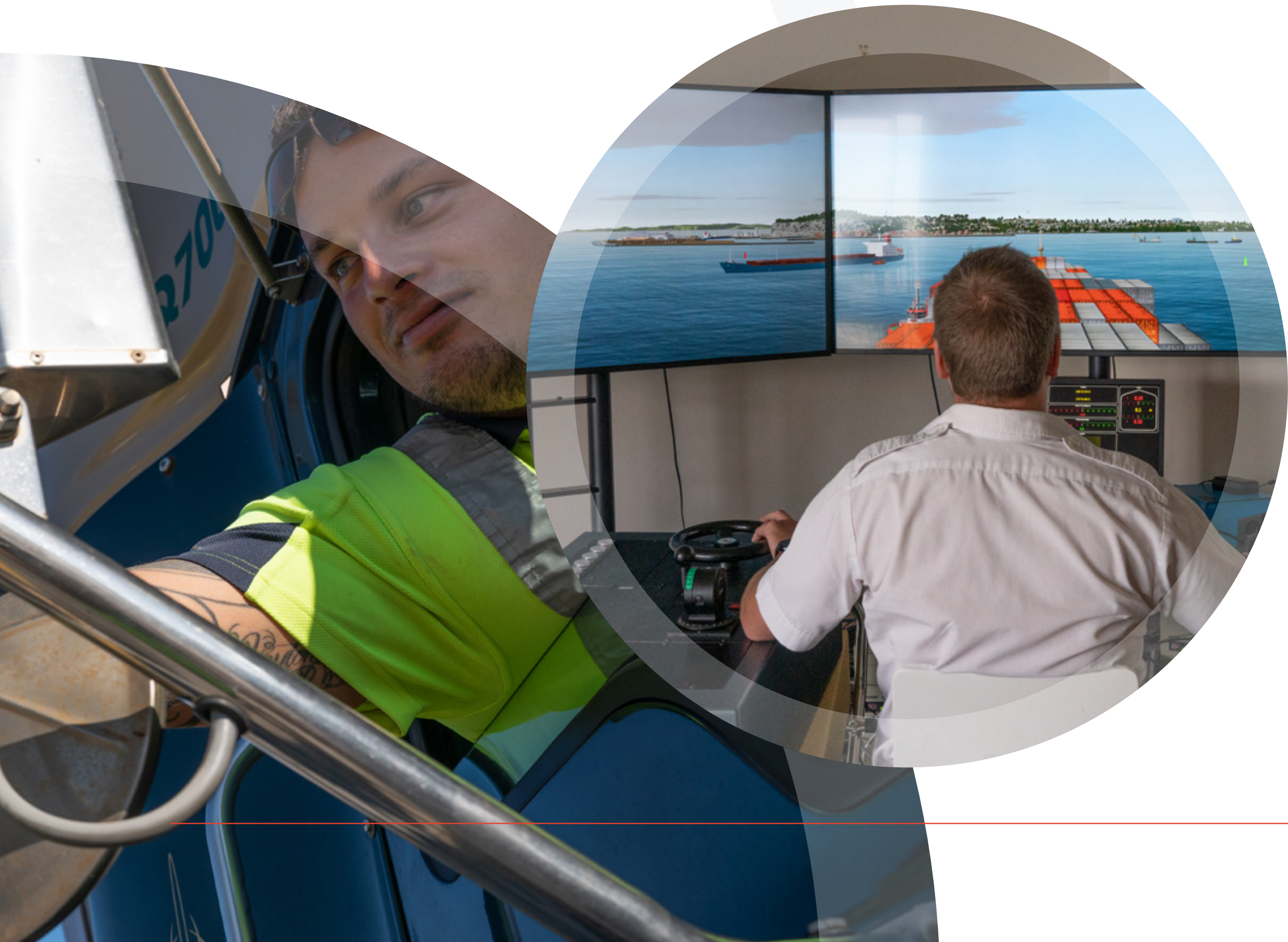
PROPELLING EFFICIENCY FOR TRANSPORT OPERATORS BOOKING VEHICLES

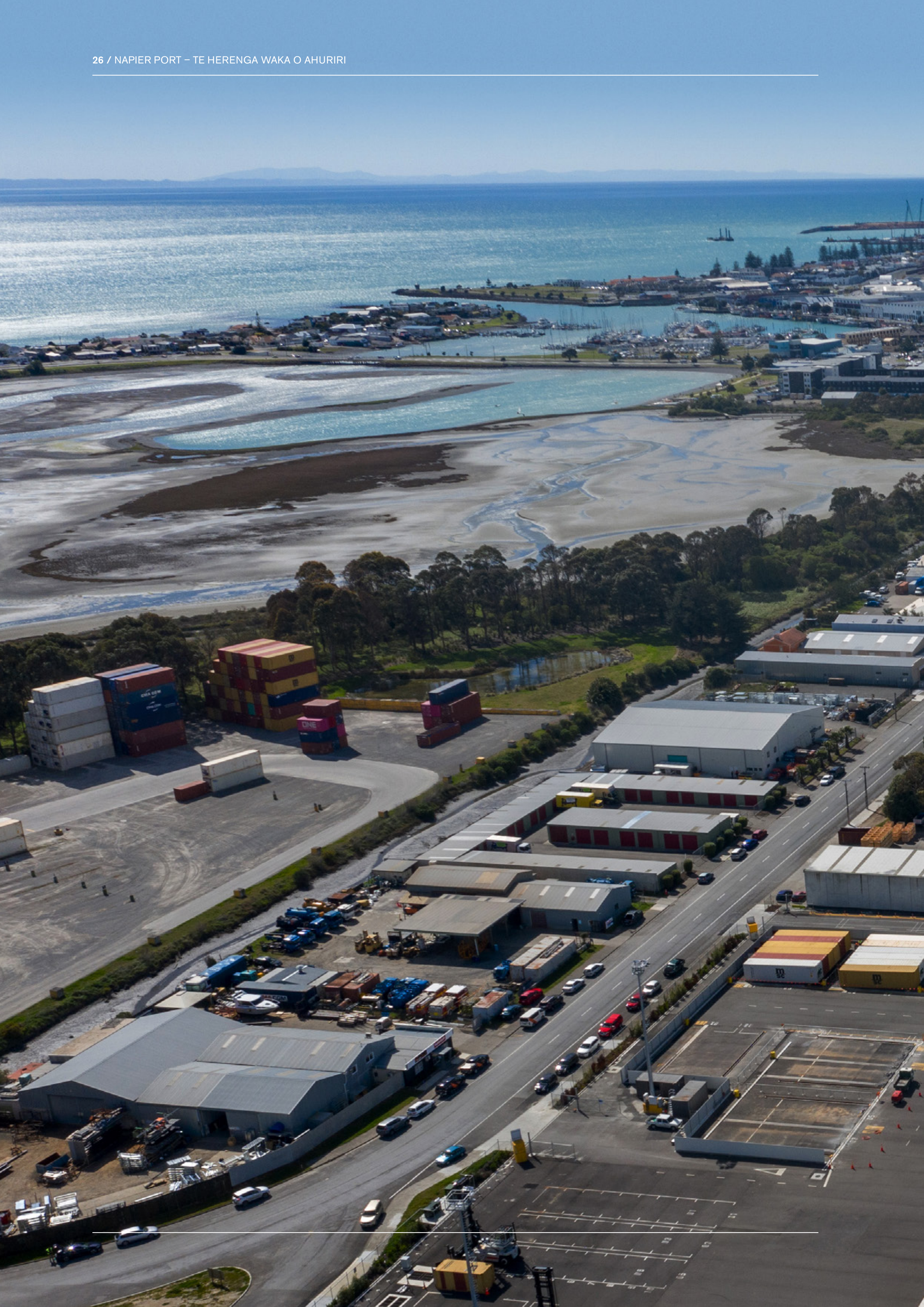
Propel is Napier Port's new Vehicle Booking System which was developed in-house by our innovation team to improve efficiency and the experience for transport operators when booking a timeslot for pick-up and delivery of containers at Napier Port.

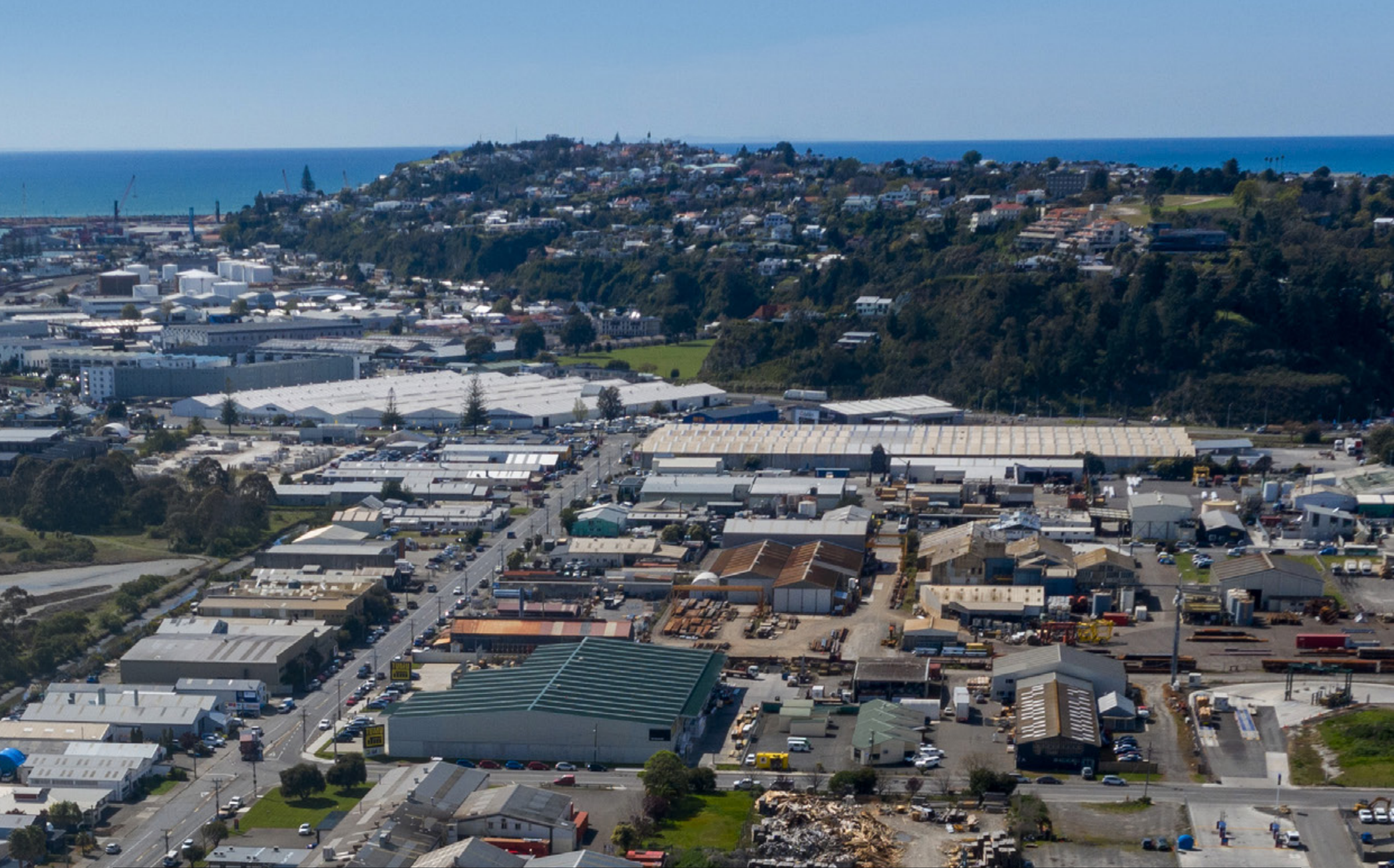
Propel delivers a vehicle booking system that is intuitive for all users. It is quick and easy to create, edit or cancel a booking, and means the six steps it previously took to book a container have been reduced to just one step.

Propel benefits both us and our customers and supply chain partners. It allows us to better manage terminal capacity and demand, ensures turnaround times are as fast as possible and reduces the potential for congestion during the peak export season.

Propel provides a compelling alternative to existing Port vehicle booking systems in the Australasian market.







NETWORKED INFRASTRUCTURE

Despite the challenges of 2020, we continued to make investments in our infrastructure network to support the long-term growth of our customers and our region. The construction of 6 Wharf will allow us to berth more and larger vessels and combined with the development of inland ports and freight hubs, deliver even more efficient access to shipping line services for customers connecting to world markets.

THAMES II: MAINTAINING CONTAINER CAPACITY DURING 6 WHARF BUILD

With construction of 6 Wharf temporarily reducing on-port terminal space, additional investments and planning have been undertaken to ensure we continue to get customers' cargo to market quickly during peak times.

An additional B-double truck as well as heavy plant operators (HPOs) were sourced to maintain container turnaround times during our peak season. The container terminal layout was modified to optimise reefer placement and accommodate the power plugs, generators and technicians required. Terminal preparations and container operations were changed to manage for large and small exchanges.

In March, just days before New Zealand went into lockdown, a second depot was opened in Pandora, Napier. Thames II as we call it was developed to undertake all container survey, pre-trip and wash services and maximise efficiency of on-port operations. Napier Port now has a total of 10 hectares used for empty container storage and depot services.

Thames II has been built with efficiency and quick turnaround times for customers in mind:

- The electrical substation is state of the art with a real-time monitoring system which checks the electrical load on the system and ensures the system is not overloaded.
- All five light towers are fitted with LED lighting, saving energy.
- The container wash bay can take 36 containers at one time and has been designed for efficient turnaround with direct electrical and water connections at each bay. It is also fitted with a demand driven diversion system to help protect the environment and ensure that any contaminated water from containers are sent to waste while rainwater goes to the stormwater pipes.

USING GIS TO EFFICIENTLY MANAGE OUR INFRASTRUCTURE AND GROW SUSTAINABLY

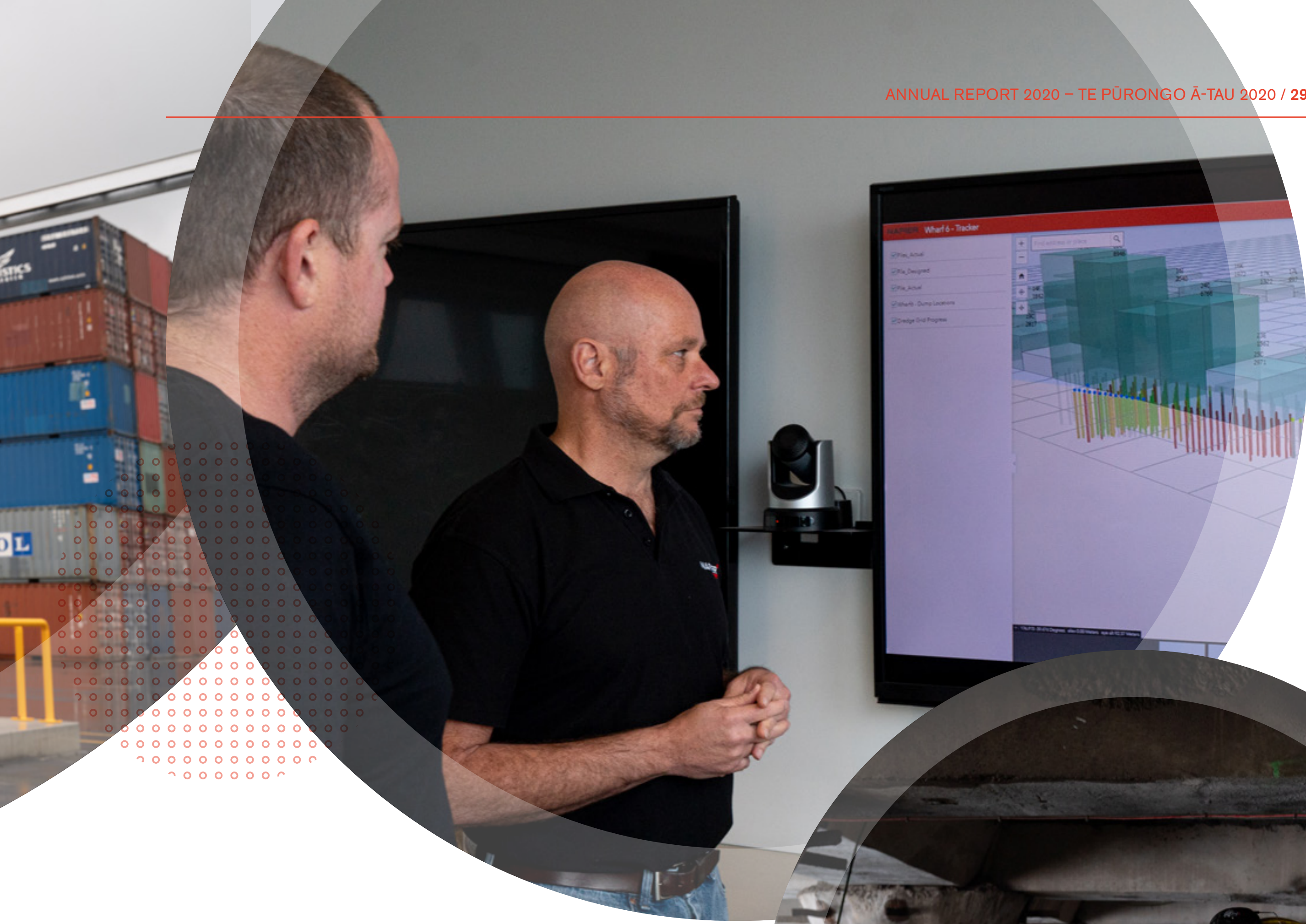
To grow sustainably and in line with community expectations, we need to make best use of our existing land and infrastructure. Clever use of data and technology helps us do this.

Several years ago, we started using GIS (Geographic Information System) to gather, map, and assess data.

Using GIS, this year we have developed several digital applications that are helping to more efficiently manage our assets, land, environment, relationships, and safety:

- **Tracking progress on 6 Wharf construction:** GIS enables us to effectively monitor progress on the construction of 6 Wharf, especially in terms of managing environmental impacts. On-site data collection allows the team to quickly record field observations via their cellphone or tablet for real-time analysis and identify where action needs to be taken.

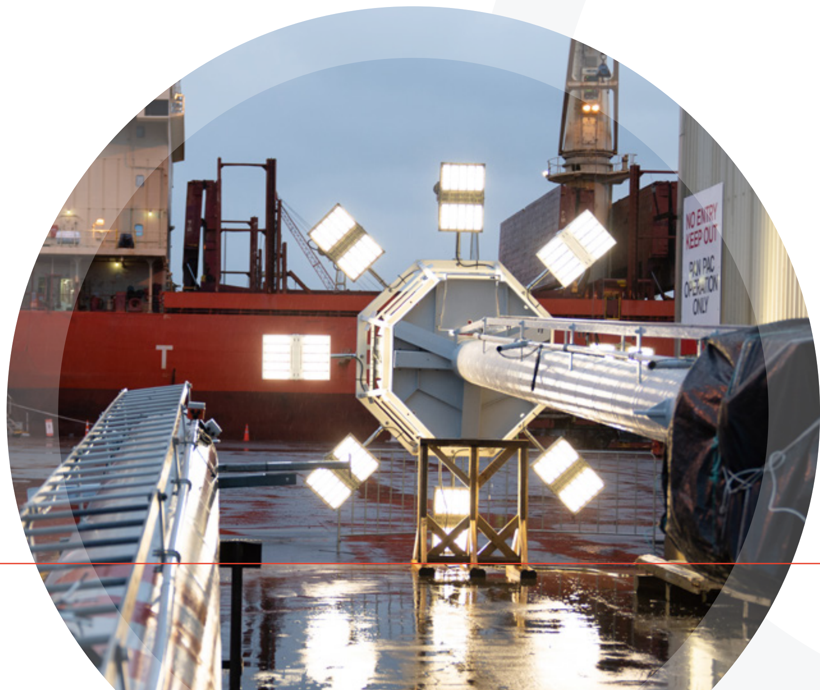
- **Creating a safer, more efficient port:** Development of a Port Activity Map (PAM) cloud-based application is nearly completed. PAM will help manage dynamic on-site hazards and avoid conflicting workflows by providing instant visibility of all site works through mobile device, desktop computer or shared screens, allowing potential safety risks to be quickly managed and avoided and in doing so, supporting more efficient operations.

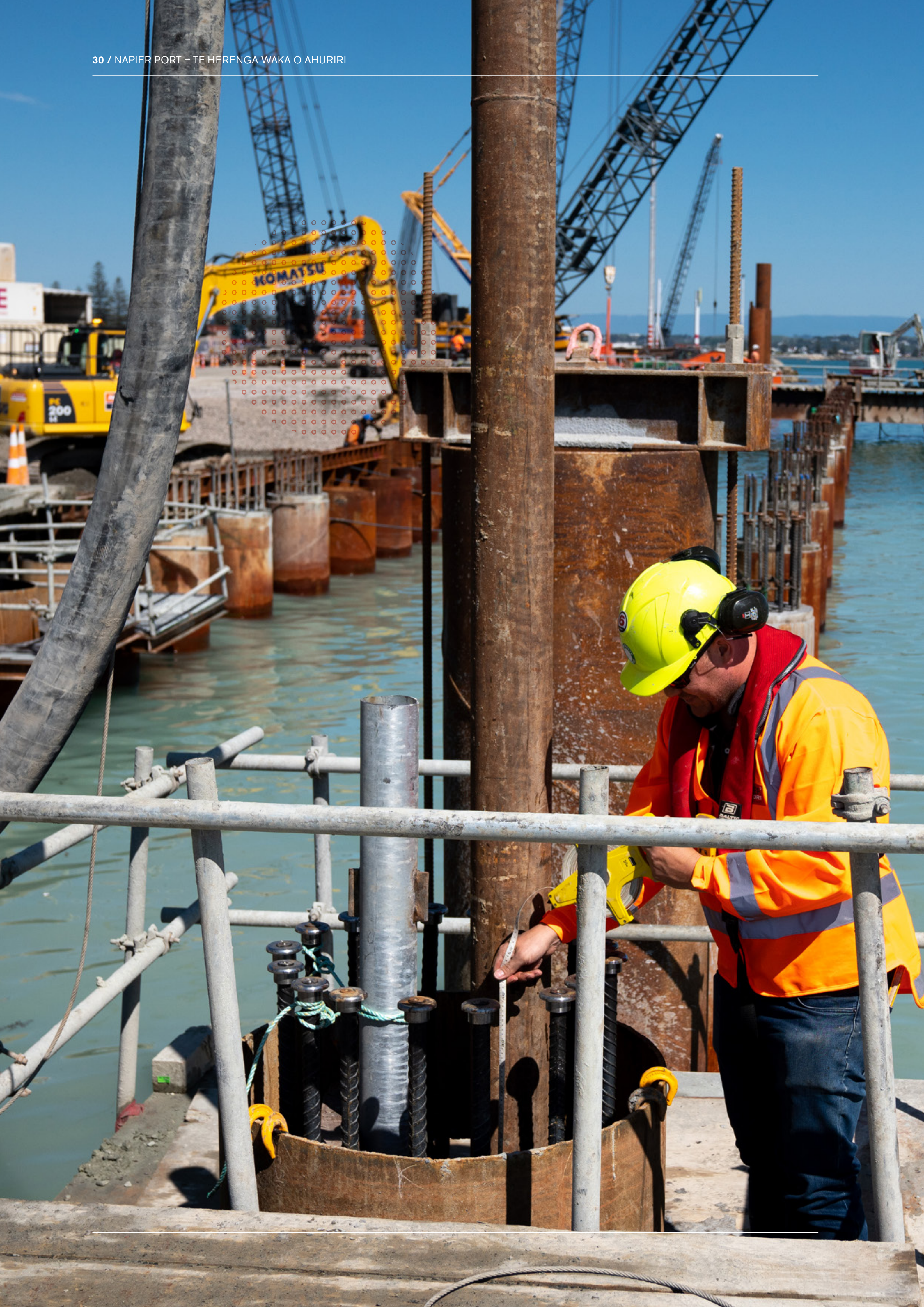


MAINTAINING EXISTING INFRASTRUCTURE

Napier Port's wharves range in age from 14 to 85 years. With age comes corrosion and deterioration, especially given the aggressive marine environment. Proactive maintenance and management are essential to prolonging wharf life and ensuring structural integrity cost-effectively.

In 2017 we started a programme of work to inspect and map the condition of each wharf using the Ports Australia Wharf Condition Assessment Manual. The data gathered during these inspections has been recorded in GIS and this year, major repair works for Wharf 2 (North) were completed.

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6 WHARF ON TRACK

6 Wharf remains Napier Port's most significant investment project in our 150 year history. Construction of 6 Wharf underpinned our listing as a public company, funding our building for the future. The 350-metre wharf, when opened, will unlock future growth opportunities for Hawke's Bay, and the wider central and lower North Island, through providing greater efficiency, capability and capacity in our customers' supply chains.

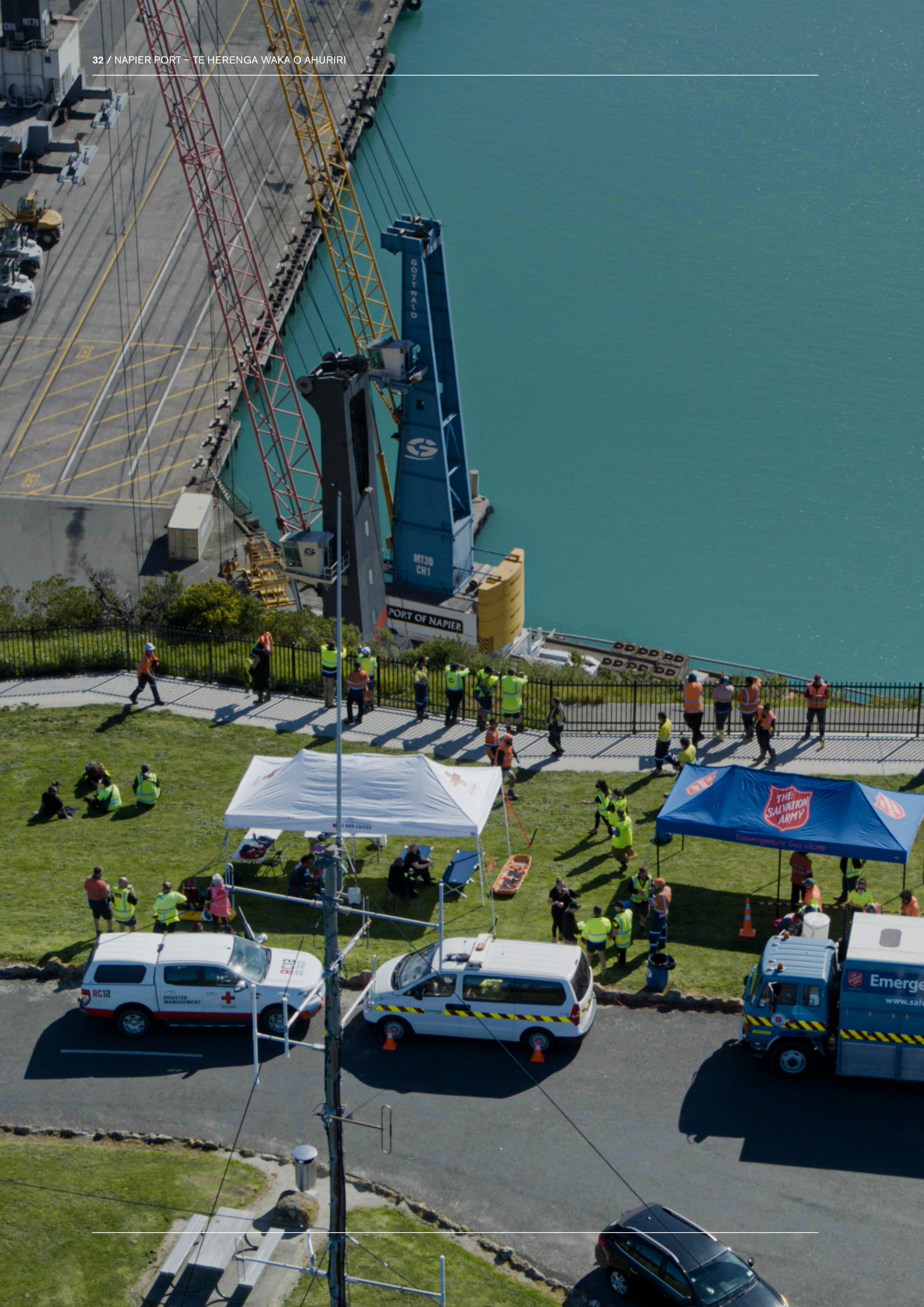
Building a new 350-metre long wharf is at the heart of our investment programme designed to maintain a seamless service for our customers and deliver their cargo to market efficiently as their businesses and ours grow.

The multi-purpose wharf will significantly improve our operating efficiency by reducing secondary vessel movements. It also gives us the ability to handle larger container and cruise ships and boosts our resilience in the event of a significant earthquake.

Despite a halt to construction during the Alert Level 4 lockdown, we are on track to complete 6 Wharf in 2022.

As at 30 September 2020:

- 86 of 400 concrete piles that will support the wharf have been completed. Piling for the wharf deck is on track to be completed by the end of 2021.
- Dredging of approximately 171,000m³ of around 1.3 million has been completed.
- Over 150 Kororā/Little Blue Penguins have been microchipped during their relocation from the revetment wall where the wharf is being built and out of harm's way to their new purpose-built sanctuary.
- Nine marine mammal observations have been made by trained observers. Construction and dredging stopped when they were spotted within the observation zone.
- The construction project has recorded zero lost-time injuries.
- Water clarity has remained within expected levels (as measured in real-time by turbidity buoys). This is helping us to ensure we protect Pānia Reef and fisheries.
- There have been no regulatory environmental breaches and noise has remained within construction limits.
- HEB Construction has employed 60 local people to work on the project and Napier Port has employed four full-time people who are dedicated to helping us complete the project on time and on budget.
- We have contracted around 10 mana whenua to provide expertise in Te Ao Māori.
- Fourteen meetings and one wananga (workshops) have been held with our mana whenua steering komiti and one hui a hapū to produce New Zealand's first marine cultural health programme.
- Working in partnership with LegaSea Hawke's Bay (a non-profit organisation for the health of the marine environment) and other members of our Fisheries Liaison Group, we secured resource consents to develop two artificial reefs using limestone rock from the revetment sea wall being dismantled as we build 6 Wharf.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DISASTER MANAGEMENT

COLLABORATIVE PARTNERSHIPS

One of the greatest global lessons during the year has been the importance of working collaboratively with others to create positive outcomes for people. People are the foundation of Napier Port's success and by working with others, we sustainably add value to our customers, business partners, external agencies, communities and the environment we operate in.

TSUNAMI EVACUATION EXERCISE – MULTI-AGENCY COOPERATION

In September, Napier Port undertook our first earthquake drill and tsunami evacuation simulation.

In an exercise involving all port users, tenants and security teams; customers; Hawke's Bay Civil Defence Emergency Management Group, St John New Zealand, Salvation Army, Red Cross, Maritime New Zealand, New Zealand Customs Service, Fire and Emergency New Zealand, New Zealand Police and Napier City Council we managed to get more than 500 people evacuated and up Napier's Bluff Hill in under 25 minutes.

Given the number of people involved, COVID-19 Alert Level 2 restrictions, and a very steep hill climb, it was a challenging but hugely successful drill. The exercise was a vital step in testing and improving Napier Port's emergency planning.

The lessons learned from the exercise will help Napier Port, and others, improve plans to better respond to natural disasters and strengthen the port community's safety culture.

PARTNERING FOR HEALTHY REEFS AND OCEANS

Last year, our Mana Whenua Steering Komiti was established, comprising of 15 representatives from different marae, hapū and mana whenua entities together with Napier Port. Together, our goal is to protect, monitor and assess the cultural health of the marine environment, particularly Pānia Reef, during the 6 Wharf project.

The Komiti has undertaken 14 meetings, four wānanga (workshops) and one hui a hapū to produce New Zealand's first Marine Cultural Health Programme (MCHP).

The MCHP has been founded on three key pillars, each informed by the conditions of the resource consent for the 6 Wharf project:

- assessing and reporting on the state of the marine environment from a mātauranga Māori perspective
- ensuring the cultural health of the marine environment is surveyed and monitored throughout the project, with specific reference to Pānia Reef
- Napier Port works in partnership with mana whenua in creating the programme.

The Komiti have developed a cultural monitoring framework, which now underpins an extensive monitoring programme. This monitoring ensures the 6 Wharf dredging operations are not adversely affecting the Ahuriri marine environment.

Napier Port is also working with a Fisheries Liaison Group to ensure robust processes are in place to manage water quality and fisheries during dredging and disposal. We continue to work closely with recreational and commercial fishers, who share our commitment to maintaining the health of the harbour and the flora that live within it.

INVESTING IN OUR COMMUNITY

Napier Port believes in nurturing and growing the community we are a part of by sharing our time and resources. As well, we offer sponsorships that help to create a healthier economy, society and environment. Our partnerships are strategically focused; from Wairoa in the north to Manawatū in the south and Whanganui in the west.

We are particularly focused on partnering with Iwi or hapū groups on environmental or social projects in Te Matau a Māui or mana whenua within Te Whanganui-a-Orotū. We are also strong supporters of community groups in Hawke's Bay undertaking activities on or near the water, particularly with a safety focus; and initiatives that celebrate Hawke's Bay maritime history.

Some of our community partners include:

- **Napier Port Hawke's Bay Primary Sector Awards**
  This annual gala event recognises the outstanding commitment of our region's primary producers and the rural professionals who support them. Connecting Hawke's Bay's world-class food and fibre to global customers, we are proud to be Principal Sponsor of these Awards celebrating innovation, leadership, and most importantly, community.

- **Te Matau a Māui Voyaging Trust**
  The Trust cares for Te Matau a Māui, a waka hourua (traditional double-hulled voyaging waka), permanently berthed in the Ahuriri Harbour, not far from the Port. The Trust works with families, cultural groups and young people, taking them on sea voyages with Te Matau a Māui and teaching a kaupapa of water safety, local history, teamwork and responsibility.

- **Napier Port Harbour to Hills Triathlon**
  We are proud to be the principal sponsor of this event, consisting of a 2km ocean swim with Napier Port as backdrop, a 95km bike ride featuring views over Cape Kidnappers and stunning hinterland scenery around the Tuki Tuki Valley and ending with a 21km run taking competitors past many of Napier's most well-known attractions.

- **Napier Port Ocean Swim**
  This annual event brings the community together over a love of the ocean – with support from Surf Life Saving New Zealand, Sport Hawke's Bay and TriHB. The event has a race for everyone, including races for kids, Art Deco-themed dashes, 1km classic swims and paddle board races.

- **MTG Hawke's Bay**
  A museum, theatre and art gallery that brings our region's history to life through collections and exhibits. We are proud naming sponsors of the Napier Port Education Suite.

- **Business Hawke's Bay**
  Making sure that Hawke's Bay has the right climate for businesses to thrive and grow is the mission of this business-led development agency, Business Hawke's Bay. Our sponsorship provides opportunities to help local businesses grow and develop.

- **Napier Port Family Fishing Classic**
  This annual event celebrates healthy oceans and is a great day out for families. Working with the harbourmaster and coastguard it's an opportunity to highlight safe boating and the importance of always wearing life jackets.


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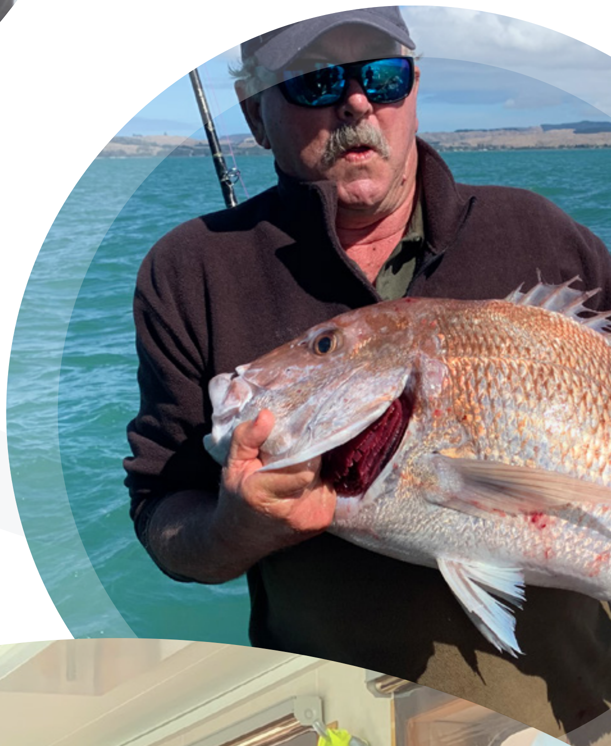
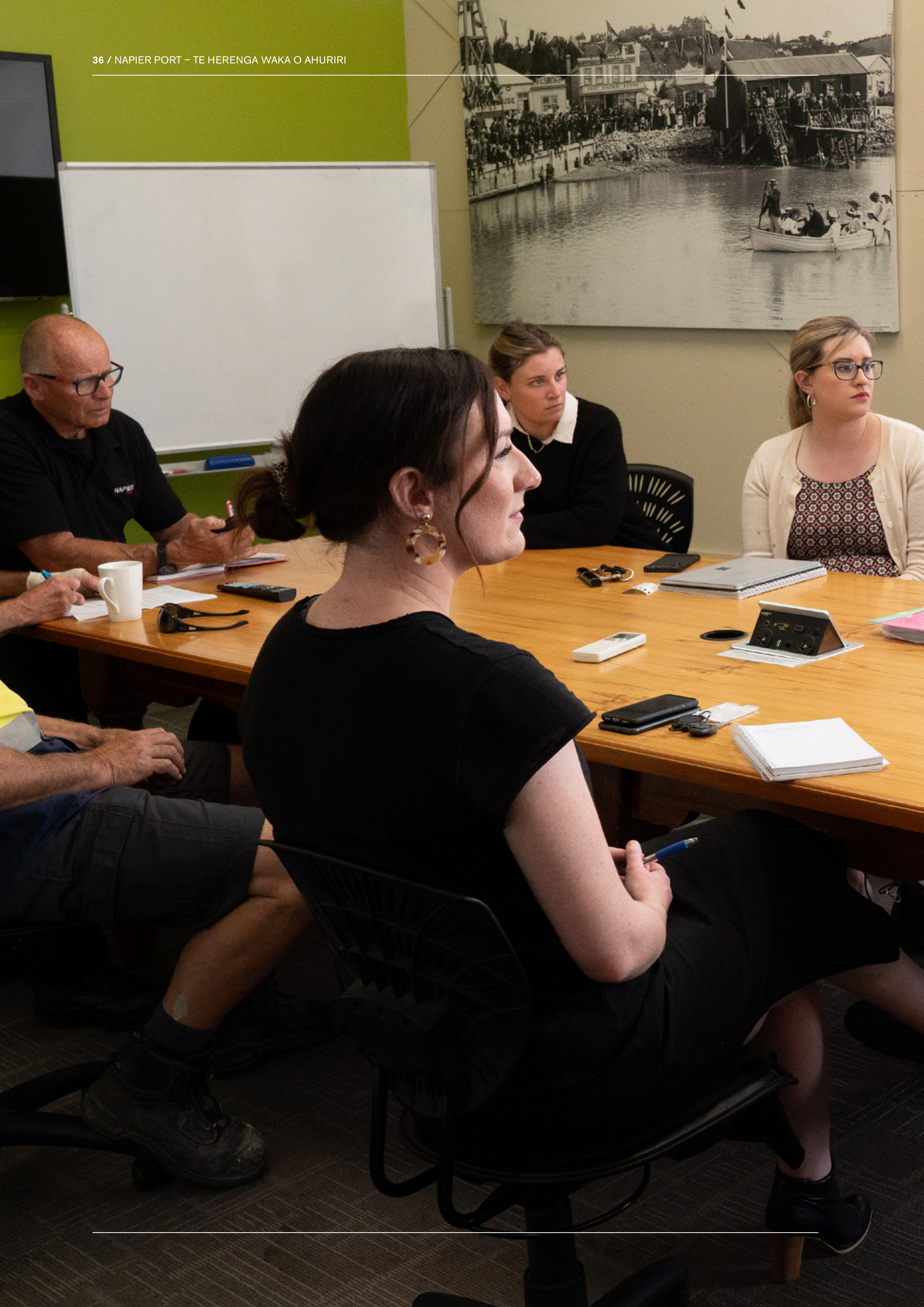




CULTURE OF CARE

Our people are our greatest strength which is why the foundation of our purpose and our business strategy is our Culture of Care – we are in this together. The depth of talent, resilience and commitment right across the port came to the fore during COVID-19 with our people prioritising the safety and wellbeing of each other, our whānau and our community. At the same time, under extraordinary circumstances, our teams kept customers' cargo flowing safely, constantly adapting to changing, uncertain conditions; we continued to progress an ambitious health and safety roadmap and our people leaders actively led wellbeing initiatives across the port.

TE KĀHUI O TE HERENGA WAKA O AHURIRI

Te Kāhui o te Herenga Waka O Ahuriri (Napier Port working group) was established this year to support Te Ao Māori kaupapa within Te Herenga Waka o Ahuriri. It is made up of representatives from across the port who are committed to the purpose of kaupapa. In partnership with the Te Herenga Waka o Ahuriri's Board and senior management team, the purpose of the Kāhui is to create, support, promote and drive the kaupapa, and to review and implement the Māori culture strategic plan.

Te Mahere Rautaki o Ngā Kaupapa o Te Ao Māori (Te Ao Māori strategic plan) is underway. The Mahere was created by the Kāhui, setting out a vision, principles, goals and the actions required to achieve them.

During the year, the Kāhui led celebration of Māori Language Week/Te Wiki o Te Reo Māori, building on the initiatives put in place last year. Te reo signs were installed around the port and te reo classes were once again offered through te reo provider, Culture Flow. The Kāhui added more cards to the Akoranga Putu Kāri (te reo learning pack) that everyone at Napier Port has and teams were encouraged to use te reo on the phone, in emails and be able to explain Napier Port's te reo name – Te Herenga Waka o Ahuriri. 'Te Herenga Waka' means a place of arrival, or a place to moor your waka, while Ahuriri is the Māori name for Napier.

PROMOTING A BEST PRACTICE APPROACH TO HEALTH AND SAFETY

Napier Port's priority is to make sure everyone who comes to Napier Port goes home safely every day. 2020 has seen a renewed approach to the management of health and safety, embarking on a three-year implementation journey.

A Safety Road Map was introduced, focusing on three strategic projects including a:

- Safety Management System to align to best practice standard for Occupational Health and Safety practice (ISO45001). This year has seen Napier Port implement over fifty percent of the requirements for the ISO45001 management system.
- Critical Risk Control Management programme focusing on the management and control of critical safety risks, and
- Replacement health and safety information management system (SAI360). The new information system provides useful work tools for our people and helps streamline reporting, compliance and provides structured assurance for health and safety aspects.

When fully implemented, Napier Port will be better positioned to take on a more proactive approach to the management of health and safety and critical risk enhancing our overall safety risk management maturity.

We continue to reinforce a health and safety culture by supporting a "Just Culture" philosophy where health and safety is supported and promoted through worker participation, ensuring adequate resources are allocated to health and safety initiatives and providing training and information about specific health and safety risks.

CASE STUDY: SAI360

Our new health and safety IT system: SAI360 (SAI) replaced the Vault system and is a big step forward for managing health and safety at Napier Port. SAI helps identify risk before it becomes an incident or accident. It ensures consistent reporting across teams and in real-time so we can spot trends and make improvements; and is transparent with performance so we know how we are tracking.

A cross-functional team of 25 people all across Napier Port collaborated to design how we will use SAI, identifying on-port locations for the system to reference, developing and testing the system, and training our teams. This initial roll out is the start of a longer journey to continuously improve health and safety at Napier Port. Over the next 12 months we will expand the use of SAI for risk assessment tools, managing training, permits, site work alerts and contractors.

WORKFORCE LEADS IMPROVEMENTS IN FATIGUE MANAGEMENT

Fatigue management is usually undertaken on an individual basis, but this year Napier Port saw an opportunity to take a deep dive approach and explore ways to raise awareness of fatigue and deal with it proactively through a risk management lens.

Our approach was similar to the Kāhui group, setting up a collaborative, port-wide, cross-functional group who became the driving force behind the initiative, as opposed to being senior management led. The Fatigue Working Group consisted of those who wanted to be involved and also those most likely to be impacted by fatigue, due to the nature of their work.

As a result of the diverse cross-section of people involved, teams started to understand different department's issues and how they could support each other to solve them. Increased knowledge led to champions, who have effectively promoted fatigue awareness within their work groups. We are fostering a culture where teams are more comfortable raising fatigue as an issue as well as factoring it into our planning regarding rostering and resourcing.

The working group has developed a Fatigue Risk Management System (FRMS) for Napier Port that is operations-driven, drawing on actual knowledge and experience and complementing this with leading edge, research-based thinking.

GROUND-BREAKING CEREMONY AND BLESSING CEREMONY FOR WORKERS

In February, a ground-breaking and blessing ceremony for workers on Napier Port's 6 Wharf construction site was held. A karakia was performed at the 6 Wharf construction site, along the northern end of the port's container terminal, for the hundreds of people who will be working on the project until the end of 2022, when the wharf is expected to receive its first ship.

INVESTMENT IN LEADERSHIP AND TALENT DISPLAYED DURING COVID-19

During COVID-19, Napier Port reaped the benefits of its long-term approach to investing in people and building leadership and talent port-wide. Across the wharves, people leaders came to the fore to look after everyone's physical health and safety, to protect people's emotional wellbeing and to continue safely moving cargo through Napier Port for our customers.

The depth of skill in our workforce meant we were able to rapidly respond to the changing circumstances, implementing and modifying protocols such as sanitisation and physical distancing of people at any time, eliminating cross over of shifts, keeping customers and port users aware of our measures and where practical, enabling people to work remotely.

Communication was key and during lockdown, Care and Connect was launched, a text messaging tool to regularly check in with teams, both on and off port. The app allowed us to get a picture of how our people were coping and it enabled leaders across the wharves to provide targeted support. Care and Connect was supported with a private Facebook group, Port People, to help keep everyone interacting. Information could be rapidly shared with a large number of people and Port People enabled teams to stay connected on a social level as well.

Napier Port has an active wellbeing programme and regardless of the challenges presented during lockdown, we were able to continue rolling out initiatives to support people, including:

- Webinars relating to managing psychosocial risk
- Working from home self-assessments covering health and safety risks, and
- Education around the importance of sleep and how to improve it.

OUR PEOPLE

284
TOTAL PERMANENT EMPLOYEES*

16%
OF EMPLOYEES ARE FEMALE

84%
OF EMPLOYEES ARE MALE

32%
OF EMPLOYEES ARE UNDER 40 YEARS

33
PEOPLE HAVE WORKED AT THE PORT FOR 20+ YEARS

5,097
HEALTH & SAFETY INDUCTIONS COMPLETED

783
PLACES ON HEALTH AND SAFETY COURSES

5.27
LOST TIME INJURY FREQUENCY RATE PER 200,000 HOURS WORKED

18
CRITICAL RISK BOW TIES DEVELOPED

6
ISO45001 HEALTH & SAFETY FRAMEWORKS INTRODUCED

** at 30 September 2020*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

At Napier Port, we are committed to collaborating with others to ensure our people, place and planet thrive - caring for our people, the local community and the environment.

Our Sustainability Framework is aligned to the United Nations Sustainable Development Goals (SDGs), reflecting the most urgent global environmental, political and economic challenges. From the 17 SDGs the framework identifies the 14 goals that we can make a meaningful contribution to as a business. Using our framework, this year we began developing a sustainability strategy and have made progress on a number of our focus areas. More information about the individual SDGs can be found here: www.sdgs.un.org/goals

INTEGRATED CULTURE FRAMEWORK

We are working towards finalising an Integrated Culture Framework, to achieve sustainable value, cultural diversity and authentic leadership throughout our business.

EQUALITY, DIVERSITY AND INCLUSION ROADMAP

An Equality, Diversity & Inclusion Roadmap is in progress. It defines initiatives to build a workplace that fosters a sense of belonging and pride in Napier Port, with consideration to empathetic leadership, flexible working arrangements, cross-division learning, opportunities for under-represented groups to participate and diverse teams driving innovation.

HEALTHY REEFS AND OCEANS CULTURAL AND MONITORING PROGRAM

We are developing a program in partnership with research institutions and Māori to enhance and protect the biodiversity, health and mauri (life force) of Pania Reef and the oceans. Monitoring will include water quality, coastal and marine flora and fauna, including seawall ecology.

CORPORATE SUSTAINABILITY AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORTING

Napier Port is committed to sustainability reporting and in the short-term is working to complement its existing ESG reporting with implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and towards full GRI reporting in the medium term.

ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

Napier Port is following the principles and aspiring to future certification in ISO 14001:2015 or other recognised standard, with a target to become externally EMS accredited.

‘WHOLE OF PORT’ CLIMATE CHANGE RISK ASSESSMENT

Napier Port will complete a ‘Whole of Port’ Climate Change Risk Assessment in conjunction with its planned TCFD reporting.

EMISSIONS INVENTORY AND PLAN

An Emissions Inventory and Plan will be completed in conjunction with its planned TCFD reporting. This will lead to ongoing monitoring and reporting for emissions, and to inform the development of reduction targets and mitigation actions.

SUSTAINABILITY STRATEGY IMPLEMENTATION PLAN

Following on from the Sustainability Framework, we began developing a sustainability strategy which has highlighted areas for further consideration. This has not halted our progress in many areas and a Sustainability Strategy Implementation Plan is currently underway to advance our future sustainability reporting, collecting baseline information, setting KPIs, establishing a Sustainability Working Group and champions to lead implementation of the strategy.

CLIMATE CHANGE STRATEGY

Napier Port has committed to Zero Emissions by 2050 and establishing intermediate targets in the short-term. A Climate Change Strategy will take account of the risk assessment results, define future targets, and develop mitigation and infrastructure adaption actions.

WATER QUALITY IMPROVEMENT PROGRAM

A Water Quality Improvement Program is being developed to improve water quality monitoring, stormwater treatment options, with a focus on high risk areas first; such as reducing generation of contaminated stormwater, e.g. pooled water in log yards. The program will be aligned to our Healthy Reefs and Oceans focus area.

CLEAN SHIPPING INCENTIVE PROGRAMS

We are currently gathering data to investigate implementation of clean shipping incentive programs to reduce vessel emissions, underwater noise, slow steaming and impacts on environmental initiatives.

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 businesses Optimal Workshop Ltd and SilverStripe Limited, and the independent member of the Board Appointments Committee for IHC New Zealand.

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 on 19 December 2016 and chairs 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 Guardians of the New Zealand Superannuation Fund and a director of the Todd Family Office. He was previously a non-executive director on the BNZ board, and chaired both BNZ Life Insurance Ltd and BNZ Insurance Services Ltd, 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 on 7 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, Investore Property, Stride Property Group and Kathmandu Holdings. 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 on 7 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 Holdings, Chair of SouthernLaunch. Space and a director of South Australia's Statewide Super. 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 on 27 June 2019. Rick serves as the Deputy Chair of the Hawke's Bay Regional Council, elected as a Councillor for Hastings in October 2013. 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 does independent consulting on a range of issues. Rick completed a Master's Degree in Public Policy in 2012.

DIANA PUKETAPU

Independent Director
FCA, CMInstD

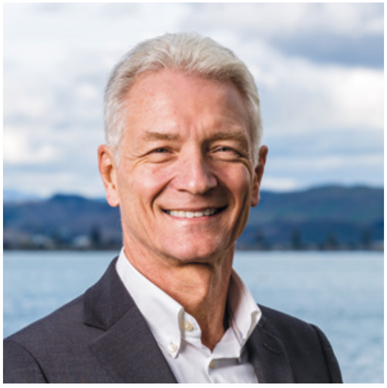
Diana joined the Napier Port Board on 13 December 2017, and has a background in commercial, iwi and sports governance. Diana is a director of Ngāti Porou Holding Company, Tāmaki Redevelopment Company, Manawanui Support Limited, New Zealand Olympic Committee, and NZ Cricket. She has previously served as a director of Auckland Council Investments Limited and the World Masters Games 2017, and was formerly the Chief Financial Officer of Ngāti Whātua Ōrākei Corporate.

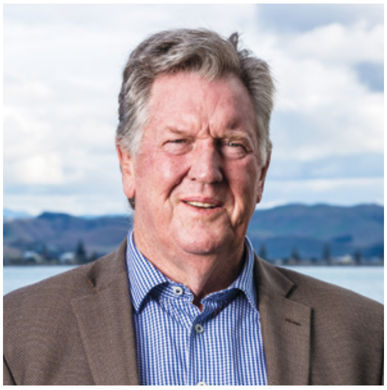
Diana is a Fellow Chartered Accountant and a Chartered Member of the Institute of Directors.

BLAIR O'KEEFFE

Director
BBS (Hons), MInstD

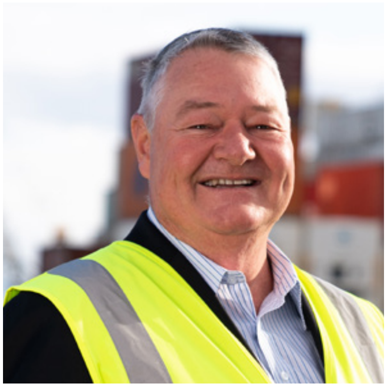
Blair was appointed as a director of Napier Port on 27 June 2019. Blair is a professional company director, with governance experience in local and central government, and NZX-listed companies. He is currently a director of NZX-listed Z Energy, Central Air Ambulance Limited, Central Economic Development Agency, 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 Manawatū Inland Port and director of Total Advantage Group in Auckland.

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

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
MSc, 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 Business Hawke's Bay as the Napier Port representative.

VIV BULL

General Manager – Culture and Community
MSc (Hons)

Viv joined Napier Port in 2011 and leads our human resources, health and safety, and communications 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.

KIA ZIA

General Manager – Container Operations
BCom, BEng

Kia joined Napier Port in March 2020, and is responsible for Napier Port's container terminal, empty depot services and crane and plant services. Kia brings a strong background in logistics and supply chain management to the role, coming from a role as Head of Engineering and Supply Chain Development – ANZ at Kraft Heinz. Kia has previously worked with Toyota Motor Corporation, McKinsey & Company and General Motors.

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

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.

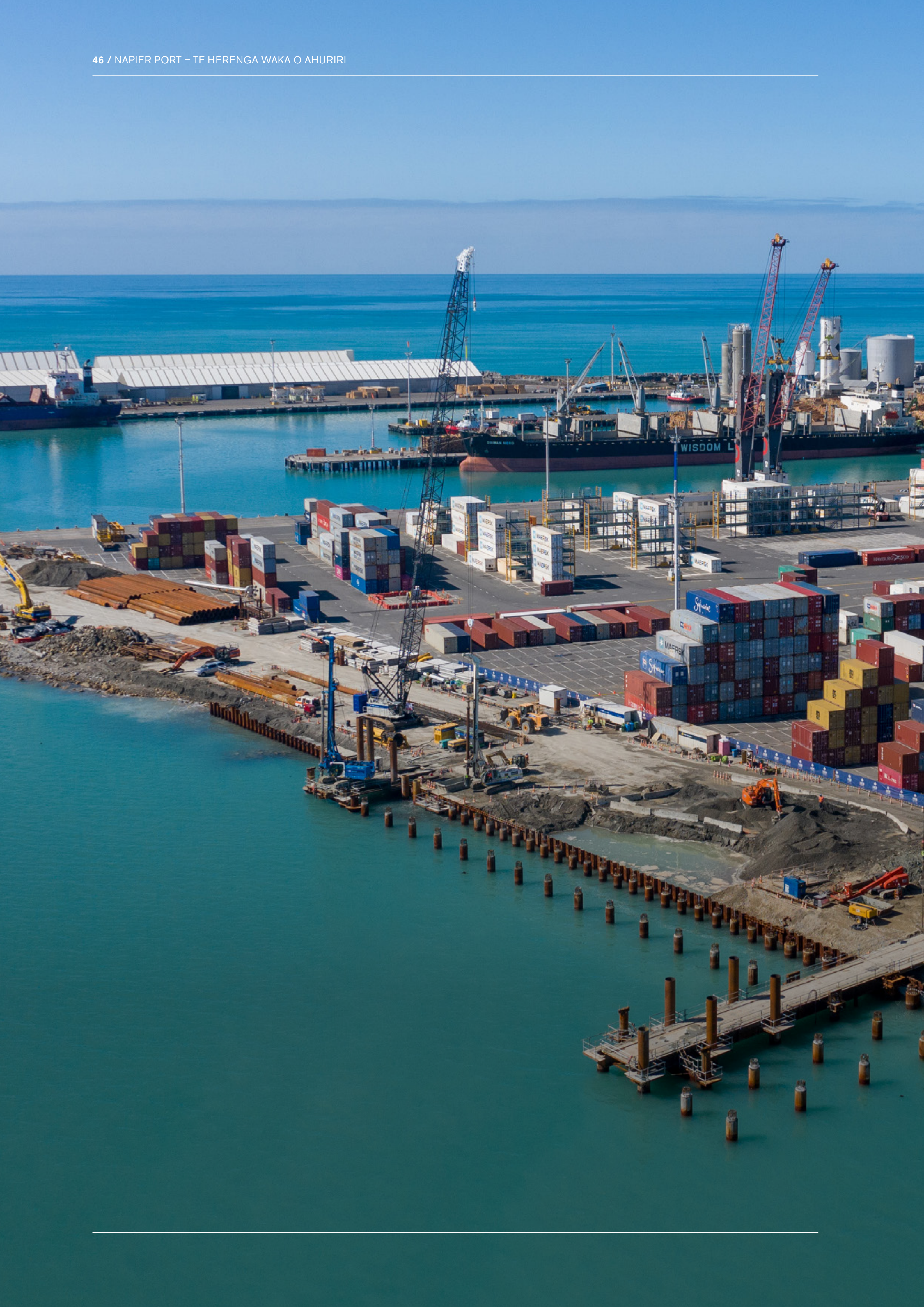
Andrea holds a Bachelor of Science in Statistics, Management Science and Operations Research from the University of Auckland and a Diploma in Business Administration from Henley Management College. She is a Non-Executive Director of Pacificomm, a member of the University of Auckland Strategic Supply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

MICHEL DE VOS

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

Michel joined Napier Port in April 2014. Michel 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.



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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 17 November 2020 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 56.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

For the year ended 30 September 2020

	Board	Audit and Risk Management Committee	Remuneration and Nomination Committee	Health and Safety Committee
Number of meetings held	8	10	2	3
Alasdair MacLeod	8	10[1]	2	3
Wendie Harvey[2]	-	-	-	-
Diana Puketapu	8	10	2	3
Stephen Moir	8	10	2	3
Vincent Tremaine	8	10	2	3
John Harvey	8	10	-	3
Blair O'Keeffe	7	7[1]	2	3
Hon Rick Barker	8	6[1]	-	3

1. Non-committee members also in attendance.

2. Wendie Harvey resigned as Director of Port of Napier Limited and Napier Port Holdings Limited on 3 October 2019.

DIVERSITY

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 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 policy is available on the 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 Board, Senior Management Team, Managers and Supervisors, and Human Resources will collectively and individually treat all employees equally. The Group will foster an environment which encourages a variety of different viewpoints and backgrounds.

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:

	2020*				2019*			
	Female		Male		Female		Male	
	No.	%	No.	%	No.	%	No.	%
Directors	1	14	6	86	2	25	6	75
Senior Management Team	2	25	6	75	2	25	6	75
Permanent employees	43	16	233	84	46	17	217	83
Total	46	16	245	84	50	18	229	82

* *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 Alasdair MacLeod (Chair), Diana Puketapu, Stephen Moir, Vincent Tremaine, Blair O'Keeffe. 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.

HEALTH AND SAFETY COMMITTEE

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 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 not the Chair of the Board. The current 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.

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 is guiding the development of our sustainability strategy.

The Group has a strategy implementation plan underway and is developing work programmes to further advance in the focus areas within the strategy and reporting metrics going forward.

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 to biennially review 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 58.

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 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 Audit and Risk Management, Remuneration and Nomination, and Health and Safety Committees and the Chair a Chair's 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 the CEO. The terms and conditions of any STI or LTI plan are identified in the individual employment agreement of the Senior Management team member to whom it applies.

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 2020 is included in the Other Disclosures section of the Annual Report on page 58.

The STI is based on the achievement of both financial and non-financial objectives with an actual opportunity in the range of 0 – 30% of the CEO's 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 normalised net profit after tax target. 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 certain EBITDA targets over the prospective financial information period (2 years), and total shareholder return (TSR) hurdles over the vesting period.

The TSR hurdles over the vesting period are as follows:

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

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

PRINCIPLE 6 – RISK MANAGEMENT

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

RISK MANAGEMENT

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

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

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

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 partner (as defined in the NZX Listing Rules) is rotated every five years.

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

The auditor of the Group is the Auditor General. The Auditor General may approve external audit firms to undertake the external audit of the Group. The Group's external auditor is EY. The total fees paid to EY in their capacity as auditor are disclosed in the Annual Report on page 69.

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 2020:

Director	Interest	Entity
Alasdair MacLeod	Chair	Optimal Workshop Limited
	Chair / Shareholder	Silverstripe Limited
	Chair	Hold Fast Investments Limited
	Member	IHC – Board Appointments Committee
	Director	Silverstripe Trustee Limited
	Trustee	Big Brothers Big Sisters Hawke's Bay
Diana Puketapu	Director	Manawanui Support Limited
	Director	Ngati Porou Holding Company Limited and subsidiaries
	Director	Tamaki Redevelopment Company Limited and subsidiaries
	Director	New Zealand Cricket
	Director	New Zealand Olympic Committee
Stephen Moir	Director	The Guardians of NZ Superannuation Fund
	Director	Todd Family Office Limited
	Director	IJAP Limited
Vincent Tremaine	Chair	Riverland Water Holdings Pty Limited
	Director	Statewide Superannuation Pty Limited
	Chair	SouthernLaunch.Space Pty Limited
	Director	Green Industries SA
John Harvey	Director	Heartland Bank Limited
	Director	Investore Property Limited
	Director	Stride Property Limited
	Director	Stride Investment Management Services Limited
	Director	Kathmandu Holdings Limited
Blair O'Keeffe	Contracted Advisor	Hawke's Bay Regional Investment Company Limited
	Contracted Advisor	Hawke's Bay Regional Council
	Chair	Hawke's Bay Rescue Helicopter Trust
	Director	Central Air Ambulance Rescue Limited
	Director	Central Economic Development Agency Limited
	Director	Z Energy Limited
Hon Rick Barker	Deputy Chair / Councillor	Hawke's Bay Regional Council
	Chair	West Coast District Health Board
	Director	Hawke's Bay Regional Investment Company Limited

At 30 September 2020 no Directors, or entities related to them, had interests in shares in the Company.

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 2020
$100,000 - $109,999	30
$110,000 - $119,999	32
$120,000 - $129,999	23
$130,000 - $139,999	18
$140,000 - $149,999	19
$150,000 - $159,999	4
$160,000 - $169,999	4
$170,000 - $179,999	4
$180,000 - $189,999	4
$190,000 - $199,999	1
$210,000 - $219,999	1
$230,000 - $239,999	1
$270,000 - $279,999	2
$280,000 - $289,999	1
$290,000 - $299,999	1
$310,000 - $319,999	3
$320,000 - $329,999	1
$380,000 - $389,999	1
$400,000 - $409,999	1
$440,000 - $449,999	1
$730,000 - $739,999	1
	153

The annual remuneration of employees includes salary, redundancy, performance incentive payments on achievement of targets, employer's contribution to superannuation, fair value of share-based payment awards and other sundry benefits received in their capacity as employees.

DIRECTORS' REMUNERATION

Directors received the following fees and remuneration during the year[1]:

	2020 $000
Alasdair MacLeod (Chairman)	129
Stephen Moir	77
Vincent Tremaine	77
Diana Puketapu	67
John Harvey	67
Blair O'Keeffe	67
Hon Rick Barker	67
Total	**551**

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 6 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 paid during the year[1]:

	2020 $000
Base salary	524
Other benefits[2]	21
Short Term Incentive (STI)[3]	164
Long Term Incentive (LTI)[4]	26
	735

1. The CEO's base salary, other benefits and short-term incentive are based on the amounts paid during the year. The Long Term Incentive is based on the fair value of the award recognised in the income statement.

2. Other benefits comprise superannuation and life insurance benefits.

3. The STI target is based on the achievement of objectives set annually and performance assessed by the Board in respect of the 2019 financial year.

4. In August 2019 the CEO was granted 62,307 share rights under the Executive LTI plan. 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 certain EBITDA targets over the prospective financial information period (2 years), and total shareholder return (TSR) hurdles over the vesting period. 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. The above amount reflects the current period's proportion of the total fair value of the award calculated, which is recognised on a straight-line basis over the three-year vesting period. 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 2020.

TWENTY LARGEST SHAREHOLDERS AT 30 SEPTEMBER 2020

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]	11,594,471	5.80
HSBC Nominees (New Zealand) Limited[1]	4,577,460	2.29
Tea Custodians Limited[1]	4,139,469	2.07
BNP Paribas Nominees NZ Limited[1]	3,787,278	1.89
JB Were (NZ) Nominees Limited	3,703,764	1.85
Citibank Nominees (NZ) Limited[1]	3,196,771	1.60
JP Morgan Chase Bank[1]	2,708,514	1.35
Forsyth Barr Custodians Limited	2,628,027	1.31
Custodial Services Limited <4 A/C>	2,547,921	1.27
New Zealand Depository Nominee	2,052,644	1.03
Accident Compensation Corporation[1]	2,033,747	1.02
HSBC Nominees (New Zealand) Limited[1]	1,989,837	0.99
Custodial Services Limited <3 A/C>	1,939,689	0.97
PT Booster Investments Nominees Limited	1,837,926	0.92
Tatau Tatau Commercial Limited Partnership	1,442,307	0.72
Private Nominees Limited[1]	1,193,307	0.60
FNZ Custodians Limited	1,132,506	0.57
Premier Nominees Limited[1]	1,104,395	0.55
New Zealand Permanent Trustees Limited[1]	985,000	0.49
Total	**164,595,033**	**82.29**

1. Shareholdings held in New Zealand Central Securities Depository Limited (NZCSD). The total holding at 30 September 2020 in NZCSD was 38,913,743.

DISTRIBUTION OF ORDINARY SHARES

Holder	Number of Holders	Number of Shares Held	% of Issued Equity
1 – 5,000	8,305	15,811,168	7.90
5,001 – 10,000	624	4,653,301	2.33
10,001 – 100,000	298	6,578,960	3.29
100,001 and over	29	172,956,571	86.48
Total	**9,256**	**200,000,000**	**100.00**

GEOGRAPHIC DISTRIBUTION

Holder	Number of Holders	Number of Shares Held	% of Issued Equity
New Zealand	9,222	199,575,106	99.79
Australia	20	317,864	0.16
Other	14	107,030	0.05
Total	**9,256**	**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 2020.

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%**

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 (2019: $nil) and subsidiaries made donations amounting to $nil (2019: $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 2020.

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 2020.

NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 $000	2019 $000
Revenue	4	**100,427**	**99,616**
Employee benefit expenses		31,373	29,454
Maintenance expenses		8,652	9,073
Other operating expenses	5	19,236	19,102
Operating expenses		**59,261**	**57,629**
Result from operating activities	24	**41,166**	**41,987**
Depreciation, amortisation and impairment expenses	16,17	12,983	12,171
Other (income) and expenses	5	(704)	945
IPO transaction and related costs		(285)	6,404
Profit before finance costs and tax		**29,172**	**22,467**
Net finance (income)/costs	6	(149)	10,437
Profit before income tax		**29,321**	**12,030**
Income tax expense	7	7,309	5,182
Profit for the period attributable to the shareholders of the Company		**22,012**	**6,848**
EARNINGS PER SHARE:			
Basic earnings per share	9	0.11	0.06
Diluted earnings per share	9	0.11	0.06

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 2020

	Notes	2020 $000	2019 $000
Profit for the period attributable to the shareholders of the Company		**22,012**	**6,848**
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Changes in fair value of cash flow hedges		(110)	(2,835)
Cash flow hedges transferred to profit or loss		-	8,345
Deferred tax on changes in fair value of cash flow hedges	8	31	(1,543)
Items that will not be reclassified to profit or loss:			
Cash flow hedges transferred to property, plant and equipment		(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	4,374
Total comprehensive income for the period attributable to the shareholders of the Company		**16,710**	**15,189**

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 2020

	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 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 to employees	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**
Balance at 1 October 2018		**21,000**	**71,077**	**(3,823)**	**-**	**124,158**	**212,412**
Profit for the period		-	-	-	-	6,848	6,848
Other comprehensive income		-	4,374	3,967	-	-	8,341
Total comprehensive income for the period		**-**	**4,374**	**3,967**	**-**	**6,848**	**15,189**
Business reorganisation	21	-	-	-	-	(63,900)	(63,900)
Dividends (pre initial public offering)	10	-	-	-	-	(53,957)	(53,957)
Issue of ordinary shares	11	234,000	-	-	-	-	234,000
Transaction costs arising on share issuance	11	(7,045)	-	-	-	-	(7,045)
Acquisition of treasury shares	11	(323)	-	-	-	-	(323)
Fair share loans to employees	11	(1,228)	-	-	-	-	(1,228)
Share-based payments	20	-	-	-	333	-	333
Total transactions with owners in their capacity as owners		**225,404**	**-**	**-**	**333**	**(117,857)**	**107,880**
Total movement in equity		**225,404**	**4,374**	**3,967**	**333**	**(111,009)**	**123,069**
Balance at 30 September 2019		**246,404**	**75,451**	**144**	**333**	**13,149**	**335,481**

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 2020

	Notes	2020 $000	2019 $000
EQUITY			
Share capital	11	245,750	246,404
Reserves	11	70,618	75,928
Retained earnings		29,877	13,149
		346,245	**335,481**
NON-CURRENT LIABILITIES			
Deferred tax liability	8	16,681	18,436
Lease liabilities	19	521	734
Derivative financial instruments	23	111	-
Provision for employee entitlements	13	447	436
		17,760	**19,606**
CURRENT LIABILITIES			
Taxation payable		4,161	3,358
Lease liabilities	19	213	200
Trade and other payables	12	17,000	12,471
		21,374	**16,029**
		385,379	**371,116**
NON-CURRENT ASSETS			
Property, plant and equipment	17	351,177	317,185
Intangible assets	16	1,377	1,110
Investment properties	18	9,200	8,200
		361,754	**326,495**
CURRENT ASSETS			
Cash and cash equivalents		7,936	31,224
Derivative financial instruments	23	-	200
Trade and other receivables	15	15,689	13,197
		23,625	**44,621**
		385,379	**371,116**

On behalf of the Board of Directors, who authorised the issue of these financial statements on the 17th November 2020.

Chairman

Director

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

NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 $000	2019 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	99,051	99,132
Cash was applied to:		
Payments to suppliers and employees	(61,336)	(56,028)
IPO transaction and related costs	(478)	(5,643)
Net finance costs received/(paid)	149	(3,287)
Income taxes paid	(7,471)	(4,407)
Net GST paid	(588)	(431)
Net cash flows generated from operating activities	**29,327**	**29,336**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant and equipment	56	162
Cash was applied to:		
Acquisition of property, plant and equipment and intangible assets	(45,988)	(17,419)
Investment in joint venture	(80)	(230)
Net cash flows used in investing activities	**(46,012)**	**(17,487)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Proceeds from issue of ordinary shares	-	234,000
Repayment of fair share loans by employees	67	-
Cash was applied to:		
Net repayment of loans and borrowings	-	(80,500)
Termination of interest rate swaps	-	(7,141)
Acquisition of treasury shares	-	(323)
Fair Share loans to employees to acquire shares	-	(1,228)
Transaction costs arising on share issuance	(1,122)	(6,646)
Borrowing establishment costs	-	(632)
IPO proceeds transferred to HBRIC as part consideration for shares of PONL	(348)	(63,900)
Dividends paid	(5,000)	(53,957)
Repayment of lease liabilities	(200)	(189)
Net cash flows generated (used in)/from financing activities	**(6,603)**	**19,484**
Net (decrease)/increase in cash and cash equivalents	**(23,288)**	**31,333**
Cash and cash equivalents at beginning of the year	31,224	(109)
Cash and cash equivalents at end of the year	**7,936**	**31,224**

NAPIER PORT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

	2020 $000	2019 $000
Profit for the period	**22,012**	**6,848**
Adjust for non-cash items:		
Fair value gains	(1,000)	(230)
Depreciation and amortisation	12,432	11,981
Impairment of assets	551	190
Net loss/(gain) on sale of property, plant and equipment	19	(15)
Share of loss and impairment from investment in joint venture	80	1,080
Share-based payments	56	333
Other non-cash items	197	9
Deferred tax	(965)	(581)
	11,370	**12,767**
Other adjustments:		
Termination of interest rate swaps included in financing activities	-	7,141
Increase in current tax	803	1,355
Increase in non-current provisions	11	19
	814	**8,515**
Movements in working capital:		
Increase in trade and other receivables	(1,795)	(374)
(Decrease)/increase in trade and other payables	(3,074)	1,580
	(4,869)	**1,206**
Net cash flows generated from operating activities	**29,327**	**29,336**

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

NAPIER PORT HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 balance sheet date and as at the date of authorisation of these financial statements, the Group was operating in conditions affected by the COVID-19 virus global pandemic. The potential economic and public health consequences of this pandemic increase uncertainties regarding the Group's future trading results, including those arising from the pandemic's potential impact on our direct and indirect cargo customers. Risks that the Group is exposed to include financial risk, including credit risk and market risks, and the carrying value of assets, as further described in the annual report. The revised economic situation at 30 September 2020 has required additional consideration of the expected credit loss in relation to accounts receivable and impairment. These additional considerations have resulted in an increase in the expected credit loss allowance (Note 5 and Note 15) but has not resulted in significant changes to the recorded amounts of other assets or liabilities.

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 2020 and 30 September 2019.

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 the 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.

ACQUISITION OF SUBSIDIARY SUBJECT TO COMMON CONTROL

On 15 July 2019, Napier Port Holdings Limited (NPHL) acquired 100% of the issued share capital of Port of Napier Limited (PONL) from Hawke's Bay Regional Investment Company Limited (HBRIC). This constituted a transaction under common control as both entities were ultimately controlled by the same party and as such the transaction was not within the scope of NZ IFRS 3 Business Combinations.

The pooling of interests method was adopted to account for the acquisition as a business combination carried out under common control. Under this method, pre-transaction carrying values were used. Cash paid to HBRIC in conjunction with this reorganisation has been treated similar to a dividend and deducted from retained earnings. The financial statements have been prepared as if PONL and NPHL were consolidated for all of the periods presented. Historical pre-transaction information relates to PONL as NPHL was only incorporated shortly before the transaction and had not conducted any business prior to acquiring PONL.

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 2020.

COMPARATIVES

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

4 REVENUE AND SEGMENT REPORTING

	2020 $000	2019 $000
Disaggregation of revenue		
Port operations	98,166	97,536
Property operations	2,261	2,080
Operating income	**100,427**	**99,616**

Rental income on investment properties within property operations was $59,000 during the year (2019: $57,000).

ACCOUNTING POLICIES:

Port operations

Port operations are a series of distinct performance obligations for the provision of 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 a single external customer which comprised 11% of total revenue (2019: $11%).

5 OTHER INCOME AND EXPENSES

	2020 $000	2019 $000
Included within other operating expenses are:		
Auditor remuneration - audit fees	199	187
Auditor remuneration - non audit services	55	732
Directors' fees	584	449

Auditor remuneration - non audit services comprises fees to EY for interim reviews, limited assurance and risk management assurance engagements.

	Note	2020 $000	2019 $000
Included within other income and expenses are:			
Loss/(gain) on sale of property, plant and equipment		19	(15)
Asset retirement expenses		-	110
Fair value gain on investment property		(1,000)	(230)
Share of loss and impairment of investment in joint venture		80	1,080
Expected credit loss allowance	15	197	-
Other (income) and expenses		**(704)**	**945**

6 NET FINANCE COSTS

	Note	2020 $000	2019 $000
Interest income		(217)	(136)
Finance income		**(217)**	**(136)**
Interest expense on borrowings		18	3,616
Termination of interest rate swaps		-	7,141
Lease imputed interest	19	50	61
Less: Interest capitalised to property, plant & equipment		-	(245)
Finance expenses		**68**	**10,573**
Net finance costs		**(149)**	**10,437**

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 or sale.

7 INCOME TAX EXPENSE

	Note	2020 $000	2019 $000
Reconciliation between income tax expense and tax expense calculated at the statutory income tax rate:			
Profit before income tax		29,321	12,030
Income tax at 28%		8,210	3,368
Adjustment to prior year tax		18	161
Tax effect of non-deductible items		37	1,717
Tax effect of non-assessable items		(306)	(64)
Reinstatement of tax depreciation on buildings		(650)	-
Income tax expense		**7,309**	**5,182**
The income tax expense is represented by:			
Current tax on profits for the year		8,251	5,684
Adjustments for current tax of prior periods		23	79
Current income tax expense		8,274	5,763
Deferred income tax expense for the period	8	(960)	(663)
Adjustments for deferred tax of prior periods		(5)	82
Deferred income tax expense		(965)	(581)
Income tax expense		**7,309**	**5,182**

On 26 March 2020 the Covid-19 Response (Taxation and Social Assistance Urgent Measures) Bill was enacted which reinstated the ability for companies to claim depreciation on buildings that have an estimated useful life of 50 years or more from the 2020-21 income tax year. The reinstatement of tax depreciation on buildings required the Group to reinstate a portion of the tax base of its buildings. The Group has also removed the effect of a portion of the initial recognition exemption on those buildings acquired post May 2010. This net change has resulted in a decrease in the deferred tax liability of $650,000 and a corresponding income tax benefit for the current period.

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

	2020 $000	2019 $000
Balance 1 October	(18,436)	(21,848)
Adjustment to prior year provision	5	(82)
Deferred portion of current year tax expense	960	663
Amounts credited and charged direct to equity	790	2,831
Balance at 30 September	**(16,681)**	**(18,436)**
Deferred tax is represented by:		
Deferred tax asset		
Other	1,316	844
	1,316	**844**
Deferred tax liability		
Property, plant and equipment	(8,592)	(9,112)
Revaluation of sea defences	(9,405)	(10,168)
	(17,997)	**(19,280)**
Net deferred tax liability	**(16,681)**	**(18,436)**
Imputation credit account		
Balance at 30 September	**11,410**	**3,834**

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

	2020 Cents	2019 Cents
Basic earnings per share		
Basic earnings per share	0.11	0.06
Diluted earnings per share		
Diluted earnings per share	0.11	0.06

	2020 $000	2019 $000
Reconciliation of earnings used in calculating earnings per share:		
Basic and diluted earnings per share		
Net profit attributable to the ordinary shareholders of the Company	22,012	6,848

	2020 Number (000)	2019 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	199,414	120,532
Adjustments for calculation of diluted earnings per share:		
Executive Long-Term Incentive Plan share rights	145	19
Fair Share Plan	462	56
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	200,021	120,607

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

	2020 $000	2019 $000
Special dividend paid	-	43,957
Dividends paid	5,000	10,000
	5,000	**53,957**

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

	2020 Number of Shares (000)	2020 Nominal Value $000	2019 Number of Shares (000)	2019 Nominal Value $000
Balance at 1 October	199,404	246,404	21,000	21,000
Business reorganisation	-	-	89,000	-
Issue of ordinary shares	-	-	90,000	234,000
Treasury shares	-	-	(124)	(323)
Fair Share plan	21	66	(472)	(1,228)
	199,425	246,470	199,404	253,449
Less: Transaction costs arising on issue of shares	-	(720)	-	(7,045)
Balance at 30 September	**199,425**	**245,750**	**199,404**	**246,404**

ACCOUNTING POLICIES:
All ordinary shares have no par value, equal voting rights and share equally in dividends and surplus on winding up. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Treasury Shares

	2020 Number of Shares (000)	2020 Nominal Value $000	2019 Number of Shares (000)	2019 Nominal Value $000
Balance at 1 October	124	323	-	-
Acquired in conjunction with initial public offering	-	-	124	323
Balance at 30 September	**124**	**323**	**124**	**323**

Fair Share Plan

	2020 Number of Shares (000)	2020 Nominal Value $000	2019 Number of Shares (000)	2019 Nominal Value $000
Balance at 1 October	472	1,228	-	-
Balance in conjunction with initial public offering	-	-	472	1,228
Fair share loan repayments	(21)	(55)	-	-
Dividends paid	-	(11)	-	-
Balance at 30 September	**451**	**1,162**	**472**	**1,228**

Costs incurred in relation to equity raising

The Group has incurred total transaction costs of $435,000 (2019: $13,449,000) during the year related to the initial public offering and listing of Napier Port Holdings Limited equity securities on the New Zealand Stock Exchange. Management have applied judgement to allocate these transaction costs between incremental costs that are directly attributable to issuing new shares and should be deducted from equity $816,000 (2019: $5,105,000), costs that relate to the share market listing or are otherwise not incremental and directly attributable to issuing new shares which should be recorded as an expense/(credit) in the income statement ($202,000) (2019: $4,749,000), and joint costs/(credit) that relate to both share issuance and listing ($179,000) (2019: $3,595,000). The joint costs were required to be allocated between equity and expense on a rational basis and Management have applied judgement in determining this allocation. These judgements resulted in incremental costs of $720,000 included in Share Capital within Equity and a release of $285,000 being recognised in the Income Statement.

ACCOUNTING POLICIES:

Hedging reserve

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

Revaluation reserve

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

Share-based payment reserve

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

Treasury shares

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

12 TRADE AND OTHER PAYABLES

	2020 $000	2019 $000
Trade payables	10,615	4,738
GST payable	-	169
Trade accruals	2,741	3,889
Employee entitlement accruals	3,644	3,675
	17,000	**12,471**

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 PROVISIONS FOR EMPLOYEE ENTITLEMENTS

	2020 $000	2019 $000
Balance at 1 October	436	417
Additional provision made	27	59
Amount utilised	(16)	(40)
Balance at 30 September - Non-current	**447**	**436**

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:

2020	Coupon	Committed Facilities NZ$000	Undrawn Facilities NZ$000	Carrying Value NZ$000
Bank facilities	Floating	180,000	180,000	-
Total non-current		**180,000**	**180,000**	**-**

2019	Coupon	Committed Facilities NZ$000	Undrawn Facilities NZ$000	Carrying Value 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 fees paid on the new facilities have been included as a prepayment within trade and other receivables until the facilities are drawn down.

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.

15 TRADE AND OTHER RECEIVABLES

	2020 $000	2019 $000
Trade receivables	8,833	8,620
GST receivable	420	-
Prepayments	6,436	4,577
	15,689	**13,197**

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

	2020 $000	2019 $000
Not past due	7,669	7,378
Past due 0 - 30 days	1,071	1,088
Past due 30 - 60 days	92	111
Past due > 60 days	1	43
	8,833	**8,620**

In light of the COVID-19 impact on credit risks at the reporting date, the Group has recognised an expected credit loss allowance of $197,000 in respect of its trade receivable balance at 30 September 2020. To measure the expected credit loss allowance amount, historical loss rates are adjusted to reflect forward-looking information. Trade receivables are grouped in accordance with their shared credit risk characteristics and global credit rating historical industry information applied to estimate future default and loss percentage rates. There have been no specific trade receivable balances written-off during the period.

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

	2020 $000	2019 $000
Cost		
Opening balance at 1 October	6,878	6,606
Additions	731	272
Disposals	(153)	-
Closing balance at 30 September	**7,456**	**6,878**
Accumulated amortisation		
Opening balance at 1 October	5,768	5,270
Amortisation for the period	462	498
Disposals	(151)	-
Closing balance at 30 September	**6,079**	**5,768**
Closing net book value at 30 September	**1,377**	**1,110**

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 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**
Cost or fair value									
At 1 October 2018	38,655	87,998	61,754	46,650	28,655	115,458	16,696	6,426	402,292
Additions	-	-	-	-	-	-	-	18,542	18,542
Additions - Leases	-	-	-	-	-	1,123	-	-	1,123
Disposals	-	-	(19)	-	-	(584)	-	-	(603)
Transfers	-	122	1,880	778	93	3,648	16	(6,809)	(272)
At 30 September 2019	**38,655**	**88,120**	**63,615**	**47,428**	**28,748**	**119,645**	**16,712**	**18,159**	**421,082**
Accumulated depreciation and impairment									
At 1 October 2018	-	409	22,267	9,260	10,544	44,327	5,873	-	92,680
Depreciation	-	348	1,844	625	702	7,207	757	-	11,483
Impairment	-	-	-	-	190	-	-	-	190
Disposals	-	-	-	-	-	(456)	-	-	(456)
At 30 September 2019	**-**	**757**	**24,111**	**9,885**	**11,436**	**51,078**	**6,630**	**-**	**103,897**
Closing net book value 2019	**38,655**	**87,363**	**39,504**	**37,543**	**17,312**	**68,567**	**10,082**	**18,159**	**317,185**

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.

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 (2019: $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

	2020 $000	2019 $000
Balance at 1 October	8,200	7,970
Gain from fair value adjustments	1,000	230
Balance at 30 September	**9,200**	**8,200**

Investment properties were externally valued at 30 September 2020 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

	2020 $000	2019 $000
Right-of-use assets – plant and equipment		
Balance at 1 October	910	1,123
Depreciation	(213)	(213)
Balance at 30 September	**697**	**910**
Lease liabilities		
Balance at 1 October	934	1,123
Interest expense	50	61
Lease payments - cash	(250)	(250)
Balance at 30 September	**734**	**934**
Lease liabilities		
Current	213	200
Non-current	521	734
	734	**934**

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.

At balance date the following operating lease payments were receivable by the Group:

	2020 $000	2019 $000
Receivable within one year	1,799	1,660
Between one and two years	1,703	1,309
Between two and five years	4,877	3,919
Over five years	8,219	8,806
	16,598	**15,694**

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 at the grant date and there will be no further adjustment.

The fair value of the options at the grant date was determined using the Black Scholes option pricing model, taking into account the terms and conditions under which the options were granted. The following tables lists the inputs used at the time the options were granted.

	Black Scholes Option Pricing Model 2019
Exercise price	$2.60
Dividend yield	2.32%
Expected volatility	18.7%
Risk free interest rate	0.86% - 1.92%
Expected life of the options	9.1 years

During the year ended 30 September 2019, 472,288 shares were granted under the Fair Share plan with an option fair value of $0.68 per share. During the year ended 30 September 2020, no expense has been recognised in the Consolidated Income Statement in respect of the Fair Share plan (2019: $321,000).

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 and these have 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 certain EBITDA targets over the prospective financial information period (2 years), and total shareholder return (TSR) hurdles over the vesting period.

The proportion of share rights that vests depends on the Group's TSR performance ranking relative to the NZX50 index.

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:

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:

	Monte Carlo Option Pricing Model 2019
Grant Date	19-Aug-19
Vesting Date	19-Aug-22
Grant Date Share Price	$2.60
Risk Free Interest rate	0.94%
Expected Dividends	$0.26
Valuation per Share Right	$1.26

The weighted average remaining contractual life of the options at 30 September 2020 is 1.83 years.

During the year ended 30 September 2020, an expense of $56,000 (2019: $12,000) has been recognised in respect of the LTI plan in the Consolidated Income Statement.

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

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

21 RELATED PARTY TRANSACTIONS

Transactions with owners		2020 $000	2019 $000
Related Party	*Nature of Transactions*	*Value of Transactions*	
Hawke's Bay Regional Council	Rates, levies and consents	70	158
	Council services	-	3
	Subvention payment	7	32
	Cost recoveries	(18)	-
	Consultancy contribution	-	214
	Lease Income	(25)	(12)
Hawke's Bay Regional Investment Company	Return of capital pre IPO (including dividends)	-	117,857
	Return of capital post IPO	348	-
	Dividends post IPO	2,750	-
	Subvention payment	217	5,708
	Council services	-	207
	Cost recoveries	(38)	-
	Transaction costs reimbursed	-	3,710

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. During the year ended 30 September 2020, Napier Port Holdings Limited paid cash proceeds for the purchase of PONL shares to HBRIC of $0.3 million (2019: $63.9 million) as a return of capital.

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:

	2020 $000	2019 $000
Short-term employee benefits	3,825	3,233
Termination benefits	58	-
Share-based payments	56	24
	3,939	**3,257**

22 COMMITMENTS & CONTINGENCIES

CAPITAL EXPENDITURE COMMITMENTS
At balance date there were commitments in respect of contracts for capital expenditure totalling $118,681,000 (2019: $6,335,000).

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

FINANCIAL GUARANTEES

The Group has financial performance guarantees in place. The maximum callable under the guarantees at 30 September 2020 is $96,000 (2019: $108,000).

23 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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. There is no significant concentration of credit risk and 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 are as disclosed in the statement of financial position and 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:

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
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**	**-**
2019						
Trade payables	4,738	4,738	4,738	-	-	-
Lease liabilities	934	1,225	288	288	649	-
Forward exchange contracts	(200)	4,598	4,598	-	-	-
	5,472	**10,561**	**9,624**	**288**	**649**	**-**

	2020 $000	2019 $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	-	-
Total	**-**	**-**

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.

ACCOUNTING POLICIES: DERIVATIVE FINANCIAL INSTRUMENTS

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item.

(i) Classification of derivatives

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

(ii) Hedge ineffectiveness

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 100% of its loans, 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 is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- the credit/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

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 date or if there are changes in the credit risk of the Group or the derivative counterparty.

(iii) Measurement of derivatives

Forward exchange contracts and options, interest rate swaps and commodity swaps 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 balance date. The fair value of interest rate swaps is determined by reference to market values for similar instruments. The fair value of forward exchange contracts and options is determined by reference to current forward exchange rates for forward contracts with similar maturity profiles.

(i) Interest rate risk

The Group utilises interest rate caps and swaps to manage interest rate exposures for future periods. The Group's main interest rate risk arises from loans and borrowings with variable rates, which expose the Group to cash flow interest rate risk. Generally, the Group enters into long-term borrowings at floating rates and swaps 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.

There were no interest rate swap agreements in place at 30 September 2020 and 30 September 2019.

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**
Cash and cash equivalents	79	(79)	-	-
30 September 2020	**79**	**(79)**	**-**	**-**
Cash and cash equivalents	312	(312)	-	-
30 September 2019	**312**	**(312)**	**-**	**-**

(ii) Foreign exchange rate risk

The Group undertakes transactions denominated in foreign currencies from time to time and exposure in foreign currencies arises from these activities. The Group's exposure to foreign currency risk at the end of the reporting period, expressed in New Zealand Dollars and the contracted terms were as follows:

Foreign exchange contracts	**NZD Amount $000**	**Currency Amount $000**
2020		
EUR cash balances	3,088	1,750
2019		
EUR forward exchange contract	4,598	2,755

Instruments used by the Group:

Foreign exchange risk arises from commercial transactions and recognised assets and liabilities denominated in a currency that is not the New Zealand Dollar. The risk is measured through a forecast of highly probable foreign currency expenditures and hedged with the objective of minimising the volatility of the New Zealand Dollar cost of foreign currency purchases.

It is the Group's policy to hedge 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.

Foreign currency forwards	**2020 $000**	**2019 $000**
Carrying amount (asset)	-	200
Notional amount	-	2,755
Maturity date	-	Oct - Nov 19
Hedge ratio	-	1:1
Change in value of hedged item used to determine hedge effectiveness	-	(200)
Weighted average hedged rate for the year (including forward points)	-	EUR 0.59:NZD 1

Sensitivity:

At the reporting date, a 10% strengthening or weakening of the New Zealand dollar against the relevant foreign currencies with all other variables held constant, would increase/(decrease) profit or loss and other comprehensive income by the amounts shown below.

	Profit or Loss		Other Comprehensive Income	
	10% NZD Increase $000	**10% NZD Decrease $000**	**10% NZD Increase $000**	**10% NZD Decrease $000**
30 September 2020	**-**	**-**	**(281)**	**343**
30 September 2019	**-**	**-**	**(436)**	**533**

(iii) Commodity price risk

The Group utilises commodity swap agreements to reduce the impact of price changes on fuel costs used in operations.

Fuel commodity swaps	2020 $000	2019 $000
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

	2020 $000	2019 $000
Financial assets at amortised cost		
Cash and cash equivalents	4,848	31,224
Trade receivables	8,833	8,620
	13,681	**39,844**
Financial assets at fair value		
Cash and cash equivalents (EUR)	3,088	-
Forward foreign exchange contracts	-	200
	3,088	**200**
Total financial assets	**16,769**	**40,044**
Financial liabilities at amortised cost		
Trade payables	10,615	4,738
Lease liabilities	734	934
	11,349	**5,672**
Financial liabilities at fair value		
Fuel commodity swaps	111	-
	111	**-**
Total financial liabilities	**11,460**	**5,672**

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.

23.5 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base, which the Group defines as total shareholders' 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.

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 COMPARISON TO PROSPECTIVE FINANCIAL STATEMENTS

25.1 PROSPECTIVE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NZ$000	2020 Actual	2020 Forecast
Revenue from Port Operations	98,166	100,425
Property Operations	2,261	2,108
Revenue	**100,427**	**102,533**
Employee benefit expenses	31,373	31,708
Maintenance expenses	8,652	9,082
Other operating expenses	19,236	20,863
Operating expenses	**59,261**	**61,653**
Results from operating activities	**41,166**	**40,880**
Depreciation, amortisation and impairment expenses	12,983	12,947
Other (income) and expenses	(704)	120
IPO transaction and related costs	(285)	-
Profit before finance costs and tax	**29,172**	**27,813**
Finance income	(217)	(111)
Finance expenses	68	50
Net finance costs	**(149)**	**(61)**
Profit before income tax	**29,321**	**27,874**
Income tax expense	7,309	7,901
Profit for the period attributable to the shareholders of the Company	**22,012**	**19,973**
Other comprehensive income		
Items that will be reclassified to profit or loss:		
Changes in fair value of cash flow hedges	(110)	-
Deferred tax on changes in fair value of cash flow hedges	31	-
Items that will not be reclassified to profit or loss:		
Cash flow hedges transferred to property, plant and equipment	(200)	-
Deferred tax on changes in fair value of cash flow hedges	56	-
Impairment of sea defences	(5,782)	-
Deferred tax on impairment of sea defences	703	-
Total comprehensive income	**16,710**	**19,973**

Commentary:
Revenue for the year ended 30 September 2020 is $2.1 million lower than forecast principally due to the impact of COVID-19 on trade volumes. Total container TEU volumes of 268,000 and bulk cargo total volume of 3,121,000 tonnes were lower than forecast for the year by 1% and 6% respectively.

Total operating expenses were $2.4 million lower due to lower trading volumes and cost saving and deferral measures implemented in response to the impact of COVID-19. Other income and expenses is $0.8 million higher than forecast due to the fair value gain recognised on investment property ($1.0 million) offset by the creation of an expected credit loss allowance on trade receivables ($0.2 million). IPO transaction and related costs are a credit of $0.3 million due to the release of prior year accruals.

Income tax expense is $0.6 million lower than forecast due to the deferred tax benefit from the reinstatement of depreciation on buildings ($0.65 million).Other comprehensive income includes the impairment of sea defence assets that are being removed during the construction of 6 Wharf.

25.2 PROSPECTIVE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NZ$000 Forecast	Share Capital	Revaluation Reserves	Hedging Reserve	Reorganisation Reserve	Share Based Payment Reserve	Retained Earnings	Total Equity
Balance at 1 October 2019	**479,754**	**75,451**	**-**	**(221,362)**	**448**	**997**	**335,288**
Profit for the period attributable to the shareholder of the Company	-	-	-	-	-	19,973	19,973
Changes in fair value of cash flow hedges, net of deferred tax	-	-	-	-	-	-	-
Deferred tax on sea defences	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**19,973**	**19,973**
Costs capitalised to equity	(1,096)	-	-	-	-	-	(1,096)
Share based payments	(316)	-	-	-	56	-	(260)
Dividends	-	-	-	-	-	(10,960)	(10,960)
Total transactions with the owner in their capacity as owner	**(1,411)**	**-**	**-**	**-**	**56**	**(10,960)**	**(12,315)**
Total movement in equity	**(1,411)**	**-**	**-**	**-**	**56**	**9,013**	**7,657**
Balance at 30 September 2020	**478,343**	**75,451**	**-**	**(221,362)**	**504**	**10,010**	**342,945**

NZ$000 Actual	Share Capital	Revaluation Reserves	Hedging Reserve	Reorganisation Reserve	Share Based Payment Reserve	Retained Earnings	Total Equity
Balance at 1 October 2019	**246,404**	**75,451**	**144**	**-**	**333**	**13,149**	**335,481**
Profit for the period attributable to the shareholders of the Company	-	-	-	-	-	22,012	22,012
Other comprehensive income	-	(5,079)	(223)	-	-	-	(5,302)
Total comprehensive income	**-**	**(5,079)**	**(223)**	**-**	**-**	**22,012**	**16,710**
Business reorganisation	-	-	-	-	-	(348)	(348)
Costs capitalised to equity	(720)	-	-	-	-	-	(720)
Fair share loans to employees	55	-	-	-	-	-	55
Share based payments	-	-	-	-	56	-	56
Transfer from revaluation reserve	-	(64)	-	-	-	64	-
Pre IPO dividends	11	-	-	-	-	(5,000)	(4,989)
Total transactions with the owner in their capacity as owner	**(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**

Commentary:
Overall total equity is $3.3 million higher than forecast due to higher net profit for the period, less dividends being paid, lower transaction costs included within equity, offset by the impairment of sea defence assets.

25.3 PROSPECTIVE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NZ$000	2020 Actual	2020 Forecast
EQUITY		
Share Capital	245,750	478,343
Reserves	70,618	(145,408)
Retained Earnings	29,877	10,010
Total equity	**346,245**	**342,945**
NON-CURRENT LIABILITIES		
Loans and borrowings	-	32,378
Deferred tax liability	16,681	18,780
Lease liability	521	521
Derivative financial instruments	111	-
Provisions for employee entitlements	447	474
Total non-current liabilities	**17,760**	**52,154**
CURRENT LIABILITIES		
Taxation payable	4,161	400
Lease liability	213	213
Trade and other payables	17,000	13,762
Total current liabilities	**21,374**	**14,374**
TOTAL LIABILITIES AND EQUITY	**385,379**	**409,473**
NON-CURRENT ASSETS		
Property, plant and equipment	351,177	385,484
Intangible assets	1,377	1,819
Investment properties	9,200	7,970
Total non-current assets	**361,754**	**395,273**
CURRENT ASSETS		
Cash and cash equivalents	7,936	-
Trade and other receivables	15,689	14,200
Total current assets	**23,625**	**14,200**
TOTAL ASSETS	**385,379**	**409,473**

Commentary:

Property, plant and equipment is $34.3 million lower than forecast due to differences in the timing of capital expenditure, taxation payable is $3.8 million higher due to the timing of tax payments and trade and other payables are $3.2 million higher due to higher capital creditors at 30 September 2020. The combination of these result in less cash being expended and a higher cash and cash equivalents balance of $7.9 million and lower loans and borrowings of $32.4 million balance than forecast.

25.4 PROSPECTIVE CONSOLIDATED STATEMENT OF CASH FLOWS

NZ$000	2020 Actual	2020 Forecast
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	99,051	102,948
Cash was applied to:		
Payments to suppliers & employees	(61,336)	(61,113)
Offer Costs	(478)	-
Interest received/(paid)	149	(1,452)
Taxes paid	(8,059)	(10,437)
Net cash flows from operating activities	**29,327**	**29,946**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Sale of assets	56	-
Cash was applied to:		
Investment in joint venture	(80)	(120)
Acquisition of other assets	(45,988)	(69,701)
Net cash flows used in investing activities	**(46,012)**	**(69,821)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Net proceeds from loans and borrowings	-	58,628
Repayment of fair share loans by employees	67	-
Cash was applied to:		
Net repayment of loans and borrowings	-	(26,450)
Employee share ownership (ESOP) plans	-	(316)
Pre IPO dividends paid	-	-
Post IPO dividends paid	(5,000)	(10,960)
Borrowing establishment costs	-	-
IPO proceeds transferred to HBRIC as part consideration for shares of PONL	(348)	-
Share issue costs	(1,122)	(1,096)
Repayment of lease liabilities	(200)	-
Net cash flows (used in)/from financing activities	**(6,603)**	**19,806**
Net decrease in cash balances	**(23,288)**	**(20,069)**
Cash and cash equivalents at beginning of year	31,224	20,069
Cash and cash equivalents at end of year	**7,936**	**-**

Commentary:

Cash inflows from operating activities are $0.6 million lower than forecast. This is due to lower receipts from customers, higher offer costs, offset by lower tax and interest payments.

Cash outflows used in investing activities are $23.8 million lower than forecast due to the timing of capital expenditure compared to the forecast assumptions.

Cash inflows from financing activities are $26.4 million lower than forecast due to no net borrowings offset by lower dividend payments.

27 EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the balance sheet date, a fully imputed dividend of $10 million (5 cents per share) was approved by the Board of Directors.

NAPIER PORT HOLDINGS LIMITED

TRADE AND FINANCIAL FIVE YEAR SUMMARY

	2020	2019	2018	2017	2016
Total Cargo (million tonnes)	5.05	5.46	5.09	4.75	3.92
Container Volumes (TEU)	268,266	271,221	266,006	288,444	257,380
Bulk Cargo (million tonnes)	3.12	3.40	3.07	2.51	2.03
Revenue ($m)	100.4	99.6	91.7	86.7	72.7
Result from Operating Activities* ($m)	41.2	42.0	38.9	37.4	30.4
Net Profit After Tax ($m)	22.0	6.8	17.6	16.7	11.5
Dividends ($m)	5.0	54.0	10.0	10.7	7.9
Capital Investment ($m)	46.1	17.6	15.7	18.7	10.3
Net Debt ($m)	-	-	80.6	83.3	79.2
Equity Ratio	90%	91%	64%	63%	63%
Debt Coverage Ratio	-	-	2.1	2.2	2.6
Interest Coverage Ratio	n/a	11.6	8.9	9.0	6.8
Return on Operating Assets %**	13.6%	13.3%	12.6%	12.5%	10.5%
Return on Shareholders' Funds %***	6.5%	2.5%	8.4%	8.5%	6.1%

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.*

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

The Auditor-General is the auditor of Napier Port Holdings Limited and its subsidiaries (the Group). The Auditor-General has appointed me, 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 61 to 89, that comprise the consolidated statement of financial position as at 30 September 2020, 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 2020, 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 our 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, quality assurance over risk assessment processes and a limited assurance engagement to the Group, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group.

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 period. 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 consolidated 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.

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Port Operations Revenue Recognition

Why significant	How our audit addressed the key audit matter
The Group generates 98% of its revenue from port operations. Revenue is a key determinant of the Group's operating result, which has increased significance given the required reporting of the Group's results against its forecasts included in the prospective financial information prepared as part of the initial public offering ("IPO forecast"). In the year to 30 September 2020 port operations revenue was 2% below IPO forecast, principally due to the impact of the COVID-19 pandemic on trade volumes. Disclosures regarding revenue are included in Note 4 and regarding the impact of COVID-19 on the Group's revenue are included in Note 25 to the financial statements.	Our audit procedures included: ▸ assessed the Group's revenue recognition accounting policies and procedures against the requirements of NZ IFRS 15 *Revenue from Contracts with Customers*; ▸ 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; ▸ assessed the adequacy of the Group's disclosures in relation to revenue and the impact of the COVID-19 pandemic on revenue.

Property, Plant and Equipment

Why significant	How our audit addressed the key audit matter
As an infrastructure business, the Group's property, plant and equipment is critical to its operations. The Group has commenced a major construction project, being the development of 6 wharf. Total capital expenditure during the year was \$52.4 million with \$34.1 million of this related to 6 wharf. Disclosures regarding property, plant and equipment are included in Note 17 to the financial statements.	Our audit procedures included: ▸ tested a sample of costs capitalised in the year to supporting evidence and assessed their eligibility for capitalisation against the criteria contained in NZ IAS 16 *Property, Plant and Equipment*; ▸ discussed the status of, and plans for, the 6 wharf development with the project manager to understand progress made in the year, any COVID-19 related delays and the impact of the project on assets which will be replaced by the new wharf and related sea defence assets; ▸ assessed the accounting treatment adopted in relation to existing assets which are being or will be replaced in the 6 wharf development; ▸ assessed the Group's consideration of impairment of property, plant and equipment; and ▸ considered the adequacy of the Group's disclosures relating to property, plant and equipment in accordance with NZ IAS 16 *Property, Plant and Equipment*.

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Other information

The Directors are responsible on behalf of the Group for the other information. The other information comprises the information 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 International Financial Reporting Standards and New Zealand Equivalents to International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated 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 to 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 shareholders 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.

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- 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 to 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.

Simon Brotherton
Ernst & Young
On behalf of the Auditor-General
Auckland, New Zealand
17 November 2020

DIRECTORY

DIRECTORS

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

SENIOR MANAGEMENT TEAM

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

REGISTERED OFFICE

Breakwater Road
PO Box 947
Napier 4140
New Zealand

Phone: +64 6 833 4400
Fax: +64 6 033 4408
Email: info@napierport.co.nz
Facebook: Napier Port
LinkedIn: Napier Port
Twitter: @napierport
Website: napierport.co.nz

BANKERS

Westpac New Zealand Limited
16 Takutai Square
Auckland 1010
New Zealand

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

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:

Link Market Services Limited
PO Box 91976
Victoria Street West
Auckland 1142

Phone: +64 9 375 5998
Fax: +64 9 375 5990
Email: napierport@linkmarketservices.co.nz

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

FINANCIAL CALENDAR

18 December 2020	Final dividend payment
18 December 2020	Annual meeting
31 March 2021	Half-year balance date
May 2021	Interim results announced
June 2021*	Interim dividend payment
30 September 2021	Financial year end
November 2021	Annual results announcement

* *Subject to board approval*