Financial Statements

Directors' report

Report of Directors

Your Directors are pleased to submit their Annual Report including the Group financial statements of CentrePort Limited (CentrePort) and its subsidiaries (the Group) for the year ended 30 June 2019.

Principal Business

CentrePort Limited is a port company pursuant to the Port Companies Act 1988.

Results

Group revenue for the year ended 30 June 2019 was $84.6m (2018:$73.8m).

The net assets balance as at 30 June 2019 is $303.4m (2018:$234.4m).

The November 2016 Kaikoura earthquake caused significant damage to the port and property infrastructure. During the year ended 30 June 2019, the property insurance claim was settled for $170.4m. All settlement proceeds have been received on the property claim.

Significant progress has been made on the port insurance claim. Progress payments of $90.0m were received in relation to the claim during the year. However, at year end the port insurance claim is yet to be settled.

In May 2019 Mandatory Convertible Notes (MCNs) issued to the ACC by Special Purpose Vehicles (SPVs) owned by CentrePort were redeemed for $95.0m giving rise to a loss on redemption of $9.7m. The redemption was funded from cash balances.

During the year CentrePort repaid its debt and rearranged its debt facilities. As at 30 June 2019 CentrePort has $50.0m of undrawn facilities and holds cash balances of $91.7m.

Planning is underway for the regeneration of the port infrastructure and operations. CentrePort is working with its advisors and key stakeholders to plan for the necessary port infrastructure to best service the Central Region's logistics needs for the future.

Dividends

	2019 $000
Interim 2019 dividend paid 12 March 2019	2,000
Second interim 2019 dividend paid 28 June 2019	2,000
Total Dividend	**4,000**

The Directors have declared dividends of $4.0m for the year ended 30 June 2019.

Directors holding office during the year

Parent & Subsidiaries

L J C Johnstone (Chair)

J A Monaghan

R S Janes (resigned 20 June 2019)

R M Petersen

D J Benham

S Haslem

K Magill (appointed 21 June 2019)

Remuneration of Directors

Directors' remuneration paid during the year was as follows:

	Directors' Remuneration $
J A Monaghan	63,500
R S Janes	84,068
R M Petersen	67,500
D J Benham	73,500
S Haslem	67,500
L J C Johnstone	123,500
K Magill	-
	479,568

Entries in the Interests Register

CentrePort maintains an Interests Register in which particulars of certain transactions and matters involving the Directors are recorded. The following are the particulars in the Interests Register for the year ended 30 June 2019.

L J C Johnstone (Chair)

- Appointed as Director of WFF Trustee Limited; C. Alma Baker Trust (NZ) Limited; Waimaha Farms Limited; Wholesale Frozen Foods Limited; Reihana Land Holdings Limited; Maimere Properties Limited; Appointed as Chairman of Farmlands Fuel Limited; and Farmlands Cooperative Society Limited

D J Benham

- Appointed as Director of Wellington Water Limited
- Appointed as Independent Chair of Otago Regional Council Audit & Risk Committee
- Shareholder of Storbie Limited and shareholder and Director of Point Six Limited

J Monaghan

- Appointed as Director and Shareholder of Waitohi Dairy Limited; Monaghan Farm Limited; and Chairman of Fonterra Co-operative Group Limited
- Appointed as Director of Sunset Holdings 2 Limited; Taupua Holdings Limited; Sunset Holdings Limited; Elderslie Holdings 2 Limited; Elderslie Holdings Limited; Waitohi Dairy 2 Limited; and Waitonui Holdings GP Limited

R M Petersen

- Appointed as Director of Augusta Capital Limited; Augusta Funds Management Limited; Augusta Property Holdco Limited; Augusta Industrial Fund Limited; Augusta Industrial Fund No. 1 Limited; and Augusta Industrial Fund No. 2 Limited
- Appointed as Advisory Board Member of Auckland and Onehunga Hostels Endowment Trust

S Haslem

- Appointed as Director of Rangatira Limited; Rainbows End Theme Park Limited; Omphalos Limited; Meterological Service of New Zealand Limited; Magritek Limited; Magritek Holdings Limited; Kordia Group Limited; Oyster Property Group Limited; and Livestock Improvement Corporation
- Appointed Trustee of the Akina Foundation

K Magill

- Appointed as Director of Future Energy New Zealand Limited and Foundation Ventures Limited

Directors

In accordance with the Company's Constitution, David Benham and Mark Petersen will retire by rotation at this year's Annual Meeting. Mr Benham will offer himself for re-election to the Board. On 21 June 2019 Kerrie-Lee Magill was appointed a Director by the Board until the next Annual General Meeting of shareholders where Ms Magill will offer herself for election to the Board.

Directors' Insurance

The Company has arranged Directors' and Officers' liability insurance cover for $25 million with AIG Insurance NZ Limited to indemnify the Directors' against loss as a result of actions undertaken by them as Directors and employees provided they operate within the law. This disclosure is made in terms of Section 162 of the Companies Act 1993.

Remuneration of Employees

During the year, the number of employees or former employees of CentrePort Limited and its subsidiaries who received remuneration and other benefits in excess of $100,000 are:

	Number of Current Employees
$100,001 - $110,000	25
$110,001 - $120,000	29
$120,001 - $130,000	16
$130,001 - $140,000	10
$140,001 - $150,000	4
$150,001 - $160,000	3
$160,001 - $170,000	5
$170,001 - $180,000	3
$180,001 - $190,000	1
$190,001 - $200,000	2
$200,001 - $210,000	1
$210,001 - $220,000	3
$220,001 - $230,000	4
$240,001 - $250,000	2
$250,001 - $260,000	1
$260,001 - $270,000	1
$290,001 - $300,000	2
$320,001 - $330,000	1
$340,001 - $350,000	1
$350,001 - $360,000	2
$400,001 - $410,000	1
$650,001 - $660,000	1
	118

Donations

The Group made $102,059 (2018:$39,380) of donations during the year.

Auditor

The Auditor-General continues in office in accordance with Section 19 of the Port Companies Act 1988. The Auditor-General has appointed Mr J Shepherd of Deloitte Limited to undertake the audit. The Company paid audit fees of $288,000 for the year ended 30 June 2019.

Registered Office

CentrePort Limited
Hinemoa Street
PO Box 794
Wellington 6140
New Zealand

For, and on behalf of, the Board of Directors

L J C Johnstone
Chairman
19 August 2019

D J Benham
Director
19 August 2019

Financial Statements

Statement of Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
CONTINUING OPERATIONS			
Revenue from Contracts with Customers	4	**67,579**	56,889
Other Revenue	4	**17,060**	16,911
Operating Revenue		**84,639**	73,800
Operating Expenses	5	**(80,674)**	(69,058)
Earnings from Operations Before Interest, Equity Earnings, Earthquake Impacts, Changes in Fair Value, and Tax		**3,965**	4,742
Net Interest Income / (Expense)	4,5	**476**	(11,385)
Share of Profit/(Loss) of Investments Using the Equity Method	16	**10,220**	22,999
Net gain/(loss) on Disposal of Assets		**(1,814)**	(32)
		12,847	16,324
Earthquake related items			
Temporary works expenditure and Demolition Costs	3	**(24,220)**	(33,628)
Impairment of assets relating to earthquake damage	3	**(3,271)**	(2,596)
Earthquake Costs		**(2,174)**	-
Insurance Proceeds Income	3	**90,382**	55,583
		60,717	19,359
Changes in Fair Values			
Increase / (decrease) in Fair Value of Investment Property	15	**1,021**	(826)
Increase / (decrease) in Fair Value of Financial Instruments		**-**	8,778
		1,021	7,952
Profit before Income Tax		**74,585**	43,635
Income Tax (Expense) / Benefit	6	**(1,652)**	(5,541)
Profit for the Year from Continuing Operations		**72,933**	38,094
Other Comprehensive Income			
Other comprehensive loss for the year		**-**	-
Total Comprehensive Income for the year, net of tax		**72,933**	38,094

The notes and accounting policies form part of and should be read in conjunction with the financial statements

Statement of Changes in Equity

For the the year ended 30 June 2019

	Notes	Share Capital $'000	Revaluation Reserves $'000	Retained Earnings $'000	Total Equity $'000
		Attributable to equity holders of the Company			
Balance as at 1 July 2017		30,000	8,585	159,759	198,344
Profit for the Year from Continuing Operations		-	-	38,094	38,094
Dividends	10	-	-	(2,000)	(2,000)
Balance as at 30 June 2018		**30,000**	**8,585**	**195,853**	**234,438**

	Notes	Share Capital $'000	Revaluation Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance as at 1 July 2018		**30,000**	**8,585**	**195,853**	**234,438**
Profit for the Year from Continuing Operations		-	-	72,933	72,933
Dividends	10	-	-	(4,000)	(4,000)
Balance as at 30 June 2019		**30,000**	**8,585**	**264,786**	**303,371**

The notes and accounting policies form part of and should be read in conjunction with the financial statements

Balance Sheet

As at 30 June 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	11	**91,724**	2,308
Trade and Other Receivables	12	**10,555**	9,068
Inventories	13	**1,832**	1,351
Insurance Receivable	3	**50,000**	59,268
Total Current Assets		**154,111**	71,995
Non-current Assets			
Property, Plant and Equipment	14	**126,897**	126,338
Investment Properties	15	**62,453**	18,179
Investments in Joint Ventures	16	**(190)**	74,584
Intangible Assets	18	**3,077**	3,053
Total Non-current Assets		**192,237**	222,154
Total Assets		**346,348**	294,149
LIABILITIES			
Current Liabilities			
Trade and Other Payables		**14,022**	10,138
Provision for Employee Entitlements	19	**3,695**	3,523
Borrowings	20	**-**	22,040
Current tax liabilities	6	**2,821**	-
Total Current Liabilities		**20,538**	35,701
Non-current Liabilities			
Provision for Employee Entitlements	19	**282**	645
Deferred Tax Liabilities	7	**22,157**	23,365
Total Non-current Liabilities		**22,439**	24,010
Total Liabilities		**42,977**	59,711
Net Assets		**303,371**	234,438
EQUITY			
Contributed Equity	9	**30,000**	30,000
Reserves	9	**8,585**	8,585
Retained Earnings	9	**264,786**	195,853
Total Equity		**303,371**	234,438

For, and on behalf of, the Board of Directors

L J C Johnstone *Chairman*
19 August 2019

D J Benham *Director*
19 August 2019

The notes and accounting policies form part of and should be read in conjunction with the financial statements

Statement of Cash Flows

For the year ended 30 June 2019

	Notes	**2019 $'000**	2018 $'000
Cash Flows from / (used in) Operating Activities			
Receipts from Customers		**84,457**	71,374
Payments to Suppliers and Employees		**(75,697)**	(58,810)
Dividend Income Received		**-**	500
Interest Income Received		**807**	45
Interest Expense Paid		**(567)**	(2,015)
Termination of interest rate swaps		**-**	(9,543)
Business Interruption Insurance - temporary works	3	**24,220**	33,628
Business Interruption Insurance - loss of gross profits and rents	3	**6,622**	8,477
Temporary works and demolition costs		**(22,740)**	(36,678)
Tax Transfer from SPV's		**(966)**	-
Income Taxation Refunded/(Paid)		**(123)**	1,535
Net Cash Flows from / (used in) Operating Activities	22	**16,013**	8,513
Cash Flows from (used in) Investing Activities			
Proceeds from Sale of Plant, Property and Equipment		**459**	229
Purchase of Property, Plant and Equipment		**(7,757)**	(7,651)
Development of Investment Properties		**(2,636)**	(2,707)
Acquisition of Joint Venture		**-**	(7,750)
Cash balance from acquired Joint Venture	17	**47,944**	16,758
Earthquake insurance progress payments received	3	**68,808**	16,895
Earthquake capital expenditure		**(8,263)**	(6,141)
Other transfers		**885**	(90)
Net Cash Flows from / (used in) Investing Activities		**99,440**	9,543
Cash Flows from / (used in) Financing Activities			
Repayments of borrowings		**(18,000)**	(18,000)
Dividends Paid to Shareholders of the Parent		**(4,000)**	(2,000)
Net Cash Flows from / (used in) Financing Activities		**(22,000)**	(20,000)
Net increase / (decrease) in Cash and Cash Equivalents		**93,453**	(1,944)
Cash and Cash Equivalents at the Beginning of the Year		**(1,729)**	215
Cash and Cash Equivalents at End of Year	11	**91,724**	(1,729)

The notes and accounting policies form part of and should be read in conjunction with the financial statements

Notes to the financial statements

Contents

1. Statement of Compliance

CentrePort Limited (the ‘Company’ or 'CentrePort') is a profit-oriented entity established under the Port Companies Act 1998. CentrePort and subsidiaries (the 'Group') is a reporting entity for the purposes of the Companies Act 1993 and its financial statements comply with that Act and the Financial Reporting Act 2013. The Group consists of CentrePort Limited, its subsidiaries and joint ventures as disclosed in notes 16 and 25. The Company's registered office is Hinemoa Street, PO Box 794, Wellington, New Zealand.

Consolidated financial statements for the Group are presented in accordance with the Companies Act 1993 and the Port Companies Act 1988.

Unless otherwise stated, all amounts are rounded to $000 and are expressed in New Zealand dollars.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). These financial statements comply with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS'), and other applicable Financial Reporting Standards as appropriate for Tier 1 for-profit entities. They also comply with International Financial Reporting Standards.

The financial statements have been prepared on the basis of historical cost except for the revaluation of operational port freehold land, investment properties, and financial instruments.

(b) Accounting Policies

Accounting policies that summarise the measurement basis and are relevant to the understanding of the financial statements are included in the accompanying notes.

(c) Critical Accounting Estimates and Judgements

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Detailed information about each of these estimates and judgements is included in the notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving significant estimates or judgements are:

- Revenue recognition relating to insurance revenue from the Port insurance claim (note 3)
- Income tax calculations (note 6)
- Impairment of Port assets held at cost (note 14)
- Fair Value of Port Land (note 14) and investment property valuation (note 15)

2. Summary of Significant Accounting Policies (continued)

(d) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of CentrePort and entities controlled by CentrePort. Control is achieved when CentrePort is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through is power over the investee.

The results, assets, and liabilities of joint ventures are incorporated into these financial statements using the equity method.

(e) Statement of Cash Flows

The following are the definitions used in the statement of cash flows:

a. Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within cash.
b. Operating activities comprise the principal revenue-producing activities of the group and other activities that are not considered to be investing or financing activities.
c. Investing activities are those activities relating to the acquisition and disposal of Property, Plant & Equipment, Investment Property, Intangible Assets, Investments and Joint Ventures. Investments include securities not falling within the definition of cash.
d. Financing activities are those activities that result in the changes in size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to capital structure are included in financing activities.

(f) Impairment of Assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Summary of Significant Accounting Policies (continued)

(g) Foreign Currency Translation

Transactions in foreign currency are converted at the rate of exchange ruling at the date of the transaction. At balance date, foreign monetary assets and liabilities are translated at the closing rate and exchange variations arising from these transactions are recognised in the statement of comprehensive income.

(h) Goods and Services Tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.

Cash flows are included in the statement of cash flows on a net basis for GST purposes. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(i) Standards, Amendments and Interpretations

New standards adopted by the Group

The Group has applied NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers for the first time for the annual reporting period commencing 1 July 2018.

NZ IFRS 9 Financial Instruments

NZ IFRS 9 replaces the provisions of NZ IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied NZ IFRS 9 retrospectively and has restated the comparative information in accordance with the new accounting policies. The adoption of NZ IFRS 9 Financial Instruments from 1 July 2018 resulted in changes to the accounting policies but no material impact on either the current or comparative financial position or performance of the Group. The Group has consequently not used any of the transitional provisions in NZ IFRS 9 for first time adoption. The new accounting policies are set out in notes 12 and 21.

NZ IFRS 15 Revenue from Contracts with Customers

The Group has applied NZ IFRS 15 in accordance with the fully retrospective transitional approach. Apart from providing additional disclosures on the Group's revenue transactions, the application of NZ IFRS 15 has not had any impact on the financial position and the financial performance of the Group. No adjustments have had to be made to either the current or comparative period as a result of adopting NZ IFRS 15. The Group has consequently not used any of the practical expedients available under NZ IFRS 15 C5 for first time adoption.

Refer to note 4 for the new accounting policies.

2. Summary of Significant Accounting Policies (continued)

New standards not yet adopted

The following are the significant new or revised standards or interpretations in issue that are not yet required to be adopted by entities preparing financial statements for periods ending 30 June 2019.

NZ IFRS 16 – Leases

Effective for reporting periods beginning on or after 1 January 2019. The main changes under the standard for lessees are:

- All operating leases other than those that are short term (less than 12 months) or considered low value are required to be presented on the balance sheet.
- All leases on the balance sheet will give rise to a combination of interest expenses on the lease liability and depreciation of the right of use asset.

The impact of NZ IFRS 16 will be determined by the level of operating lease commitments greater than 12 months duration at adoption. The companies operating lease commitments are set out in note 24.

Management is yet to assess the impact of this standard and will not adopt it before the effective date.

(j) Fair Value Hierarchy

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)

Assumptions for valuation models are based on management's judgements and estimates. Changes in the assumptions used in these models and projections of future cash flows could affect the reported fair value of financial instruments.

3. Earthquake Income and Expenses

A 7.8 magnitude earthquake struck on 14 November 2016 in Kaikoura which has had a significant impact on CentrePort. The earthquake significantly damaged Port infrastructure and Port properties including the land on which the Port operates. The major Port operations impacted were the container services and the investment property portfolio. Other Port services including logs, ferries, fuel, cruise and break bulk activities had substantially recovered immediately following the earthquake.

The impact of the earthquake has been reflected in these financial statements with the information available to the date these financial statements are signed. The insurance claim process is well advanced and engineering damage assessments have been completed. However there is considerable uncertainty in relation to the final quantification for the settlement of the insurance claim. The Group is working closely with independent advisors and the insurers' assessors to progress the claim.

3. Earthquake Income and Expenses (continued)

The Group has separate insurance policies for CentrePort and CentrePort Properties Limited.

At the time of the earthquake CentrePort had a total insured value (in relation to port infrastructure) of $600.0m for both Material Damage and Business Interruption combined. The Business Interruption covers a 36 month indemnity period. Insurance progress payments of $90.0m were received by CentrePort in the year ended 30 June 2019 (2018: $60.0m) bringing total progress payments received to 30 June 2019 to $250.0m. These payments are applied to business interruption (loss of rents and temporary works) in the first instance and secondly to material damage.

During the year ended 30 June 2019, CentrePort Properties Limited, including its associate property entities (SPVs), reached a full and final settlement on its insurance claim of $170.4m. Of this, $158.2m related to the SPVs and $12.2m related to CentrePort Properties Limited. All insurance proceeds have been received by CentrePort Properties Limited and allocated to the SPVs as set out in the settlement agreement.

Insurance and property related impacts for CentrePort and CentrePort Properties Limited are set-out below. As the SPVs were equity accounted until 31 May 2019, the impact of the earthquake in relation to the SPVs is accounted for separately as described in note 16.

The Group received $210.4m of payments in 2019 for claims on these policies of which $90m related to CentrePort progress payments and $120.4m related to the final settlement for the CentrePort Properties Limited claim.

The following table shows the net proceeds applied in the financial statements for the year ended 30 June 2019 for CentrePort and CentrePort Properties Limited:

	Material Damage $'000	Business Interruption $'000	**2019 $'000**	**2018 $'000**
Loss of gross profits and rents	-	6,622	6,622	8,477
Temporary works expenditure and demolition costs	-	24,220	24,220	33,628
Material damage - preliminary estimates	59,540	-	59,540	13,478
Total insurance income	59,540	30,842	90,382	55,583
Total insurance income received to date				
Total insurance income	210,769	101,236	312,005	221,624
Less progress payments received	(160,769)	(101,236)	(262,005)	(162,356)
Receivable as at 30 June 2019	50,000	-	50,000	59,268

Business Interruption

An estimate of the amount recoverable for CentrePort's loss of gross profits has been made for the period to 30 June 2019. The amount has been calculated based on the estimated loss of revenue and has not yet been agreed with the insurer and therefore could be subject to change in future periods. CentrePort Property Limited's loss of gross profit of $0.3m is per the final settlement.

A change to the estimated loss of revenue of + / - 10% would result in an increase / decrease in the loss of gross profits income estimate accrued of $0.6m for the current year.

3. Earthquake Income and Expenses (continued)

Material Damage Insurance Receivable

The Group has insurance cover for damage incurred to its insured assets and infrastructure. The insurers have accepted that the damage is covered under the Group's insurance policies, however, the final claim settlement amount has not yet been agreed. As a result assumptions have been made and judgement applied in determining the insurance proceeds to be recognised for material damage.

Where the minimum amount recoverable for damage to specific port assets can be reliably estimated, it has been recorded as income. There is potential for adjustments to be made to insurance amounts recognised in prior periods (based on estimates at that time) when the claim is settled and these may be material.

There is a contingent asset in relation to the insurance claim for the Port (note 27).

Earthquake Deductible Expenditure

Under the insurance policies the Group is liable to meet a deductible amount toward the cost of repair or reinstatement of the damaged assets. The total of the deductible relating to CentrePort infrastructure is $13.5m.

Impairment of Assets

Engineering damage assessments have been completed and submitted to the insurers. In completing the damage assessments further damage arising from the earthquake has been identified resulting in a further $2.6m impairment being recognised during the year (2018: $1.9m). An impairment of $0.7m (2018: $0.6m) has been taken to investment property for higher than forecasted costs of repairs.

	2019 $'000	2018 $'000
Asset impairment arising out of the earthquake:		
- Estimated asset impairments relating to damaged or obsolete assets (note 14)	2,621	1,996
- Impairments and fair value write-down on investment properties (note 15) owned by CentrePort Properties Limited	650	600
	3,271	**2,596**

Port Land

An adjustment of $63m to the fair value of land has been made to recognise the resilience work that needs to be undertaken to support the land. This adjustment is discussed in note 14.

Tax impact

For information on the material assumptions and sensitivities related to the impact of the earthquake on income tax please refer to note 6

4. Operating Revenue

Recognition and Measurement

(i) Revenue from Port Operations

The Group receives revenue from contracts with customers from its port operations.

Performance obligations and timing of revenue

The majority of revenue from Port Operations is from services provided by the Group to its customers including wharfage, stevedoring, and marine services. Revenue is recognised as the services are delivered over time. On partially completed contracts revenue is recognised based on the stage of completion of the service using the output method. For partially completed wharfage and stevedoring services revenue is recognised based on the quantity of goods moved across the Port out of the total required to be moved (i.e. an output method). This is considered a faithful depiction of revenue as wharfage contracts are typically for the movement of a set quantity of goods across the Port. For partially completed marine services revenue is recognised as the number of times the vessel has been brought into and out of the Port out of the required total. This is considered a faithful depiction as marine service contracts are to bring a vessel in and out of the Port a set number of times. Payment for services rendered is due upon completion of the contracted service.

Determining the transaction price

Most of the Group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by references to those fixed prices.

Some contracts provide customers with rebates based on volumes of goods moved across the port. Historical experience enables the Group to estimate reliably the value of rebates that will be earned and restrict the amount of revenue that is recognised such that it is highly probable that there will not be a reversal of previously recognised revenue when rebates are provided.

Allocating amounts to performance obligations

For all contracts there is a fixed unit price for each service provided. Therefore there is no judgment involved in allocating the contract price as the contract price is the fixed price multiplied by the quantity of services provided. Where a customer orders more than one type of service the Group is able to determine the split of the total contract price between each service by reference to the services standalone selling price.

Incremental costs of obtaining and fulfilling a contract

The costs of obtaining and fulfilling a contract are recognised as an expense when incurred. These costs do not result in the recognition of a separate asset as all contracts are service contracts where revenue is recognised over time by reference to the stage of completion using the output method.

Practical expedients

Based on the above the Group will apply practical expedient B16 as it considers that its right to consideration for services performed corresponds directly with the amount of services performed by the Group to date. Therefore the Group recognises revenue at the amount to which it has a right to invoice.

(ii) Other Revenue

Other revenue is made up of rental income from leases that is recognised in accordance with NZ IAS 17. This is recognised on a straight-line basis over the term of the relevant lease.

4. Operating Revenue (continued)

(iii) Dividend and Interest Revenue

Dividend revenue from investments is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Disaggregation of Revenue

All of the Group's revenue from Contracts with Customers relate to Port Operations.

	2019	2018
	$'000	$'000
Revenue from Port Operations	**67,579**	56,889

5.Operating Expenses

	Notes	**2019**	2018
	Notes	**$'000**	$'000
Expenses, excluding finance costs, included in the statement of comprehensive income classified by nature			
Employer Contribution to Superannuation		**1,211**	1,047
Employee Benefits Expense		**26,006**	24,178
Rental and Lease Expenses		**1,133**	1,586
Depreciation	14	**6,736**	5,032
Contracted Services		**19,926**	16,721
Amortisation	18	**167**	214
Fuel and Utilities		**2,331**	2,181
Rates and Insurance		**8,473**	6,907
Repairs and Maintenance		**5,815**	3,717
Directors' Remuneration and Expenses		**486**	482
Audit Services		**358**	285
Other Operating Expenses		**8,032**	6,708
Operating Expenses		**80,674**	69,058
Net Interest Income / (Expense)			
Interest Expense		**(611)**	(1,888)
Realised loss on termination of interest rate swaps		**-**	(9,543)
Interest Received		**1,087**	45
Net Interest Cost / (Income)		**476**	(11,386)

6. Income Tax

Recognition and Measurement

The tax expense for the period comprises current and deferred tax. Tax is recognised on the income statement, except to the extent that it relates to items recognised in the statement of comprehensive income or directly in equity. In this case, the tax is recognised in the statement of comprehensive income or directly in equity, respectively.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate. This is then adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and by unused tax losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that they will be utilised.

Key Assumptions

A number of assumptions have been applied in the tax calculation as a result of the different tax rules that apply to insurance proceeds and asset repairs or reinstatement. The most material assumption is an allocation of $59.5m (2018:$3.3m) of the insurance proceeds to assets that are likely to be deemed to be disposed for tax purposes, this brings the cumulative allocation of insurance proceeds to $179.8m (2018:$120.3m).'

The allocation is based on the indemnity value of the key assets considered to be irreparable as a result of the earthquake. This assumption results in non-taxable capital gains in the current year of $59.5m with a tax effect of $16.7m (in the prior year non-taxable capital gains were $3.3m with a tax effect of $0.9m) being the proceeds over and above original cost.

The historic tax depreciation claimed on the assets deemed to be destroyed that is likely to be recovered by Inland Revenue has been reflected as a deferred tax liability with a tax effect of $16.5m (2018:$16.5m). The remainder of the proceeds are deemed to be taxable as the related expenditure on repairs will be deductible. These estimates are based on the best information at the time of signing the accounts and the tax positions will be finalised in due course as the insurance claim is settled.

6. Income Tax (continued)

	2019 $'000	2018 $'000
The Income Taxation Expense is Represented By:		
Current Year Taxation expense	**2,861**	6,522
Deferred tax expense (note 7)	**(1,209)**	(979)
Income Taxation Expense / (Benefit)	**1,652**	5,543
Relationship between income tax and accounting surplus:		
Net surplus (deficit) before tax	**74,585**	43,635
Income Taxation on the Surplus for the Year at 28%	**20,884**	12,218
Taxation Effect of:		
- Equity Earnings in Joint Ventures / Associates	**(2,862)**	(6,297)
- Insurance Proceeds in Relation to Non-taxable Capital Gain	**(16,761)**	(1,044)
- Change in Fair Values of Investment Properties	**(286)**	273
- Non-deductible Expenditure	**1,163**	249
- Recognition of Unrecgonised Deferred Tax	**(379)**	-
- Prior Period Adjustments	**(107)**	142
Income tax expense	**1,652**	5,541
Income Tax Receivable / (Payable)		
Opening Balance	**-**	601
Income tax paid / (refunded)	**123**	(1,535)
Prior Year Adjustment	**(61)**	319
Harbour Quays Current tax balance	**(85)**	-
Transfer Losses (to) / from Deferred Tax	**-**	7,456
Current Year Tax (Liability) / Benefit	**(2,798)**	(6,841)
Closing Balance	**(2,821)**	-

7. Deferred Tax

Deferred Tax Liability / (Asset) Comprises	**2019 $'000**	2018 $'000
Balance at 1 July	**23,365**	16,890
Prior Period Adjustment	**(45)**	466
Current Year Movement	**(784)**	(1,594)
Wellington Port Coldstores Limited Deferred Tax Adjustment	**-**	147
Recognition of previously unrecognised deferred tax	**(379)**	-
Losses Transferred to / (from) Current Tax	**-**	7,456
Balance at 30 June	**22,157**	23,365

Movements	**Property, plant and equipment $'000**	**Investment properties $'000**	**Insurance recoverable $'000**	**Employee entitlements $'000**	**Interest rate swaps $'000**	**Tax losses $'000**	**Other $'000**	**Total $'000**
At 1 July 2017	(5,717)	(251)	35,908	(931)	(2,458)	(7,437)	(2,225)	16,889
Current Year Movement	(160)	(134)	(3,599)	(10)	2,458	7,456	466	6,476
Wellington Port Coldstore Limited Acquisition	-	-	-	-	-	(312)	312	-
At 30 June 2018	(5,877)	(385)	32,309	(941)	-	(293)	(1,447)	23,365

Movements	**Property, plant and equipment $'000**	**Investment properties $'000**	**Insurance recoverable $'000**	**Employee entitlements $'000**	**Interest rate swaps $'000**	**Tax losses $'000**	**Other $'000**	**Total $'000**
At 1 July 2018	(5,877)	(385)	32,309	(941)	-	(293)	(1,447)	23,366
Current Year Movement	(502)	743	(2,016)	21	-	(252)	797	(1,209)
At 30 June 2019	(6,379)	358	30,293	(920)	-	(545)	(650)	22,157

8. Imputation Credit Account

	2019 $'000	**2018 $'000**
Imputation credits available at a Tax Rate of 28% Through direct shareholding in the Parent Company	**2,632**	96
	2,632	96

9. Contributed Equity and Reserves Movements

	2019 Shares	2018 Shares	**2019 $'000**	2018 $'000
Ordinary shares				
Authorised Ordinary Shares Issued and Fully Paid	23,424,657	23,424,657	30,000	30,000

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Reserves $'000	**Retained Earnings $'000**	**Total $'000**
At 1 July 2017	8,585	159,759	168,344
Profit for the year from Continuing Operations	-	38,094	38,094
Fair value adjustments	-	-	-
Dividends	-	(2,000)	(2,000)
At 30 June 2018	8,585	195,853	204,438
Profit for the year from Continuing Operations	-	72,933	72,933
Fair value adjustments	-	-	-
Dividends	-	(4,000)	(4,000)
At 30 June 2019	8,585	264,786	273,371

10. Dividends

	2019 $'000	**2018 $'000**
Interim Dividends Paid on Ordinary Shares	**4,000**	2,000
	4,000	2,000

Dividend per share was $0.17 (2018:$0.09)

11. Current assets – Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks with less than 32 days maturity, and term deposits with greater than 32 days maturity but which are available on demand within 90 days.

Including the overdraft, the net cash and cash equivalents is $91.7m (2018: ($1.7m)).

	2019 $'000	2018 $'000
Cash at bank and in hand	**91,724**	2,308
Term Deposits (greater than 32 days maturity)	**-**	-
Total Cash and Cash Equivalents	**91,724**	2,308

12. Trade and Other Receivables

Trade and other receivables are recognised at amortised cost, less provision for expected credit losses. Amortised cost is considered approximate to trade and other receivables measured at fair value. Expected credit losses are determined using a lifetime expected credit loss provision for trade and other receivables. The expected loss rates are based on the Group's historical credit losses experienced over the prior three year period. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. As at 30 June 2019 the group had no material expected credit losses.

	2019	2018
	$'000	$'000
Trade Receivables	**8,400**	7,793
Related party (payables) / receivables	**16**	(11)
Other receivables	**1,750**	1,079
Prepayments	**389**	207
Total Trade and Other Receivables	**10,555**	9,068

13. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cost of spare parts is calculated using the weighted average cost method. Spare parts are held for maintenance purposes only.

	2019	2018
	$'000	$'000
Crushed concrete		
Kaiwharawhara crushed concrete	**781**	-
	781	-
Stock		
Spares stock control	**933**	1,237
Fuel and stock control	**118**	114
	1,051	1,351
Total Inventories	**1,832**	1,351

14. Property, Plant and Equipment

Recognition and Measurement

The Group has five classes of Property, Plant & Equipment:

- Operational Port Land
- Buildings
- Wharves & Paving
- Cranes & Floating Equipment
- Plant, Vehicles and Equipment

Operational Port Land is stated at fair value at the date of revaluation less any subsequent impairment losses. Fair value is determined by reference to the highest and best use of land as determined by the independent valuer. Operational Port Land was last independently valued by Bayleys, a registered valuer, on 30 June 2017. The Directors are satisfied that there has not been a material movement in the fair value as at 30 June 2019.

The fair value of Operational Port Land is recognised in the financial statements of the Group and reviewed at the end of each reporting period to ensure that the carrying value of land is not materially different from its fair value. Any revaluation increase of Operational Port Land is recognised in other comprehensive income and accumulated as a separate component of equity in the properties revaluation reserve, except to the extent it reverses a previous revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit and loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged to the profit and loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation.

Property, Plant & Equipment is recorded at cost less accumulated depreciation and impairment. Cost represents the value of the consideration 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. All Property, Plant & Equipment is depreciated, excluding land.

The Board and management have undertaken a process to determine what constitutes Investment Property and what constitutes Property, Plant & Equipment. There is an element of judgement in this. There is a developed Port plan, and those items of land that are considered integral to the operations of the Port have been included in Operational Port Land. Land held specifically for capital appreciation or to derive rental income has been classed as Investment Property.

Depreciation

There is no depreciation on Operational Port Land or Investment Properties. Depreciation on other Property, Plant & Equipment is charged on a straight line basis so as to write-off the cost of the Property, Plant & Equipment to its estimated residual value over its expected useful life. The expected useful lives are as follows:

Buildings, Wharves and Paving	10 to 50 years
Cranes and Floating Equipment	4 to 30 years
Plant, Vehicles and Equipment	2 to 20 years

The useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

14. Property, Plant and Equipment (continued)

	Port Land at Fair Value $'000	Buildings at Cost $'000	Wharves and Paving at Cost $'000	Plant & Equipment at Cost $'000	Work in Progress $'000	Total $'000
Year ended 30 June 2018						
Opening net book amount	50,652	7,547	17,943	37,595	4,867	118,604
Transfer to Investment Property	(127)	-	-	-	-	(127)
Additions	-	-	-	412	14,864	15,276
Transfers from Work in Progress	2,889	134	120	12,300	(15,501)	(58)
Disposals	(23)	(1)	-	(50)	-	(74)
Reclassification	-	-	1,252	(27)	(1,252)	(27)
Impairment	-	(794)	(330)	(872)	-	(1,996)
Temporary Works Depreciation	-	-	-	(228)	-	(228)
Depreciation charge (note 5)	-	(431)	(994)	(3,606)	-	(5,031)
Closing net book amount	**53,391**	**6,455**	**17,991**	**45,524**	**2,978**	**126,339**
At 30 June 2018						
Cost or Valuation	116,391	29,545	102,624	87,191	8,838	344,589
Accumulated impairment	(63,000)	(7,644)	(34,405)	(5,294)	(5,860)	(116,203)
Accumulated depreciation	-	(15,446)	(50,228)	(36,373)	-	(102,047)
Net book amount	**53,391**	**6,455**	**17,991**	**45,524**	**2,978**	**126,339**
Year ended 30 June 2019						
Opening net book amount	53,391	6,455	17,991	45,524	2,978	126,339
Additions	-	-	67	6	12,723	12,796
Transfers from Work in Progress	-	771	989	3,424	(5,375)	(191)
Disposals	-	-	-	(2,313)	-	(2,313)
Impairment	-	(66)	-	(2,555)	-	(2,621)
Temporary Works Depreciation	-	-	-	(377)	-	(377)
Depreciation charge (note 5)	-	(345)	(1,026)	(5,365)	-	(6,736)
Closing net book amount	**53,391**	**6,815**	**18,021**	**38,344**	**10,326**	**126,897**
At 30 June 2019						
Cost or Valuation	116,391	29,786	100,300	82,575	10,326	339,378
Accumulated impairment	(63,000)	(7,235)	(31,024)	(6,703)	-	(107,962)
Accumulated depreciation	-	(15,736)	(51,255)	(37,528)	-	(104,519)
Net book amount	**53,391**	**6,815**	**18,021**	**38,344**	**10,326**	**126,897**

14. Property, Plant and Equipment (continued)

Operational Port Land

Operational Port Land is measured at fair value less any allowance for impairment.

Operational Port Land was last independently valued by Bayleys, a registered valuer, on 30 June 2017. The assessed value at that time was $110.5m (which excludes $3.1m of additions during the year ended 30 June 2017 and $2.9m of additions during the year ended 30 June 2018) which was adjusted by $63.0m for estimated Operational Port Land resilience costs. The Directors are satisfied that there has not been a material movement in the fair value as at 30 June 2019.

	2019 **$'000**
Industrial Zoned Land	**79,590**
Commercial Zoned	**8,832**
Other Port Land	**25,231**
Total Operational Port Land	**113,653**
Provision for Resilience	**(63,000)**
Carrying Value Operational Port Land	**50,653**
Additions, Transfers, and Disposals of Port Land since valuation	**2,738**
Carrying Value Operational Port Land 30 June 2019	**53,391**

Valuation Approach Operational Port Land

The fair value of Operational Port Land has been determined in accordance with Australia and New Zealand Valuation and Property Standards, in particular Valuation Guidance Note NZVGN 1 Valuations for Use in New Zealand Financial Reports and IVS 300 Valuations for Financial Reporting and NZ IFRS 13 (Fair Value Measurement).

The fair value of Operational Port Land is based on the highest and best use for transport distribution, road/rail/port linkages and logistics.

The fair value of Operational Port Land is determined with reference to a fair value hierarchy of inputs. All inputs into the determination of fair value of Operational Port Land sit within level 3 of this hierarchy as they are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Each freehold parcel of land is valued on a rate per square metre basis using the direct sales comparison approach. In carrying out this comparison, consideration is given to:

- sales of land or development sites within the wider Wellington region
- size, shape, location and access to services
- road frontage, exposure to vehicles
- allowable height and density of use.

Key assumptions underlying the valuation are set out below:

Land at Aotea Quay, the Northern Reclamation and Point Howard was valued in its current condition.

Parts of the port incurred significant settlement resulting in undulations and sharp height variations to some sealed areas. The valuation was completed on the basis that all remediation work was complete, including re-levelling and laying new seal.

14. Property, Plant and Equipment (continued)

The following table summarises the valuation approach used by the valuers to arrive at an assessed value and the sensitivity of the valuation to movements in unobservable inputs.

Freehold Land	Fair Value $'000	Valuation Approach	Key Valuation Assumptions	Valuation Impact
- Industrial Zoned	$79,590	Comparison to sales of industrial land in similar locations	Weighted average land value - $40 - $600 psm	+/-5% ($4.0m)
- Commercial Zoned	$8,831	Comparison to sales of commercially zoned land in similar locations	Weighted average land value - $750 - $2100 psm	+/-5% ($0.4m)

Operational Port Land Resilience

An adjustment of $63.0m (2018: $63.0m) has been made to the fair value of Operational Port Land at 30 June 2019 to recognise the resilience work that needed to be undertaken to support the land. The resilience works costs are estimated with reference to the expected costs for remediation works undertaken for part of the operational port land.

There is a high level of uncertainty attached to the level of adjustment to be recognised for port land resilience. This uncertainty includes the appropriate level of resilience required for each area of land, the range of potential technical solutions available to provide the desired level of resilience, and the cost of each potential solution.

Planning for the works to be undertaken is underway. The adjustment to the fair value of Operational Port Land is a critical accounting estimate as the actual costs of resilience works may differ significantly from the estimate.

A 15% increase/decrease in the estimate of the cost of the works would result in a movement in the fair value of Operational Port Land of $9.5m.

Valuation Approach Other Port Land

A capitalised net rental approach is used to value leasehold land, where market ground rental is capitalised with reference to sales of lessors interests, with an allowance made for differences between contract and market rents adjusted for the terms of the lease. Inputs into this valuation approach are:

- comparable recent rental settlements on a rate per square metre of land
- perpetually renewable or terminating lease
- rental review periods
- forecast trends for interest rates and market based property yields.

Market rental is assessed using both the:

- Classic Approach under which the valuer adjusts a basket of comparable rental settlements for a ground rental rate per square metre and multiplies by the land area leased, and the
- Traditional Approach whereby the valuer assesses a market land value and applies a market based ground rental percentage against this value.

Value is assessed once the market rental is assessed; the overage or underage is calculated until rent review date. This is then adjusted for the value of the right to renew if it is a perpetual lease or the present value of the market value of the site deferred until the lease end.

14. Property, Plant and Equipment (continued)

The following table summarises the key inputs and assumptions used by the valuer to arrive at fair value and the sensitivity of the valuation to movements in unobservable inputs.

Other Port Land	Fair Value $'000	Valuation Approach	Key Valuation Assumptions	Valuation Impact
Other Port Land	$25,231	Capitalised Net Market Rental	Lessors Capitalisation Rate - 6.75% to 7.00%	+/- 0.25% +/- $763k to $817k

15. Investment Properties

Recognition and Measurement

Investment Property, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value determined by an independent valuer at the reporting date. Gains or losses arising from changes in fair value of investment property are recognised in the statement of comprehensive income in the period in which they arise.

The Group has the following classes of Investment Property:

- Developed Investment Property
- Land Available for Development
- Lessors Interests

15. Investment Properties (continued)

Valuation Approach

The fair value of Investment Property is based on the highest and best use for commercial property. The fair value of Investment Property is determined with reference to a fair value hierarchy of inputs as described in note 2(j). This hierarchy reflects the significance of the inputs used in making the measurements. All inputs into the determination of fair value of Investment Property sit within level 3 of this hierarchy.

	2019 $'000	2018 $'000
Developed Investment Properties	**37,323**	4,500
Land Available for Development	**24,949**	13,515
Lessors interest	**181**	164
	62,453	18,179

	2019 $'000	2018 $'000
Developed Investment Properties		
Developed Investment Property as at 1 July	**4,500**	4,750
Consolidated from SPV's (note 17)	**29,191**	-
Additions	**3,806**	201
Impairment relating to earthquake damage	**(757)**	(600)
Increase / (decrease) in fair value	**583**	149
	37,323	4,500
Land Available for Development		
Land Available for Development as at 1 July	**13,515**	12,022
Consolidated from SPV's (note 17)	**7,682**	-
Additions	**3,224**	2,506
Impairment relating to earthquake damage	**107**	-
Increase / (decrease) in fair value	**421**	(1,013)
	24,949	13,515
Lessors Interests		
Lessors Interests as at 1 July	**164**	127
Increase / (decrease) in fair value	**17**	37
	181	164
Investment Properties	**62,453**	18,179

15. Investment Properties (continued)

Developed Investment Property – Valuation

Developed Investment Property consists of the building and leasehold interest in the land for both Shed 39 and the Customhouse (2018: Shed 39). These properties are leased to third parties.

The Developed Investment Property was valued on 30 June 2019 by independent registered valuers of the firm Colliers International. The property is valued in accordance with Australia and New Zealand Valuation and Property Standards for assessing the market value of the property, in particular Valuation Guidance Note NZVGN 1 - Valuations for Use in New Zealand Financial Reports and IVS 101-105 and 400. Following the consolidation of the SPV's (note 17) the value determined by Colliers International was $37.9 m (2018: $8.1m). After allowing for impairment based on the expected costs to repair the properties, the fair value of the investment properties is $37.3m (2018: $4.5m)

Developed Investment Property is valued using a combination of the following approaches:

- Market capitalisation approach - This is where fair value is determined by capitalising the property's market ground rental with reference to sales of lessors interests, and then an allowance is made for the difference between contract rent (either over or under) discounted until a notional equilibrium point in the lease term.
- Discounted cashflow approach - This is where fair value is determined by a present value of the projected cashflow of the property over a period, making allowances for such variables as discount rates, growth rates, rental levels, vacancy allowances, capital expenditure and outgoings, and terminal yields.

Land Available for Development – Valuation

Land Available for Development consists of the Harbour Quays Development Land and the sites of the former BNZ Building and the former Statistics House (2018: Harbour Quays Development Land). These were valued on 30 June 2019 by independent registered valuers of the firm Colliers International. The sites were valued in accordance with Australia and New Zealand Valuation and Property Standards for assessing the market value of the property, in particular Valuation Guidance Note NZVGN 1 - Valuations for Use in New Zealand Financial Reports and IVS 101-105 and 400. Following the consolidation of the SPV's (note 17) the value determined by Colliers International was $38.9m (2018: $23.4m) based on the below assumptions:

- It is assumed that all 'normal' site services are fully reinstated, and no allowance has been made for any remedial or repair work required to the site or surrounding land and infrastructure.
- The former BNZ Building is in the process of being deconstructed. It is assumed that this work is complete and the land is vacant. No allowances for the cost of this were included in the valuation.

Land Available for Development is valued using the direct sales comparison approach. This is where the subject property is compared with recently sold properties of a similar nature with fair value determined through the application of positive and negative adjustments for their differing features. In carrying out this comparison, consideration is given to sales of similar property within the wider Wellington region.

After allowing for impairment based on the expected costs to repair or demolish the properties, the fair value of the investment properties is $25.0m (2018: $13.5m)

15. Investment Properties (continued)

Lessors Interests – Valuation

The Lessors Interests were valued on 30 June 2019 by independent registered valuers of the firm Colliers International. The property is valued in accordance with Australia and New Zealand Valuation and Property Standards for assessing the market value of the property, in particular Valuation Guidance Note NZVGN 1 - Valuations for Use in New Zealand Financial Reports and IVS 101-105 and 400. The value determined by Colliers International was $0.18m (2018: $0.16m).

Lessors Interest is valued using the market capitalisation approach. This is where fair value is determined by capitalising the property's market ground rental with reference to sales of lessors interests, and then an allowance made for the difference between contract rent (either over or under) discounted until a notional equilibrium point in the lease term.

The table below summarises the valuation approach and key assumptions used by the valuers to arrive at fair value (before allowing for impairment) and the sensitivity of the valuation to movements in unobservable inputs.

Class of property	Fair Value $'000	Valuation Approach	Significant Input	Range of significant input
Developed Investment Property	$37,900	Market Capitalisation	Market capitalisation rate - the rate of return determined through analysis of comparable, market-related sales transactions, which is applied to a property's sustainable net income to derive value	8.00% to 9.25%
Developed Investment Property	$37,900	Discounted Cashflow	Discount rate - the rate of return used to determine the present value of future cash flows	8.75% to 10%
Land Available for Development	$38,857	Direct sales comparison	Weighted average land value - the rate per sqm applied to the subject property	$100 to $2,500
Lessors Interest	$181	Market Capitalisation	Lessors interest yield - A rental percentage applied to the land value to arrive at current market ground rent	6.75%

16. Aggregated Joint Venture Information

Recognition and Measurement

A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated Balance Sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

An investment is accounted for using the equity method from the date on which the investee becomes a joint venture.

When necessary, the entire carrying amount of the investment is tested for impairment in accordance with NZ IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (the higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with NZ IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with a joint venture of the Group, profit and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the joint venture that are not related to the Group.

Interests in Joint Ventures

Prior to 1 June 2019 Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited (the SPVs) were accounted for as joint ventures of the Group although the SPVs are wholly owned by CentrePort Properties Limited. The SPVs had issued Mandatory Convertible Notes (MCNs) to the Accident Compensation Corporation (ACC) which provided the ACC with joint control over the SPVs.

During the year ended 30 June 2019, the Group redeemed the MCNs issued by the SPVs to the ACC, and as a result the Group obtained full control of the SPVs from 31 May 2019. Refer to note 17 for further information on the redemption of the MCNs.

16. Aggregated Joint Venture Information (continued)

Summarised balance sheet

	Port Associates		Property Associates		Total	
	2019	2018	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Current						
Cash and cash equivalents	**60**	18	**-**	35,015	**60**	35,033
Insurance receivable	**-**	-	**-**	90,595	**-**	90,595
Other current assets (excluding cash)	**113**	156	**-**	440	**113**	596
Total current assets	**173**	174	**-**	126,050	**173**	126,224
Other current liabilities (including trade payables)	**(118)**	(126)	**-**	(3,079)	**(118)**	(3,205)
Total current liabilities	**(118)**	(126)	**-**	(3,079)	**(118)**	(3,205)
Non-current						
Assets	**77**	77	**-**	36,608	**77**	36,685
Total non-current assets	**77**	77	**-**	36,608	**77**	36,685
Financial liabilities	**(510)**	-	**-**	(84,872)	**(510)**	(84,872)
Other liabilities	**-**	(370)	**-**	-	**-**	(370)
Total non-current liabilities	**(510)**	(370)	**-**	(84,872)	**(510)**	(85,242)
Net assets	**(378)**	(245)	**-**	74,707	**(378)**	74,462
Share of Net Assets	**(189)**	(123)	**-**	74,707	**(189)**	74,585

16. Aggregated Joint Venture Information (continued)

Summarised statement of comprehensive income

	Port Associates		Property Associates		Total	
	2019	2018	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	**1,236**	1,326	**4,362**	2,280	**5,598**	3,606
Operating expenses	**(1,336)**	(1,664)	**(3,067)**	(3,868)	**(4,403)**	(5,532)
Net finance cost	**-**	-	**(11,910)**	(5,430)	**(11,910)**	(5,430)
	(100)	(338)	**(10,615)**	(7,018)	**(10,715)**	(7,356)
Earthquake Related Items						
Costs and impairments	**-**	-	**(154)**	(8,749)	**(154)**	(8,749)
Insurance income	**-**	2,857	**21,384**	38,073	**21,384**	40,930
Profit / (loss) before Income Tax	**(100)**	2,519	**10,615**	22,306	**10,515**	24,825
Income tax (expense)/ benefit	**-**	-	**(329)**	(2,068)	**(329)**	(2,068)
	(100)	2,519	**10,286**	20,238	**10,186**	22,757
Fair value adjustments	**-**	-	**-**	1,500	**-**	1,500
Prior period adjustment	**(33)**	-	**-**	-	**(33)**	-
	(133)	2,519	**10,286**	21,738	**10,153**	24,257
Share of comprehensive income	**(66)**	1,260	**10,286**	21,738	**10,220**	22,998
Dividends received from joint venture or associate	**-**	-	**-**	500	**-**	500

Reconciliation of summarised financial information

	Port Associates		Property Associates		Total	
	2019	2018	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Opening net assets 30 June	**(245)**	11,858	**74,706**	53,468	**74,461**	65,326
Profit/(loss) for the year	**(133)**	2,519	**10,286**	21,738	**10,153**	24,257
Transfer of ownership of net assets WPCL	**-**	(14,622)	**-**	-	**-**	(14,622)
Transfer of ownership of net assets SPV's	**-**	-	**(84,992)**	-	**(84,992)**	-
Dividend	**-**	-	**-**	(500)	**-**	(500)
Closing net assets	**(378)**	(245)	**-**	74,706	**(378)**	74,461
Interest in joint venture	**(189)**	(123)	**-**	74,706	**(189)**	74,583
Carrying value	**(189)**	(123)	**-**	74,706	**(189)**	74,583

16. Aggregated Joint Venture Information (continued)

Details of the Group's joint ventures at the end of the reporting period are as follows:

		Proportion of ownership interest	
Name of entity	**Principal activities**	**2019**	**2018**
Harbour Quays A1 Limited*	Commercial rental property	100%	100%
Harbour Quays D4 Limited*	Commercial rental property	100%	100%
Harbour Quays F1F2 Limited*	Commercial rental property	100%	100%
Direct Connect Container Services Limited	Transport hubbing and logistics	50%	50%

*The SPV's Harbour Quays A1, Harbour Quays D4, and Harbour Quays F1F2 redeemed the MCNs issued to ACC on 31 May 2019. As a result the Group obtained full control and the SPV's have been consolidated from that date. Refer to note 17 for further detail.

	2019	2018
	$'000	$'000
Carrying amount at beginning of year	**74,584**	59,397
Share of profit / (loss) of joint ventures	**10,220**	22,999
Dividends from joint ventures	**-**	(500)
Consolidation of net assets of Wellington Port Coldstores Limited on acquisition	**-**	(7,311)
Consolidation of net assets of SPV's on acquisition	**(84,992)**	-
Total net assets	**(189)**	74,584
Represented by:		
Harbour Quays A1 Limited	**-**	18,157
Harbour Quays D4 Limited	**-**	13,599
Harbour Quays F1F2 Limited	**-**	42,952
Other Joint Venture Companies	**(189)**	(123)
	(189)	74,584

16. Aggregated Joint Venture Information (continued)

Earthquake damage

The investment properties owned by the SPV companies were significantly damaged in the November 2016 earthquake. The insurance claim for the properties was settled in October 2019 for $170.4m, of which $158.2m related to the SPVs.

A summary of the SPV earthquake treatment follows.

Harbour Quays A1 Limited

The former Statistics House building sustained significant damage as a result of the earthquake. The land that was occupied by the building has been developed into a carpark. The total insurance claim for Harbour Quays A1 Limited was $40.3m, comprised of $4.0m for loss of rental income and $38.0m for material damage, less a deductible of $1.7m.

Harbour Quays D4 Limited

The CustomHouse property was damaged in the earthquake and damage assessments concluded that both the structural and non structural damage was relatively minor. The building was repaired and reoccupied in December 2017. The total insurance claim for Harbour Quays D4 Limited was $5.5m, comprised of $4.1m for loss of rental income and $3.0m for material damage, less a deductible of $1.6m.

Harbour Quays F1F2 Limited

The former BNZ House sustained significant damage in the earthquake and is in the process of being demolished. The total insurance claim for Harbour Quays F1F2 Limited was $112.4m, comprised of $24.0m for loss of rental income and $93.0m for material damage, less a deductible of $4.6m.

17. Redemption of Mandatory Convertable Notes

Summary of Acquisition

On 31 May 2019 the Group redeemed the Mandatory Convertible Notes (MCNs) issued by Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited (the SPVs) to the Accident Compensation Corporation (ACC) and as a result acquired the control of the SPVs from 31 May 2019.

The SPVs were previously accounted for as joint ventures although the Group held 100% of the share capital in the SPVs.

As at the acquisition-date the fair value of the equity interest in the SPVs held immediately before the acquisition amounted to $85.0m, which includes the loss recognised as a result of redeeming the MCN's of $9.7m. This loss on remeasurement of the previously held equity interest in SPVs is recognised within the share of profit/(loss) of Investments using the Equity Method in the statement of comprehensive income.

The control over the SPVs was obtained through the redemption of the MCN liabilities on 31 May 2019. The redemption amount was determined through a negotiation process and is deemed to be at fair value.

17. Redemption of Mandatory Convertable Notes (continued)

(a) Assets and liabilities acquired

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000
Fair Value as at 31 May 2019	
Cash and cash equivalents	47,944
Trade receivables	845
Investment properties	36,873
Trade payables	(312)
Income tax receivable / (payable)	(84)
Income in advance	(274)
Deferred tax liabilities	-
Net identifiable assets acquired	**84,992**

There was no goodwill recognised as a result of the step acquisition as the fair value of the net assets acquired equals the fair value of the equity interest held immediately before the acquisition and there was no intangible assets or contingent liabilities identified that were not previously recorded as part for the SPV's net assets.

(b) Purchase consideration – cash outflow

	$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	-
Less: Balances acquired	
Cash	47,944
Net inflow of cash – investing activities	47,944

(c) Acquired receivables

The fair value of acquired trade receivables is $0.8m. The gross contractual amount for trade receivables due is $0.8m, all of which is expected to be collectible.

(d) Revenue and profit contribution

The acquired businesses contributed revenues of $4.4m and net profit of $10.3m to the Group for the period from 1 July 2018 to 31 May 2019.

If the acquisition had occurred on 1 July 2018, consolidated pro-forma revenue and profit for the period ended 30 June 2019 would have been $4.7m and $11.4m respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2018, together with the consequential tax effects.

17. Redemption of Mandatory Convertable Notes (continued)

(e) Acquisition-related costs

Acquisition-related costs of $72k are included in administrative expenses in the Statement of Comprehensive Income and in operating cash flows in the Statement of Cash Flows.

18. Intangible Assets

Recognition and Measurement

Software is a finite life intangible asset and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful life of between 1 and 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

	Goodwill	Computer software	Total
	$'000	$'000	$'000
Year ended 30 June 2018			
Opening net book amount	2,675	612	3,287
Additions	-	-	-
Transfers from WIP (note 14)	-	56	56
Reclassification	-	27	27
Disposals	-	(103)	(103)
Amortisation charge (note 5)	-	(214)	(214)
Closing net book amount	2,675	378	3,053
At 30 June 2018			
Cost	2,675	4,065	6,740
Accumulated amortisation	-	(3,687)	(3,687)
Net book amount	2,675	378	3,053
Year ended 30 June 2019			
Opening net book amount	2,675	378	3,053
Additions	-	-	-
Transfers from WIP (note 14)	-	191	191
Disposals	-	-	-
Amortisation charge (note 5)	-	(167)	(167)
Closing net book amount	2,675	402	3,077
At 30 June 2019			
Cost	2,675	4,254	6,929
Accumulated amortisation	-	(3,852)	(3,852)
Net book amount	2,675	402	3,077

19. Provision for Employee Entitlements

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date when it is probable that settlement will be required and they are capable of being measured reliably. The present value is determined by discounting the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liabilities.

	2019 **$'000**	2018 $'000
Current liability	**3,695**	3,523
Non-current liability	**282**	645
Total Liability	**3,977**	4,168

The rate used for discounting the provision for future payments is 2.5% (2018: 2.9%).

20. Borrowings

Borrowings are recognised at amortised cost. Borrowing costs directly attributable to capital construction are capitalised as part of the cost of those assets. All other borrowing costs are recognised as an expense in the period in which they are incurred.

	2019 **$'000**	2018 $'000
Current Liabilities		
Bank overdrafts	**-**	4,037
Bank borrowings	**-**	18,000
Accrued interest on borrowings	**-**	3
Total secured current interest bearing borrowings	**-**	22,040
Non-Current Liabilities		
Borrowings	**-**	-
Total non-current liabilities	**-**	-

CentrePort has entered into revolving cash advance agreements with ANZ Bank New Zealand Limited and Westpac Banking Corporation Limited. The bank facilities total $50m with renewal dates ranging from 1 to 4 years. Included in the bank facilities is an evergreen facility of $25m subject to a 13 month cancellation notice.

The majority shareholder, Greater Wellington Regional Council has guaranteed the Group borrowings up to the full limit of the facility. CentrePort pays a guarantee fee to Greater Wellington Regional Council (refer to note 25 Related Party Transactions).

Refer to note 21 Financial Risk Management for additional information about the Group's exposure and sensitivity to interest rate risk.

21. Financial Risk Management

Financial Instruments

As part of normal operations, the Group is party to financial instruments with risk to meet operational needs.

CentrePort regularly undertakes reviews of its financial risk management as its capital structure changes.

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of comprehensive income.

All recognised financial assets and liabilities are subsequently measured at either amortised cost or fair value through profit and loss, depending on the classification of the financial asset or liability. The classification depends on the nature and purpose of the financial asset or liability and is determined at the time of initial recognition.

Amortised Cost

Financial assets and liabilities are classified as measured at amortised cost if the financial asset or liability is held to collect or make payment on contractual cash flows, and those cash flows are solely payments of principal and interest on the principal outstanding.

Cash and cash equivalents, trade receivables, other receivables, loans, trade payables, and other payables are recorded at amortised cost using the effective interest method less any impairment.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument or a shorter period, where appropriate, to the net carrying amount of the financial assets or financial liability.

Fair Value through Profit or Loss (FVTPL)

All other financial assets or liabilities that are not measured at Amortised Cost are measured at fair value through profit or loss.

Financial assets and Liabilities at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income includes any dividend or interest earned or paid on the financial asset or liability and is included in the 'increase / (decrease) in Fair Value of Financial Instruments' on the Statement of Comprehensive Income.

Offsetting Financial Instruments

Financial Assets and Liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

21. Financial Risk Management (continued)

Financial Risk Management Objectives

Treasury activities are reported to the Board and the Audit and Risk Committee.

Fair Values

The Group considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values. The fair value of derivative instruments is determined using a hierarchical basis that reflects the significance of the inputs used in making the measurements. Refer to note 2.

Capital Risk Management

CentrePort manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt facilities, which includes the borrowings disclosed in note 20, cash reserves and retained earnings.

Externally Imposed Capital Requirements

CentrePort has borrowing covenant requirements for gearing and interest cover ratios. Performance against covenants is reported semi-annually to the Audit and Risk Committee. These covenants have been complied with during the period.

(a) Market risk

Interest Rate Risk

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite as provided for in the Treasury Policy.

Interest Rate Sensitivity

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's net profit would increase/decrease by $0.0m (2018: increase/decrease by $0.5m).

The following table details the Group's exposure to interest rate risk at 30 June 2019 and 30 June 2018.

	Weighted average interest rate*	Variable interest rate*	Fixed Interest Rate Maturing				Total
			Within 1 Year	1 - 2 Years	2 - 3 Years	Over 3	
	%	%	$'000	$'000	$'000	$'000	**$'000**
Group 2019							
Trade and Other Payables			14,022	-	-	-	**14,022**
Employee Entitlements			3,695	282	-	-	**3,977**
Total			17,717	282	-	-	**17,999**
Group 2018							
Trade and Other Payables			10,137	-	-	-	**10,137**
Employee Entitlements			3,523	645	-	-	**4,168**
Borrowings	2.54	1.94	22,040	-	-	-	**22,040**
Total			35,700	645	-	-	**36,345**

* Excluding bank margin

21. Financial Risk Management (continued)

(b) Credit risk

Credit Risk Management

Credit risk is the risk that the counter party to a transaction with the Group will fail to discharge its obligations, causing the Group to incur a financial loss. The Group is exposed to credit risk through the normal trade credit cycle and advances to third parties. The Group performs credit evaluations on all customers requiring credit and generally does not require collateral. Maximum exposures to credit risk as at balance date are the carrying value of financial assets in the balance sheet.

Trade and other receivables include amounts that are unimpaired but considered past due as at balance date.

Insurance Receivables Credit Risk

A total of $50m (2018: $59m) is recognised by CentrePort as a receivable in relation to insurance proceeds at balance date due from various insurance institutions. The credit ratings of the largest insurance credit exposure as published by Standard & Poors is rated A+ and above as at the date of these financial statements.

Concentrations of Credit Risk

The Group does not have any significant credit risk exposure other than insurance receivable to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds at short notice to meet its financial commitments as they fall due. To reduce the exposure to liquidity risk the Group has a bank overdraft facility of $2.0m through a set off arrangement (2018: $2.0m), and banking facilities of $50.0m at balance date (note 20) (2018: $125.0m). Of these nil (2018: $22.0m) had been drawn down by the Group at balance date. The bank overdraft of $4.0m as at 30 June 2018 was offset by $2.3m of cash in hand. Refer to note 11.

21. Financial Risk Management (continued)

Liquidity profile of financial instruments

The following tables detail the Group's liquidity profile based on undiscounted cash outflows at 30 June 2019 and 30 June 2018, assuming future interest cost on borrowings at nil (2018: nil) of the average debt for each period.

30 June 2019	Less than One Year	1-2 Years	2-5 Years	5+ Years	**Total**
	$'000	$'000	$'000	$'000	**$'000**
Trade and Other Payables	14,022	-	-	-	**14,022**
Employee Entitlements	3,695	282	-	-	**3,977**
Borrowings	-	-	-	-	**-**
Total	17,717	282	-	-	**17,999**
30 June 2018					
Trade and Other Payables	10,137	-	-	-	**10,137**
Employee Entitlements	3,523	645	-	-	**4,168**
Other Financial Liabilities	-	-	-	-	**-**
Borrowings	22,040	-	-	-	**22,040**
Total	35,700	645	-	-	**36,345**

(d) Financial instruments by category

	Fair value through profit or loss	**Amortised Cost**	**Total**
	$'000	**$'000**	**$'000**
Assets			
30 June 2019			
Trade and other receivables	-	60,555	60,555
Cash and cash equivalents	-	91,724	91,724
Total assets	-	152,279	152,279
30 June 2018			
Trade and other receivables	-	68,336	68,336
Cash and cash equivalents	-	2,308	2,308
Total assets	-	70,644	70,644

21. Financial Risk Management (continued)

Liabilities	Fair value through profit or loss	Amortised cost	Total
	$'000	$'000	$'000
30 June 2019			
Borrowings	-	-	-
Employee Entitlements	-	3,977	3,977
Trade and other payables	-	14,022	14,022
Total liabilities	-	17,999	17,999
30 June 2018			
Borrowings	-	22,040	22,040
Employee Entitlements	-	4,168	4,168
Trade and other payables	-	10,137	10,137
Total liabilities	-	36,345	36,345

22. Reconciliation of Profit After Income Tax to Net Cash Inflow from Operating Activities

	2019 $'000	2018 $'000
Profit for the Year from Continuing Operations	**72,933**	38,094
Add / (Less) Non-Cash Items:		
Depreciation	**7,113**	5,260
Amortisation	**167**	214
Impairment and Fair Value Movements	**3,271**	2,596
Fair Value Movement of Financial Instruments	**-**	(8,778)
Decrease / (Increase) in fair value of Investment Properties	**(1,021)**	826
Equity Accounted Earnings	**(10,220)**	(22,499)
Loss on Disposal of Fixed Assets	**1,814**	32
Add / (Less) Movements in Working Capital:		
Trade and Other Receivables	**(1,015)**	(2,130)
Insurance Receivable	**9,268**	3,417
Trade and Other Payables	**3,671**	4,277
Borrowings (Accrued Interest)	**-**	(146)
Inventories	**(481)**	73
Taxation Payable/Refund	**2,737**	601
Provision for Employee Entitlements	**(191)**	263
Deferred Tax	**(1,208)**	6,476
Working capital recognised on WPCL acquisition	**-**	(1,900)
Add / (Less) Items Classified as Investing and Financing Activities:		
Accounts Payable related to Property, Plant & Equipment	**(619)**	(537)
Accounts Payable related to Earthquake Capital Expenditure	**(433)**	(842)
Insurance Progress Payments (Material Damage)	**(68,808)**	(16,895)
Other	**(965)**	110
Net cash inflow from operating activities	**16,013**	8,512

23. Capital Commitments

At balance date CentrePort had entered into commitments for the acquisition of property, plant, and equipment amounting to of $11.7m for the Group (2018: $5.1m).

24. Lease Commitments

Recognition and Measurement

Group entities lease certain land and plant. Leases are finance leases wherever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Group as Lessor

Operating leases relate to subleases of properties (excluding land) leased with lease terms between 1 and 12 years, with an option to extend for a further period between 1 to 6 years. All operating lease contracts (excluding land) contain market review clauses.

Operating Leases as a Lessee

Future minimum lease payments under non-cancellable operating leases are as follows:

	2019	2018
	$'000	$'000
Not longer than 1 Year	**303**	311
Longer than 1 Year and not longer than 5 Years	**864**	904
Longer than 5 Years	**144**	317
	1,311	1,532

Operating Leases as a Lessor

Future minimum lease receipts under non-cancellable operating leases are as follows:

	2019	2018
	$'000	$'000
Not later than 1 Year	**11,747**	7,717
Later than 1 Year and not later than 5 Years	**30,471**	23,876
Later than 5 Years	**13,370**	18,741
	55,588	50,334

25. Related Party Transactions

Subsidiaries

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest held by the Group	
			2019 %	2018 %
CentrePort Property Management Limited	Management services	New Zealand	**100**	100
CentrePort Properties Limited	Investment in special purpose vehicles	New Zealand	**100**	100
Harbour Quays Property Limited	Investment in special purpose vehicles	New Zealand	**100**	100
Harbour Quays Shed 39 Limited	Commercial Rental Property	New Zealand	**100**	100
Harbour Quays A1 Limited	Commercial Rental Property	New Zealand	**100**	100
Harbour Quays D4 Limited	Commercial Rental Property	New Zealand	**100**	100
Harbour Quays F1F2 Limited	Commercial Rental Property	New Zealand	**100**	100
Wellington Port Coldstores Limited	Cold Storage	New Zealand	**100**	100

The Group redeemed the Mandatory Convertible Notes (MCNs) issued by Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited (the SPVs) to the Accident Compensation Corporation (ACC) and as a result acquired the control of the SPVs on 31 May 2019. Refer to note 17.

Parent and Controlled entities

CentrePort is 76.9% owned by Port Investments Limited, a subsidiary of Wellington Regional Council, and 23.1% owned by MWRC Holdings Limited, a subsidiary of Manawatu-Wanganui Regional Council (trading as Horizons Regional Council).

The Group has a tax loss share arrangement with the Wellington Regional Council and Subsidiaries that allows the Group to purchase tax losses.

25. Related Party Transactions (continued)

During the year transactions between CentrePort and related parties included:

	2019	2018
	$'000	$'000
Greater Wellington Regional Council and Subsidiaries		
Income received from rent and services performed	**707**	703
Payment for use of navigational facilities, guarantee of CentrePort Group borrowings, and services performed	**(867)**	(1,069)
Direct Connect Container Services Limited		
Income received from rent and services performed	**511**	209
Payment for goods and services	**(244)**	(138)
Loan advances	**(70)**	(110)
Wellington Port Coldstores Limited		
Income received from rent and services performed	**-**	103
Harbour Quays A1 Limited		
Amounts received / (paid) for tax losses transferred	**(743)**	33
Harbour Quays D4 Limited		
Amounts received / (paid) for tax losses transferred	**401**	168
Harbour Quays F1F2 Limited		
Amounts received / (paid) for tax losses transferred	**1,308**	455

At year-end the following outstanding balances with related parties for operating costs were recorded as an asset / (liability):

	2019	2018
	$'000	$'000
Direct Connect Container Services Limited receivable	**44**	47
Direct Connect Container Services Limited payable	**(28)**	-
	16	47

During the year Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited paid management fees of $0.2m to CentrePort Property Management Limited (2018: $0.2m).

Key Management Personnel Compensation

The compensation of the Directors and executives, being the key management personnel of the entity, is set out below:

	2019	2018
	$'000	$'000
Salaries, fees, and other short-term employee benefits	**4,210**	3,142

26. Contingent Liabilities

There were no contingent liabilities as at 30 June 2019 (2018: no contingent liabilities).

27. Contingent Assets

The Group has made a claim with its insurers for damages incurred to its insured port assets and infrastructure from the November 2016 earthquake. The insurers have accepted that the damage is covered under the group insurance policies, however, the final settlement amount has not yet been agreed.

Until the insurance claim process is finalised it is not possible to reliably estimate the value of the contingent asset.

28. Subsequent Events

There have been no subsequent events up to the date of signing these financial statements which would affect the amounts or disclosures in the financial statements.

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF CENTREPORT LIMITED GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The Auditor-General is the auditor of CentrePort Limited group (the Group). The Auditor-General has appointed me, James Shepherd, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements of the Group on his behalf.

Opinion

We have audited the financial statements of the Group on pages 7 to 50, that comprise the balance sheet as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Group:

- present fairly, in all material respects:
    - its financial position as at 30 June 2019; and
    - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 19 August 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the uncertainties arising from the impact of the Kaikoura earthquake. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Uncertainties arising from the impact of the Kaikoura earthquake

Without modifying our opinion, we draw attention to Note 3 of the financial statements, which explains the material impact of the Kaikoura earthquake on the Group. This note explains the considerable uncertainty regarding the final quantification for the settlement of the insurance claim. It also links to disclosures in the financial statements about the significant uncertainties and judgements involved in the allocation of insurance proceeds, the extent of impairment of assets, and the related tax treatment.

Basis for our opinion

We carried out 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 Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

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Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Port Companies Act 1988.

Responsibilities of the Auditor for the audit of the financial statements

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

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

We did not evaluate the security and controls over the electronic publication of the 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. Also:

- We identify and assess the risks of material misstatement of the 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We 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.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of 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 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.

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- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements 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 Board of 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.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the Directors Report included on pages 2 to 6, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information obtained prior to the date of our opinion. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Group.

JShepherd

James Shepherd, Partner
for Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand