Our Financials

CentrePort Limited Group
Annual Financial Report for
the year ended 30 June 2021

Directors' report

Report of Directors

The 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 2021.

Principal Business

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

Results

Group revenue for the year ended 30 June 2021 was $80.2m (2020: $84.9m).

The net assets balance as at 30 June 2021 is $432.7m (2020: $455.5m).

CentrePort has achieved a solid result in what has been another challenging year with the ongoing impacts of the COVID-19 pandemic.

There were increases in volumes in all the major trades, with logs seeing strong growth in particular. Good progress was also made in the port's regeneration that will deliver a resilient 21st century logistics supply chain asset vital for the prosperity of central New Zealand.

Operating costs of $2.7m incurred in the current year will be eliminated next year. The cost savings less increased depreciation charges will come from:

- the reinstatement of rail infrastructure in March 2021 eliminating road bridging costs
- reduced truck and trailer hire costs from purchasing electric container transfer vehicles which arrived at CentrePort in May 2021
- reduced generator hire and associated fuel costs as permanent repairs are made

During the year CentrePort applied for a private binding ruling from Inland Revenue to confirm the tax treatment of the Kaikoura Earthquake insurance settlement payments received in prior years. Inland Revenue has indicated that it disagrees with some tax positions taken in the Group's 30 June 2020 financial statements. The outcome is disappointing, with the impact resulting in a prior period adjustment to income tax expense of $23.5m recognised in the current year.

Trades

CentrePort achieved a record volume in log exports with more than 1.84 million JAS. This was supported by enhanced productivity and throughput on port with increased rail capacity, operational improvements, and expansion of the Waingawa log hub.

Containers only saw modest growth in volumes compared to the previous year, reflecting the continued disruption to the global logistics supply chain because of the pandemic.

Fuel volumes and vehicle imports were ahead of budget, both reflecting growth on the previous year. With cruise ship visits for international ports banned indefinitely by the government due to the COVID restrictions, there was no activity in the current year.

Regeneration

Significant advances were achieved in the regeneration programme to ensure resilience is built into the business and to facilitate growth so that CentrePort reaches its full potential as a regionally strategic asset for the communities of central New Zealand. This included:

- The return of container cargo by rail onto port after four years with the reinstatement of rail infrastructure damaged by the Kaikoura earthquake.
- Progress on the $38.6 million Thorndon Container Wharf reinstatement project that will double the operational width of the gantry cranes to increase operational capacity to meet customer requirements.
- The commissioning of 100 percent electric container transfer vehicles that will lower carbon emissions and improve operational efficiency.
- Expansion of the Waingawa log yard capacity from 9,000 tonnes to 16,000 tonnes and procurement of additional land for further expansion.
- Ground resilience improvements throughout the port including installation of more than 1,000 stone columns, and continued demolition of damaged / redundant structures creating thousands of square metres of additional operational space.

With the confirmation of the Kaiwharawhara site for the future multi-user ferry precinct by the Future Ports Forum, detailed planning for the first phase commenced.

The Seaview Wharf renewal project continued, working with the fuel company partners. Stakeholder engagement commenced and the development of consent documentation continued.

With the approval of the Board and Shareholders, CentrePort Limited established CentrePort Captive Insurance Limited. The company was created to more effectively manage risks and costs of CentrePort's asset base. CentrePort Captive Insurance Limited was incorporated on 27 May 2021 with $1m of capital. CentrePort is in the process of applying to the Reserve Bank of New Zealand for a licence under The Insurance (Prudential Supervision) Act 2010 for this company to operate as an insurance company.

Ongoing COVID-19 related impacts

Cost saving measures were implemented to manage the impact of COVID-19. These included purchasing leased equipment, better management of contractor costs, and increased flexibility of cargo labour costs.

As an essential service provider, CentrePort is able to operate during all COVID-19 Alert Levels with appropriate additional public health measures in place.

CentrePort will continue to focus on being agile and ready to adapt to further pandemic-related challenges, as well as looking into opportunities to create long-term value.

The outlook for the next three years is less certain due to the ongoing impacts of the pandemic. Container volumes will be impacted by the general economic environment and disruptions to supply chains. CentrePort is predicting cruise ships will not return for the 2021/22 season, however expected log export volumes over the next few years remains strong irrespective of COVID-19 impacts.

Dividends

	2021 $000
Interim dividend paid 26 February 2021	2,500
Special dividend paid 18 June 2021	15,000
Second interim dividend paid 30 June 2021	2,500
	20,000

The Directors have declared dividends of $20.0m for the year ended 30 June 2021.

Directors holding office during the year

Parent & Subsidiaries

L J C Johnstone (Chairperson)

J A Monaghan

K Magill

S Haslem

M Lewington

N Crauford

Remuneration of Directors

Directors' remuneration paid during the year was as follows:

	Directors' Remuneration $
L J C Johnstone	137,500
J A Monaghan	66,500
K Magill	66,500
S Haslem	87,500
M Lewington	66,500
N Crauford	66,500

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 2021.

L J C Johnstone (Chairperson)

- Director and shareholder of Maimere Properties Limited and Wholesale Frozen Foods Limited
- Director of Waimaha Farms Limited; Reihana Land Holdings Limited; Jenkins Group Limited; and Jenkins Freshpac Systems Limited

J Monaghan

- Director and Shareholder of Monaghan Farm Limited
- Director of Watohi Dairy Limited; Sunset Holdings 2 Limited; Taupua Holdings Limited; Sunset Holdings Limited; Elderslie Holdings 2 Limited; Elderslie Holdings Limited; Waitohi Dairy 2 Limited; Waitohi General Partner Limited; Waitonui Milltrust Agricultural Holdings General Partner Limited; WMAH Farm Management General Partner Limited; and Waitonui Holdings GP Limited
- Appointed as Trustee of Wairarapa Regional Irrigation Trust Limited

S Haslem

- Director and Shareholder of Omphalos Limited
- Director of Rangatira Limited; Meteorological Service of New Zealand Limited; Kordia Group Limited; Oyster Property Group Limited; Oyster Management Limited; Oyster Property Holdings Limited; Tauranga Crossing GP Limited; Oyster Industrial Limited; Livestock Improvement Corporation; and LIC Agritechnology Limited

K Magill

- Chairperson of the Advertising Standards Authority
- Commercial Advisor for the Provincial Development Unit
- Shareholder of Elwilfre Trustee Limited
- Director and shareholder of Magill and Co Limited

M Lewington

- Director of Mercer (N.Z.) Limited and Mercer Investments (New Zealand) Limited

N Crauford

- Director of Watercare Services; Director and Shareholder of Riposte Consulting; and Chair of Electricity Authority, and GNS Science and Subsidiaries
- Trustee of Wellington Regional Stadium Trust

Directors

In accordance with the Company's Constitution, Kerrie-Lee Magill will retire by rotation at this year's Annual General Meeting.

John Monaghan retires having been elected at the 2020 Annual General Meeting for a term expiring at the 2021 Annual General Meeting.

Two new Director's will be appointed at the 2021 Annual General Meeting to ensure the minimum number of six Directors is maintained in accordance with the Company's Constitution.

Directors' Insurance

The Company has arranged Directors' and Officers' liability insurance cover 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	19
$110,001 - $120,000	25
$120,001 - $130,000	17
$130,001 - $140,000	13
$140,001 - $150,000	13
$150,001 - $160,000	6
$160,001 - $170,000	2
$170,001 - $180,000	1
$180,001 - $190,000	3
$190,001 - $200,000	2
$200,001 - $210,000	1
$220,001 - $230,000	2
$230,001 - $240,000	3
$240,001 - $250,000	3
$250,001 - $260,000	2
$260,001 - $270,000	3
$290,001 - $300,000	2
$300,001 - $310,000	1
$330,001 - $340,000	1
$340,001 - $350,000	2
$420,001 - $430,000	1
$790,001 - $800,000	1
	123

Donations

The Group made $45,079 (2020: $50,079) 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 $251,900 for the year ended 30 June 2021 (2020: $243,000).

Registered Office

CentrePort Limited
2 Fryatt Quay
PO Box 794
Wellington 6140
New Zealand

For, and on behalf of, the Board of Directors

L J C Johnstone
Chairperson
25 August 2021

S Haslem
Director
25 August 2021

Financial Statements

Statement of Comprehensive Income

For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
CONTINUING OPERATIONS			
Revenue from Contracts with Customers	4	**61,871**	65,536
Other Revenue		**18,317**	19,360
Operating Revenue		**80,188**	84,896
Operating Expenses	5	**(73,935)**	(87,496)
Earnings from Operations Before Interest, Demolition Costs, Disposal of Assets, Equity Earnings, Earthquake Impacts, Changes in Fair Value, and Tax		**6,253**	(2,600)
Finance Expenses		**(238)**	(254)
Finance Income		**4,041**	5,237
Net Interest Income / (Expense)		**3,803**	4,983
Net Gain / (Loss) on Disposal of Assets		**1,119**	-
Demolition Costs		**(1,181)**	(686)
		9,994	1,697
Earthquake related items			
Temporary Works Expenditure and Demolition Costs		**-**	(3,456)
Impairment of Assets relating to Earthquake Damage		**-**	(818)
Earthquake Costs		**-**	(975)
Insurance Proceeds Income	3	**-**	172,500
		-	167,251
Changes in Fair Values			
Increase / (Decrease) in Fair Value of Investment Property	14	**(1,998)**	108
Increase / (Decrease) in Fair Value of Property, Plant and Equipment	13	**(263)**	-
		(2,261)	108
Profit before Income Tax		**7,733**	169,056
Income Tax (Expense) / Benefit	6	**(25,514)**	(10,762)
Profit / (Loss) for the Year from Continuing Operations		**(17,781)**	158,294
Other Comprehensive Income (OCI)			
Increase in the Value of Port Land after Tax	13	**7,010**	5,918
Adjustment to Fair Value for Land Resilience Impact after Tax	13	**7,899**	(7,119)
Other Comprehensive Income / (Loss) for the year		**14,909**	(1,201)
Total Comprehensive Income / (Loss) for the year, net of tax		**(2,872)**	157,093

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 year ended 30 June 2021

		Attributable to equity holders of the Company			
	Notes	**Share Capital $'000**	**Revaluation Reserves* $'000**	**Retained Earnings* $'000**	**Total Equity $'000**
Balance as at 1 July 2019 *		30,000	10,603	262,768	303,371
Profit for the Year from Continuing Operations		-	-	158,294	158,294
Increase in Value of Port Land after Tax		-	5,918	-	5,918
Adjustment to Fair Value for Land Resilience Impact		-	(7,119)	-	(7,119)
Dividends	8	-	-	(5,000)	(5,000)
Balance as at 30 June 2020 *		30,000	9,402	416,062	455,464

	Notes	**Share Capital $'000**	**Revaluation Reserves $'000**	**Retained Earnings $'000**	**Total Equity $'000**
Balance as at 1 July 2020		30,000	9,402	416,062	455,464
Loss for the Year from Continuing Operations		-	-	(17,781)	(17,781)
Increase in Value of Port Land after Tax		-	7,010	-	7,010
Adjustment to Fair Value for Land Resilience Impact		-	7,899	-	7,899
Other Adjustments		-	83	-	83
Dividends	8	-	-	(20,000)	(20,000)
Balance as at 30 June 2021		30,000	24,393	378,281	432,674

*See note 7 for details of the reclassification between revaluation reserves and retained earnings.

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

Balance Sheet

As at 30 June 2021

	Notes	2021 $'000	2020 $'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	9	**192,113**	250,050
Trade and Other Receivables	10	**10,275**	16,284
Inventories	11	**2,913**	2,726
Investment in Commercial Paper	23	**19,902**	19,726
Total Current Assets		**225,203**	288,786
Non-current Assets			
Property, Plant and Equipment	12,13	**218,409**	152,492
Investment Properties	12,14	**55,493**	59,903
Goodwill	16	**2,675**	2,675
Loans and Advances to Joint Venture		**7,753**	74
Software		**506**	774
Right-of-use Asset	19	**2,145**	1,622
Total Non-current Assets		**286,981**	217,540
Total Assets		**512,184**	506,326
LIABILITIES			
Current Liabilities			
Trade and Other Payables	17	**11,216**	11,102
Provision for Employee Entitlements	18	**3,176**	5,508
Borrowings	20	**7,500**	-
Current Tax Liabilities	6	**2,198**	526
Lease Liabilities	19	**104**	147
Total Current Liabilities		**24,194**	17,283
Non-current Liabilities			
Provision for Employee Entitlements	18	**167**	357
Lease Liabilities	19	**2,120**	1,525
Deferred Tax Liabilities	6	**53,029**	31,697
Total Non-current Liabilities		**55,316**	33,579
Total Liabilities		**79,510**	50,862
Net Assets		**432,674**	455,464
EQUITY			
Contributed Equity	7	**30,000**	30,000
Revaluation Reserves	7	**24,393**	9,402
Retained Earnings	7	**378,281**	416,062
Total Equity		**432,674**	455,464

For, and on behalf of, the Board of Directors

L J C Johnstone
Chairperson
25 August 2021

S Haslem
Director
25 August 2021

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 2021

	Notes	2021 $'000	2020 $'000
Cash Flows from / (used in) Operating Activities			
Receipts from Customers		**81,371**	84,014
Payments to Suppliers and Employees		**(70,729)**	(81,769)
Interest Income Received		**5,526**	3,588
Interest Expense Paid		**(158)**	(186)
Business Interruption Insurance - Loss of Gross Profits and Rents	3	**-**	15,502
Temporary Works and Demolition Costs		**-**	(5,843)
Income Taxation Paid	6	**(2,509)**	(3,518)
Net Cash Flows from / (used in) Operating Activities	22	**13,501**	11,788
Cash Flows from / (used in) Investing Activities			
Proceeds from Sale of Property, Plant and Equipment		**4,899**	-
Purchase of Property, Plant and Equipment		**(53,011)**	(30,199)
Development of Investment Properties		**(2,797)**	(5,239)
Earthquake Insurance Payments Received	3	**-**	206,998
Purchase of Investment in Commercial Paper	23	**(19,902)**	(19,726)
Realisation of Investment in Commercial Paper	23	**19,726**	-
Loans and Advances to Joint Venture	23	**(7,680)**	(145)
Net Cash Flows from / (used in) Investing Activities		**(58,766)**	151,689
Cash Flows from / (used in) Financing Activities			
Drawdown of Borrowings	20	**7,500**	-
Repayment of Lease Liabilities		**(172)**	(151)
Dividends Paid to Shareholders of the Parent	8	**(20,000)**	(5,000)
Net Cash Flows from / (used in) Financing Activities		**(12,672)**	(5,151)
Net increase / (decrease) in Cash and Cash Equivalents		**(57,937)**	158,326
Cash and Cash Equivalents at the Beginning of the Year		**250,050**	91,724
Cash and Cash Equivalents at End of Year	9	**192,113**	250,050

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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 venture as disclosed in notes 15 and 23. The Company's registered office is 2 Fryatt Quay, 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:

- Income tax calculations and deferred tax (note 6)
- Valuation Approach for Port Land and Investment Property (note 12)
- Useful lives and residual values used to calculate depreciation on Property, Plant and Equipment (note 13)
- Recoverable amount of the Port Operations Cash Generating Unit (note 16)

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 its 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 short term 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 for the Port Operations Cash Generating Unit is calculated using the fair value less costs to sell method. In assessing fair value less costs to sell, an Enterprise Value is calculated by discounting estimated future cash flows to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to CentrePort. The Group considers a wide range of factors including the Group's financial budgets, strategic plans, and historical performance to formulate the future cash flow projections. The Group also engages external advisors to determine appropriate discount rates, discount period, and long term growth rates integral to the valuation, and to prepare the fair value less cost of disposal model.

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 to the extent that an upwards revaluation has been recognised.

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

There have been no new or revised accounting standards, interpretations or amendments effective during the year which have a significant impact on the Group's accounting policies or disclosures.

There are several other amendments and interpretations issued but not yet effective. These are not expected to have a material impact on the consolidated financial statements of the Group.

(j) Fair Value Hierarchy

The fair value of Operational Port Land, Investment Properties and the fair value less cost of disposal of the Port Operations Cash Generating Unit 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.

3 Kaikoura Earthquake

A 7.8 magnitude earthquake struck Kaikoura on 14 November 2016. 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 held by the Port. Other Port services including logs, ferries, fuel, cruise and break bulk activities substantially recovered immediately following the earthquake.

Insurance Claims

In previous years, the Group reached full and final settlements on its insurance claims for a total of $484.5m. All insurance proceeds have been received by the Group.

The following table shows the full and final settlement of the insurance claim for the Group:

	Total Settlement 2017 to 2020				
	Material Damage $'000	**Business Interruption $'000**	**Total $'000**	**2021 $'000**	2020 $'000
Loss of gross profits and rents	**-**	**39,586**	**39,586**	**-**	15,502
Temporary works expenditure and demolition costs	9,958	67,195	77,153	-	-
Material damage	394,349	-	394,349	-	183,580
Discount for Early Settlement	-	(13,082)	(13,082)	-	(13,082)
Deductible	(10,944)	(2,556)	(13,500)	-	(13,500)
Total insurance income	393,363	91,143	484,506	-	172,500

Whilst the insurance claim has been settled, there remains two areas of significant uncertainty which are outlined as follows:

Port Land

An adjustment of $43.6m (2020: $60.0m) 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 12.

Tax impact

For information on the material assumptions 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 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 utilises 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 service's 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 using the output method.

Practical expedients

Based on the above the Group will apply practical expedient B16 in NZ IFRS 15 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 IFRS 16. Refer to note 19.

(iii) Interest Revenue

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

4 Operating Revenue (continued)

Disaggregation of Revenue

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

	2021	2020
	$'000	$'000
Revenue from Port Operations	**61,871**	65,536

5 Operating Expenses

	Notes	**2021**	2020
		$'000	$'000
Operating expenses included in the statement of comprehensive income classified by nature			
Employer Contribution to Superannuation		**1,179**	1,245
Employee Benefits Expense		**23,452**	28,959
Rental and Lease Expenses	19	**1,072**	1,710
Change in provision for Expected Credit Loss	10	**(100)**	100
Depreciation of Property, Plant and Equipment	13	**7,410**	7,565
Right-of-use Asset Depreciation	19	**201**	202
Contracted Services		**21,146**	23,068
Amortisation		**259**	271
Fuel and Utilities		**2,255**	2,609
Rates and Insurance		**6,900**	9,231
Repairs and Maintenance		**4,068**	5,129
Directors' Remuneration and Expenses		**530**	489
Audit Services		**252**	243
Other Operating Expenses		**5,311**	6,675
Total Operating Expenses		**73,935**	87,496

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.

CentrePort is in the process of obtaining a binding ruling from Inland Revenue to confirm the key assumptions underpinning the tax treatment of the insurance proceeds. These assumptions include the allocation of the settlement proceeds to the different claim components, the allocation of the material damage claim amount to the various damaged assets, the classification of specific assets to be treated as disposals for tax purposes and the application of the roll over relief provisions.

The most material estimate is an allocation of $174.0m (2020: $268.1m) of the insurance proceeds to assets that are likely to be deemed to be disposed of for tax purposes.

This estimate has changed from 2020 as a result of Inland Revenue indicating in the most recent discussions that it disagrees with the classification of specific assets deemed to be disposed and that roll over relief is unlikely to apply. The impact of this has resulted in an additional income tax expense of $23.5m included in the prior period adjustment line in the table below.

	2021 $'000	2020 $'000
The Income Taxation Expense is Represented By:		
Current Taxation expense	**4,179**	1,223
Deferred Tax expense	**21,334**	9,540
Income Taxation Expense / (Benefit)	**25,514**	10,762
Relationship between income tax and accounting surplus:		
Net surplus (deficit) before tax	**7,733**	169,056
Income Taxation on the Surplus for the Year at 28%	**2,165**	47,336
Taxation Effect of:		
– Equity Earnings in Joint Ventures / Associates	**-**	38
– Insurance Proceeds in Relation to Nontaxable Capital Gain	**-**	(30,322)
– Change in Fair Values of Investment Properties	**633**	500
– Non-Deductible Expenditure	**603**	357
– Non-Taxable Gain on Sale of Land	**(392)**	-
– De-recognition of Deferred Tax on Losses	**-**	12
– (Recognition) of Deferred Tax on Buildings	**(565)**	(4,377)
– Prior Period Adjustments	**23,444**	(1,544)
– Change in Use of Assets	**-**	(1,072)
– Other	**(374)**	(166)
Income tax expense	**25,514**	10,762
Income Tax Receivable / (Payable)		
Opening Balance	**(526)**	(2,821)
Income tax paid / (refunded)	**2,506**	3,518
Prior Year Adjustment	**(4,179)**	1,107
Current Year Tax (Liability) / Benefit	**-**	(2,329)
Closing Balance	**(2,198)**	(526)

6 Income Tax (continued)

	2021 $'000	2020 $'000
Deferred Tax Liability / (Asset) Comprises		
Balance at 1 July	**31,697**	22,157
Prior Period Adjustment	**19,264**	(437)
Change in Use of Assets	**-**	(1,072)
Current Year Movement	**2,068**	15,226
De-recognition of Deferred Tax on Losses	**-**	12
(Recognition) of Deferred Tax on Buildings	**-**	(4,377)
Losses Transferred to Current Tax	**-**	188
Balance at 30 June	**53,029**	31,697

Movements	**Property, plant and equipment $'000**	**Insurance recoverable $'000**	**Employee entitlements $'000**	**Tax losses $'000**	**Investment properties $'000**	**Other $'000**	**Total $'000**
At 1 July 2019	(6,379)	30,293	(920)	(545)	358	(650)	22,157
Current Year Movement	2,751	6,182	(566)	201	(358)	1,330	9,540
At 30 June 2020	(3,628)	36,475	(1,486)	(344)	-	680	31,697
At 1 July 2020	(3,628)	36,475	(1,486)	(344)	-	680	31,697
Prior Period Adjustment	(2,061)	21,274	-	-	-	51	19,264
Current Year Movement	10,455	(7,804)	551	(757)	-	(377)	2,068
At 30 June 2021	4,766	49,945	(935)	(1,101)	-	354	53,029

Imputation Credit Account

	2021 $'000	2020 $'000
Imputation credits available at a Tax Rate of 28%		
Through direct shareholding in the Parent Company	**1,044**	2,256
	1,044	2,256

7 Contributed Equity and Reserves Movements

	2021 Shares	2020 Shares	2021 $'000	2020 $'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.

	Revaluation Reserves $'000	**Retained Earnings $'000**	**Total $'000**
At 1 July 2019*	10,603	262,768	273,371
Profit for the year from Continuing Operations	-	158,294	158,294
Other Comprehensive Income	(1,201)	-	(1,201)
Dividends	-	(5,000)	(5,000)
At 30 June 2020	9,402	416,062	425,464
Loss for the year from Continuing Operations	-	(17,781)	(17,781)
Other Comprehensive Income	14,909	-	14,909
Other adjustments	83	-	83
Dividends	-	(20,000)	(20,000)
At 30 June 2021	24,393	378,281	402,674

* There has been a reclassification of $2.0m between Revaluation Reserves and Retained Earnings at 1 July 2019 to correct for revaluations that have previously been incorrectly included in Other Comprehensive Income instead of Profit from Continuing Operations.

8 Dividends

	2021 $'000	2020 $'000
Interim Dividends Paid on Ordinary Shares	**5,000**	5,000
Special Dividend Paid on Ordinary Shares	**15,000**	-
	20,000	5,000

Dividend per share was $0.85 (2020: $0.21)

9 Cash and Cash equivalents

Cash and Cash Equivalents includes cash in hand, deposits held on call with banks with less than 62 days maturity, and term deposits with greater than 62 days maturity but which are available on demand within 90 days.

Refer to note 21 for accounting policy on recognition and measurement of Cash and Cash Equivalents.

	2021 $'000	2020 $'000
Cash at bank and in hand	**192,113**	250,050
Total Cash and Cash Equivalents	**192,113**	250,050

10 Trade and Other Receivables

Trade and Other Receivables are recognised at Amortised Cost, less Provision for Expected Credit Losses. Trade and Other Receivables measured at Amortised cost approximates fair value. Expected Credit Losses are determined using a lifetime Expected Credit Loss provision for Trade and Other Receivables. The Expected Credit 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 forwardlooking information on macroeconomic factors affecting the Group's customers. As at 30 June 2021 the Group expects negligible credit losses (2020: $100k Expected Credit Losses in relation to COVID19 impacts).

	2021 **$'000**	2020 $'000
Current Trade Receivables		
Trade Debtors	**8,398**	9,284
Less Expected Credit Losses	**-**	(100)
Trade Receivables	**8,398**	9,184
Other Receivables	**1,508**	3,297
Prepayments	**369**	3,803
Total Trade and Other Receivables	**10,275**	16,284

11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the firstin, firstout (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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

	2021 **$'000**	2020 $'000
Crushed concrete		
Kaiwharawhara crushed concrete	**1,506**	1,225
	1,506	1,225
Stock		
Spares stock control	**1,299**	1,419
Fuel and stock control	**108**	82
	1,407	1,501
Total Inventories	**2,913**	2,726

12 Valuation Approach for Fixed Assets measured at Fair Value

Operational Port Land (note 13) and Investment Properties (note 14) have been valued in accordance to the relevant Valuation Guidance and NZ IFRS 13 (Fair Value Movements). Operational Port Land and Investment Properties were valued on 30 June 2021 by independent registered valuers of the firm Colliers International.

Operational Port Land comprises Industrial Zoned Land and Other Port Land (2020: Industrial Zoned Land, Commercial Zoned Land and Other Port Land) and the fair values have been determined in accordance with International Valuation Standards and Australia and New Zealand Valuation and Property Standards NZVTIP 2 Valuations for Real Property, Plant & Equipment for Use in New Zealand Financial Reports and NZ IAS 16 (Property, Plant and Equipment).

Developed investment properties and land available for development have been valued in accordance with Valuation Guidance Note ANZVGN 9 Assessing rental value and NZ IAS 40 Investment Property. Land available for development was valued in accordance with Valuation Guidance Note NZVGN 1 Valuations for Use in New Zealand Financial Reports and IVS 101 105 and 400.

All inputs into the determination of fair value of Operational Port Land and Investment Properties sit within level 3 of the fair value hierarchy of inputs (described in note 2), 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).

(a) Operational Port Land

(i) Industrial Zoned Land

The fair value of Industrial Zoned Land is on a vacant basis, reflecting the land in its current state, however ignoring any and all operational buildings, structures and improvements involved in the day to day operation of port related activities. Industrial Zoned Land is made up of Freehold land and Land leased out to third parties ("Leasehold Land") as part of port operations.

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 including road frontage, exposure to vehicles, allowable height, and density of use
- the current state of the Wellington and wider New Zealand economy
- the current state of Wellington property markets including the office, industrial, large format retail, residential accommodation, and hotel accommodation markets.

Each leasehold parcel of land is valued using a Capitalised Net Rental approach, 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. Significant 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; and
- 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.

12 Valuation Approach for Fixed Assets measured at Fair Value (continued)

Other key assumptions underlying the valuation are set out below:

- It is assumed that CentrePort will erect a structural sea wall along the reclamation edge to ensure that all sites offer appropriate stability for commercial development. All costs associated with the sea wall are to be borne by CentrePort and have been excluded from the valuer's assessed value. This has been taken into account in the fair value as noted in the "Operational Port Land Resilience" adjustment below.
- All interim income generated from the vacant sites has been disregarded. This income does help offset operating expenses and holding costs however many of the 'vacant' land sales referenced to value the subject land also similarly has existing income pending redevelopment.

The following table summarises the valuation approach used by the valuers to arrive at an assessed value together with the Provision for Land Resilience and the sensitivity of the valuation to movements in unobservable inputs:

Industrial Zoned Land	Assessed Value	Valuation Approach	Key Valuation Assumptions	Valuation Impact
Freehold Land	$97.3m *(2020: $88.1m)*	Direct Sales Comparison approach	Weighted average land value - the rate per sqm applied to the subject property. This ranges from $180psqm to $1,600psqm *(2020: $180psqm to $1,500psqm)*	+-5% $4.9m *(2020: +-5% $4.4m)*
Leasehold Land	$7.4m *(2020: $6.6m)*	Capitalised Net Rental approach	Weighted average land value - the rate per sqm applied to the subject property. This ranges from $1,100psqm to $1,350psqm *(2020: $50psqm to $1,350psqm)*	+-5% $0.4m *(2020: +-5% $0.3m)*
Assessed Value	**$104.7m** ***(2020: $94.7m)***			
Provision for Land Resilience	($43.6m) *(2020: ($60m))*	Cost estimates	Estimated cost of completing land resilience work.	+-15% $6.5m *(2020: +-15% $9.0m)*
Total Fair Value	**$61.1m** ***(2020: $34.7m)***	See note 13		

Operational Port Land Resilience

An adjustment of $43.6m has been made to the fair value of Operational Port Land at 30 June 2021 (2020: $60.0m) to recognise the resilience work that needed to be undertaken to support the land and achieve the assessed value determined by Colliers International in their independent valuation. The resilience works costs are estimated with reference to the costs for remediation works already undertaken for part of the operational port land and third party cost estimates. $10.3m of remediation works were completed during the year, and $1.8m of works previously undertaken were reclassified to Property, Plant and Equipment. The land resilience provision was decreased by $7.9m for the revised estimate of the cost to complete the remediation works.

There is a significant 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.

12 Valuation Approach for Fixed Assets measured at Fair Value (continued)

(ii) Other Port Land

Other Port Land is made up of Freehold land and land leased out to third parties ("Leasehold Land"). Significant ancillary services are provided to these third parties. Leasehold Land is valued using a combination of the following approaches:

- Capitalised Net Market Rental approach - this is 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.
- Market Capitalisation approach - This is where fair value is determined by assessing the property's market ground rental and then capitalising this using an appropriate yield.
- 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.

Significant inputs into these valuation approaches are:

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

Market ground rental is assessed using the traditional approach whereby the valuer assesses a market land value and applies a market based ground rental percentage against this value.

Other key assumptions underlying the valuation are set out below:

- The 2021 rent reviews have not been undertaken or initiated by either party. The valuation assumes the rentals have remained at those levels previously payable.

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

Other Port Land	Assessed Value	Valuation Approach	Key Valuation Assumptions	Valuation Impact
Leasehold Land	$24.4m *(2020: $22.5m)*	Capitalised Net Market Rental	Weighted average land value - the rate per sqm applied to the subject property. This ranges from $150psqm to $700psqm *(2020: $125psqm to $600 psqm)*	+-5% $1.2m *(2020: +-5% $1.1m)*
Freehold Land	$3.6m *(2020: $3.0m)*	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. This is set at 8.5% *(2020: 9.0%)*	-0.5% $0.5m +0.5% $0.6m *(2020: -5% $0.2m +5% -$0.2m)*
		Discounted Cashflow	Discount rate the rate of return used to determine the present value of future cash flows. The rate used was 9.0% *(2020: 9.5%)*	0.5% $0.1m + 0.5% $0.1m *(2020: -5% $0.1m +5% -$0.1m)*
Total Fair Value	**$28.0m** ***(2020: $25.5m)***	See note 13		

12 Valuation Approach for Fixed Assets measured at Fair Value (continued)

(b) Investment Properties

The fair value of investment properties is based on the highest and best use for commercial property.

(i) Developed Investment Property

The Developed Investment Property consists of the Customhouse building (2020: the Customhouse building). This property is leased to a third party.

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

- Contract Income approach - This is where fair value is determined by directly capitalising the passing income. This method is effective where income is receivable from a secure tenant, however this is less effective where the current contract rent varies from the assessed market rent due to various factors.
- Market Capitalisation approach - This is where fair value is determined by capitalising the property's market rental at an appropriate yield, 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 10 year period, making allowances for such variables as discount rates, growth rates, rental levels, vacancy allowances, capital expenditure and outgoings, and terminal yields.

(ii) Land Available for Development

Land Available for Development consists of the Harbour Quays Development Land and the site of the former BNZ Building (2020: Harbour Quays Development Land, former BNZ Building, and the former Statistics House).

Land Available for Development is valued using a 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, along with adjustments for factors such as the size, shape, location, access to services including road frontage, exposure to vehicles, allowable height, and density of use of the property.

Other key assumptions underlying the valuation are set out below:

- 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 valuation is based on the current Masterplan and the provision of several development sites across the precinct. Any alteration to the Masterplan or development sites may have an impact on the valuation.
- There are limitations to the soil along the reclamation edge and ground improvements are needed across the sites to mitigate the risk of lateral spread. This was factored into the valuation and the adopted values reflect the requirement for additional sub terrain site strengthening costs likely to be incurred as part of any new development.
- The valuation assumed that CentrePort will erect a structural sea wall along the reclamation edge to ensure that all sites offer appropriate stability for commercial development. All costs associated with the sea wall are assumed to be borne by CentrePort and have been excluded from Collier's valuation. This has been estimated and deducted from the assessed value to measure the fair value in these financial statements.
- Due to low market confidence in the precinct (particularly for office uses); market assurance needs to be regained. This is perceived to be difficult should CentrePort decide against a strengthened seawall and elect for a compromised alternative solution.
- All interim income generated from the vacant sites has been disregarded. This income does help offset operating expenses and holding costs, however, many of the vacant land sales reference to value the subject land, also similarly have existing income pending redevelopment.

12 Valuation Approach for Fixed Assets measured at Fair Value (continued)

The table below summarises the valuation approach and key assumptions used by the valuers to arrive at the assessed value together with estimated cost to repair services to undeveloped sites, rebuild a seawall, and complete ground improvement works and the sensitivity of the valuation to movements in unobservable inputs.

Class of Investment Property	Assessed Value	Valuation Approach	Key Valuation Assumptions	Valuation Impact
Developed Investment Property	$26.0m *(2020: $29.9m)*	Contract Income	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. The rate selected was 8.5% *(2020: 8.75%)*	-0.25% $0.75m + 0.25% $1.0m *(2020: +- 0.125% $0.5m)*
		Market Capitalisation	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. The rate selected was 7.25% *(2020: 7.75%)*	+-0.25% $1.0m *(2020: +- 0.125% $0.5m)*
		Discounted Cashflow	Discount rate - the rate of return used to determine the present value of future cash flows. The rate selected was 8.0% *(2020: 8.5%)*	+-0.25% $0.54m *(2020: +- 0.25% $0.5m)*
Land Available for Development	$37.9m *(2020: $39.6m)*	Direct Sales Comparison	Weighted average land value - the rate per sqm applied to the subject property. The rates applied ranged from $120- $2,500 per sqm *(2020: $100- $2,500 per sqm)*	+-5.0% $1.9m *(2020: +-5% $2.0m)*
Assessed Value	**$63.9m** *(2020: $69.5m)*			
Cost to repair services to undeveloped sites, rebuild a seawall and complete ground improvement works	($8.4m) *(2020: ($9.6m))*	Cost estimates	Estimated cost of completing works on Land Available for Development.	+-10% $0.8m *(2020: +-10% $1.0m)*
Total Fair Value	**$55.5m**	See note 14		

13 Property, Plant and Equipment

Recognition and Measurement

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

- Operational Port Land
- Buildings
- Wharves, Paving and Seawalls
- Plant & Equipment

Operational Port Land is stated at fair value (see note 12) 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 independently valued by Colliers International, a registered valuer, on 30 June 2021, adjusted for the estimated land resilience costs.

The Group usually gets a formal valuation every 3 to 5 years, but due to the outbreak of the Coronavirus (COVID-19) there was a material valuation uncertainty regarding the assessed value of the Operational Port Land as at 30 June 2020. When there is no formal valuation performed the fair value of Operational Port Land is 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 or Loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged to the Statement of Comprehensive Income to the extent that it exceeds the balance, if any, held in the property's Revaluation Reserve relating to a previous revaluation.

To the extent that the impairment loss is greater than the related Revaluation Reserve, the excess impairment loss is recognised in Profit or Loss.

Property, Plant & Equipment (other than Operational Port Land) 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, an undetermined purpose, or to derive rental income has been classed as Investment Property. In the current year the site of the former Statistics building has been reclassified from Investment Property to Property, Plant & Equipment as at 30 June 2021 as a result of a change in use of the site to owner occupied car parking.

Depreciation

There is no depreciation on Operational Port Land. 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	5 to 50 years
Wharves, Paving and Seawalls	2 to 100 years
Plant and Equipment	2 to 50 years

13 Property, Plant and Equipment (continued)

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

Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as per note 2(f).

Disposals

During the year ended 30 June 2021, the Group sold land valued at $2.2m for a gain of $1.4m. All other disposals relate to operations equipment.

	Port Land at Fair Value $'000	Buildings at Cost $'000	Wharves and Paving at Cost $'000	Plant and Equipment at Cost $'000	Work in Progress $'000	Total $'000
Year ended 30 June 2020						
Opening net book amount	53,391	6,815	18,021	38,344	10,326	126,897
Additions	5,318	-	-	-	22,701	28,019
Transfers from Work in Progress	1,912	937	1,204	3,429	(8,124)	(642)
Disposals	-	-	(14)	(5)	-	(19)
Reclassification	3,000	5,300	-	(4)	-	8,296
Impairment	-	(1,199)	-	-	-	(1,199)
Temporary Works Depreciation	-	-	-	(94)	-	(94)
Increase in Fair Value (OCI)	5,918	-	-	-	-	5,918
Depreciation charge (note 5)	-	(1,286)	(1,205)	(5,074)	-	(7,565)
Change in the Provision for Resilience	(7,119)	-	-	-	-	(7,119)
Closing net book amount	**62,420**	**10,567**	**18,006**	**36,596**	**24,903**	**152,492**
At 30 June 2020						
Cost or Valuation	122,420	36,056	101,505	85,987	24,903	370,871
Provision for Land Resilience	(60,000)	-	-	-	-	(60,000)
Accumulated Depreciation & Impairment	-	(25,489)	(83,499)	(49,391)	-	(158,379)
Net book amount	**62,420**	**10,567**	**18,006**	**36,596**	**24,903**	**152,492**
Year ended 30 June 2021						
Opening net book amount	62,420	10,567	18,006	36,596	24,903	152,492
Additions	11,197	1,103	-	-	45,545	57,846
Transfers from Work in Progress	-	141	18,661	17,512	(36,363)	(50)
Disposals	(2,200)	(16)	(42)	(1,729)	-	(3,986)
Reclassification	3,102	-	-	-	1,769	4,871
Increase in Fair Value (OCI)	7,010	-	-	-	-	7,010
Decrease in Fair Value (Profit or Loss)	(263)	-	-	-	-	(263)
Depreciation charge (note 5)	-	(877)	(2,036)	(4,497)	-	(7,410)
Change in the Provision for Resilience	7,899	-	-	-	-	7,899
Closing net book amount	**89,166**	**10,918**	**34,589**	**47,882**	**35,854**	**218,409**
At 30 June 2021						
Cost or Valuation	132,754	21,730	119,112	93,696	35,854	403,146
Provision for Land Resilience	(43,588)	-	-	-	-	(43,588)
Accumulated Depreciation & Impairment	-	(10,812)	(84,523)	(45,814)	-	(141,149)
Net book amount	**89,166**	**10,918**	**34,589**	**47,882**	**35,854**	**218,409**

13 Property, Plant and Equipment (continued)

Operational Port Land

	Industrial Zoned Land $'000	Commercial Zoned Land $'000	Other Port Land $'000	Provision for Land Resilience $'000	Total Operational Port Land $'000
Opening value 1 July 2019	79,590	8,832	25,231	(63,000)	50,653
Additions	-	-	-	5,318	5,318
Transfers/reclassifications	12,145	(6,548)	(2,716)	4,801	7,682
Increase/(decrease) in fair value	2,990	(84)	2,980	(7,119)	(1,233)
Closing value at 30 June 2020	**94,725**	**2,200**	**25,495**	**(60,000)**	**62,420**
Opening value 1 July 2020	94,725	2,200	25,495	(60,000)	62,420
Additions	-	-	915	10,282	11,197
Transfers/reclassifications	4,871	-	-	(1,769)	3,102
Increase/(decrease) in fair value	5,147	-	1,600	7,899	14,647
Disposals	-	(2,200)	-	-	(2,200)
Closing value at 30 June 2021	**104,744**	**-**	**28,010**	**(43,588)**	**89,166**

14 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 (see note 12) 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 below numbers allow for estimated costs to repair services to undeveloped sites, rebuild a seawall, and complete ground resilience works (note 12).

The Group has the following classes of Investment Property:

- Developed Investment Property; and
- Land Available for Development

	Developed Investment Properties $'000	Land Available for Development $'000	Total Investment Properties $'000
Opening value 1 July 2019	37,371	25,082	62,453
Additions	1,450	4,192	5,642
Transfers/reclassifications	(8,300)	-	(8,300)
Increase/(decrease) in fair value	(620)	729	109
Closing value at 30 June 2020	**29,901**	**30,003**	**59,904**
Opening value 1 July 2020	29,901	30,003	59,904
Additions	-	2,458	2,458
Transfers/reclassifications	-	(4,871)	(4,871)
Increase/(decrease) in fair value	(3,901)	1,903	(1,998)
Closing value at 30 June 2021	**26,000**	**29,493**	**55,493**

15 Joint Ventures

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.

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**	**2021**	2020
Direct Connect Container Services Limited	Container storage and transportation	**50 %**	50 %

15 Joint Ventures (continued)

Summarised balance sheet

	2021 $'000	2020 $'000
Current		
Cash and cash equivalents	**354**	88
Other current assets (excluding cash)	**304**	120
Total current assets	**658**	208
Other current liabilities (including trade payables)	**(251)**	(149)
Total current liabilities	**(251)**	(149)
Non-current		
Assets	**15,043**	87
Total non-current assets	**15,043**	87
Financial liabilities	**(16,160)**	(800)
Other liabilities	**-**	-
Total non-current liabilities	**(16,160)**	(800)
Net assets	**(710)**	(654)

Summarised statement of comprehensive income

	2021 $'000	2020 $'000
Revenue	**2,757**	1,152
Operating expenses	**(2,822)**	(1,427)
Net finance cost	**-**	-
	(65)	(275)

Reconciliation of summarised financial information

	2021 $'000	2020 $'000
Opening net assets 30 June	**(653)**	(378)
Profit/(loss) for the year	**(65)**	(275)
Gain on sale of asset	**8**	-
Closing net assets	**(710)**	(653)
Interest in joint venture	**(355)**	(327)
Applied against loan advances	**355**	327
Carrying value	**-**	-

16 Goodwill

	2021 $'000	2020 $'000
Cost	**2,675**	2,675
Accumulated Amortisation	**-**	-
Closing Net Book Value	**2,675**	2,675

Determining the recoverable amount for the port operations cash generating unit

Significant capital expenditure was incurred in the current year in relation to the regeneration programme which is expected to continue for several years in the future. The increase in the fixed assets of the port operations cash generating unit (CGU) increases the risk that the net assets of the CGU (including the balance of goodwill) may be higher than its recoverable amount.

To assess the port operations cash generating unit including goodwill for impairment, the recoverable amount was determined through applying the fair value less cost of disposal method. The fair value is determined through the income approach as allowed by NZ IFRS 13 Fair Value Measurements, in which the estimated future cash flows over the next 30 years are discounted to a present value.

An impairment assessment was calculated for the port operations cash generating unit and it was concluded that there was no impairment to recognise. The recoverable amount was calculated based on two scenarios. The difference between the recoverable amount calculated under the lower cargo volume scenario and the carrying value of the CGU is $15m.

The key assumptions in the impairment model and related sensitivity are as follow:

Assumption	**Value of assumption**	**% Change in assumption**	**$ value impact of change in assumption on the valuation model**
Weighed average cost of capital (discount rate)	6.4%	+0.4% -0.4%	-$45m +$54m
Terminal growth rate	1.8%	+0.2% -0.2%	+$8m -$7m
Indexation	2.0%	+0.2% -0.2%	+$20m -$19m
Revenue throughout forecast period		+0.5% -0.5%	+$81m -$81m
Forecasted Capital Expenditure throughout forecast period		+0.5% -0.5%	-$25m +$25m

Whilst not included in the key assumptions table the following other key assumptions are also included in the model:

- Forecasted sales volumes and prices for containers, logs, fuel, and cruise ships
- Cost of disposal of the CGU
- Operating costs of the CGU

All inputs contained in the model are classified as Level 3 fair value measurements as described in note 2(j).

17 Trade and Other Payables

	2021	2020
	$'000	$'000
Trade payables	**3,053**	3,736
Accruals	**6,988**	6,156
Income in Advance	**739**	708
Other payables	**436**	502
	11,216	11,102

Trade and Other Payables principally comprise amounts outstanding for trade purchases and ongoing costs. Trade and Other Payables measured at amortised cost approximates fair value.

18 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.

CentrePort accrued for restructuring costs in its 30 June 2020 financial statements as a result of a staffing review and change process. The change process has been completed and the residual accrual has been reversed at 30 June 2021.

	2021	2020
	$'000	$'000
Current liability	**3,176**	5,508
Non-current liability	**167**	357
Total Liability	**3,343**	5,865

The rate used for discounting the provision for future payments is 1.8% (2020: 1.5%).

19 Leases

Leases as a lessee

The Group leases various land and equipment. Rental contracts are typically made for fixed periods ranging from 2 to 20 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- Lease payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- Makes adjustments specific to the lease, e.g. term, type of property, and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability less any lease incentives received. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right of use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the Statement of Comprehensive Income. Short-term leases are leases with a term of 12 months or less.

Extension options

Extension options are included in a number of property leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Factors assessed include historical lease durations and the costs of any business disruption required to replace the leased asset. Most extension options have been included in the lease liability, because the Group could not easily replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised). The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

19 Leases (continued)

Leases as a lessor

The Group leases out investment properties, port operational land, buildings, plant and equipment, and wharf facilities. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee. Where the lease is a sub-lease, it is classified as a finance lease whenever the terms of the sub-lease transfer all the risks and rewards of the right-of-use asset to the sub-lessee. All other leases are classified as operating leases.

Operating Leases

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Lease payments for some contracts include CPI increases.

Finance Leases

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The balance sheet shows the following assets subject to operating leases where the Group is the lessor:

	Port Land at Fair Value $'000	Investment Property at Fair Value $'000	Buildings at Cost $'000	Wharves and Paving at Cost $'000	Plant & Equipment at Cost $'000	Right of Use Assets at Cost $'000
Year ended 30 June 2020						
Opening net book amount *	33,323	34,227	4,218	13,807	1,549	626
Additions	-	791	-	-	-	-
Transfer from Work in Progress	-	-	-	110	37	-
Reclassification	-	(2,790)	2,790	-	-	-
Revaluation	3,560	30	-	-	-	-
Depreciation Charge	-	-	(826)	(757)	(69)	(81)
Change in the Provision for Resilience	265	-	-	-	-	-
Closing net book amount	**37,148**	**32,258**	**6,182**	**13,160**	**1,517**	**545**
At 30 June 2020						
Cost or Valuation	42,447	35,694	8,470	20,413	2,095	626
Provision for Land Resilience	(5,299)	-	-	-	-	-
Accumulated Depreciation & Impairment	-	(3,436)	(2,289)	(7,254)	(577)	(81)
Net book amount	**37,148**	**32,258**	**6,181**	**13,159**	**1,518**	**545**
Year ended 30 June 2021						
Opening net book amount	37,148	32,258	6,181	13,159	1,518	545
Additions	-	65	-	-	-	191
Transfers from Work in Progress	-	-	24	4,142	-	-
Disposals	-	-	-	(42)	-	-
Reclassification	(540)	5,884	(3,385)	17	(3)	477
Impairment adjustment	-	(214)	-	-	-	-
Revaluation	5,787	(3,794)	-	-	-	-
Depreciation charge	-	-	(286)	(1,240)	(74)	(109)
Change in the Provision for resilience	1,925	-	-	-	-	-
Closing net book amount	**44,319**	**34,199**	**2,534**	**16,036**	**1,441**	**1,104**
At 30 June 2021						
Cost or Valuation	47,693	37,849	4,024	28,370	2,114	1,294
Provision for Land Resilience	(3,374)	-	-	-	-	-
Accumulated Depreciation & Impairment	-	(3,650)	(1,490)	(12,334)	(673)	(190)
Net book amount	**44,319**	**34,199**	**2,534**	**16,036**	**1,441**	**1,104**

* Opening net book amount for Port Land at Fair Value increased by $6.7m due to land leases omitted in the prior year.

19 Leases (continued)

The Group expects the following lease payments to be received in relation to its operating and finance leases as a lessor:

Amounts Receivable under operating leases as a Lessor

	2021 $'000	2020 $'000
Within 1 year	**11,357**	11,647
Between 1 and 2 years	**7,227**	8,767
Between 2 and 3 years	**6,625**	6,324
Between 3 and 4 years	**6,596**	5,627
Between 4 and 5 years	**6,496**	5,522
Greater than 5 years	**27,879**	7,855
Total	**66,180**	45,742

20 Borrowings

	2021 $'000	2020 $'000
Current Liabilities		
NZ Green Investment Finance	**7,500**	-

In June 2020 CentrePort entered into a $15.0m debt facility with New Zealand Green Investment Finance (NZGIF) to accelerate investment into low carbon projects.

The Group has drawn down $7.5m of this facility at balance date (2020: nil). The interest rate is based on BKBM (bank bill bid settlement) rate plus a margin payable on funds drawn. A commitment fee is also payable on the facility limit. The term of the facility is 12-months and was renewed on 11 June 2021. The Lender has first ranking security over all current and future assets held by the Group.

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.

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.

Financial Risk Management Objectives

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

21 Financial Risk Management (continued)

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 as at 30 June 2021 consists of cash reserves, debt facilities, and retained earnings (2020: cash and retained earnings).

(a) Market risk

Currency Risk

The Group enters into forward exchange contracts to hedge the Group's foreign currency risk on major asset purchases.

Interest Rate Risk

The Group is exposed to interest rate risk through the Group's treasury investment portfolio if market interest rates decline below annual budgeted amounts.

Group sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 0.5% (2020: 0.5%) increase or decrease represents management's assessment of the possible change in interest rates.

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk:

		Interest rate risk			
		-0.5%		+0.5%	
30 June 2021	Carrying amount	Profit	Equity	Profit	Equity
Financial assets					
Cash and cash equivalents	192,113	(1,105)	(1,105)	1,105	1,105
Accounts receivable	9,754	-	-	-	-
Investment in Commercial Paper	19,902	(98)	(98)	98	98
Loans and Advances to Joint Venture	7,753	(35)	(35)	35	35
Financial liabilities					
Provision for Employee Entitlements	3,343	-	-	-	-
Trade payables	10,479	-	-	-	-
Borrowings	7,500	38	38	(38)	(38)
Total increase/ (decrease)		(1,201)	(1,201)	1,201	1,201

		Interest rate risk			
		-0.5%		+0.5%	
30 June 2020	Carrying amount	Profit	Equity	Profit	Equity
Financial assets					
Cash and cash equivalents	250,050	(854)	(854)	854	854
Accounts receivable	12,317	-	-	-	-
Investment in Commercial Paper	19,726	(97)	(97)	97	97
Loans and Advances to Joint Venture	400	-	-	-	-
Financial liabilities					
Provision for Employee Entitlements	5,865	-	-	-	-
Trade payables	10,394	-	-	-	-
Borrowings	-	-	-	-	-
Total increase/ (decrease)		(951)	(951)	951	951

21 Financial Risk Management (continued)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from Cash and Cash Equivalents with banks, financial institutions, loans and advances to joint ventures, and other institutions as well as outstanding Trade and Other Receivables. For banks, financial institutions, and other institutions only independently rated parties with a minimum rating of 'A' are accepted. For Trade and Other Receivables 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 not impaired but considered past due as at balance date. Expected Credit Losses are calculated on a lifetime basis for Trade Receivables. Please see note 10 for more information.

Credit Risk Exposure

	2021 $'000	2020 $'000
Cash at bank and shortterm bank deposits		
AA rated entities	**141,113**	213,050
A rated entities	**51,000**	37,000
	192,113	250,050
Other investments		
AA rated entities	**19,902**	19,726
Unrated entities	**7,753**	-
	27,655	19,726

The Group does not have any significant credit risk exposure 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 or other institutions with high credit-ratings assigned by international credit-rating agencies.

The other investments are with related parties (note 23).

21 Financial Risk Management (continued)

(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 holds cash and cash equivalents (refer to note 9) and has a bank overdraft facility of $2.0m through a set off arrangement (2020: $2.0m).

Liquidity profile of financial instruments

The following tables detail the Group's liquidity profile based on undiscounted cash outflows at 30 June 2021 and 30 June 2020, assuming future interest cost on borrowings at nil (2020: nil) of the average debt for each period.

	Less than One Year $'000	1-2 Years $'000	2-5 Years $'000	5+ Years $'000	Total $'000
30 June 2021					
Trade and Other Payables	10,479	-	-	-	10,479
Employee Entitlements	3,176	167	-	-	3,343
Lease Liabilities	317	292	822	2,362	3,793
Borrowings	7,500	-	-	-	7,500
Total	21,472	459	822	2,362	25,115
30 June 2020					
Trade and Other Payables	10,394	-	-	-	10,394
Employee Entitlements	5,508	377	-	-	5,885
Lease Liabilities	337	320	863	1,391	2,911
Total	16,239	697	863	1,391	19,190

(d) Financial instruments at Amortised Cost

	2021 $'000	2020 $'000
Assets		
Trade and other receivables	**9,754**	12,317
Loans and Advances to Joint Venture	**7,753**	-
Cash and cash equivalents	**192,113**	250,050
Investment in Commercial Paper	**19,902**	19,726
Total assets	**229,522**	282,093
Liabilities		
Employee entitlements	**3,343**	5,865
Trade and other payables	**10,479**	10,394
Borrowings	**7,500**	-
Lease liabilities	**2,225**	1,673
Total liabilities	**23,547**	17,932

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

	2021 $'000	2020 $'000
Profit/(Loss) for the Year from Continuing Operations	**(17,781)**	158,294
Add / (Less) NonCash Items:		
Depreciation	**7,410**	7,659
Right-of-use Asset Depreciation	**201**	202
Amortisation	**259**	271
Impairment	**-**	1,198
Decrease / (Increase) in Fair Value of Investment Properties	**1,998**	(108)
Decrease / (Increase) in Fair Value of Property, Plant and Equipment	**263**	-
Loss / (Gain) on Disposal of Fixed Assets	**(1,119)**	-
Increase in Deferred Tax liability	**21,332**	9,540
Add / (Less) Movements in Working Capital:		
Trade and Other Receivables	**6,008**	(5,993)
Insurance Receivable	**-**	50,000
Trade and Other Payables	**117**	(2,920)
Inventories	**(187)**	(894)
Taxation Payable/Refund	**1,673**	(2,295)
Provision for Employee Entitlements	**(2,522)**	1,888
Add / (Less) Items Classified as Investing and Financing Activities:		
Accounts Payable related to Property, Plant & Equipment	**(907)**	(1,782)
Accounts Payable related to Investment Properties	**339**	-
Prepayments related to Property, Plant & Equipment	**(3,583)**	3,583
Insurance Progress Payments (Material Damage)	**-**	(206,998)
Other	**-**	143
Net cash inflow from operating activities	**13,501**	11,788

23 Related Party Transactions

Subsidiaries and Joint Ventures of CentrePort Ltd

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest held by the Group	
			2021	2020
			%	%
CentrePort Property Management Limited*	Management services	New Zealand	**-**	100
CentrePort Properties Limited	Investment in special purpose vehicles	New Zealand	**100**	100
Direct Connect Container Services Limited	Container storage and transportation	New Zealand	**50**	50
Harbour Quays Property Limited*	Investment in special purpose vehicles	New Zealand	**-**	100
Harbour Quays A1 Limited**	Commercial Rental Property	New Zealand	**-**	100
Harbour Quays D4 Limited	Commercial Rental Property	New Zealand	**100**	100
Harbour Quays F1F2 Limited**	Commercial Rental Property	New Zealand	**-**	100
Wellington Port Coldstores Limited	Cold Storage	New Zealand	**100**	100
CentrePort Captive Insurance Limited		New Zealand	**100**	-

*During the year ended 30 June 2021, CentrePort Property Management Limited and Harbour Quays Property Limited were both removed from the Companies Register.

**During the year ended 30 June 2021, Harbour Quays A1 Limited and Harbour Quays F1F2 Limited were both amalgamated into CentrePort Properties Limited.

Direct Connect Container Services Limited

During the year, CentrePort provided a secured and interest bearing long-term shareholder advance to Direct Connect Container Services Ltd of $7.0m. Interest is payable on the principal of 7.0% per annum, income from the loan for the year ended 30 June 2021 was $325k. The loan is repayable on 29 November 2029.

CentrePort also provided unsecured advances of $680k to Direct Connect Container Services Limited. There is no interest charged on these advances and they are repayable on demand.

CentrePort Captive Insurance Limited

With the approval of the Board and Shareholders, CentrePort Limited established CentrePort Captive Insurance Limited. The company was created to more effectively manage risks and costs of CentrePort's asset base. CentrePort Captive Insurance Limited was incorporated on 27 May 2021 with $1m of capital. CentrePort is in the process of applying to the Reserve Bank of New Zealand for a licence under The Insurance (Prudential Supervision) Act 2010 for this company to operate as a captive insurance company.

Parent and Controlled entities

CentrePort is 76.9% owned by WRC Holdings Ltd, 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.

During the year transactions and balances between the Group and related parties included:

	2021 $'000	2020 $'000
Greater Wellington Regional Council and Subsidiaries		
Income received from rent and services performed	**359**	714
Payment for use of navigational facilities, guarantee of CentrePort Group borrowings, and services performed	**(780)**	(727)
Investment in Commercial Paper	**19,902**	19,726

As at 30 June 2021, the Group held $19.9m (2020: $19.7m) of unsecured Commercial Paper issued by GWRC. The Commercial Paper will mature on 29 March 2022 for $20.0m.

	2021 $'000	2020 $'000
Horizons Regional Council and Subsidiaries		
Payment for services performed	**(5)**	(4)
Direct Connect Container Services Limited		
Income received from rent and services performed	**286**	537
Sale of plant	**650**	-
Payment for goods and services	**(100)**	(141)
Cash advances	**(680)**	(145)
Loan advances	**(7,000)**	-

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

	2021 $'000	2020 $'000
Direct Connect Container Services Limited receivable	**15**	49
Direct Connect Container Services Limited payable	**-**	-
	15	49

Key Management Personnel Compensation

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

	2021 $'000	2020 $'000
Salaries, fees, and other shortterm employee benefits	**4,084**	3,952

24 Capital Commitments

At balance date CentrePort had entered into commitments for the acquisition of property, plant, and equipment amounting to of $21.5m for the Group (2020: $10.1m).

25 Contingent Liabilities

Statistics New Zealand issued a notice of legal proceedings 27 April 2021, with CentrePort Limited and CentrePort Properties Limited as named defendants along with Beca Limited and Dunning Thornton Consultants. The proceedings concern Statistics House which sustained damage and was subsequently demolished following the Kaikoura earthquake in November 2016. CentrePort is taking advice on these proceedings. The indicative claim against the three parties involved is $18m, CentrePort has denied any liability. This is unresolved at 30 June 2021.

During the reporting period a former contractor instigated a second set of proceedings against CentrePort for the alleged unlawful suspension, and then termination, of their contract in relation to a health and safety incident that occurred on the 2nd of October 2019. The total amount claimed by the contractor is approximately $1m. CentrePort has incurred costs relating to this incident that is believed to be recoverable from the contractor. The company's lawyers have advised that they do not consider that the claim has merit, and they have recommended that it be contested. No provision has been made in these financial statements as Management does not consider a present obligation exists for which an outflow of economic benefits is probable.

26 Contingent Assets

There are no contingent assets in 2021 (2020: nil).

27 Subsequent Events

On 17 August 2021, the Ministry of Health announced one new community case of COVID-19 in Auckland. The Government moved the country into alert level four effective 11.59pm 17 August 2021. There are four alert levels, with level one being the least risk of infection and four the highest. The country will remain at alert level four for at least seven days. The swift action of the Government was due to community transmission of the highly transmissible Delta variant.

As an essential service provider, CentrePort is able to operate during all COVID-19 alert levels with appropriate additional public health measures in place. Subject to CentrePort operating safely, all freight can be distributed, received, and can enter and leave the Port under alert level four. As at 25 August 2021, CentrePort does not anticipate any material impact to cargo volumes or operations.

Auditors' report

To the shareholders of CentrePort Limited Group

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF CENTREPORT LIMITED GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 20 to 58, that comprise the balance sheet as at 30 June 2021, 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 2021; 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 25 August 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to uncertainties arising from the the Kaikoura earthquake on the Group. 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.

Emphasis of matter – Uncertainties arising from the Kaikoura earthquake

Without modifying our opinion we draw attention to Note 3 on page 28 to the financial statements, which outlines the impact of the Kaikoura earthquake on the Group. We draw specific attention to the following significant uncertainties and judgements:

Tax treatment of insurance proceeds

Note 6 on page 31 describes the key assumptions applied in the tax calculation due to the different tax rules that apply to insurance proceeds. The tax treatment of the proceeds remain uncertain because a binding ruling, to confirm the key assumptions, has not been received from Inland Revenue.

Adjustment to fair value of operational port land

Note 12 on page 36 describes that the fair value of operational port land was adjusted for the remaining resilience work required to support the land. The cost of completing the land resilience work has been estimated with reference to the cost of completed work and third party estimates and is sensitive to change.

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.

Auditors' report (continued)

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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.

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 company'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.

Auditors' report (continued)

Deloitte.

- 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.

- 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 information included on pages 15 to 19, 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. 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 *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out an agreed-upon procedure engagement which is compatible with those independence requirements. Other than the audit and this engagement, we have no relationship with or interests in the Group.

J Shepherd

James Shepherd
Deloitte Limited
On behalf of the Auditor-General