



2018-2019 Annual Report

The port of choice for
central New Zealand

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Our Business



Inland Strategy

CentrePort's inland strategy continued to help drive economic success across the lower North Island this year.

CentrePort and KiwiRail have provided the CentreRail service since 2013. This connects businesses in Taranaki, Whanganui, Manawatu, the Wairarapa and Marlborough to global markets.

The inland hubs utilise long-haul rail transport to the port from key aggregation points. This improves efficiencies in logistics, creating a reliable, sustainable connection from these sites to the world.

The past year saw record CentreRail volumes supported by the continued development of the hub network with volumes of 800 twenty-foot equivalent units (TEUs) containers per week.

Moving forward, CentrePort is looking to expand the model elsewhere with rail hubs in the planning stages in various locations throughout central New Zealand.

Case Study

Open Country Dairy



Open Country Dairy is the second biggest dairy company in New Zealand, and exports 30 per cent of its products through CentrePort via Whanganui to more than 70 countries across the world.

Open Country Dairy has a long-standing relationship with CentrePort and moves containerised export product through the Wellington port to its international markets.

The CentrePort partnership with Ali Arc – which provides logistics, storage and transport services – provides efficiencies for Open Country Dairy, with certainty of the daily rail service through to CentrePort.

“Rail works brilliantly. The nature of it means that delivering products is efficient and easy, and means we have to use fewer trucks.”

Greg Sewell, General Manager Supply Chain, Open Country Dairy

Products ready to export are stored at the Whanganui hub, which is hugely important for Open Country Dairy as it frees up storage at their own facility. The ability for Ali Arc to recondition containers and manage storage is also a huge benefit to Open Country Dairy.

“The whole system works well. We don’t hear any noise which is exactly what you want from a logistics perspective. We have the assurance that everything is working seamlessly,” said Sewell.

CEO's Report



Derek Nind Chief Executive

A year of growth, building resilience and wide engagement has CentrePort well placed to deliver on an ambitious regeneration plan that will benefit the New Zealand economy.

Our financial and operational performance reflect a very successful year, and this has been largely driven by CentrePort's people. Despite continued operational constraints due to the impacts of the 2016 Kaikoura earthquake, our people have found solutions to deliver for our customers in a safe and efficient manner.

We've invested in our people to ensure they have the range of skills to work safely and effectively. For our container services staff, we have introduced a fixed-flexi rostering system which guaranteed regular working hours and opened broader opportunities of tasks and roles. Providing the appropriate training and support was a priority.

One of my most rewarding moments of the year was attending a graduation ceremony for our staff who had gained a range of qualifications, including NZQA recognised courses. Family and friends attended, and the pride in achievement was clearly apparent.

"Almost all our trades have grown again significantly over the last 12 months – and we've invested a lot of energy into bringing key assets back into play and providing what our customers need. The key to our success is our people – the people have made it work. They've found solutions, they've worked safely, and they've worked with other people on the port to make it a very successful year." Derek Nind, Chief Executive.

Health and safety

CentrePort takes a continuous improvement approach to health and safety, and we built on previous gains. Positive trends in our key health and safety metrics continued showing the systems and safety-in-design approach is making an impact. The redesign of our log yard lay-out achieved significant improvement in man-machine separation.

Systems and metrics were only half the story – with the safety culture being key. Our people took ownership of health and safety to complement the supportive approach of management. Our 23 health and safety representatives benefited from an extensive training programme. This empowered them to work collaboratively with their colleagues to help achieve CentrePort's continued evolution from a reactive to proactive health and safety culture.



Environmental sustainability

Ensuring our business is sustainable and recognising our part in the guardianship of Wellington Harbour were major drivers for our activities in the past year and will continue to be as CentrePort looks to the future.

The Waste Minimisation Project begun in 2017 continued to help CentrePort's goal to be a zero-waste port, recycling all waste concrete and asphalt from the various demolition sites. All recycled material is then re-used in a variety of projects on port instead of being transported by truck to landfills. The programme won Excellence in Civil Construction at the Concrete New Zealand awards, and was a finalist in the 'Green Gold' category of the Wellington Gold Awards.

Good progress in our environmental management was made, including attaining resource consent for a storm water management plan.

Sustainability is a key consideration in CentrePort's supply chain design. For example, the CentreRail service from the Waingawa log hub in the Wairarapa will remove more than 30,000 truck movements over the Remutakas per year.

Strong trades

There was strong growth across the major trades reflecting gains in CentrePort's performance and good support from customers. The robust volumes of logs, containerised cargo, bulk cargoes and vehicles, not only benefitted CentrePort, but reflected a strong performance of the central New Zealand economy.

Our log trade saw a 27 per cent increase to a new high mark of 1.7 million tonnes. This was enabled by the continued growth of the CentreRail service in partnership with KiwiRail.

CentrePort's investment into regional hubs is providing customers with improved connectivity to markets and greater certainty around price. The \$3 million-plus investment into the Waingawa hub will increase log volume capacity by up to 200,000 tonnes a year. This will be carried by an expanded CentreRail service. Plans for potential new sites for regional hubs firmed up and are expected to be progressed in 2019/20.

The container business grew by 11 per cent despite the removal of a shipping service to New Zealand during the year. While there were ongoing issues with quake-damaged land which presented operational challenges, productivity returned to pre-quake levels.

A record cruise season with 110 calls into Wellington helped boost the local economy by \$56 million with 220,000 passengers visiting the Capital. Improved systems and extensive planning enabled CentrePort ensure the busiest cruise ship season in the port's history was a success.

Regeneration

CentrePort engaged widely with the assistance of PwC to make good progress on regeneration planning. We talked with customers, local and central government, and the community, gaining their insights. Not only will the regeneration plan deliver a 21st century logistics asset to benefit the economy, it must connect with the city and the region.

We continued working with international experts Hamburg Port Consulting and Royal HaskoningDHV, as well as Berl and KPMG to explore opportunities to develop a modern and effective logistics supply asset.

The planning is considering a variety of factors including safety, resilience, the environment, technology, risk management, the needs of the community, and regional and national economies.

The multi-user ferry terminal project sits under that regeneration plan and good progress was made in the delivery of a business case in August 2019. We engaged with the project group of partners to produce a collaborative, well-researched piece of work. Integrating the city's needs and ensuring that State Highway 1 is well connected between the North and South Islands is paramount in that planning.



Resilience

Good progress was made across medium-term operating plan projects which are the enablers of the regeneration plan. The demolition programme continued to remove damaged and redundant assets. The programme creates space allowing for the reconfiguration of operations which in turn provides the opportunity to carry out repair and remediation work.

The removal of redundant buildings on the E-site adjacent to Waterloo Quay and remediation of the land created a new vehicle marshalling area for the StraitNZ Bluebridge service, while the removal of the former cruise terminal improved Aotea Quay bulk cargo capacity.

A total of 15 structures have now been removed including the former cruise terminal in Shed 51, Sheds R & S, the Coldstore, and Shed 19 on Waterloo Wharf. Further projects commenced including the removal of the former BNZ building.

Critical resilience work on key assets including Kings Wharf, Aotea Quay, and the Seaview fuel facility progressed. These involve significant investment and ongoing work in the years to come, that will not only benefit CentrePort, but are important for the emergency Lifelines network.

Chair's Report



Lachie Johnstone Chairman

The Board is pleased to report a year of strong growth in the business, continuous improvement in health and safety and good progress on developing the CentrePort regeneration plan.

Health and safety is the number one commitment through all levels of CentrePort. The ability to make continued gains as reflected in our Statement of Corporate Intent KPIs while also achieving operational advances and an improved financial performance has been a remarkable achievement.

CentrePort management and staff have driven these and are to be congratulated for their perseverance and dedication in the face of continued operational constraints and a challenging environment as the effects of the 2016 Kaikoura earthquake are still being dealt with.

This progress reflects the company's investment in training and systems to strive towards being a zero-harm workplace.

Strong financial and operational performance

Growth strategies, the hard work and resourcefulness of staff and strong support of local and regional customers combined to deliver the strong financial and operational performance.

The underlying profit after tax and before earthquake impacts, changes in fair value and realisation of financial instruments was \$16.6m reflecting a 40 per cent improvement on the previous year. Shareholders were paid a dividend of \$4m, up from \$2m, in the previous year.

Most major trades showed significant growth helping drive a 15 per cent increase in revenue to \$85m.

Log exports increased by 27 per cent, container volumes by 11 per cent and cruise showed continued strong growth with 110 ship visits – a 36 per cent increase.

Progress towards regeneration

CentrePort has continued to deliver on its strategy to grow freight capacity, and to increase resilience. That is putting the business in a strong position to progress the CentrePort regeneration plan to deliver a 21st century logistics asset which will benefit the economy and the community.

There was continued work with international and New Zealand-based experts to advance the regeneration plan. Valuable insights were gained from a wide range of stakeholders including customers, the community, local and central government.

Good progress was made on the earthquake insurance claim and we continue to work closely with our engineers and insurers. Two other claims involving joint venture activities have already been finalised.

I would like to pay tribute to Director Richard Janes who departed after 15 years' service on the board. His astute judgement and counsel were an asset to the company.

We welcomed Kerrie-Lee Magill as a new director and her experience across a range of senior roles in corporates in New Zealand and the UK, complement the board as it steers CentrePort through its regeneration plan with an exciting future ahead.

The Board thanks the CentrePort team, including Chief Executive Officer Derek Nind, for continuing to grow the business, drive health and safety improvement and progress the development of the regeneration plan.

Trades



Logs

The incoming wall of wood

The lower North Island region's forests of the 1990s are reaching maturity. This is creating a "wall of wood" and significant growth for the log industry in the region.

The growth in log volumes through CentrePort has been significant. Volumes have doubled in the past six years, and this growth is predicted to continue over the next decade.

A record 1,709,435 JAS (Japanese Agricultural Standard) was exported. This was a 27 per cent increase on the previous year, led by strong demand from China.

Putting the log in logistics

As logging continues to expand, CentrePort has been looking at innovative ways to continue to develop cost-effective, safe, sustainable and efficient supply chain solutions that reduce truck movements.

The Waingawa log hub, outside Masterton, was specifically built to support the efficient and fast movement of logs directly to the port.

CentrePort developed the land at Waingawa, with the rail maintained by KiwiRail, to ensure there is capacity to take logs directly to the port.

Logs arrive at the Waingawa hub and are sent by rail to Wellington daily. This has taken a significant number of trucks off the road – reducing the number of truck journeys over the Rimutakas by up to 30,000 annually – an environmental, social and economic win for the region. Rail also reduces road maintenance costs and has 66 per cent fewer emissions per tonne compared to trucks.

Case Study

Forest Enterprises



Masterton-based Forest Enterprises is one of the companies making the most of CentrePort's inland Waingawa hub to export its logs through the port.

Forest Enterprises manages about 20,000 hectares of forestry, with 9,000 hectares in the Wairarapa.

"A lot of the wood that was planted in the 1990s is coming into the mid-20s now, so it's time for it to be harvested, creating a big increase for us."

Bert Hughes, CEO, Forest Enterprises

"CentrePort is providing the infrastructure that makes it possible. CentrePort has been a real key to us being able to increase our production."

Opened in late 2015, the Waingawa hub south of Masterton has allowed companies like Forest Enterprises to load its logs onto trains bound directly to the port to then on-sell and export.

"When we look back historically, Derek Nind has been a real driver of the rail solution with investing in Waingawa.

"CentrePort made a commitment to make the infrastructure available and we would use it in order that there was no risk to either party. That's just endured so we're really happy with that," said Hughes.

Containers

The containers business has grown in the past year – showing strong progress in CentrePort’s recovery. The containers business was up 11 per cent this year, with 93,846 twenty-foot equivalent units (TEUs). This year, CentrePort has increased capacity to continue growing the container business. CentrePort is also looking at ways to continue to grow volume and efficiently move more container cargo through the port.

“MSC has been very happy with CentrePort’s operational productivity this year, particularly given the port is still operating in a constrained environment with the container cranes.” Steve Wright, General Manager, Mediterranean Shipping Co NZ

We are phasing out straddle cranes due to the uneven nature of the land post-quake. These are scheduled to be replaced in 2020 with bomb carts.

This will increase lifting capacity from 30 to 70 tonnes – and improve the cycle from truck-to-crane-to-ship by up to eight minutes. The bomb carts will also be able to drive directly under cranes – improving safety and productivity.

Case Study

Ali Arc



Ali Arc Logistics in Whanganui works in partnership with CentrePort to connect its customers to global networks.

The inland hub allows Ali Arc to offer customers a set price for storage and transportation of containers to the port by rail. This streamlines logistics and operations for exporters.

“We’re basically trying to take all the hassle out of it for the customers by providing every service that we can; from devanning a box or an imported container, to delivering the goods to that customer.”

Brendon Bartley, Managing Director, Ali Arc

CentreRail’s ability to provide certainty around timing of shipments, efficiency of operations, and flexibility ensures the partnership works well.

“The relationship is great because our core business is warehousing logistics. They’ve got to come from somewhere. If it comes from CentrePort that’s the best result for us so the quicker we get with them in and out of the port the better,” said Bartley.

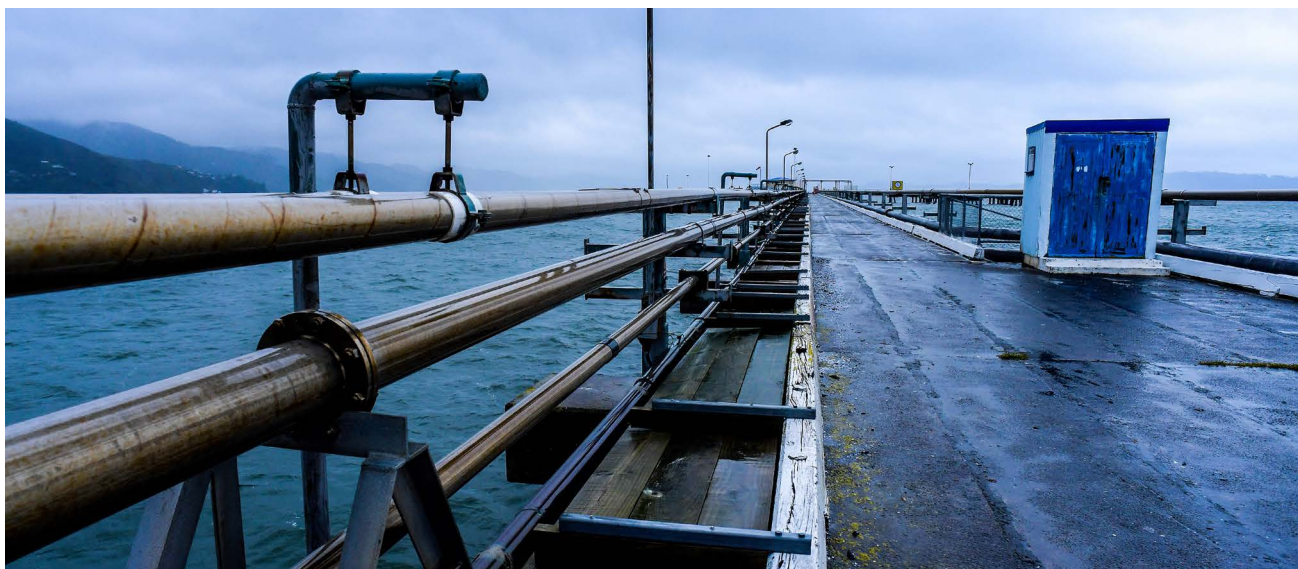
“We’ve got the ability to grow with CentrePort, and we’re currently working on a development for adding biosecurity services to what we do.”

More than 20 Whanganui businesses currently use the Ali Arc and CentreRail service.

Fuel

For the third year in a row, fuel volumes have been greater than a million tonnes at CentrePort.

Based at Seaview on the Lower Hutt side of Wellington harbour, fuel is the “quiet cargo” for CentrePort and the Seaview wharf facility is a critical asset for the region.



The million tonnes through Seaview provides nearly all of the fuel for the lower North Island. In addition, CentrePort facilitates all the aviation fuel supplies for Wellington International Airport from Burnham wharf.

Z Energy has been working with CentrePort to ensure the teams are aligned on significant projects and day-to-day activities.

“Our positive relationship with CentrePort has continued to grow throughout the last year. Z Energy has developed a great working relationship with the CentrePort Ferries and Bulk team which has seen us work closely on a number of projects including looking to the future around the capabilities of the Seaview Wharf. This has all been achieved while seeing an increase in the number of tankers utilising the Wharf to discharge fuel into the Seaview Terminals. We look forward to working with the CentrePort team in the year ahead,” said Mark Soper, Seaview Terminal Manager, Z Energy.

Ferries and Bulk General Manager Andrew Steele said given the fuel facility is essential for Lifelines and the regional economy, CentrePort has been working on increasing resilience of the fuel berths over the past year.

“At Seaview Wharf we are continuing to improve facilities and we’ve removed a lot of redundant infrastructure to reduce the load on the wharf. We’re also scoping up the longer-term project in terms of resilience developments.”

Ferries

The inter-island ferry service that CentrePort facilitates is a vital link between the North and South Islands, effectively extending State Highway 1 over Cook Strait.

Last year there were a total of 3,148 Interislander and StraitNZ Bluebridge ferry journeys between Wellington and Picton. The ferry link between the North and South Island is a critical part of New Zealand’s transport network, responsible for moving up to \$20 billion worth of freight and more than 1.1 million passengers per annum.

Cruise

History was made in the 2018/19 cruise ship season with ship visits passing the century mark for the first time. By the end of the season there were a total of 110 visits.

More than 300,000 passengers and crew stopped in the Capital and local businesses felt the benefits as they purchased souvenirs, flat whites and cable car tickets. Many visitors also travelled further afield on tours to the Wairarapa during their stay.

The biggest week for cruise was in January, with 10 ships and 17,500 passengers visiting in a single week.

“Cruise visitors are fantastic for the city’s economy, and passengers certainly add a great buzz and vibrancy to the city.”

David Perks, General Manager, Wellington NZ

“Wellington is a great place for international travellers to see the stories of the nation and visit Te Papa and Parliament, experience a New Zealand city or go on a specialist tour. The people of Wellington have embraced cruise visitors – it is a fantastic promotion of the city and many visitors are inspired to return in the future,” said Perks.



The demographics of cruise passengers are changing, with an increase in families and a growing diversity of nationalities.

The 2019/20 season will be even bigger, with 123 ships booked to land in Wellington.

“Cruise ships contribute \$56 million to the Capital’s retail, hospitality and tourism sectors every year. It is a great way to highlight Wellington. We are proud to be part of boosting tourism to the city.”

Derek Nind, CEO, CentrePort

Our People



Resilient People

Our business is nothing without its people. This year, our people stepped up to meet challenges, solve problems and improve processes.

The flexibility and resilience of staff has been outstanding and is the main reason CentrePort has maintained its strong growth.

Tiffany Palmer

Project Development Manager

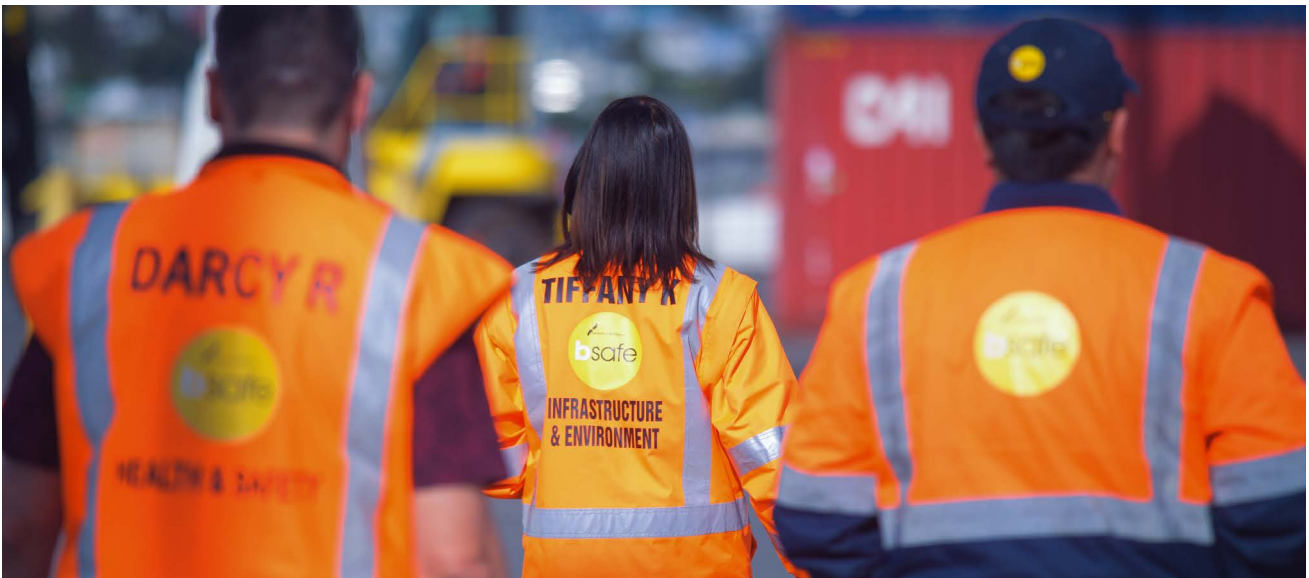
“A highlight for me this year has been working with the team on the ground and doing the work to truly understand what CentrePort needs. The executive leadership team has provided ongoing support and that really empowers you to make improvements.”

One of these projects has been a wind assessment of the port.

“The environment has changed; it is more exposed. We have done this with partnerships within our team and externally, we had an expert review the findings to give it robustness.

“We’ve also been working this year on data mapping the port so that we have detailed site characterisation information. We’ve tested a range of scenarios so we can better plan, invest and mitigate risks on the port,” said Palmer.

This work is the largest seismic array in the Southern Hemisphere and has attracted interest from the University of California, Berkeley, University of Texas, University of Auckland and University of Canterbury.



Health and Safety

Health and safety is about more than processes and systems. It requires a culture that empowers colleagues to advocate for safer ways of working.

Our staff are proactive in delivering our health and safety strategy. Health and safety representatives and frontline staff are empowered to identify new and safer ways of doing things.

Health and safety is the number one priority for CentrePort in everything we do.

The bSafe reporting system has been driving innovation and improvement in ways of working, including a greater quality of reporting, and problem solving from the frontline.

Our staff are intervening, acting and making a difference. This is contributing to our goal to be a zero-harm workplace with fewer injuries than at any point in the past decade.

Health and safety enables efficiency and effectiveness, and most importantly, supports everyone getting home healthy and safe each day.

“The port is a dynamic environment and we need to make sure that everybody is focused on that. We’re making those changes and we are seeing great progress. Everybody in the business is committed to making that happen. It’s a journey and we continue to strive towards our goal of being a zero-harm workplace.”
Derek Nind, CEO, CentrePort

CentrePort can have up to 1,000 people on the ground at various times, including multiple Persons Conducting Business or Undertakings (PCBUs). All PCBUs working at CentrePort are put through a three-stage health and safety process.

In June 2019, CentrePort was sentenced and fined \$506,048 in the District Court at Wellington for the death of Teihi Whaanga following a fall from a ladder. The team continue to think of Teihi every day and his legacy continues in the ongoing commitment to health and safety on the port.

Craig Riddell

Break Bulk Cargo supervisor

Dealing with complex cargo is one of the highlights of Craig Riddell's job.

"One of the best parts of my job last year was working on a project for KiwiRail that involved unloading thousands of tonnes of steel rails. Each piece was 25 metres and required specialist handling equipment. Figuring out how to deal with complex and unfamiliar cargo is really challenging but rewarding.

"The beams are not easy to stack and there are a bunch of risks involved so we had to ensure there was a big focus on safety, communication and teamwork between ourselves, C3 and KiwiRail. It's a real credit to the team that it went so smoothly and efficiently."

The 4,500 pieces of steel for KiwiRail, weighing 5,600 tonnes, were unloaded and moved onto rail wagons operating along Burma Road and out the north gate to a storage facility in Woburn, Lower Hutt.

Training



In the past year, CentrePort implemented a fixed flexi-rostering system. This has given the team awareness well in advance when and where they're working, including guaranteed time off and normalised hours.

This means we needed to broaden the range of skills of all of our staff, involving thousands of hours of training through the year. Frontline staff get an opportunity to rotate between areas, rather than being specialised in one area. This has created a multi-skilled team, spreading the skills and knowledge to keep the team fresh.

The training is New Zealand Qualifications Authority approved, providing employees with qualifications that are externally recognised.

"It's been a really satisfying process to see people evolve, change and grow in confidence as a result of that. It's been a really positive experience and something that we want to do more and more of with all of our staff."

Derek Nind, CEO, CentrePort

Training graduation ceremonies

“Probably one of the best nights this year would be watching the pride and the sense of satisfaction from the staff who graduated that night, something maybe they haven’t done before in front of their families and friends. It’s great to be part of that and a vehicle to encourage it and to see that transformation in them.”

Derek Nind, CEO, CentrePort.

Cargo handler Dave Maule is one of CentrePort’s training coordinators. He helps implement training programmes that invest in growing the skills of CentrePort staff.

“Training of our people is a key focus at CentrePort. We use training specialists to ensure staff are getting quality instruction. The programme we’ve implemented includes ship lashing and twist-lock use refreshers, and New Zealand certificates in Port Operations, both core and heavy machine operations strand. You never reach the finish line with training. Continuous development of training methods and materials are being developed. We are always striving to improve, and the past year has been one of real progress.”

Future leaders programme

The future leaders programme is part of our overall philosophy to improve the capacity and capability of people at CentrePort. The future leaders programme is around identifying talent in the business and working on that talent even before they become promoted or take on internal development opportunities.

Values



Our values guide the behaviour and attitude of our people.

They are part of our vocabulary and underpin the way we do and think about things at CentrePort. We literally wear our values and look to live them to deliver for our customers and our people.

A refresh this year saw the imagery evolve but the message remained the same.

Community Engagement

CentrePort recognises it is part of the wider Wellington community and engages and supports a variety of organisations and events.

This year we were proud to support a range of events including:

- The Royal Port Nicholson Yacht Club CentrePort International Youth Match Racing Championship
- The ExportNZ Wellington 'Best Large/Medium Business' Award
- Whanganui Chamber of Commerce – Whanganui Regional Business Awards, Manufacturing and Logistics Category
- Matariki Sky Show
- NZ Maritime Pilots Association 2018 Conference
- The Waterbourne Watersports Festival Beach Clean-up
- Hikitea historic floating crane restoration project.

Our Focus



Medium-term Operating Plan

Regeneration

CentrePort is developing an ambitious regeneration plan that will deliver our vision of a 21st century logistics supply chain asset to benefit the business, the community and the New Zealand economy.

The planning is considering a variety of factors including safety, resilience, the environment, technology, risk management, the needs of the community, and the regional and national economies.

We have and continue to engage with a range of stakeholders, including customers and partners to help shape that plan. We are working with international experts, such as Hamburg Port Consulting and Royal HaskoningDHV, and New Zealand-based companies to explore opportunities and consider a wide range of options.

Medium-term operating plan

The medium-term operating plan focuses on key enablers for regeneration. CentrePort is working on its plan to better serve the needs of customers, people, and region in the future, and build resilience of its critical assets.

“We are continuing the journey of providing the platform for the strategic priorities around a sustainable business – customer, economic, financial and environmental.”

Anthony Delaney, General Manager Regeneration, CentrePort

The infrastructure and environment team has spent the last 18 months mapping the port and gathering information and data to make well-informed decisions about the future.

A key component of the medium-term operating plan is the demolition programme with 15 structures removed to date. Works to remove the former BNZ and CESCO buildings commenced from mid-2019. Removal of damaged and redundant structures improves land utilisation by continuing to make additional land available to allow for permanent regeneration works.

We are also currently improving entrance and traffic management, including new weighbridges and an extra exit lane.

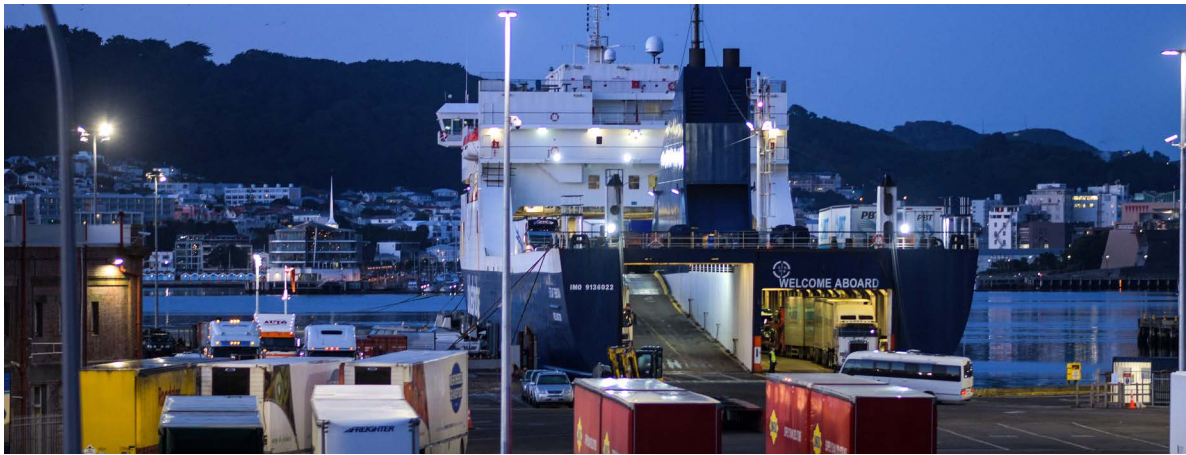
Infrastructure assets are also being upgraded to support future resilience. This includes the cranes, Aotea Quay, Kings Wharf, the Interislander Ferry operation, and the Seaview and Burnham Wharves.

CentrePort has gathered facts around our diesel and electricity use and determined how we can be more efficient and sustainable in the short and longer term.

In the longer term, CentrePort is looking at how it reimagines what the port will look like in the future. This includes spatial planning, urban integration, resilience and our environmental and people platforms.

Case Study

StraitNZ Bluebridge – E-site Infrastructure



CentrePort has been working alongside StraitNZ Bluebridge to improve its operation and layout.

This included re-engineering the E-sites to more efficiently manage StraitNZ Bluebridge's drop-trailer operation. This is where the trailers that transit between the North and South Island without a truck are picked up by a truck cab.

CentrePort enlisted the help of a consultant from Royal HaskoningDHV in Liverpool who has designed ferry terminals throughout Europe. This includes the terminal at Holyhead which berths the Ulysses, the largest ferry in the world.

Following the 2016 Kaikoura earthquake, StraitNZ Bluebridge had been marshalling drop-trailers on Glasgow Wharf but are now able to marshal them directly behind the vessel.

Taking the trailers on and off the ship now occurs across a 200-metre area rather than an 800-metre to one-kilometre area.

StraitNZ Bluebridge has seen a significant increase in its operating efficiency because the distance to travel is significantly shorter.

This has improved efficiency, speed and helped with overall operations. The finished area looks like a stretch of asphalt with some markings on it, but within its simplicity is a world-class design for marshalling.

"The E-site proximity to our berths and the improved traffic flow is delivering important operational benefits to meet the evolving needs of our freight customers."

Ed Menzies, General Manager – Commercial, StraitNZ Bluebridge

Lifelines

CentrePort connects State Highway 1 between the North and South Islands and provides an export connection to the rest of the world.

In the event of an emergency, fuel facilitated through CentrePort assets would be essential to supply rescue equipment in the immediate response. In an earthquake, ferries would also play an important part in the response, as a key supply chain due to the expected loss of roading.

“The port is a major contributor to the regional economy, and should a major earthquake occur, would be a vital lifeline access point.”

Dame Fran Wilde, Chair, Wellington Lifelines Group

The Wellington Region Emergency Management Office (WREMO) is developing a resilience plan for Wellington in the event of an emergency. Central government, through the Ministry of Civil Defence and Emergency Management is preparing a national level response plan.

CentrePort participates in the WREMO and national work, including running workshops on being more proactive and planning reviews. CentrePort is represented at various forums, with Anthony Delaney, General Manager Regeneration, covering the infrastructural approach and Andrew Steele, General Manager of Ferries and Bulk, covering operations.



Sustainability

CentrePort is committed to environmental sustainability and is a key element of the regeneration plan for the port.

Our award-winning Waste Minimisation Project has expanded.

The CentrePort Environmental Management System is now a certified programme under the accredited EnviroMark scheme.

Carbon reduction activities are being implemented with opportunities for future reduction being developed.

Waste minimisation

The Waste Minimisation Project is a national award-winning initiative which has now been running for two years. It is a concrete commitment from CentrePort to environmental sustainability.

The project repurposes significant quantities of waste concrete, steel, and asphalt by crushing these valuable materials and turning them into gravel fill at the Kaiwharawhara Point site. The material is then recycled for use in remediation and construction projects on port.

Since August 2017 a total of 26,297 cubic metres of concrete and 6,568 cubic metres of asphalt has been recycled instead of going to landfill.

The Waste Minimisation Project won Excellence in Civil Construction at the Concrete New Zealand awards, and was a finalist at the 2019 Wellington Green Gold Awards.

In mid-2019, the programme expanded to start accepting third-party concrete waste for recycling.

Carbon management

A range of carbon reduction activities are being implemented and further reduction opportunities are being explored.

We have several carbon reduction activities underway including expanding CentreRail to remove truck movements, the Waste Minimisation programmes, and energy efficiency measures including delamping.

William Woods

Strategic Planning Manager, CentrePort

"We're committed to making ongoing environmental improvements, and doing this alongside our stakeholders including partners, neighbours and businesses for the good of Wellington."

Multi-user Ferry Terminal



The Cook Strait ferries are part of the national supply chain, and are the water covered section of State Highway 1, with 3,148 vessel movements in the past year carrying cargo and passengers.

Through strong collaboration significant progress has been made in advancing the multi-user ferry terminal concept. CentrePort is a member of the future ports working group which is developing plans for the facility. Along with CentrePort the group consists of NZTA, KiwiRail, StraitNZ Bluebridge, Greater Wellington Regional Council and Wellington City Council.

The result of the working group collaboration over the last 18 months was the delivery of a high-level business case on 16 August 2019. Kaiwharawhara was announced as the preferred site for the multi-user terminal, subject to further structural and resilience engineering feasibility studies.



Financial Information

Financial Information

2019 Results Overview

The table below presents unaudited non-GAAP financial information.

	2019 \$'000	2018 \$'000
Operating Revenue	84,639	73,800
Operating Expenses	(80,674)	(69,058)
Earnings from Operations Before Equity Earnings, Interest, Tax, Earthquake Impacts, Changes in Fair Value and Realisation of Financial Instruments	3,965	4,742
Business Interruption Insurance Income	6,622	8,477
Earnings from Operations including Business Interruption Insurance	10,587	13,219
Share of Associates Profit After Tax (excluding Earthquake Impacts, Changes in Fair Value and Realisation of Financial Instruments) (1)	8,033	3,873
Net gain/(loss) on Disposal of Assets (3)	(451)	(32)
Earnings Before Interest, Tax, Earthquake Impacts, Changes in Fair Value and Realisation of Financial Instruments	18,169	17,060
Net Interest Costs (excluding interest rate swaps)	476	(1,842)
Underlying Net Profit Before Tax, Earthquake Impacts, Changes in Fair Value and Realisation of Financial Instruments	18,645	15,218
Income Tax (Expense) (excluding tax effect on Earthquake Impacts, Changes in Fair Value and Realisation of Financial Instruments) (2)	(2,034)	(3,390)
Underlying Net Profit After Tax Before Earthquake Impacts, Changes in Fair Value and Realisation of Financial Instruments	16,611	11,828
Earthquake Related Items:		
- Insurance Income less Impairments	56,270	10,881
- Earthquake Costs	(2,175)	-
- Earthquake Impacts in Associates (1)	9,138	17,628
- Income Tax on Earthquake Items (2)	382	(2,324)
- Net gain/(loss) on Disposal of Assets (3)	(1,363)	-
Total Earthquake Impacts, Net of Tax	62,252	26,185
Underlying Net Profit After Tax Before Changes in Fair Value and Realisation of Financial Instruments	78,863	38,013
Change in Fair Value of Financial Instruments	-	8,778
Realised Loss on Termination of Interest Rate Swaps	-	(9,543)
Investment Property Changes in Fair Value	1,021	(826)
Changes in Fair Value in Associates (1)	-	1,500
Redemption of the Mandatory Convertible Notes (1)	(9,654)	-
Income Tax on Changes in Fair Value in Investment Property (2)	-	172
Income Tax on Redemption of the Mandatory Convertible Notes (1)	2,703	-
	(5,930)	81
Profit for the Year from Continuing Operations	72,933	38,094
Total Comprehensive Income for the year, net of tax	72,933	38,094

Note:

1. Aggregates to Share of Profit/(Loss) of Investments using the Equity Method of \$10,220k (2018: \$22,999k)
2. Aggregates to Income Tax (Expense)/Benefit of \$(1,652k) (2018: \$(5,541k))
3. Aggregates to Net gain/(loss) on Disposal of Assets of \$(1,814k) (2018: \$(32k))

Reconciliation to Underlying Net Profit After Tax, Before Earthquake Impacts, Changes in Fair Value, and Realisation of Financial Instruments

The table below presents a reconciliation of the Profit for the Year from Continuing Operations of \$72.9m as disclosed in the audited Statement of Comprehensive Income to the Underlying Net Profit After Tax, Before Earthquake Impacts, Changes in Fair Value, and Realisation of Financial Instruments of \$16.6m reported in the 2019 Results Overview.

	2019 \$'000	2018 \$'000
Profit for the year from Continuing Operations	72,933	38,094
<i>Earthquake related items</i>		
Less Earthquake Related Items	(60,717)	(19,359)
Plus Business Interruption Income	6,622	8,477
Less Earthquake Impacts in Associates	(9,138)	(17,628)
Less Net Gain / (Loss) on Disposal of Assets	1,363	-
Less Income Tax on Earthquake Items	(382)	2,324
<i>Changes in Fair Value and Realisation of Financial Instruments</i>		
Less Increase / (Decrease) in Fair Value of Investment Property	(1,021)	826
Less Increase / (Decrease) in Fair Value of Financial Instruments	-	(8,778)
Less Changes in Fair Value of Associates	-	(1,500)
Less Income Tax on Changes in Fair Value in Investment Property	-	(172)
Less Redemption of the Mandatory Convertible Notes	9,654	-
Less Income Tax on Redemption of the Mandatory Convertible Notes	(2,703)	-
Less Realised Loss on Termination of Interest Rate Swaps	-	9,543
Underlying Net Profit After Tax, Before Earthquake Impacts, Changes in Fair Value, and Realisation of Financial Instruments	16,611	11,828

Performance against Statement of Corporate Intent

	Unit	FY19	Target	FY18
Underlying Net Profit Before Tax (1)	\$m	\$18.6	\$21.9	\$15.2
Underlying Net Profit After Tax (1) (2)	\$m	\$16.6	\$17.1	\$11.8
Dividend	\$m	\$4.0	\$4.0	\$2.0
Return on Assets (3)	%	8.8%	8.5%	6.0%
Return on Equity (4)	%	6.2%	6.7%	5.5%
Dividend Distribution as a % of Underlying Net Profit After Tax (1)	%	24.1%	23.4%	16.9%
Underlying Net Profit After Tax per share (1)	\$	\$0.71	\$0.73	\$0.51
Dividend per share	\$	\$0.17	\$0.17	\$0.09
Net Assets per share	\$	\$12.95	\$12.95	\$10.01

Note:

1. Underlying Net Profit Before Tax, Underlying Net Profit After Tax, and Earnings Before Interest and Tax are expressed before Earthquake Impacts, Changes in Fair Value, and Realisation of Financial Instruments
2. Underlying Net Profit After Tax includes Abnormal Items. Excluding Abnormal Items this is \$18.5m (2018: \$11.7m)
3. Return on Assets = Earnings Before Interest and Tax / Average Opening and Closing Non current Assets
4. Return on Equity = Underlying Net Profit After Tax / Average Opening and Closing Total Equity

The Statement of Corporate Intent (SCI) Targets are from the SCI for the financial years ended 30 June 2019 to 2021 which was approved for issue in May 2018.

Five Year Trends

	2015	2016	2017	2018	2019
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Revenue	69,794	76,197	63,689	73,800	84,639
Share of Associates Profit After Tax (excluding Earthquake Impacts, Changes in Fair Value, and Realisation of Financial Instruments)	6,333	6,025	3,242	3,873	8,033
Earnings Before Interest, Tax, Earthquake Impacts, Changes in Fair Value, and Realisation of Financial Instruments	22,772	22,617	15,847	17,060	18,169
Underlying Net Profit After Tax Before Earthquake Impacts, Changes in Fair Value, and Realisation of Financial Instruments	12,261	13,306	8,637	11,828	16,611
Total Comprehensive Income for the year, net of tax	13,666	11,604	(2,271)	38,094	72,933
Total Non-Current Assets	313,294	315,715	198,060	222,154	192,237
Total Bank Term Borrowings	102,000	102,000	36,000	-	-
Total Equity	196,510	201,314	198,343	234,438	303,371
	2015	2016	2017	2018	2019
Dividends Declared per Share	\$0.27	\$0.29	\$0.03	\$0.09	\$0.17
Net Assets Backing per Share	\$8.62	\$8.61	\$8.47	\$10.00	\$12.95
Gearing Ratio (Debt to Debt plus Equity)	36%	38%	19%	9%	-%

Summarised Financial Statements

For the year ended 30 June 2019

CentrePort Limited Group Summary Financial Statements

The summary financial statements of CentrePort Ltd Group (the Group) for the year ended 30 June 2019 on pages 32 to 35 have been extracted from the full financial statements. The summary financial statements have been prepared in accordance with FRS 43: Summary Financial Statements. The full financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice and they comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The Group has made an explicit and unreserved statement of compliance with International Financial Reporting Standards in note 1 of its full financial statements.

The summary financial statements are represented in New Zealand dollars and all values are rounded to the nearest one thousand dollars (\$000).

The full financial statements for the year ended 30 June 2019 were authorised for issue by the Board of Directors on 19 August 2019 and have been audited with an unmodified audit opinion issued with an emphasis of matter in relation to the uncertainties of the Kaikoura earthquake on the financial statements of the Group. The full financial statements are available from the CentrePort website www.centreport.co.nz or CentrePort offices at CentrePort House, 1 Hinemoa Street, Harbour Quays.

The summary financial statements were authorised for issue on 27 September 2019.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements of the Group.

Earthquake Provisions and Impairments

The 14 November 2016 Kaikoura earthquake caused significant damage to the Port infrastructure and Port properties including the land on which the Port operates. The insurance claim is well advanced however, at balance date, there is considerable uncertainty in relation to the final quantification for the settlement of the insurance claim and therefore the amounts allocated to Business Interruption and Material Damage could be subject to change in future periods. The Group is working closely with independent advisors and the insurers' assessors to progress the claim.

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

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

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

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

The carrying value of CentrePort's key infrastructural assets were assessed for impairment following the earthquake. Engineering damage assessments were completed and submitted to the insurers this year. Further damage assessments and identification of obsolete equipment following the earthquake has resulted in a \$2.6m impairment being recognised during the year (2018: \$1.9m). An impairment of \$0.7m (2018: \$0.6m) has been taken to investment property for higher than forecasted costs of repairs.

Redemption of the Mandatory Convertible Notes

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

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

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

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

Dividend

An interim dividend of \$2.0m was paid on 12 March 2019 (2018: \$2.0m). A second interim dividend of \$2.0m was paid on 28 June 2019 (2018: nil).

Income Tax

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

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

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

Summarised Statement of Comprehensive Income

For the year ended 30 June 2019

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

Summarised Statement of Changes in Equity

For the year ended 30 June 2019

	Attributable to equity holders of the Company			Total Equity \$'000
	Share Capital \$'000	Revaluation reserve \$'000	Retained Earnings \$'000	
Balance as at 1 July 2017	30,000	8,585	159,759	198,344
Profit for the Year from Continuing Operations	-	-	38,094	38,094
Dividends	-	-	(2,000)	(2,000)
Balance as at 30 June 2018	30,000	8,585	195,853	234,438
	Share Capital \$'000	Revaluation Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance as at 1 July 2018	30,000	8,585	195,853	234,438
Profit for the Year from Continuing Operations	-	-	72,933	72,933
Dividends	-	-	(4,000)	(4,000)
Balance as at 30 June 2019	30,000	8,585	264,786	303,371

Summarised Balance Sheet

As at 30 June 2019

	2019 \$'000	2018 \$'000
EQUITY	303,371	234,438
Represented by:		
ASSETS		
Cash and Cash Equivalents	91,724	2,308
Insurance Receivable	50,000	59,268
Other Current Assets	12,387	10,419
Total Current Assets	154,111	71,995
Non-current Assets		
Property, Plant and Equipment	126,897	126,338
Investment Properties	62,453	18,179
Investments in Joint Ventures	(190)	74,584
Intangible Assets	3,077	3,053
Total Non-current Assets	192,237	222,154
Total Assets	346,348	294,149
LIABILITIES		
Current Liabilities		
Borrowings	-	22,040
Other Current Liabilities	20,538	13,661
Total Current Liabilities	20,538	35,701
Non-current Liabilities		
Other Non-Current Liabilities	22,439	24,010
Total Non-Current Liabilities	22,439	24,010
TOTAL LIABILITIES	42,977	59,711
NET ASSETS	303,371	234,438

For, and on behalf of, the Board of Directors



L J C Johnstone
Chairman
27 September 2019



D J Benham
Director
27 September 2019

Summarised Statement of Cash Flows

For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
Cash Flows from Operating Activities		
Receipts from Customers	84,457	71,374
Payments to Suppliers and Employees	(75,697)	(58,810)
Interest Expense Paid	(567)	(2,015)
Termination of interest rate swaps	-	(9,543)
Business Interruption Insurance - temporary works	24,220	33,628
Business Interruption Insurance - loss of gross profits and rents	6,622	8,477
Temporary works and demolition costs	(22,740)	(36,678)
Income Taxation Refunded/(Paid)	(123)	1,535
Other operating cash flows	(159)	545
Net Cash Flows from / (used in) Operating Activities	16,013	8,513
Cash Flows from Investing Activities		
Proceeds from Sale of Property, Plant and Equipment	459	229
Purchase of Property, Plant and Equipment	(7,757)	(7,651)
Development of Investment Properties	(2,636)	(2,707)
Acquisition of Joint Venture	-	(7,750)
Cash Balance from acquired Joint Venture	47,944	16,758
Earthquake insurance progress payments received	68,808	16,895
Earthquake capital expenditure	(8,263)	(6,141)
Other transfers	885	(90)
Net Cash Flows (used in) / from Investing Activities	99,440	9,543
Cash Flows from Financing Activities		
Repayments of borrowings	(18,000)	(18,000)
Dividends Paid to Shareholders of the Parent	(4,000)	(2,000)
Net Cash Flows (used in) / from Financing Activities	(22,000)	(20,000)
Net Increase / (Decrease) in Cash and Cash Equivalents	93,453	(1,944)
Cash and Cash Equivalents at the Beginning of the Year	(1,729)	215
Cash and Cash Equivalents at End of Year	91,724	(1,729)



Auditor's Report



**INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF CENTREPORT LIMITED'S GROUP
SUMMARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

Opinion

The summary consolidated financial statements of the CentrePort Limited Group ("the Group"), which comprise the summarised balance sheet as at 30 June 2019, the summarised statement of comprehensive income, summarised statement of changes in equity and summarised cash flow statement for the year then ended, and related notes, are derived from the audited consolidated financial statements of the Group for the year ended 30 June 2019.

In our opinion, the summary consolidated financial statements, on pages 30 to 35, are consistent, in all material respects, with the audited consolidated financial statements for the year ended 30 June 2019, in accordance with FRS-43: *Summary Financial Statements* issued by the New Zealand Accounting Standards Board.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report.

The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our auditor's report on the audited consolidated financial statements.

The audited consolidated financial statements and our audit report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements for the year ended 30 June 2019 in our auditor's report dated 19 August 2019. That report also includes an emphasis of matter in respect of uncertainties related to the effects of the Kaikoura earthquake. Note 3 of the audited consolidated financial statements explains the considerable uncertainty regarding the final quantification for the settlement of the insurance claim. It also links to disclosures in the financial statements about the significant uncertainties and judgements involved in the allocation of insurance proceeds, the extent of impairment of assets, and the related tax treatment. Our opinion was not modified in respect of this matter.

A summary of these disclosures are presented on pages 30 and 31 of the summary financial statements.

Responsibility of the Board for the summary consolidated financial statements

The Board is responsible on behalf of the Group for the preparation of the summary consolidated financial statements in accordance with FRS-43: *Summary Financial Statements*.



Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were carried out in accordance with AG ISA (NZ) 810 (Revised): *Engagements to Report on Summary Financial and Performance Information*.

Other than in our capacity as auditor, we have no relationship with, or interests in the Group.

A handwritten signature in black ink that reads "James Shepherd".

James Shepherd, Partner
for Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand
27 September 2019



Governance

Governance

Approach to Corporate Governance

The CentrePort Board of Directors (the Board) is committed to maintaining best-practice governance policies and behaviours.

Policies are tested against applicable standards detailed in NZX's Corporate Governance Code. The Board's governance framework adheres to the majority of applicable standards as if the company were a listed public company.

In addition, the Directors support the principles set out in the Code of Practice for Directors, issued by the Institute of Directors in New Zealand. While recognising that this code expresses principles and does not purport to determine any detailed course of conduct, the Directors support the need for the highest standards of behaviour and accountability.

Board of Directors

The Board is appointed by shareholders. The Port Companies Act 1988 and the Companies Act 1993 govern the relationship between CentrePort and its shareholders.



Left to right: John Monaghan, Sophie Haslem, David Benham, Lachie Johnstone (Chair), Mark Petersen, Kerrie-Lee Magill.

Role of the Board and Responsibilities

The Board has statutory responsibility for the affairs and activities of CentrePort and its subsidiary companies (the Group). Without undermining this responsibility, the day-to-day leadership and management of CentrePort is delegated to the Chief Executive.

Key areas of responsibility that remain with the Board are:

- setting the direction, strategies and performance benchmarks of CentrePort, including the monitoring of progress, and implementing and achieving strategies and performance objectives
- approving, at least annually, a strategy, business plan and budget
- monitoring compliance against statutory requirements
- appointing and reviewing the performance of the Chief Executive
- safeguarding and growing the value of CentrePort's assets.

Composition

The Board continues to give close consideration to its size, composition and spread of experience and expertise.

Procedures for the operation of CentrePort are governed by the company's constitution. Under this constitution, the Board must consist of between six and nine Directors.

Shareholders appoint Directors by ordinary resolution or by written notice to the company, signed by a majority of shareholders in the company. Not more than two members or employees of the shareholders may hold office as Directors.

Each year one-third of the Directors are required to retire by rotation at the annual general meeting. The basis for determining which Directors retire by rotation is length of service in office since their last election or appointment. In addition, any Director who has been a Director for more than three years is required to retire. Retiring Directors are eligible for re-election.

Conflicts of Interest

Directors are cognisant of the possibility of conflict of interest between their duty to CentrePort and their own interests. Where conflicts do exist, the company maintains an interests register in which certain transactions and matters involving the Directors must be recorded.

During the year, CentrePort was involved in business with companies for which the Directors have provided general disclosures. The names of those entities have been recorded in the interests register. Where transactions have taken place, these were completed under normal commercial terms and on an arm's length basis. Details of the specific interests an individual Director has in a transaction are also entered in the interests register.

Board Meetings

The Board met 12 times during the year. Directors receive papers and regular management reports for consideration in advance of meetings. Directors have unrestricted access to company records and information.

Finally, executives are regularly involved in Board deliberations and Directors have opportunities, including visits to the Group's various operations, for contact with a wider group of employees.

Board Committees

Three Board committees assist in the execution of the Board's responsibilities, each of which is subject to a defined charter:

- Audit and Risk Committee
- Remuneration Committee
- Health, Safety and Environmental Committee.

Other ad hoc committees are established as required. The committees have a number of scheduled meetings to achieve their charter objectives. The committees make recommendations to the Board and only exercise the Board's decision-making powers when they have specific delegated powers to do so.

Audit and Risk Committee

Members as at 30 June 2019

Mr D Benham (Chair), Mr L Johnstone, Mr R M Petersen and Mrs S Haslem.

Number of meetings held

This committee met four times during the year. The external auditors attended four meetings.

Principal function

The Audit and Risk Committee assists the Board in fulfilling its duties and responsibilities relating to:

- financial reporting and regulatory compliance
- taking of any reasonable steps necessary to safeguard the Group's assets, and to prevent and detect fraud and other irregularities
- reviewing treasury risk management controls.

The Audit and Risk Committee assists the Board to fulfil the above responsibilities by:

- considering the adequacy of the form and content of published financial statements
- determining whether accounting policies adopted by CentrePort are appropriate, consistently applied and adequately disclosed
- ensuring that significant estimates and judgements made are reasonable and prudent, and that all applicable financial reporting standards have been followed
- ensuring CentrePort keeps proper accounting records that disclose, with reasonable accuracy, the financial position, results of operations and cash flows of the company
- reviewing the establishment and continued effectiveness of CentrePort's policies, practices, procedures and systems of internal control and risk management
- meeting with the external auditors to:
 - discuss the adequacy of internal controls and any areas of concern
 - examine any recommendations made by the auditors for improvement.

Remuneration Committee

Members as at 30 June 2019

Mr L Johnstone (Chair), Mrs S Haslem and Ms K Magill

Number of meetings held

This committee met four times during the year.

Principal function

The Board is responsible for:

- establishing and maintaining the integrity of remuneration practices in a way that supports achievement of the company's business goals
- ensuring that remuneration practices at all times seek to improve the performance of individual employees, the organisation and the teams that comprise it.

The Remuneration Committee assists the Board to fulfil the above responsibilities by:

- reviewing the company's remuneration policies and practices, to ensure they develop, motivate and reinforce high levels of performance, in a way which promotes the trust and understanding of the company's employees
- monitoring compliance with remuneration legislation and case law
- reviewing with management the company's performance review and incentive system
- considering detailed recommendations for the remuneration of executive management to ensure they are appropriate
- reviewing succession planning, talent management plans and staff engagement surveys.

Health, Safety and Environmental Committee

Members as at 30 June 2019

Mr L Johnstone (Chair), Mr J A Monaghan and Ms K Magill

Number of meetings held

This committee met four times during the year.

Principal function

The Board has ultimate accountability for ensuring, so far as is reasonably practicable, the health and safety of workers and others affected by CentrePort's business and undertakings and ensuring the company's compliance with health, safety and environmental laws, regulations and ethics.

The Health, Safety and Environmental Committee assists the Board to fulfil these responsibilities by:

- monitoring compliance with:
 - the Board's safety and environmental policies
 - health, safety and environmental legislation and case law
- reviewing with management:
 - hazard analysis and accident prevention systems of the company
 - work practices by visiting CentrePort's operations to determine that work is conducted in a safe and hazard-free manner
 - the implementation of new systems and procedures to enable all activities to be carried out in a safe and environmentally responsible way
 - the implementation of CentrePort's strategic objectives for quality as identified in the strategic plan
- monitoring the coordination with other agencies, customers and stakeholders on environmental and disaster planning, including consideration of emergency response plans.



CentrePort Wellington