

Annual Report 2020.

An essential network for central New Zealand



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Our **year.**

In a challenging year we have remained profitable thanks to our people, and we have made great progress on key projects on port.



Essential people – keeping central New Zealand moving during lockdown



Regeneration in action
our customers, our community, our environment, our people



Looking after
our environment



Projects making **progress**
on port



Safety is our
primary focus

Our **Business.**



Our team have embraced the challenges a unique year has thrown at us. We are well placed to focus on our long-term regeneration.

CEO's Report



A year of regeneration, growth, and building resilience.

Health and Safety

CentrePort advanced its regeneration, moving from planning to implementation in a year of unique challenges.

The continued enhancement of health and safety was the primary focus of CentrePort's operations.

We saw our people building on health and safety. Through good systems and practice we were well placed to address health and safety challenges, including the 'once in 100 years' global pandemic event of COVID-19.

CentrePort managed the requirements of the Alert Level 4 lockdown restrictions through eliminating face-to-face contact and physical paperwork for handling cargo through the port, utilising technology including digital kiosks, automated weighbridges and virtual planning meetings, and separating teams. This enabled continuity of service and certainty for our customers. It benefited the wider community through the continued provision of essential goods and services.

At 30 June we had achieved a three-month period of zero lost time through injury incidents, which has continued for another three-months following the end of the financial year. CentrePort aspires to be a zero-harm work environment and this is supported by adherence to the 'Golden Rules' and 'Life Saver' guidelines, which are very much part of our culture.

Operationally it was a challenging year. In addition to ongoing constraints as regeneration works continued, there were the impacts of the pandemic. However, our people showed great resilience and I'm proud of the way the port ensured the continuation of essential services for customers and the community.



Insurance – Regeneration

The finalisation in October of the Kaikōura earthquake claims provided surety for CentrePort’s operations.

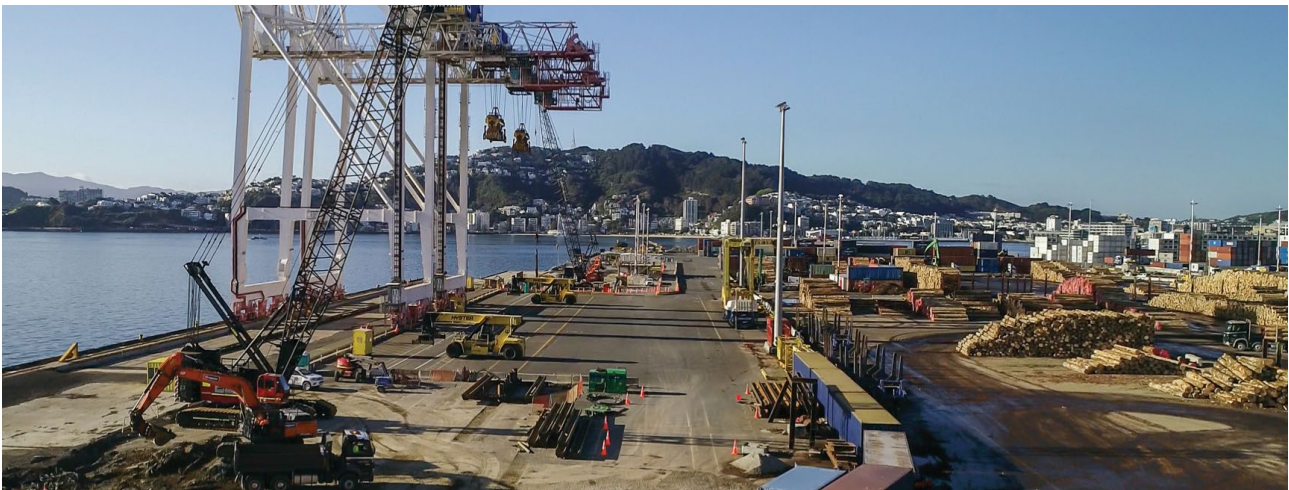
It allowed us to make great progress and move forward on regeneration, repairs and growth at the port.

Our regeneration approach is based on the pillars of our customers, our community, our environment, and our people.

These guide the strategic framework for the various projects underway or in planning.

Several projects to enable regeneration and grow capacity at the port progressed or were completed this year, including:

- The expansion and upgrade of the Waingawa log hub, significantly increasing capacity.
- The commencement of the enhanced rail-onto-port project to increase capacity/throughput.
- The continued enhancement of the port entrance.
- A realignment of the log and container yards.
- An investment in electric cargo movement equipment and infrastructure.
- Ongoing resilience works on major assets including Thorndon Container Wharf and the Seaview fuel facility.
- The removal of the former BNZ building, with 95 percent of materials by weight recycled.



Environmental Sustainability

Our environment is one of the pillars of CentrePort’s regeneration, and significant developments in this area were achieved.

CentrePort entered a \$15m investment partnership with New Zealand Green Investment Finance. We were proud to be chosen as its first investment partner. The investment will help with the introduction of electric container movement vehicles and infrastructure that supports our carbon reduction strategy.

The Waste Minimisation Project, which has operated since 2017, was expanded to process waste demolition materials from external organisations including Wellington City Council.

Under the project nearly 85,000 tonnes of concrete has been recycled at the Kaiwharawhara Point site, turning waste material into fill which is reused on Port projects. The avoided truck visits to landfills has achieved an estimated reduction in carbon emissions of 462 tonnes.



In total, more than 90,000 tonnes of hard materials (concrete, steel, asphalt and glass) have diverted from landfills under the project.

In August 2020, the Board approved the CentrePort Emissions Reduction Plan. The plan includes a target reduction of zero emissions by 2040, with an initial target of a 30 percent reduction by 2030 (not including growth).

The Emissions Reduction Plan supports the strategic objective of building a long-term sustainable business. The plan aligns with the New Zealand Government goals as outlined in the Climate Change Response (Zero Carbon) Amendment Act 2019.

Trades

Of all the trades using CentrePort's services, the log trade was the most significantly affected by the COVID-19 alert level constraints. After a period of sustained growth for several years, volumes were down 11 percent. With logging not classed as an essential service in the Alert Level 4 lockdown, a month's volume was effectively lost. COVID-19-related consequences also affected petroleum and vehicle volumes.

Overall, container volumes held relatively steady, but the pandemic contributed to curbing growth. There was, however, a 7 percent increase in full export TEUs (twenty-foot equivalent units). A boost for the future was the start of the ANZEX/CNZ/NCS shipping service to North Asia ports in June, complementing the other three existing shipping services:

- Kiwi Express/Capricorn, operated by MSC, which provides global links via a mix of direct calls and transshipment.
- South East Asia/NZS/NZE/KIX, operated by ANL, COSCO, OOCL and PIL, shipping directly to South East Asia.
- Trans-Tasman Kiwi, operated by ANL shipping directly to Australia.

While CentrePort achieved a record number of cruise-ship visits, the season was curtailed by the pandemic. The ongoing ban on foreign cruise visits to New Zealand ports has created high uncertainty around this trade for the coming year; we are forecasting zero visits.

Chair's Report



Pleasing progress during a challenging year.

CentrePort's regeneration continued to gain momentum while it provided essential services throughout the COVID-19 crisis in what was a challenging 2019/20 financial year (FY20).

Financial and Operational Performance

CentrePort recorded an underlying net profit after tax (NPAT), before Kaikōura earthquake impacts, changes in fair value and realisation of financial instruments, of \$14.7m. Total comprehensive income net of tax was \$157m.

This compares with an underlying NPAT of \$17.6m in FY19. A dividend of \$5m was paid to shareholders compared to \$4m in the previous year.

Insurance Claim Finalisation

A major highlight was the finalisation in October 2019 of the 2016 Kaikōura earthquake claims.

It was a watershed moment for CentrePort. Finalising the insurance claims (\$667.2m net of deductibles) provided surety to progress our regeneration. It allowed us to move from planning to implementation.

The plan to deliver a 21st-century logistics supply chain asset, designed with the assistance of international and New Zealand experts, was adopted by the Board and relayed to shareholders.

I'd like to thank Mark Petersen and David Benham, who finished their tenures on the Board. They provided valuable contributions, support and commitment to CentrePort and associated companies through a period of technological change, earthquakes and other challenges.

We welcomed two new Directors in Nicki Crauford and Martin Lewington. Nicki has extensive governance and senior management experience in energy, water and telecommunications utilities. She brings a combination of technical, commercial and strategic skills to the board. Martin has more than 30 years' experience in corporate advisory consulting in New Zealand and the United Kingdom. He brings a wealth of knowledge and global experience in a variety of industries. His governance experience covers local government, crown entity and listed companies.

The Board thanks CentrePort's people, including Chief Executive Derek Nind. They navigated challenges such as the global pandemic, ensuring the continuation of essential services while maintaining progress in CentrePort's regeneration programme.

Logs

Log trade strong again in FY20.

CentrePort's log trade has been growing at a steady pace for the past few years, driven by increasing demand and supported by expanding port and supply-chain capacity.



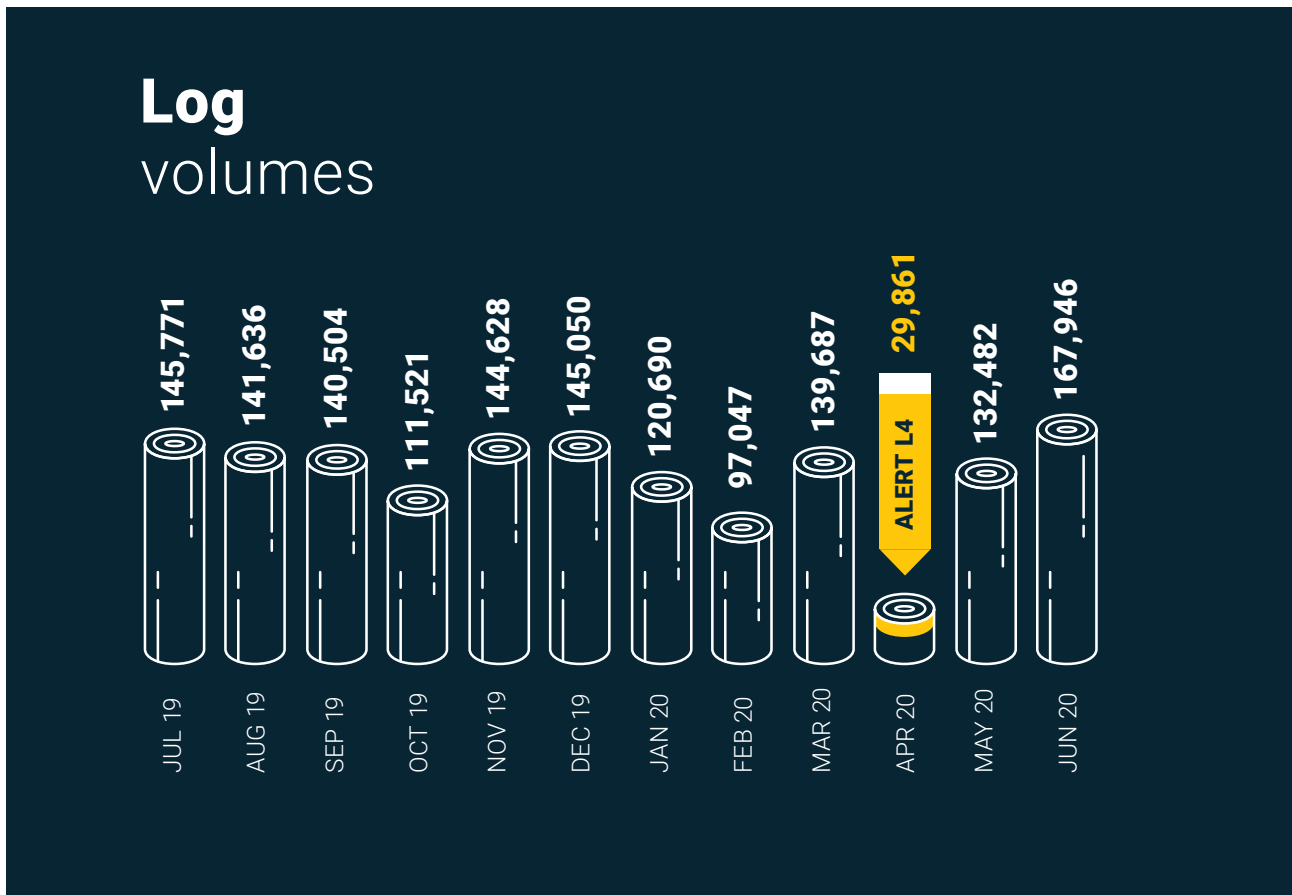
This year marked two distinct phases: the log trade experiencing a continuation of the strong growth; then a number of factors leading to a decline.

Logs continued to be exported from CentrePort as New Zealand escalated the COVID-19 alert levels. When New Zealand moved into Alert Level 4 at the end of March, forestry was not deemed an essential service, and this meant the log supply ceased for a period of weeks.

Following the shift down to Alert Level 3 on 27 April, the log trade saw a strong return towards forecast volumes.

Productivity and efficiency gains were achieved with the consolidation of log yards on port. The Kilo yard was separated from the main log yard. The Kilo yard was swapped in a like-for-like transfer with the container terminal. This created a single log yard, with the consolidation also aiding the container operation.

Continual system and process improvements boosted productivity. Vessel productivity for all exporters was 21 percent higher than the FY19 average.



In the past six years, the growth in log volumes has been significant.

This year, 1,516,818 JAS (Japanese Agricultural Standard) logs were exported. This was an 11 percent decline on the previous year due to a number of factors.

For CentrePort this was approximately one month of volume – or the period of the Alert Level 4 lockdown from late March to the end of April.

Post lockdown, there was a strong rebound to normal log volumes.



Case Study

Log Hub Upgrades at Waingawa

CentrePort has been looking at innovative ways to continue developing cost-effective, safe, sustainable and efficient supply chain solutions to transport logs.

The Waingawa log hub in Wairarapa was further improved in FY20 to support the efficient movement of logs directly to the port via the CentreRail service in partnership with KiwiRail.

CentrePort invested \$3.8m in the expansion and upgrading of Waingawa. This was complemented by an investment by KiwiRail in track upgrade.

Capacity was increased from 9,000 JAS to 16,000 JAS, enabling an increase in maximum wagon capacity through to the port from 45 to 60 wagons per day.

The Waingawa facility and CentreRail service carrying all CentrePort log volumes removes approximately 30,000 truck movements per annum off the road. This helps support CentrePort's carbon reduction strategy.

CentrePort will continue to invest in infrastructure and rail capacity to enable further growth in the log trade. This will include the enhancement and expansion of rail infrastructure on port.

"The development and expansion of the Waingawa hub has allowed Forest Enterprises to confidently plan the transport of our growing daily volume of logs to CentrePort.

Switching truck transport options to the rail system mitigates the potential traffic impacts on other road users and our roadside neighbours. The investment CentrePort has put into Waingawa gives Forest Enterprises the confidence there is the logistics supply chain in place so we can continue to expand our business.

Waingawa is a great asset for the regional Wairarapa economy."
 – Bert Hughes, CEO and Forestry Director, Forest Enterprises

Containers

Container export volumes up.

The container trade was steady in FY20, with the impact of COVID-19 curtailing growth. The container business was bolstered by the new ANZEX shipping service, complementing the existing three services Kiwi Express/ Capricorn, South East Asia and Trans-Tasman Kiwi.

CentrePort maintained the movement of volumes of essential goods during the COVID-19 Alert Level 4 lockdown.

Overall container volumes were steady, with a 7 percent increase in full TEUs exported.

CentrePort continued to facilitate essential movements during the Alert Level 4 lockdown, with enhanced health and safety measures in place meeting Government guidelines, to do the best by our customers and our people.

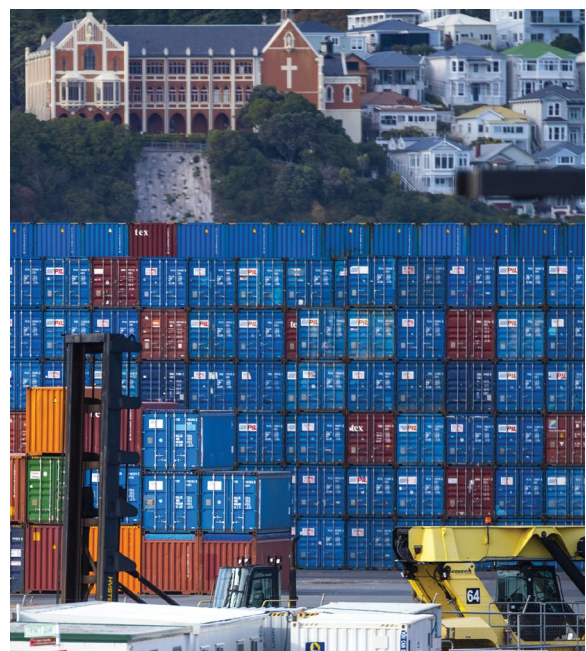
“Importers were very appreciative of Wellington’s approach in terms of extending free storage periods. We’ve had huge feedback from customers saying that they felt CentrePort had really partnered with them. We didn’t charge storage costs if containers ended up staying on port longer than expected, and we really stood alongside people through COVID-19,”

– Andrew Locke, General Manager Commercial.

The COVID-19 lockdown in March and April provided challenges – but CentrePort’s status as an essential service meant it could operate at all alert levels. Processes and systems put in place to adapt to Government health requirements enabled the container business to continue to run smoothly.

“We never missed a beat with the customers. No container didn’t get loaded; no box didn’t get onto CentreRail. It was pretty seamless. That speaks volumes about the port’s resilience,” said Locke.

In the coming year CentrePort will be growing capacity and space at the port to continue to increase volumes and move more container cargo efficiently through the port.





New Shipping Service

The strength of CentrePort's container service was enhanced this year with the introduction of the new shipping line, ANZEX/CNS/NCS, providing importers and exporters with direct access to the growing North East Asia market. The service complements the existing three services:

- Kiwi Express/Capricorn, operated by MSC, which provides global links via a mix of direct calls and transshipment.
- South East Asia/NZS/NZE/KIX, operated by ANL, COSCO, OOCL and PIL, shipping directly to South East Asia.
- Trans-Tasman Kiwi, operated by ANL shipping directly to Australia.

The ANZEX/CNS/NCS service provides exporters and importers with direct access to the Chinese and Chinese-territory ports of Hong Kong, Keelung (Taiwan), Shanghai, Ningbo and Shekou.

This service is operated by the ANL, COSCO, OOCL and PIL shipping lines, providing internationally proven capability and capacity.

The new service brought the number of shipping services at CentrePort to four, and will help us to continue to grow container volumes.

"ANL has a long history in New Zealand and we continue to innovate our products to support the market. This new direct call to/from Wellington to/from North Asia is the only one of its kind and is another example of ANL's spirit of endeavour working hand in hand with our New Zealand-based customers. We look forward to supporting our customers in leveraging this new direct call,"

– Anthony Orgill, General Manager Asia ANZ Lines, ANL Container Line.

CentrePort welcomed the new shipping service on 10 June, with the arrival of the container vessel APL Denver.

The new service provides importers and exporters with greater access to and flexibility from CentrePort.

The news was a positive way to end the year for CentrePort and great news for these businesses, which continue to face a lot of uncertainty in importing and exporting due to COVID-19.

Case study

Fujitsu General

Fujitsu General is one of New Zealand's top suppliers of heat pumps and air conditioning units – keeping Kiwi homes warm throughout the country.

The business imports 320 containers per annum, with the vast majority coming from China, Thailand and Japan.

Fujitsu General's head office is in Seaview, Wellington, which includes a warehouse for incoming stock before it is moved throughout New Zealand.

This year, incoming volumes were impacted during the COVID-19 Alert Level 4 lockdown, which meant from late March until the end of April there were no containers moving.

"CentrePort gave us free days on port during lockdown which really did make it easier, and we ended up coming out of the situation quite well," says Ian McLean, Warehouse Manager, Fujitsu General New Zealand.

McLean says the Fujitsu General team appreciate the work CentrePort and Andrew Locke, General Manager, Commercial, do to help facilitate efficient movement of goods through its warehouse.

"Andrew is very proactive, and he treats us as a customer with unique needs, rather than just a user of the port's facilities."

One of the ways CentrePort has helped improve Fujitsu General's operational efficiencies is through working on a way to move priority containers as they arrive on port.

"At our site we only have capacity to deal with three containers at a time, and sometimes we have 10 arriving on a single vessel. Andrew Locke and the CentrePort team have worked with us and gone over and above to come up with a way to manage that flow and come up with better solutions."

– Ian McLean, Warehouse Manager, Fujitsu General New Zealand.

Fujitsu General has worked with CentrePort since 1998.

"Location wise, it just makes sense to use CentrePort. Even with other ports nearby, the added transport time means you can lose days, or even weeks. CentrePort really helps with that efficiency and the time factor is critical for us," says McLean.

Ferries and Fuel

Ferries and fuel keeping the islands connected.

Fuel volumes were steady during FY20, apart from the impact during the height of New Zealand's COVID-19 response at Alert Level 4.

Fuel pre-March was tracking strongly, but the Alert Level 4 lockdown had a sudden and significant impact on demand.

This impact lasted for a couple of months, with volumes slowly returning to normal at the end of April for land fuel, and subsequently during Alert Levels 2 and 1.

The aviation fuel business remains uncertain. CentrePort facilitates all the fuel supplies for Wellington International Airport, and demand is being directly affected by the COVID-19-related constraints on domestic and international air travel.

“CentrePort is a trusted partner in the petroleum supply chain network for Coastal Oil Logistics Limited (COLL). When the Government COVID-19 lockdown levels came into force, the continued movement of fuel was categorised as an essential service to support the New Zealand economy. COLL is proud of the work it did with CentrePort and other fuel logistics supply chain partners during the lockdown phases to safely maintain fuel supplies. Together as essential service providers, we continued to help keep New Zealand moving.”

– Jon Kelly, Chief Executive, Coastal Oil Logistics Ltd.

CentrePort has been working with the industry on a proposed upgrade of the Seaview Wharf fuel facility, which is a critical lifeline asset for the Wellington region.

“We’re making good progress with the industry and working in a proactive way on planning as part of the CentrePort regeneration,” says Andrew Steele, General Manager Ferries and Bulk.

Ferries and Bulk General Manager Andrew Steele says work has been ongoing at Seaview Wharf throughout the year.

“At Seaview Wharf we’re working collaboratively with our industry partners on the future of the asset, while undertaking upgrades of and improvements to what is a key strategic asset for the central New Zealand economy.”

Improvements during the year included the installation of modern fender systems, and new LED ‘smart technology’ lighting systems.

Ferries

The ferry services between Wellington and Picton that CentrePort facilitates provide a vital link between the North and South Islands.

The ferry passageway is an extension of State Highway 1 between the islands; it moves almost \$20bn worth of freight and more than a million passengers per annum.

The interisland ferries remained running as essential services during the COVID-19 pandemic, mainly for freight and moving essential workers.

Following the move down to Alert Level 2 in May, the ferries experienced a steady return of domestic passenger demand, less the usual international tourist volumes.

Across the Interislander and StraitNZ Bluebridge services, more than 3,000 ferry journeys are undertaken during the year.



Multi-User Ferry Terminal Project

CentrePort, as part of the Future Ports Working Group (also comprising Waka Kotahi NZ Transport Agency, KiwiRail, StraitNZ Bluebridge, Greater Wellington Regional Council and Wellington City Council) continued to progress the concept.

A high-level business case was delivered on 16 August 2019. A robust process resulted in a shortlist of sites, and culminated in 2019 with a comprehensive, multi-criteria analysis in which Kaiwharawhara was selected as the most appropriate location, subject to further structural and resilience engineering feasibility studies.

KiwiRail subsequently expressed reservations about the Kaiwharawhara site. While Kaiwharawhara remained the preferred site of the Future Ports Working Group, a further analysis of options, considering factors such as resilience, marine safety, operational design, transition options and consenting strategy is continuing.

Cruise

Record-breaking year for cruise ships.



The FY20 cruise season was a successful one, despite the uncertainty and challenges towards the end of the season. In total there were 112 visits, which beat the previous record of 110 established in the 2018/19 season.



More than 300,000 passengers and crew stopped in Wellington this year. Local businesses enjoyed supplying tourists with a great experience in the capital city, as well as those who travelled further afield on tours to the surrounding region.

Six cruise ships made their maiden visits to Wellington.

At the time of writing, there was a continued Government ban on cruise ships from foreign ports visiting New Zealand. CentrePort believes there will be no visits in the 2020/21 season.

Our people.



Our people excelled in FY20, keeping us operating safely during COVID-19 lockdown, improving their skills and living our values.

Essential People

Proud to be essential workers.

This year our people once again showed the essential nature of the work they do for our customers and the community. They adapted to the challenges presented by the COVID-19 health/lockdown constraints, ensuring cargo kept moving, working with customers to provide solutions for receiving goods, and implementing systems to operate in a safe and healthy manner.

The flexibility and resilience of staff was outstanding and was the main ingredient in CentrePort being able to maintain its business throughout the year, particularly during the Alert Level 4 lockdown.

These efforts were recognised by Prime Minister Jacinda Ardern during one of her daily COVID-19 update briefings.

“New ways of working have ensured our food and goods have been unpacked from ships and aircraft, loaded into trucks and delivered to retailers, as well as kept our exports flowing.

“At Wellington’s CentrePort the team has eliminated face-to-face contact, physical paperwork and have adopted digital kiosks, radio comms, automated weighbridges and virtual planning meetings.” – Jacinda Ardern, Prime Minister, 11 May 2020.

Ships continued to carry essential cargoes throughout, and the people who made that happen were prepared to innovate to meet the health and safety requirements under COVID-19 restrictions.

Social distancing was achieved, and physical contact was eliminated – while the trucks, trains and ships continued to come and go.

In addition, senior managers gave up offices and worked remotely to create additional messroom areas. That meant cargo handlers were able to have well-earned cuppas while keeping a safe distance from workmates.

Innovations like these happened in ports up and down the country. They were achieved with great cooperation, from not only our port workers but also exporters and importers who helped those working on the vital supply chain network to adjust to new, safe ways of working.

“Our people were proud to be essential workers. We got into a rhythm and we just dealt with everything that popped up to the point where we didn’t have to tell people what to do, they knew what to do. People embraced the challenge; it brought us together as one team,”

– Mark Thompson, General Manager Logistics.

We recognise that the COVID-19 lockdown was uncertain and stressful for many of our employees and their families.

CentrePort has a partnership with two health providers, Habit and Onslow Medical Centre, to provide medical support for our staff.

CentrePort also provided special leave for any employees who had been overseas so they could self-isolate before returning to work, to ensure a safe working environment for them and everyone else. This relieved pressure on staff who would otherwise have had to use annual leave or sick leave, so they could self-isolate safely and not be financially disadvantaged.



Case study

Masterpet

Looking after our people, our customers – and pets across New Zealand

Masterpet was first established in 1961 with a vision to create innovative products for the New Zealand pet industry. Since then, the business has expanded significantly as the popularity of pets in Kiwi households has continued to grow.

“I think everyone who has a pet will agree that they are not just a pet – they are part of the family,” says Richard Graham, Warehouse and Logistics Manager New Zealand.

“We believe that life is better with a pet, and I think this helps explain why our business and the pet industry has expanded so much over the years. People want to provide the very best for their pets as they are part of their family and that’s why we are here.”

The Masterpet business has three main areas – Masterpet Specialty, Blackhawk premium pet food and the VitaPet range of animal care products.

Masterpet has been working with CentrePort since the early 1970s importing products into their new Wellington National Distribution Centre located in Gracefield, Seaview.

Masterpet products are sourced and imported from around the world with key countries such as Australia, China and Thailand providing the majority of the goods.

“Centreport has always been at the heart of our import business and they continue to support us as we have continued to expand over the years,” says Graham.

The Masterpet warehouse has the capacity to hold and unload 17 containers at any one time.

“The containers arrive from the port and are devanned into our warehouse. We then sort, store and pick Items for distribution to customers throughout New Zealand.”

Masterpet imports between 900 – 1,000 TEU a year through CentrePort. During the COVID-19 Level 4 lockdown Masterpet was classified as an essential service and had to keep products moving.

“COVID-19 lockdown was an incredibly busy time for us. Like a lot of other essential businesses – pet food and pet care products were amongst the consumables people were stocking up on over lockdown. The fact that CentrePort could help us keep things moving really made what was a challenging time a lot easier.”

– Richard Graham, Warehouse and Logistics Manager, Masterpet.

“At the moment there is a lot of uncertainty in the global shipping industry and unfortunately we can never guarantee when things will arrive. CentrePort is working closely with us to help adjust our container flow enabling us to prioritise urgent containers so that we can meet our customer’s expectations. It does take quite a bit of work to make sure we get the right containers through at the right times, and a strong relationship with the port is essential to making this happen,” says Graham.



Health and Safety

Staying safe comes from teamwork.

Our staff continue to take ownership of safety – staying healthy and safe is foremost in everything they do.

This year we continued to see our staff leading our health and safety initiatives.

Frontline staff, supported by our health and safety representatives, are empowered to identify new and safer ways of doing things.

COVID-19 provided new challenges, with our people needing to modify ways of doing things to meet public health guidance – while still meeting existing health and safety protocols.



Health and safety is the most important thing we do.

Underpinning CentrePort's health and safety approach is the firm knowledge that the culture must be worker-led.

We encourage worker participation, activity, involvement and ownership.

Research and our internal surveys have shown that a truly proactive and mature health and safety culture cannot be driven by a top-down approach.

The key driver for continual improvement has been developing our health and safety representative structure to the point where we have at least one health and safety rep for every 10 people in the business.

Our reps are trained extensively so they can provide the skillset that we need as a business.

Once they have that training, the reps are actively used as safety leaders in the business, regardless of whether they are cargo handlers or managers.



One health and safety rep for every 10 people

Many of the initiatives to improve our culture and health and safety practices are developed by the reps and staff on the ground.

This year CentrePort joined a collaborative industry programme to share lessons with other businesses around the greater Wellington region.

“It’s great because it helps inspire our people to see what other businesses are doing, and it’s fun. They get a chance to see what we can bring back to our business and improve on,” says Murray Julian, GM People, Safety and Culture.

The team at CentrePort invited Fletcher Construction’s health and safety reps involved in the Peka Peka to Ōtaki Expressway to learn what they had been doing following the Alert Level 4 lockdown around wellness and wellbeing.

As a result, CentrePort took information and resources from Fletcher Construction and combined them with resources from the Business Leaders’ Health and Safety Forum and other external experts to create a wellness and wellbeing programme.

Staff are now using those two sets of resources to come up with ideas and initiatives to roll out at CentrePort, where every two or three weeks the team can share wellbeing and wellness information with the wider business.

CentrePort has many people working together on the ground, with up to 1,000 people on port at a time. There is a mix of CentrePort staff and contractors (persons conducting businesses or undertakings – PCBUs). All PCBUs involved in any works on port are put through a three-stage health and safety process before they can commence work. This includes all parties sharing workplans and coordinating to achieve health and safety excellence for all workers on site.

Training

Developing our talent on port.

CentrePort is passionate about investing in our talent from within, to help our people excel.

Our focus is on developing our talent and our leadership.

CentrePort is proud of the improvements we've made in the quality of training for our staff.

Staff receive training in leadership, project management, professional skills, IT skills and more.

In addition, we offer stevedore training programmes that all link to the New Zealand Qualifications Authority's (NZQA's) unit standards, providing employees with qualifications that are externally recognised.

For operational staff, training is accredited and approved by NZQA and validated through Motor Industry Training Organisation (MITO). They also receive a wide variety of training to ensure compliance with regulatory, certification and licensing requirements.

"In many cases these employees are people who have never had a formal qualification in their lives – they end up with a nationally recognised qualification, which is an amazing achievement,"

– Nic Neal, Training Specialist.



Our newer cargo handlers are currently in the process of completing the National Certificate in Port Operations, which is run by MITO. These staff will earn a national qualification that is recognised throughout Australasia.

The training programme benefits both the individual employee and the company, with CentrePort staff receiving guaranteed good-quality training and qualifications.

The qualifications and skills are transferrable and allow them to be more employable in the wider job market.

For CentrePort, we can ensure our team members are always being upskilled and improving their work on port.

“We’ve redesigned and integrated our training. We’ve stripped back programmes from being content heavy to being more practical and aligned with our learner profiles – they are generally more kinaesthetic learners. This has been fantastic for the team on port,”
– Nic Neal, Training Specialist.

Virtual Training

During Alert Levels 4 and 3, the training programmes continued virtually.

The team involved in the heavy machinery training course took part in virtual sessions – utilising tools like GoPros for real-time learning. One person could be set up through a control phone, and other users could operate this remotely.

This means the team will still complete their 12-month course on time, with minimal disruption to the course.

The virtual training conducted during Alert Levels 4 and 3 provided CentrePort with the opportunity to test its virtual learning capabilities. Going forward, this could be further integrated into training programmes, with a blended offering that combines virtual, on-the-job and peer support.

Developing Leaders

Investing in capability.

Our leadership programme has a key role in developing our people and creating a positive and effective working environment.

CentrePort's training and leadership philosophy is to invest in improving the capacity and capabilities of our people and developing our talent from within.

Three of the current 10 Executive Leadership Team members were promoted from within the organisation to General Manager roles.

We have highly engaged employees who are led by talented leaders.

As an organisation, CentrePort is investing heavily in developing our leadership skillsets across the business.

There are three programmes of work through which we look to develop our leaders: training forums, the leadership governance panel and the future leaders programme.

Our leadership governance panel oversees the rollout of our leadership approach and the five key pillars that underpin it: teaching our leaders how to be adaptive, engaging, empowering and inspiring, and how to take ownership for actual leadership rather than just management.

CentrePort is running training sessions both for the governance panel and for peers in their teams who they believe are natural leaders and influencers. They become advocates and are trained in how to reinforce CentrePort's leadership pillars.

Future Leaders Programme

The future leaders programme identifies team members who have leadership potential. CentrePort provides them with training with key expert providers, such as Catapult, to develop their leadership skills with a structured series of training workshops and seminars.

The individuals then come back to the business, report on what they have learnt and develop action plans to keep improving, which their managers can help to facilitate.

The future leaders programme has now been running for three years, helping people on pathways to promotion. Their promotions pave the way for staff within their teams to also rise up the ranks.

"We're seeing real benefits through all those training programmes, developing our staff into roles where they can add more value. At the same time we continue to keep our productivity and continuity rates really, really high,"

– Murray Julian, General Manager People, Safety and Culture.

Values

Truly embedded values.

CentrePort's values guide the behaviour and attitudes of our people.

They were developed by our people, for our people and have continued to stand true – particularly during the challenges of COVID-19.

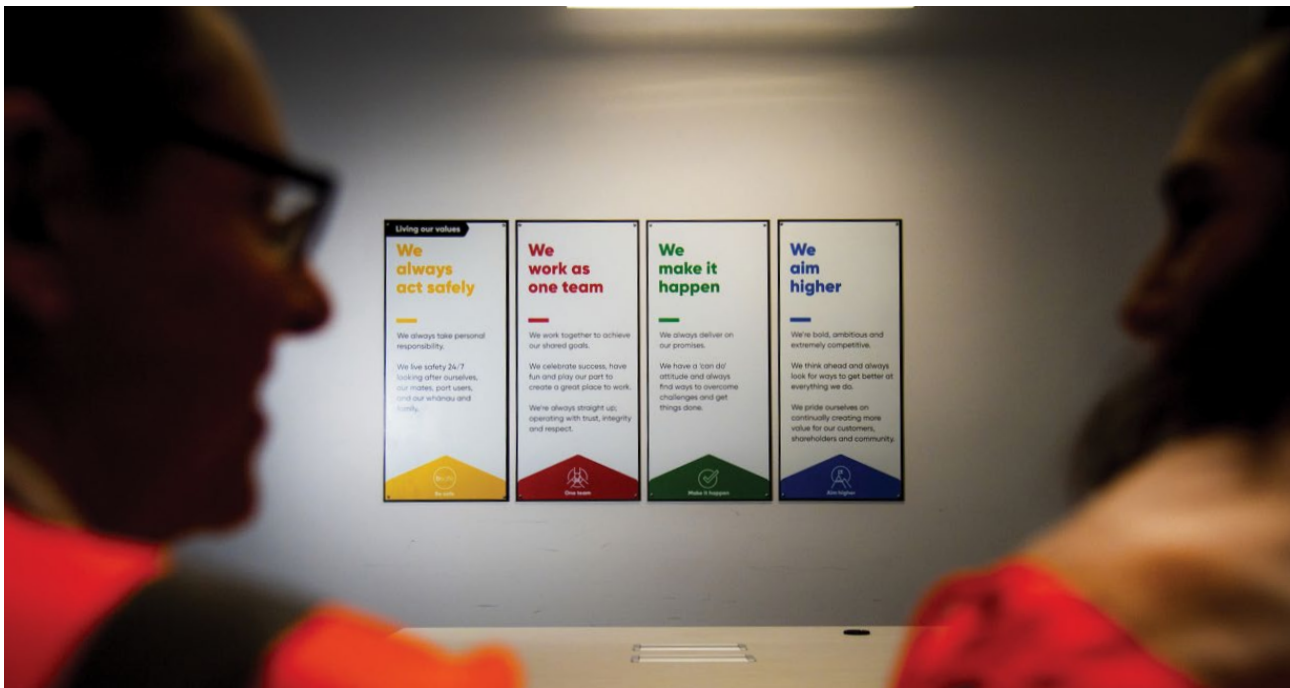
The values are entrenched, and leaders and people in the business are committed to them and understand their importance.

Be safe is not only a commitment to health and safety and getting home at the end of the day, but the name of CentrePort's reporting system for any incidents.

One team is a desire for us to be more connected and to think more as one team – the strength of which was shown during the Alert Level 4 lockdown between the teams working from home and those on port.

Aim higher is our goal to make constant and never-ending improvements, and always look for better ways of doing things.

Make it happen is all about getting things done, addressing challenges and putting ideas to action.



Community Engagement

Being part of our community.

CentrePort is a proud member of the Wellington region and community.

Community is one of the core pillars for how CentrePort does things, and the port engages and supports a range of organisations and events within the Wellington region.



Sustainable Coastlines is doing a nationwide monitoring programme and the Kaiwharawhara Estuary is included.

The CentrePort team is proud to be working with the Sanctuary to Sea programme, which is usually community led.

Four times a year there is a clean-up and a monitoring exercise. Team members from CentrePort are proud to be involved in the clean-up within the local area.

In FY20 we were proud to support a range of events/organisations, including:

- Sustainable Coastlines.
- The Royal Port Nicholson Yacht Club's CentrePort International Youth Match Racing Championship.
- The ExportNZ ASB Wellington Export Awards' 'Best Large/Medium Business' award.
- The Whanganui Chamber of Commerce Regional Business Awards, in the Manufacturing and Logistics category.
- The Hikitea historic floating crane restoration project.
- The Child Cancer Foundation.
- Wellington Regional Children's Hospital (through a partnership with Recycling for Charity).
- Wellington City Mission.
- Te Kakano O Te Aroha Marae.
- The Hearing House.
- Southern Cochlear Implant Programme.

Our Focus.



Our focus is on regeneration, the overarching framework that underpins our work and will deliver a successful future port. As part of this, we are proud of our great progress on our medium-term operating plan projects and sustainability initiatives.

Regeneration

Planning our future.

CentrePort's regeneration will deliver a 21st-century logistics supply chain asset to benefit the business, the community, the environment and the New Zealand economy.

"Regeneration is about more than what the future port will look like – it is the pillars of our customers, our community, our environment and our people,"

– Anthony Delaney, General Manager Regeneration.

The finalisation of the Kaikōura insurance claim was significant, as it allowed CentrePort to be in a position where we had surety in our financing and could plan for the future.

CentrePort's regeneration is looking at how it reimagines what the port will look like in the future. This includes spatial planning, urban integration, resilience and our environment and people.

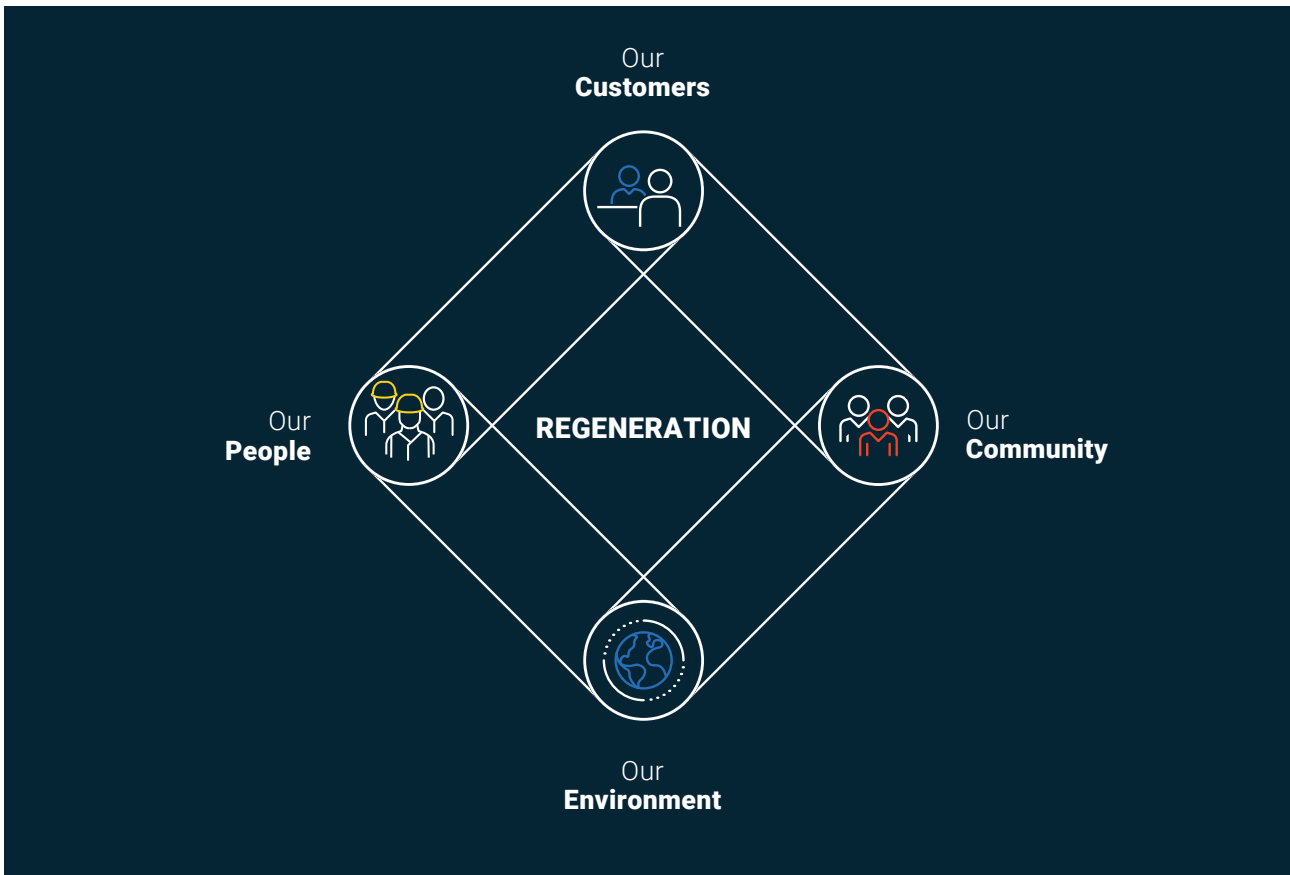
The regeneration and overarching strategy have been developed using the United Nations Sustainable Development Goals (UN SDGs).

The UN SDGs have been adopted by the New Zealand Government and by the World Ports Sustainability Program, which aims to empower ports worldwide to create sustainable added value for communities and the wider regions where their respective ports are located.

CentrePort has considered the UN SDGs in our future planning as they relate to the port, guided by four key principals – which is part of day-to-day operations and within the regeneration approach.

Regeneration pillars

1. Our customers.
2. Our community.
3. Our environment.
4. Our people.



CentrePort’s regeneration pillars incorporate a range of factors including safety, resilience, the environment, technology, risk management, the needs of the community, and the regional and national economies.

We continue to engage with a range of stakeholders, including customers and partners, on the shape of the future CentrePort. This includes working with Hamburg Port Consulting, KPMG and BERL on the regeneration programme to explore a wide range of options, based on the best expert advice.

Regeneration Projects – Current.

Thorndon Container Wharf Resilience

The Thorndon Container Wharf was significantly damaged by the 2016 Kaikōura earthquake, with a section of the berth having to be demolished.

In 2017 emergency repairs were done on a 125-metre stretch of the wharf in order to maintain container operations.

Further piling work was commenced in 2020, together with bollard realignment, to further enhance the resilience of the asset.

Enhanced Rail onto Port

All rail sidings on port were damaged in the 2016 Kaikōura earthquake. While there was some reinstatement, the limited infrastructure meant 'road bridging' (where cargo going into Wellington by rail had to be transferred to trucks for the final leg onto port) had to be employed for significant volumes of cargo. This added cost and lowered efficiency.

In 2020 an enhanced rail-onto-port programme commenced that will have numerous improvements and benefits, including:

- A dedicated siding capacity for 15 log wagons and 30 container wagons.
- Improved safety through enhanced separation.
- Reductions in carbon emissions.
- Growth opportunities for log and container operations.

The enhanced rail-onto-port project supports the Thorndon Container Wharf project and the carbon reduction strategy.



Port Entrance

- Development of Hinemoa Street entrance.
- Opening up port entrance to enhance cargo movement efficiency/capacity.
- More efficient StraitNZ Bluebridge cargo discharge.

Waingawa Log Hub

- Upgrade and expansion completed.
- \$3.8m investment.
- Capacity increased from 9,000 JAS to 16,000 JAS.
- Complemented by significant KiwiRail track-upgrade investment.
- Greater cargo throughput/capacity complemented by enhanced rail-onto-port project.

Former BNZ Building Removal

- Reutilisation of land for StraitNZ Bluebridge vehicle marshalling.
- Demolition on course for completion by end of 2020, with land remediation to be completed by March 2021.
- 95 percent (by weight) of all materials recycled.
- Materials donated to schools, marae, Wellington Regional Children's Hospital and Wellington Botanic Garden.

Former CESCO House Land Remediation

- Demolition of redundant CESCO House.
- Remediation of land and installation of lighting.
- Utilisation of land for import vehicle storage.
- Enhances land utilisation and improves cargo movement efficiency.

Regeneration – future projects.

A number of projects/plans are part of the CentrePort regeneration portfolio. They are intended to progress the port regeneration but are subject to various caveats including business cases, shareholder approval, consenting/regulatory requirements and stakeholder consultation.

Thorndon Container Wharf Reinstatement

This project will reinstate the operational length of CentrePort's container berth capacity to a minimum of 250 metres. The current operational capacity is 125 metres as a result of damage caused by the 2016 Kaikōura earthquake.

Temporary repair works were completed in 2017 to enable the resumption of the operation of the two ship-to-shore gantry cranes. Further resilience work commenced in 2020.

The berth reinstatement will support the CentrePort strategic objectives of growing freight capacity and being a sustainable and resilient business. The project case was approved by the Board and received shareholder approval in November 2020.

Seaview Wharf Renewal

Seaview Wharf is CentrePort's main oil berth and a vital piece of the fuel supply chain for the lower North Island. It is a key component of the Lifelines asset network in the event of an emergency.

It is due for renewal to ensure the resilience of what is a key piece of New Zealand's economic infrastructure and to ensure that it is fit for purpose for the long term.

A business case has been approved by the CentrePort Board and there is ongoing engagement with the fuel industry, which is a key partner in the project. The business case is awaiting shareholder approval.

Multi-user Ferry Terminal

CentrePort, as part of the Future Ports Working Group (also comprising Waka Kotahi NZ Transport Agency, KiwiRail, StraitNZ Bluebridge, Greater Wellington Regional Council and Wellington City Council) continued to progress the concept.

A high-level business case was delivered on 16 August 2019. A robust process resulted in a shortlist of sites, and culminated in 2019 with a comprehensive, multi-criteria analysis in which Kaiwharawhara was selected as the most appropriate location, subject to further structural and resilience engineering feasibility studies.

KiwiRail subsequently expressed reservations about the Kaiwharawhara site. While Kaiwharawhara remained the preferred site of the Future Ports Working Group, a further analysis of options, considering factors such as resilience, marine safety, operational design, transition options and consenting strategy is continuing.

Inner Harbour Development

Enhancing the connection between CentrePort and the community and improving the port/Wellington city interface are key drivers of this project.

It is an ambitious plan that will see the redevelopment of the Interisland, Waterloo and Kings Wharves, creating an exciting range of public facilities. It will transform port-designated wharves into public waterfront areas and potentially move the cruise ship facilities closer to the city.

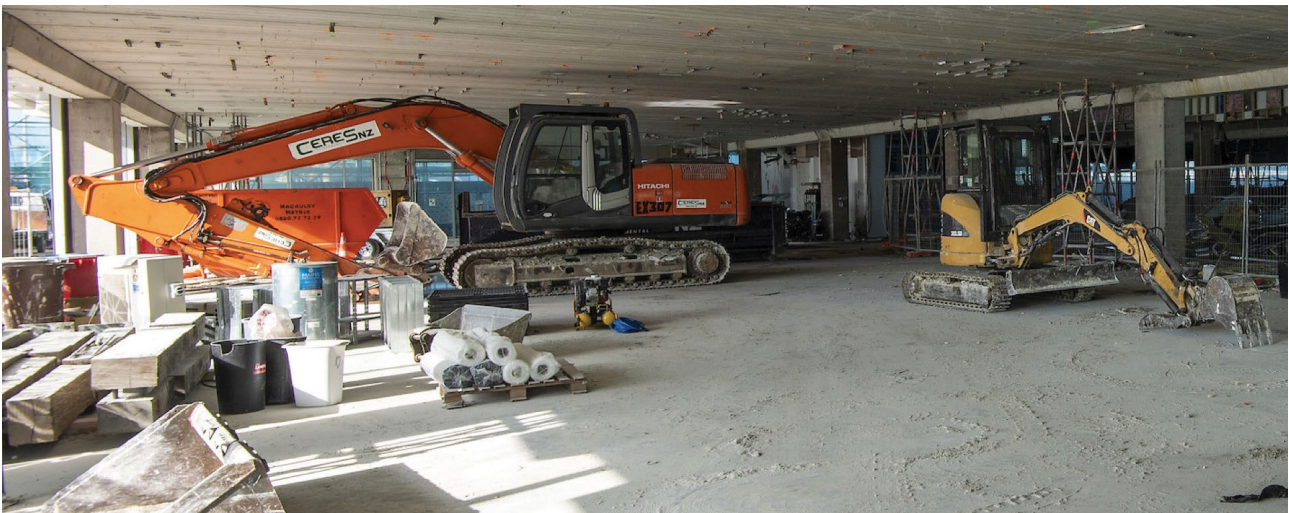
Features of the proposed project include:

- Relocating the cruise berth to the Interisland Wharf.
- Redeveloping the Waterloo and Interisland Wharves to add commercial and public utilities and build on the already established waterfront public access.
- Developing a 'green ribbon' connecting the Interisland Wharf to Parliament, linking up with the already-established 'green ribbon' in the city.
- Constructing pedestrian bridges connecting the Queens, Waterloo and Interisland Wharves.

Medium-term Operating Plan Projects

Ongoing improvements.

The medium-term operating plan is enabling regeneration.



“Across the port, there is no one singular project. Everything we are doing at the port is interconnected to improve our efficiencies,”

– Anthony Delaney, General Manager Regeneration.

Several key projects made significant progress this year, moving from business cases and planning to execution.

CentrePort made progress on land utilisation – including the continued removal of the former BNZ building, and work on the port entrance.

Another significant highlight for our people was the completion of the renovation of the ground floor of Shed 39, which provides a new home for our people. After four years spread across Portacoms and the old CPL Building, this enabled us to bring all our people under one roof with operational, office and mess facilities.

The COVID-19 lockdown stopped all but essential maintenance work during Alert Level 4, but with minimal disruption to project timelines. Alert Level 3 at the end of April saw CentrePort recommence priority and key operational projects.

“We worked through the COVID-19 lockdown. It delayed things, but we then got back up to full steam – thanks to the team and great support from our contractors,”

– Paul Terry, General Manager Infrastructure and Environment.

Former BNZ Building Removal

The removal of the former BNZ building is scheduled to be completed by the end of 2020.

CentrePort will have recycled 95 percent of the building materials by weight when the deconstruction is complete.

The removal of the building will allow greater land utilisation, which will enable CentrePort to expand land available to the StraitNZ Bluebridge operation for vehicle marshalling.

This will also connect to the main entrance works, which will allow the port to use that space.

“The deconstruction and removal of the BNZ building has been a major undertaking. While the site was immediately adjacent to StraitNZ Bluebridge operations, good engagement and planning with CentrePort meant there was no disruption to our service. We look forward to continuing to work with CentrePort as they deliver their regeneration projects including the development of E-site, F-site and the port entrance, which we see as critical initiatives to future proof CentrePort’s operations.” – Ed Menzies, General Manager Commercial, StraitNZ Bluebridge

Recycled materials such as concrete that are crushed and turned into fill are being used in other projects throughout the port for land resilience.

Light fittings and floor tiles were reused in the fit-out of the renovated Shed 39.

The wider community has also benefited from the recycling process. A kitchen unit was donated to Te Kakano O Te Aroha Marae in Lower Hutt. Glass panels were donated to the new Wellington Regional Children’s Hospital under construction, and floor tiles were donated to schools.

Wellington Botanic Garden is trialling the use of rubber mats from the building for its glasshouses. This aligns with the Wellington City Council sustainability efforts.

Shed 39

Shed 39 is not only a symbol of some great engineering but also a new home for our people.

CentrePort has been working out of temporary facilities since even before the 2016 Kaikōura earthquake.

Shed 39 allows CentrePort to bring everyone together in a shared space, designed and customised for our people.

The extensive renovation project included work to make the building and floor resilient.

The transformation of Shed 39 has been a three-year journey through a complex structural solution. The result is the culmination of a four-year journey for our people, from the earthquake to now moving into that office.

CentrePort will retain Pipitea Village as a backup office for business continuity purposes. It’s also being used by contractors and other operators as site offices.





Main Entranceway – Hinemoa Street

Work on the main entranceway to CentrePort, on Hinemoa Street, has been underway for the past year.

The new entrance will include five lanes – separating pedestrians, port traffic and general public traffic – to enable smooth and safe transitions in and out of the port.

In future, it will remove queuing and streamline entry and exit from the port.

For StraitNZ Bluebridge it will provide an enhanced exit for arrivals from Picton through a dedicated lane straight out to the main highway. This will include a new marshalling area on the site of the former BNZ building. The exit route will also no longer be through an operational port.

The entranceway has been designed with urban integration in mind, including drainage pits and planting to enhance the entry to the port.

Once complete, the entranceway will provide an improved customer experience.

Sustainability

A journey of transformation.

CentrePort continues to look for ways to improve its environment and operate more sustainably.

The award-winning Waste Minimisation Project has expanded and is now accepting third-party recycling.

The project repurposes significant quantities of waste concrete, steel and asphalt by crushing these valuable materials then recycling the crushed material into gravel fill.

Since August 2017 nearly 85,000 tonnes of hard materials have been recycled at the Kaiwharawhara Point plant. The fill created is being used on projects on Port. CentrePort is working with partners for recycled concrete fill to be used in other projects in the Wellington region. In total over 90,000 tonnes of hard materials (including concrete, asphalt, steel and glass) have been diverted from landfills.

Over the life of the programme to date, the material recycled at Kaiwharawhara Point has saved 4,310 hours of truck movements and achieved an estimated reduction in carbon emissions of 462 tonnes.

In the wider community, recycled glazing has been used for the new Wellington Regional Children's Hospital and recycled concrete for new cycleways across the city.

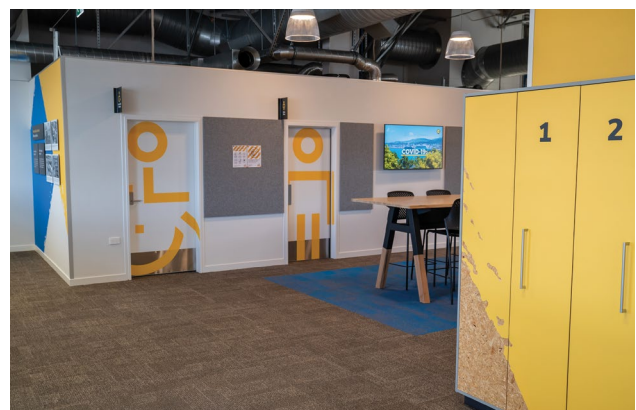
The CentrePort Environmental Management System is a certified Toitū Envirocare gold standard programme.

The port is continuing to improve the systematic management of environmental risks, and also identify opportunities for improvements in areas like waste.

This is helping both CentrePort and the wider community and is recycling products that would otherwise go to landfill.

The new Shed 39 building has also utilised recycled materials – including the concrete recycled as part of the Waste Minimisation Project.

In addition, Shed 39 has reused former BNZ building materials – fitting out the premises with carpet, glass and light fittings.



Carbon Reduction

CentrePort is always looking at ways to reduce carbon emissions – and a big one this year was the introduction of electric bomb carts.

The port already needed to replace its existing straddles and trucks with new equipment and this gear was available.

CentrePort is now buying an electric forklift in break bulk, and electric cars for the fleet.

The port continues to be on a journey of change and transformation – and will continue to look at tried and proven ways to reduce carbon emissions and increase efficiencies at the port.

“For the port and for our next generations we’ve got to leave the place better than it was when we arrived. It’s logical that we move away from fossil fuel, so we grab every opportunity we can to replace equipment that’s burning carbon,”

– **Mark Thompson, General Manager Logistics.**

Green Investment Fund

CentrePort is proud that its low-carbon regeneration programme was the first investment made by New Zealand Green Investment Finance.

In June, Prime Minister Jacinda Ardern and Minister for Climate Change James Shaw visited CentrePort to celebrate the launch of a partnership that will help the port continue to lower its carbon emissions.

New Zealand Green Investment Finance is supporting CentrePort with a \$15m investment in our carbon-reduction initiatives.



The funds will help with the rollout of the fully electric truck and trailer container units, which are expected to be operational by the end of this year.

A successful investment in electrification, renewables and efficiency will help CentrePort to achieve its climate goals.

“The investment in electric vehicles will have long-term benefits for the city, the community and the region. As well as helping to lower emissions, it makes a strong business case, as it will deliver a more efficient supply chain system with lower running costs”

– **Derek Nind, Chief Executive**

“The change this investment will bring about at CentrePort is exactly the type of innovative approach we need in order to meet our climate targets and leave behind a safer planet for our children and grandchildren.

“It shows how businesses and government can work together towards solving the problems that matter to most people, like the climate crisis.”

– **Minister for Climate Change, James Shaw.**



Our **Financials.**

Our full year results have put us in a good position to deliver service and value to the central New Zealand economy.

Financial Information

2020 Results Overview

Statement of Comprehensive Income for the year ended 30 June 2020

	2020 \$'000	2019 \$'000
CONTINUING OPERATIONS		
Revenue from Contracts with Customers	65,536	67,579
Other Revenue	19,360	17,060
Operating Revenue	84,896	84,639
Operating Expenses	(87,496)	(79,719)
Earnings from Operations Before Interest, Equity Earnings, Earthquake Impacts, Changes in Fair Value, and Tax	(2,600)	4,920
Finance Expenses	(254)	(611)
Finance Income	5,237	1,087
Net Interest Income / (Expense)	4,983	476
Share of Profit / (Loss) of Investments Using the Equity Method	-	10,220
Net Gain / (Loss) on Disposal of Assets	-	(1,814)
Demolition Costs	(686)	(955)
	1,697	12,847
Earthquake related items:		
Temporary Works Expenditure and Demolition Costs	(3,456)	(24,220)
Impairment of Assets relating to Earthquake Damage	(818)	(3,271)
Earthquake Costs	(975)	(2,174)
Insurance Proceeds Income	172,500	90,382
	167,251	60,717
Changes in Fair Values		
Increase / (Decrease) in Fair Value of Investment Property	108	1,021
Increase / (Decrease) in Fair Value of Financial Instruments	-	-
	108	1,021
Profit before Income Tax	169,056	74,585
Income Tax (Expense) / Benefit	(10,762)	(1,652)
Profit for the Year from Continuing Operations	158,294	72,933
Other Comprehensive Income		
Increase / (Decrease) in the Value of Port Land after Tax	5,918	-
Adjustment to Fair Value for Land Resilience Impact after Tax	(7,119)	-
Other Comprehensive Loss for the year	(1,201)	-
Total Comprehensive Income for the year, net of Tax	157,093	72,933

Reconciliation to Underlying Net Profit After Tax

The table below presents a reconciliation of the Total Comprehensive Income for the year, net of Tax of \$157.1m as disclosed in the audited Statement of Comprehensive Income to the Underlying Net Profit After Tax (Underlying NPAT) of \$14.7m. The Underlying NPAT is Management's view of the underlying performance of the Group. The Underlying NPAT removes Earthquake related items, Changes in Fair Value, impacts from the Realisation of Financial Instruments, Abnormal Items and the tax impact of these items from the Total Comprehensive Income for the year net of Tax.

	2020 \$'000	2019 \$'000
Total Comprehensive Income for the year, net of Tax	157,093	72,933
<i>Earthquake related items</i>		
Less Earthquake Related Items	(167,251)	(60,717)
Plus Business Interruption Income	15,502	6,622
Plus Adjustments to Fair Value for Land Resilience Impact	7,119	-
Less Earthquake Impacts in Associates	-	(9,138)
Less Net Gain / (Loss) on Disposal of Assets	-	1,363
<i>Abnormal Items</i>		
Add Demolition Costs ⁽¹⁾	686	955
Add Abnormal Employee Costs	1,844	-
Adjustment for Income Tax on Earthquake and Abnormal Items	5,686	(382)
<i>Changes in Fair Value and Realisation of Financial Instruments</i>		
Less Increase in Fair Value of Investment Property	(108)	(1,021)
Less Increase in Fair Value of Port Land	(5,918)	-
Less Redemption of the Mandatory Convertible Notes	-	9,654
Less Income Tax on Redemption of the Mandatory Convertible Notes	-	(2,703)
Underlying Net Profit After Tax	14,653	17,566

Note:

1. The 2019 Underlying NPAT of \$16.6m has been restated to \$17.6m by excluding Demolition Costs. This aligns to Management's current view of the Underlying Net Profit After Tax.

Performance against Statement of Corporate Intent	Unit	FY20	Target	FY19
Earnings Before Interest and Tax ⁽¹⁾	\$m	\$14.7	\$13.0	\$19.1
Underlying Net Profit After Tax ⁽²⁾	\$m	\$14.7	\$12.6	\$17.6
Dividend	\$m	\$5.0	\$5.0	\$4.0
Return on Assets ⁽³⁾	%	3.8%	3.4%	7.5%
Return on Equity ⁽⁴⁾	%	3.9%	3.6%	6.5%
Dividend Distribution as a % of Underlying Net Profit After Tax ⁽²⁾	%	34.1%	39.8%	22.8%
Underlying Net Profit After Tax per share ⁽²⁾	\$	\$0.63	\$0.54	\$0.75
Dividend per share	\$	\$0.21	\$0.21	\$0.17
Net Assets per share	\$	\$19.44	\$19.18	\$12.95

Notes:

1. Earnings Before Interest and Tax is expressed as Total Comprehensive Income for the year, net of Tax before Earthquake Related Items (refer table above), Changes in Fair Value, Realisation of Financial Instruments, Abnormal Items (refer table above), Interest, and Tax.

2. Underlying Net Profit After Tax is reconciled to Total Comprehensive Income for the year, net of Tax on table above.

3. Return on Assets = Earnings Before Interest and Tax / Average Opening and Closing Non current Assets plus Cash and Cash Equivalents and Short Term Investments.

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 2020 to 2022 which was approved for issue in May 2019.

	2016	2017	2018	2019	2020
Five Year Trends	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Revenue	76,197	63,689	73,800	84,639	84,896
Underlying Net Profit After Tax	13,306	8,637	11,828	17,566	14,653
Total Comprehensive Income for the year, net of tax	11,604	(2,271)	38,094	72,933	157,093
Total Non-Current Assets	315,715	198,060	222,154	192,237	217,466
Total Bank Term Borrowings	102,000	36,000	-	-	-
Total Equity	201,314	198,343	234,438	303,371	455,464

	2016	2017	2018	2019	2020
Dividends Declared per Share	\$0.29	\$0.03	\$0.09	\$0.17	\$0.21
Net Assets Backing per Share	\$8.61	\$8.47	\$10.00	\$12.95	\$19.44
Gearing Ratio (Debt to Debt plus Equity)	38%	19%	9%	-%	-%

Summarised Financial Statements

For the year ended 30 June 2020

CentrePort Limited Group Summary Financial Statements

The summary financial statements of CentrePort Ltd Group for the year ended 30 June 2020 on pages 46 to 52 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 2020 were authorised for issue by the Board of Directors on 26 August 2020 and have been audited with an unmodified audit opinion issued with an emphasis of matter in relation to the uncertainties of the Kaikoura earthquake and COVID-19 pandemic impact 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, Wellington.

The summary financial statements were authorised for issue on 30 September 2020.

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. During the period ended 30 June 2020, CentrePort Limited reached a full and final settlement on its insurance claim of \$472.5m. All insurance proceeds have been received by CentrePort Limited.

The Group has separate insurance policies for CentrePort Ltd and CentrePort Properties Ltd. 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 \$175.0m.

The carrying value of CentrePort's key infrastructural assets were assessed for impairment following the earthquake. Further damage assessments and identification of obsolete assets following the earthquake has resulted in a \$1.2m impairment being recognised during the year (2019: \$2.6m). An adjustment of \$60.0m (2019: \$63.0m) has been made to the fair value of land to recognise the resilience work that needs to be undertaken to support the land valuation.

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.

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 \$268.2m of the insurance proceeds to assets that are likely to be deemed to be disposed for tax purposes. All insurance proceeds have now been received and allocated.

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 nontaxable capital gains in the current year of \$108.3m with a tax effect of \$30.3m (in the prior year nontaxable capital gains were \$59.5m with a tax effect of \$16.7m) being the proceeds over and above original cost.

The recovery of historic tax depreciation claimed on the assets deemed to be destroyed has been included in the current tax liability charge. However, amounts in relation to earthquake damaged wharves eligible for rollover relief have been included as a deferred tax liability (which will reduce the tax base on replacement wharves once completed). The remainder of the proceeds are deemed to be taxable in future years as the related expenditure on repairs will be deductible. A ruling and a factual review are being sought from Inland Revenue on these assumptions.

COVID-19 Pandemic Impact

On Wednesday 25 March 2020 the New Zealand Government in response to the COVID-19 pandemic raised its Alert Level to 4 which is a full lockdown of non-essential services. CentrePort is classified as an essential service provider and operated throughout the lockdown. CentrePort experienced lower overall ship calls during the lockdown with cruise visits, log exports, and petroleum imports significantly impacted.

CentrePort's balance sheet was also impacted by COVID-19. An expected credit loss of \$100k was recognised for the 2019/20 Cruise season, along with an accrual for restructuring costs as a result of a staffing review and change process. The reintroduction of tax depreciation on commercial buildings as part of the Government's COVID-19 measures provided a deferred tax benefit.

CentrePort's operational port land and investment properties are held at fair value and Colliers International valued these assets as at 30 June 2020. The impact of COVID-19 on the property markets could not be determined at the time of the valuation due to insufficient transactional evidence. Valuations therefore contain material valuation uncertainty and a higher degree of caution should be attached to the valuation than what would normally be the case. This does not reduce the accuracy and suitability of the valuations at balance date.

Dividend

An interim dividend of \$2.5m was paid on 28 February 2020 (2019: \$2.0m). A second interim dividend of \$2.5m was paid on 30 June 2020 (2019: \$2.0m).

Adoption of NZ IFRS 16 Leases

CentrePort has adopted NZ IFRS 16 Leases from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are recognised in the opening balance sheet on 1 July 2019.

On adoption of NZ IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of NZ IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.93%. Right-of-use assets were measured at the amount equal to the lease liability.

Under NZ IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right of use asset arising from the head lease (and not by reference to the underlying asset as was the case under NZ IAS 17). Because of this change the Group has reclassified some of its sublease agreements as finance leases. The leased assets were derecognised and a finance lease asset receivable recognised. This change in accounting will change the timing of recognition of the related revenue (recognised in finance income). Please see the full financial statements for the complete accounting policy.

The following practical expedients were used in the adoption of NZ IFRS 16 Leases:

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as shortterm leases; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Right-of-use assets – increased by \$1,824k
- Lease assets – increased by \$581k
- Lease liabilities – increased by \$2,405k

There were no adjustments to the comparatives in the Balance Sheet, Statement of Comprehensive Income, Statement of Cashflows, or Statement of Changes in Equity as a result of adopting NZ IFRS 16.

Subsequent Events

Subsequent to balance date CentrePort entered into a \$15.0m debt facility with New Zealand Green Investment Finance (NZGIF) to accelerate investment into low carbon projects. On 3 July 2020 CentrePort borrowed \$3.5m from NZGIF under this facility.

On 11 August 2020, several cases of COVID-19 from an unknown source were reported in Auckland, the first cases from an unknown source in 102 days. At midday on 12 August the Auckland region moved to Alert Level 3, while the rest of the country including Wellington moved to Alert Level 2. On 14 August, Prime Minister Jacinda Ardern announced that the Alert Level settings would be in force until 11:59 pm on 26 August. CentrePort is classified as an essential service provider and does not anticipate any material impact to cargo volumes or operations while trading at Alert Level 2.

Summarised Statement of Comprehensive Income

For the year ended 30 June 2020

	2020 \$'000	2019 \$'000
CONTINUING OPERATIONS		
Revenue from Contracts with Customers	65,536	67,579
Other Revenue	19,360	17,060
Operating Revenue	84,896	84,639
Operating Expenses	(87,496)	(79,719)
Earnings from Operations Before Interest, Equity Earnings, Earthquake Impacts, Changes in Fair Value, and Tax	(2,600)	4,920
Finance Expenses	(254)	(611)
Finance Income	5,237	1,087
Net Interest Income / (Expense)	4,983	476
Share of profit (loss) from associates	-	10,220
Net Gain / (Loss) on Disposal of Assets	-	(1,814)
Demolition Costs	(686)	(955)
	1,697	12,847
Earthquake Related items		
Temporary works expenditure and Demolition Costs	(3,456)	(24,220)
Impairment of assets relating to earthquake damage	(818)	(3,271)
Earthquake Costs	(975)	(2,174)
Insurance Proceeds Income	172,500	90,382
	167,251	60,717
Changes in Fair Values		
Increase / (Decrease) in Fair Value of Investment Property	108	1,021
Increase / (Decrease) in Fair Value of Financial Instruments	-	-
	108	1,021
Profit before Income Tax	169,056	74,585
Income Tax Benefit / (Expense)	(10,762)	(1,652)
Profit for the Year from Continuing Operations	158,294	72,933
Other Comprehensive Income		
Increase / (Decrease) in Value of Port Land after Tax	5,918	-
Adjustment to Fair Value for Land Resilience Impact after Tax	(7,119)	-
Other Comprehensive Loss for the year	(1,201)	-
Total Comprehensive Income for the year, net of Tax	157,093	72,933

Summarised Statement of Changes in Equity

For the year ended 30 June 2020

	Attributable to equity holders of the Company			Total Equity \$'000
	Share Capital \$'000	Revaluation Reserve \$'000	Retained Earnings \$'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
	Share Capital \$'000	Revaluation Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance as at 1 July 2019	30,000	8,585	264,786	303,371
Profit for the Year from Continuing Operations	-	-	158,294	158,294
Increase / (Decrease) in Value of Port Land after Tax	-	5,918	-	5,918
Adjustment to Fair Value for Land Resilience Impact	-	(7,119)	-	(7,119)
Dividends	-	-	(5,000)	(5,000)
Balance as at 30 June 2020	30,000	7,384	418,080	455,464

Summarised Balance Sheet

As at 30 June 2020

	2020 \$'000	2019 \$'000
EQUITY	455,464	303,371
Represented by:		
ASSETS		
Cash and Cash Equivalents	250,050	91,724
Insurance Receivable	-	50,000
Other Current Assets	38,810	12,197
Total Current Assets	288,860	153,921
Non-current Assets		
Property, Plant and Equipment	152,492	126,897
Investment Properties	59,903	62,453
Intangible Assets	3,449	3,077
Right-of-use Assets	1,622	-
Total Non-current Assets	217,466	192,427
Total Assets	506,326	346,348
LIABILITIES		
Current Liabilities		
Other Current Liabilities	17,283	20,538
Total Current Liabilities	17,283	20,538
Non-current Liabilities		
Other Non-Current Liabilities	33,579	22,439
Total Non-Current Liabilities	33,579	22,439
TOTAL LIABILITIES	50,862	42,977
NET ASSETS	455,464	303,371

For, and on behalf of, the Board of Directors



L J C Johnstone
Chairman
30 September 2020



S Haslem
Director
30 September 2020

Summarised Statement of Cash Flows

For the year ended 30 June 2020

	2020 \$'000	2019 \$'000
Cash Flows from Operating Activities		
Receipts from Customers	84,014	84,457
Payments to Suppliers and Employees	(81,769)	(75,697)
Interest Income Received	3,588	807
Interest Expense Paid	(186)	(567)
Business Interruption Insurance - Temporary Works	-	24,220
Business Interruption Insurance - Loss of Gross Profits and Rents	15,502	6,622
Temporary Works and Demolition Costs	(5,843)	(22,740)
Income Taxation Refunded/(Paid)	(3,518)	(123)
Tax Transfer from SPV's	-	(966)
Net Cash Flows from / (used in) Operating Activities	11,788	16,013
Cash Flows from Investing Activities		
Proceeds from Sale of Property, Plant and Equipment	-	459
Purchase of Property, Plant and Equipment	(30,199)	(16,020)
Development of Investment Properties	(5,239)	(2,636)
Cash Balance from Acquired Joint Venture	-	47,944
Earthquake Insurance Payments Received	206,998	68,808
Purchase of Investments	(19,726)	-
Other Transfers	(145)	885
Net Cash Flows from / (used in) Investing Activities	151,689	99,440
Cash Flows from Financing Activities		
Repayments of Borrowings	-	(18,000)
Repayment of Lease Liabilities	(151)	-
Dividends Paid to Shareholders of the Parent	(5,000)	(4,000)
Net Cash Flows from / (used in) Financing Activities	(5,151)	(22,000)
Net Increase / (Decrease) in Cash and Cash Equivalents	158,326	93,453
Cash and Cash Equivalents at the Beginning of the Year	91,724	(1,729)
Cash and Cash Equivalents at End of Year	250,050	91,724

Auditor's summarised report

To the shareholders of CentrePort Limited Group



**INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF CENTREPORT LIMITED'S GROUP
SUMMARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

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 consolidated summary financial statements ("the summary financial statements") of the CentrePort Limited Group on his behalf.

Opinion

The summary financial statements of the Group, which comprise the summarised balance sheet as at 30 June 2020, the summarised statement of comprehensive income, summarised statement of changes in equity and summarised statement of cash flows 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 2020.

In our opinion, the summary financial statements, on pages 46 to 52, are consistent, in all material respects, with the audited consolidated financial statements for the year ended 30 June 2020, in accordance with FRS-43: *Summary Financial Statements* issued by the New Zealand Accounting Standards Board.

Summary financial statements

The summary 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 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 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 2020 in our auditor's report dated 26 August 2020. Without modifying our opinion, that report also included the following emphasis of matters.

Uncertainties arising from the impact of the Kaikoura earthquake

Note 3 of the audited consolidated financial statements explains the material impact of the Kaikoura earthquake on the Group. This note links to the disclosures in the financial statements about the significant uncertainties and judgements involved in the allocation of insurance proceeds for tax purposes and the fair value adjustment to operational port land for resilience work. The valuation of the operational port land has also been impacted by Covid-19 as outlined below.

A summary of these disclosures are presented on pages 46 and 47 of the summary financial statements.

Impact of Covid-19

Note 2c of the audited consolidated financial statements, describes the impact of Covid-19 on the Group. We draw specific attention to material uncertainties highlighted by the valuer, related to estimating the fair values of the Group's investment property and operational port land.

A summary of these disclosures are presented on page 47 of the summary financial statements.

Auditor's summarised report (continued)

Deloitte.

Responsibility of the Board for the summary financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary 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*.

We did not evaluate the security and controls over the electronic publication of the summary financial statements.

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the Results Overview on pages 43 to 45, but does not include the summary financial statements, and our auditor's report thereon.

Our opinion on the summary 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 summary 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.



James Shepherd, Partner
for Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand
30 September 2020

Our **Governance.**



Governance

Approach to Corporate Governance.

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

Policies are tested against applicable standards detailed in the NZX 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 elected by shareholders. The Port Companies Act 1988 and the Companies Act 1993 govern the relationship between CentrePort Limited and its shareholders.



Left to right: John Monaghan, Nicki Crauford, Martin Lewington, Lachie Johnstone (Chair), Sophie Haslem, Kerrie-Lee Magill.

Role of the Board and Responsibilities

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

Key areas of responsibility that remain with the Board are:

- Setting the direction, strategies and performance benchmarks of CentrePort Limited, 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 with statutory requirements.
- Safeguarding and growing the value of CentrePort Limited'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 the Group 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 is 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 conflicts of interest between their duty to CentrePort Limited 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, the Group was involved in business with companies for which the Directors had provided general disclosures. The names of those entities were recorded in the interests register. Where transactions took place, these were completed under normal commercial terms and on an arm's-length basis. Details of the specific interests that individual Directors have had in transactions are also entered in the interests register.

Board Meetings

The Board met 10 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, and each 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 2020

S Haslem (Chair), L Johnstone and M Lewington.

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 the Group 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 that the Group keeps proper accounting records that disclose, with reasonable accuracy, the financial position, results of operations and cash flows of the company and the Group.
- Reviewing the establishment and continued effectiveness of the Group'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 2020

S Haslem (Chair), L Johnstone, N Crauford and 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 the 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 that 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 and talent management plans and staff engagement surveys.

Health, Safety and Environmental Committee

Members as at 30 June 2020

L Johnstone (Chair), J A Monaghan and 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:
 - the hazard analysis and accident prevention systems of the company
 - work practices by visiting the Group'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 the Group's strategic objectives for quality as identified in the strategic plan.
- Monitoring the coordination with other agencies, customers and stakeholders of environmental and disaster planning, including consideration of emergency response plans.



