Financial Statements

Directors' report

Report of Directors

The Directors are pleased to submit their Annual Report including the Group financial statements of CentrePort Limited (CentrePort) and its subsidiaries (the Group) for the year ended 30 June 2020.

Principal Business

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

Results

Group revenue for the year ended 30 June 2020 was $84.9m (2019:$84.6m).

The net assets balance as at 30 June 2020 is $455.4m (2019:$303.4m).

The November 2016 Kaikoura earthquake caused significant damage to the port and property infrastructure. During the year ended 30 June 2020 CentrePort Limited reached a full and final insurance settlement on its insurance claim of $472.5m. During the year ended 30 June 2019 CentrePort Properties Limited, including its associate property entities reached a full and final settlement on its insurance claim of $175.0m. Of the $175.0m, $163.0m related to associate entities, and $12.0m related to CentrePort Properties Limited. All insurance proceeds across both insurance claims have been received. As at 30 June 2020 CentrePort Limited Group holds cash balances of $250.1m (2019:$91.7m)

CentrePort is classified as an essential service provider and continued to operate during the COVID-19 level 4 lockdown imposed by the New Zealand Government on 26 March 2020. However, some of CentrePort's trades were classified as non-essential services and were suspended during lockdown. The 2019/2020 cruise season finished early and log exports were significantly impacted by the COVID-19 lockdown. CentrePort has focused on enduring cost saving measures as a result of COVID-19 and did not apply for the Government's wage subsidy. Longer term the Port will ensure it is well placed for trade growth by prioritising projects which lowers operating costs and improves operating efficiency.

CentrePort's key strategic priorities are to:

- build a long term, sustainable, adaptable, and efficient business;
- grow cargo volumes; and
- optimise land use and enable urban development and integration.

Environmental sustainability is a key element of CentrePort's regeneration. CentrePort is working with New Zealand Green Investment Finance Limited (NZGIF) to accelerate investment into low carbon projects.

Dividends

	2020 $000
Interim 2020 dividend paid 28 February 2020	**2,500**
Second interim 2020 dividend paid 30 June 2020	**2,500**
Total Dividends Paid	**5,000**

The Directors have declared dividends of $5.0m for the year ended 30 June 2020.

Directors holding office during the year

Parent & Subsidiaries

L J C Johnstone (Chairman)
J A Monaghan
R M Petersen (resigned 7 December 2019)
D J Benham (resigned 7 December 2019)
K Magill
S Haslem
M Lewington (appointed 8 December 2019)
N Crauford (appointed 8 December 2019)

Remuneration of Directors

Directors' remuneration paid during the year was as follows:

	Directors' Remuneration $
L J C Johnstone	134,887
J A Monaghan	64,750
R M Petersen (resigned 7 December 2019)	29,395
D J Benham (resigned 7 December 2019)	32,008
K Magill	66,780
S Haslem	78,790
M Lewington (appointed 8 December 2019)	37,532
N Crauford (appointed 8 December 2019)	37,532
	481,674

Entries in the Interests Register

CentrePort maintains an Interests Register in which particulars of certain transactions and matters involving the Directors are recorded. The following are the particulars in the Interests Register for the year ended 30 June 2020.

L J C Johnstone (Chairperson)

- Appointed as Director of C. Alma Baker Trust (NZ) Limited; Waimaha Farms Limited; Wholesale Frozen Foods Limited; Reihana Land Holdings Limited; Maimere Properties Limited; Jenkins Group Limited; and Jenkins Freshpac Systems Limited

J Monaghan

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

S Haslem

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

K Magill

- Appointed as Commercial Advisor for the Provincial Development Unit
- Shareholder of Elwilfre Trustee Limited

M Lewington

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

N Crauford

- Appointed as Director of Watercare Services; Pioneer Energy; Environmental Protection Authority; Kainga Ora - Homes and Communities; Director and Shareholder of Riposte Consulting; and Chair of GNS Science and Subsidiaries
- Appointed as Trustee of Wellington Regional Stadium Trust

Directors

In accordance with the Company's Constitution, John Monaghan will retire by rotation at this year's Annual Meeting. Mr Monaghan will offer himself for re-election to the Board. On 8 December 2019 Martin Lewington and Nicki Crauford were appointed Directors by the Board until the next Annual General Meeting of shareholders where Mr Lewington and Ms Crauford will offer themselves for election to the Board.

Directors' Insurance

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

Remuneration of Employees

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

	Number of Current Employees
$100,001 – $110,000	29
$110,001 – $120,000	20
$120,001 – $130,000	18
$130,001 – $140,000	12
$140,001 – $150,000	13
$150,001 – $160,000	2
$160,001 – $170,000	6
$170,001 – $180,000	4
$180,001 – $190,000	2
$190,001 – $200,000	4
$200,001 – $210,000	1
$220,001 – $230,000	3
$230,001 – $240,000	4
$240,001 – $250,000	1
$280,001 – $290,000	2
$290,001 – $300,000	2
$320,001 – $330,000	1
$340,001 – $350,000	1
$660,001 – $670,000	1
	126

Donations

The Group made $50,079 (2019:$102,059) of donations during the year.

Auditor

The Auditor-General continues in office in accordance with Section 19 of the Port Companies Act 1988. The Auditor-General has appointed Mr J Shepherd of Deloitte Limited to undertake the audit. The Company paid audit fees of $243,000 for the year ended 30 June 2020.

Registered Office

CentrePort Limited
Hinemoa Street
PO Box 794
Wellington 6140
New Zealand

For, and on behalf of, the Board of Directors

L J C Johnstone	**S Haslem**
Chairman	Director
26 August 2020	26 August 2020

Financial Statements

Statement of Comprehensive Income

For the year ended 30 June 2020

	Notes	**2020 $'000**	2019 $'000
CONTINUING OPERATIONS			
Revenue from Contracts with Customers	4	**65,536**	67,579
Other Revenue		**19,360**	17,060
Operating Revenue		**84,896**	84,639
Operating Expenses	5	**(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	16	**–**	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	3	**(818)**	(3,271)
Earthquake Costs		**(975)**	(2,174)
Insurance Proceeds Income	3	**172,500**	90,382
		167,251	60,717
Changes in Fair Values			
Increase / (Decrease) in Fair Value of Investment Property	15	**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	6	**(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	14	**5,918**	–
Adjustment to Fair Value for Land Resilience Impact after Tax	14	**(7,119)**	–
Other Comprehensive Loss for the year		**(1,201)**	–
Total Comprehensive Income for the year, net of Tax		**157,093**	72,933

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

Statement of Changes in Equity

For the year ended 30 June 2020

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

	Notes	Share Capital $'000	Revaluation Reserves $'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	10	–	–	(5,000)	(5,000)
Balance as at 30 June 2020		**30,000**	**7,384**	**418,080**	**455,464**

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

Balance Sheet

As at 30 June 2020

	Notes	2020 $'000	2019 $'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	11	**250,050**	91,724
Trade and Other Receivables	12	**16,358**	10,365
Inventories	13	**2,726**	1,832
Insurance Receivable	3	**–**	50,000
Investments	24	**19,726**	–
Total Current Assets		**288,860**	153,921
Non-current Assets			
Property, Plant and Equipment	14	**152,492**	126,897
Investment Properties	15	**59,903**	62,453
Intangible Assets	18	**3,449**	3,077
Right-of-use Asset	21	**1,622**	–
Total Non-current Assets		**217,466**	192,427
Total Assets		**506,326**	346,348
LIABILITIES			
Current Liabilities			
Trade and Other Payables	19	**11,102**	14,022
Provision for Employee Entitlements	20	**5,508**	3,695
Current Tax Liabilities	6	**526**	2,821
Lease Liabilities	21	**147**	–
Total Current Liabilities		**17,283**	20,538
Non-current Liabilities			
Provision for Employee Entitlements	20	**357**	282
Lease Liabilities	21	**1,525**	–
Deferred Tax Liabilities	7	**31,697**	22,157
Total Non-current Liabilities		**33,579**	22,439
Total Liabilities		**50,862**	42,977
Net Assets		**455,464**	303,371
EQUITY			
Contributed Equity	9	**30,000**	30,000
Reserves	9	**7,384**	8,585
Retained Earnings	9	**418,080**	264,786
Total Equity		**455,464**	303,371

For and on behalf of the Board of Directors

L J C Johnstone *Chairman*
26 August 2020

S Haslem *Director*
26 August 2020

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

Statement of Cash Flows

For the year ended 30 June 2020

	Notes	**2020 $'000**	2019 $'000
Cash Flows from / (used in) 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	3	**–**	24,220
Business Interruption Insurance – Loss of Gross Profits and Rents	3	**15,502**	6,622
Temporary Works and Demolition Costs		**(5,843)**	(22,740)
Tax Transfer from SPV's		**–**	(966)
Income Taxation Refunded/(Paid)		**(3,518)**	(123)
Net Cash Flows from / (used in) Operating Activities	23	**11,788**	16,013
Cash Flows from (used in) 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	17	**–**	47,944
Earthquake Insurance Payments Received	3	**206,998**	68,808
Purchase of Investments	24	**(19,726)**	–
Other transfers		**(145)**	885
Net Cash Flows from / (used in) Investing Activities		**151,689**	99,440
Cash Flows from / (used in) 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	11	**250,050**	**91,724**

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

Notes to the financial statements

Contents

1 Statement of Compliance

CentrePort Limited (the ‘Company’ or 'CentrePort') is a profit-oriented entity established under the Port Companies Act 1998. CentrePort and subsidiaries (the 'Group') is a reporting entity for the purposes of the Companies Act 1993 and its financial statements comply with that Act and the Financial Reporting Act 2013. The Group consists of CentrePort Limited, its subsidiaries and joint ventures as disclosed in notes 16 and 24. The Company's registered office is Hinemoa Street, PO Box 794, Wellington, New Zealand.

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

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

2 Summary of Significant Accounting Policies

(a) Basis of Preparation

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

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

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

(b) Accounting Policies

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

(c) Critical Accounting Estimates and Judgements

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

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

The areas involving significant estimates or judgements are:

- Revenue recognition relating to insurance revenue from the Port insurance claim (note 3)
- Income tax calculations (note 6) and deferred tax (note 7)
- Fair Value of Port Land (note 14) and investment property valuation (note 15)
- Useful lives and residual values used to calculate depreciation on Property, Plant and Equipment (note 14)

2 Summary of Significant Accounting Policies (continued)

(c) Critical Accounting Estimates and Judgements (continued)

COVID-19 Pandemic Impact

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. On 21 March, Prime Minister Jacinda Ardern introduced a country-wide alert level system to deal with the coronavirus outbreak. There are four alert levels, with level 1 being the least risk of infection and 4 the highest. On Wednesday 25 March the New Zealand Government raised its Alert Level to 4 which is a full lockdown of non-essential services. The country moved down to alert level 3 on 28 April.

CentrePort experienced lower overall ship calls during the lockdown. CentrePort's main trades were impacted as follows:

- Containers continued to move throughout the lockdown period, with volumes slightly lower due to the pandemic.
- The cruise season finished 18 March, with 8 cruise visits cancelled due to the lockdown.
- Log exports were classified as a non-essential cargo during Alert Level 4. Volumes were significantly impacted until restrictions were lifted when the country moved to Alert Level 3.
- Petroleum imports significantly reduced during and after the lockdown due to low demand and high stock levels.

COVID-19 Provisions

Expected Credit Losses
CentrePort's bad debts have historically been very low. However, invoices relating to the 2019/2020 cruise season remain outstanding. The cruise industry is facing significant challenges with border closures and uncertainty on the timing of reopening of borders. The recovery of the outstanding balances is less certain with the cruise industry significantly impacted by the COVID-19 pandemic.

CentrePort has provided for expected credit losses as a result of the COVID-19 pandemic. CentrePort's assessment of expected credit losses is based on:

- The industry the customer operates in; and
- CentrePort's past experience with the customer, and other macro-economic factors.

Redundancy Provision
CentrePort needs to ensure the continuation of a flexible, sustainable business, operating efficiently and safely while maintaining quality service levels to our customers. To achieve this, Management is undergoing a change process.

As a result, certain redundancies were announced before balance date and provided for as appropriate.

Material Valuation Uncertainty

CentrePort's accounting policy is to revalue operational port land every three to five years. The land was last revalued at 30 June 2017. Colliers International have valued operational port land as at 30 June 2020. Investment Property is revalued each year, and Colliers International have valued all investment properties as at 30 June 2020.

Market activity is being impacted in almost every sector and there has been a reduction in liquidity across many investment markets. In terms of the property markets it is difficult at the current time to determine if this is a short-term liquidity issue or a longer term concern. The illiquidity in some property markets means there will be a time delay in establishing a sufficient body of transactional evidence to demonstrate actual pricing, of some property types and locations, and therefore what the adjustment from pre-pandemic values is with certainty.

Valuations are therefore based on material uncertainty. Consequently, a higher degree of caution should be attached to the valuations than would normally be the case. This does not reduce the accuracy or suitability of the valuations at balance date.

2 Summary of Significant Accounting Policies (continued)

(c) Critical Accounting Estimates and Judgements (continued)

This valuation uncertainty is in addition to the material valuation uncertainty as to the final operational port land resilience costs (note 14).

The impact of COVID-19 on CentrePort's balance sheet is set out below:

Balance Sheet Item	COVID-19 Assessment	Note
Cash and Cash Equivalents	No impact to the carrying value of cash on hand.	
Trade and Other Receivables	CentrePort has updated the provision for the expected credit losses. As at 30 June 2020 the group has expected credit losses of $100k.	12
Inventories	No impact.	
Property, Plant and Equipment, and Investment Properties	CentrePort's land and investment properties are held at fair value. With lower property transactions post lockdown to assess the impact of COVID-19 material valuation uncertainty is present in the valuations. However, CentrePort does not expect any significant change in the medium to long term values. The plant & equipment is held at cost less accumulated depreciation. CentrePort has not identified indicators that there has been a decline in the value of plant and equipment due to COVID-19 as the assets remain critical to providing essential services.	14,15
Intangible Assets	CentrePort's intangible assets have been tested for impairment as required under NZ IAS 36. A fair value less costs of disposal approach has been used to estimate an Enterprise value for CentrePort's single cash generating unit. The impairment analysis supports the $2.7m carrying value of goodwill.	18
Provision for Employee Entitlements	CentrePort has accrued for restructuring costs as a result of a staffing review and change process.	20
Tax Liabilities	The reintroduction of tax depreciation on commercial buildings as part of the Government's COVID-19 measures provides a deferred tax benefit.	7

(d) Basis of Consolidation

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

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

(e) Statement of Cash Flows

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

(a) Cash and cash equivalents comprise cash on hand, cash in banks and short term investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within cash.

(b) Operating activities comprise the principal revenue-producing activities of the group and other activities that are not considered to be investing or financing activities.

(c) Investing activities are those activities relating to the acquisition and disposal of Property, Plant & Equipment, Investment Property, Intangible Assets, Investments and Joint Ventures. Investments include securities not falling within the definition of cash.

2 Summary of Significant Accounting Policies (continued)

(e) Statement of Cash Flows (continued)

(d) Financing activities are those activities that result in the changes in size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to capital structure are included in financing activities.

(f) Impairment of Assets

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

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

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

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

(g) Foreign Currency Translation

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

(h) Goods and Services Tax

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

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

2 Summary of Significant Accounting Policies (continued)

(i) Standards, Amendments and Interpretations

Except as described below, the same accounting policies and methods of computation are followed in the financial statements as compared with the most recent annual financial statements.

CentrePort Group 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 therefore recognised in the opening balance sheet on 1 July 2019.

NZ IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. In contrast to lessee accounting, NZ IFRS 16 substantially carries forward the lessor accounting requirements in NZ IAS 17. Please see note 21 - Leases for the lease accounting policies.

The following practical expedients have been applied:

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

Lease Accounting

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.

	1 July 2019 $'000
Operating lease commitments disclosed as at 30 June 2019	1,311
Plus adjustments for extension options	1,386
Less short-term leases not recognised as a liability	(34)
Less prior year leases re-assessed as contracts for services	(141)
Plus prior year sub-leased commitment	554
	3,076
Discounted using the group's incremental borrowing rate at 1 July 2019	2,405
Lease liability recognised as at 1 July 2019	2,405
Of which are:	
Current lease liabilities	208
Non-current lease liabilities	2,197
	2,405

2 Summary of Significant Accounting Policies (continued)

(i) Standards, Amendments and Interpretations (continued)

Lessor accounting

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).

Adjustments recognised in the balance sheet on 1 July 2019

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.

(j) Fair Value Hierarchy

The fair value of financial instruments is determined on a hierarchical basis that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

3 Earthquake Income and Expenses

A 7.8 magnitude earthquake struck Kaikoura on 14 November 2016. The earthquake significantly damaged Port infrastructure and Port properties including the land on which the Port operates. The major Port operations impacted were the Container services and the Investment property portfolio held by the Port. Other Port services including logs, ferries, fuel, cruise and break bulk activities substantially recovered immediately following the earthquake.

The impact of the earthquake has been reflected in these financial statements with the information available to the date these financial statements are signed.

CentrePort Ltd Claim

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.

CentrePort Properties Ltd Claim

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. Of this, $163.0m related to the SPVs and $12.0m 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.

As the SPVs were equity accounted until 31 May 2019, the impact of the earthquake in relation to the SPVs is accounted for separately.

The following table shows the full and final settlement of the insurance claim for the year ended 30 June 2020 for the Group:

	Total Settlement 2017 to 2020				
	Material Damage $'000	**Business Interruption $'000**	**Total $'000**	**2020 $'000**	**2019 $'000**
Loss of gross profits and rents	–	39,586	39,586	**15,502**	6,622
Temporary works expenditure and demolition costs	9,958	67,195	77,153	**–**	24,220
Material damage	394,349	–	394,349	**183,580**	59,540
Discount for Early Settlement	–	(13,082)	(13,082)	**(13,082)**	–
Deductible	(10,944)	(2,556)	(13,500)	**(13,500)**	–
Total insurance income	393,363	91,143	484,506	**172,500**	90,382
Total insurance income received to date					
Total cumulative insurance income	393,363	91,143	484,506	**484,506**	312,005
Less progress payments received	(393,363)	(91,143)	(484,506)	**(484,506)**	(262,005)
Receivable as at 30 June	–	–	–	**–**	50,000

3 Earthquake Income and Expenses (continued)

Impairment of Assets

CentrePort's key infrastructural assets such as wharves and pavements are held at cost less accumulated depreciation and impairments. These assets were subject to technical and engineering assessments following the earthquake to assess whether they were partly damaged or completely destroyed and need to be derecognised. Those assets considered to be destroyed have been completely impaired. CentrePort continues to assess the carrying value of the partially damaged assets for impairment. However, as engineering estimates are not yet finalised the estimates for impairment may be subject to change in future periods.

	2020 $'000	2019 $'000
Asset impairment arising out of the earthquake:		
– Estimated asset impairments relating to damaged or obsolete assets (note 14)	**1,199**	2,621
– Reversal of Wellington Port Coldstore over-impairment	**(381)**	–
– Impairments and fair value write-down on investment properties (note 15) owned by CentrePort Properties Limited	**–**	650
	818	3,271

Port Land

An adjustment of $60.0m (2019: $63.0m) to the fair value of land has been made to recognise the resilience work that needs to be undertaken to support the land. This adjustment is discussed in note 14.

Tax impact

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

4 Operating Revenue

Recognition and Measurement

(i) Revenue from Port Operations

The Group receives revenue from contracts with customers from its Port Operations.

Performance obligations and timing of revenue

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

Determining the transaction price

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

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

Allocating amounts to performance obligations

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

Incremental costs of obtaining and fulfilling a contract

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

Practical expedients

Based on the above the Group will apply practical expedient B16 in NZ IFRS 15 as it considers that its right to consideration for services performed corresponds directly with the amount of services performed by the Group to date. Therefore, the Group recognises revenue at the amount to which it has a right to invoice.

(ii) Other Revenue

Other revenue is made up of rental income from leases that is recognised in accordance with NZ IFRS 16. Refer to note 21

(iii) Interest Revenue

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

4 Operating Revenue (continued)

Disaggregation of Revenue

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

	2020 $'000	2019 $'000
Revenue from Port Operations	**65,536**	67,579

5 Operating Expenses

	Notes	2020 $'000	2019 $'000
Operating expenses included in the statement of comprehensive income classified by nature			
Employer Contribution to Superannuation		**1,245**	1,211
Employee Benefits Expense		**28,959**	26,006
Rental and Lease Expenses		**1,710**	1,133
Change in provision for Expected Credit Loss	12	**100**	–
Depreciation of Property, Plant and Equipment	14	**7,565**	6,736
Right-of-Use Asset Depreciation	21	**202**	–
Contracted Services		**23,068**	19,926
Amortisation	18	**271**	167
Fuel and Utilities		**2,609**	2,331
Rates and Insurance		**9,231**	8,473
Repairs and Maintenance		**5,129**	5,815
Directors' Remuneration and Expenses		**489**	486
Audit Services		**243**	358
Other Operating Expenses		**6,675**	7,077
Operating Expenses		**87,496**	79,719

6 Income Tax

Recognition and Measurement

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

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

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

Key Assumptions

A number of assumptions have been applied in the tax calculation as a result of the different tax rules that apply to insurance proceeds and asset repairs or reinstatement. The most material assumption is an allocation of $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 non-taxable capital gains in the current year of $108.3m with a tax effect of $30.3m (in the prior year non-taxable 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 roll-over 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.

6 Income Tax (continued)

	2020 $'000	2019 $'000
The Income Taxation Expense is Represented By:		
Current Year Taxation expense	**1,223**	2,861
Deferred Tax expense (note 7)	**9,540**	(1,209)
Income Taxation Expense / (Benefit)	**10,762**	1,652
Relationship between income tax and accounting surplus:		
Net surplus (deficit) before tax	**169,056**	74,585
Income Taxation on the Surplus for the Year at 28%	**47,336**	20,884
Taxation Effect of:		
– Equity Earnings in Joint Ventures / Associates	**38**	(2,862)
– Insurance Proceeds in Relation to Non-taxable Capital Gain	**(30,322)**	(16,761)
– Change in Fair Values of Investment Properties	**500**	(286)
– Non-deductible Expenditure	**357**	1,163
– (Recognition) / De-recognition of Deferred Tax on Losses	**12**	(379)
– (Recognition) of Deferred Tax on Buildings	**(4,377)**	–
– Prior Period Adjustments	**(1,544)**	(107)
– Change in Use of Assets	**(1,072)**	–
– Other	**(166)**	–
Income tax expense	**10,762**	1,652
Income Tax Receivable / (Payable)		
Opening Balance	**(2,821)**	–
Income tax paid / (refunded)	**3,518**	123
Prior Year Adjustment	**1,107**	(61)
Harbour Quays Current tax balance	**–**	(85)
Current Year Tax (Liability) / Benefit	**(2,329)**	(2,798)
Closing Balance	**(526)**	(2,821)

7 Deferred Tax

	2020 $'000	2019 $'000
Deferred Tax Liability / (Asset) Comprises		
Balance at 1 July	**22,157**	23,365
Prior Period Adjustment	**(437)**	(45)
Change in Use of Assets	**(1,072)**	–
Current Year Movement	**15,226**	(784)
(Recognition) / De-recognition of Deferred Tax on Losses	**12**	(379)
(Recognition) of Deferred Tax on Buildings	**(4,377)**	–
Losses Transferred to / (from) Current Tax	**188**	–
Balance at 30 June	**31,697**	22,157

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

Movements	Property, plant and equipment $'000	Investment properties $'000	Insurance recoverable $'000	Employee entitlements $'000	Tax losses $'000	Other $'000	Total $'000
At 1 July 2019	(6,379)	358	30,293	(920)	(545)	(650)	22,157
Current Year Movement	2,751	(358)	6,182	(566)	201	1,330	9,540
At 30 June 2020	(3,628)	–	36,475	(1,486)	(344)	680	31,697

8 Imputation Credit Account

	2020 $'000	2019 $'000
Imputation credits available at a Tax Rate of 28%		
Through direct shareholding in the Parent Company	**2,256**	2,632
	2,256	2,632

9 Contributed Equity and Reserves Movements

	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Ordinary shares				
Authorised Ordinary Shares Issued and Fully Paid	**23,424,657**	23,424,657	**30,000**	30,000

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

	Reserves $'000	Retained Earnings $'000	Total $'000
At 1 July 2018	8,585	195,853	204,438
Profit for the year from Continuing Operations	–	72,933	72,933
Fair value adjustments	–	–	–
Dividends	–	(4,000)	(4,000)
At 30 June 2019	8,585	264,786	273,371
Profit for the year from Continuing Operations	–	158,294	158,294
Fair value adjustments	(1,201)	–	(1,201)
Dividends	–	(5,000)	(5,000)
At 30 June 2020	7,384	418,080	425,464

10 Dividends

	2020 $'000	2019 $'000
Interim Dividends Paid on Ordinary Shares	**5,000**	4,000
	5,000	4,000

Dividend per share was $0.21 (2019:$0.17)

11 Cash and Cash equivalents

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

Refer to note 22 for accounting policy on recognition and measurement of Cash and Cash Equivalents.

The net Cash and Cash Equivalents is $250.1m (2019: $91.7m).

	2020 $'000	2019 $'000
Cash at bank and in hand	**250,050**	91,724
Total Cash and Cash Equivalents	**250,050**	91,724

12 Trade and Other Receivables

Trade and Other Receivables are recognised at Amortised Cost, less Provision for Expected Credit Losses. Trade and Other Receivables measured at Amortised cost approximates fair value. Expected Credit Losses are determined using a lifetime Expected Credit Loss provision for Trade and Other Receivables. The Expected Credit Loss rates are based on the Group's historical credit losses experienced over the prior three year period. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. As at 30 June 2020 the Group has identified Expected Credit Losses of $100k in relation to COVID-19 impacts (2019: No Expected Credit Losses).

	2020 $'000	2019 $'000
Net trade receivables		
Trade Debtors	**9,284**	8,416
Less Expected Credit Losses	**(100)**	–
Trade Receivables	**9,184**	8,416
Other Receivables	**3,371**	1,560
Prepayments	**3,803**	389
Total Trade and Other Receivables	**16,358**	10,365

13 Inventories

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

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

	2020 $'000	2019 $'000
Crushed concrete		
Kaiwharawhara crushed concrete	**1,225**	781
	1,225	781
Stock		
Spares stock control	**1,419**	933
Fuel and stock control	**82**	118
	1,501	1,051
Total Inventories	**2,726**	1,832

14 Property, Plant and Equipment

Recognition and Measurement

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

- Operational Port Land
- Buildings
- Wharves & Paving
- Plant & Equipment

Operational Port Land is stated at fair value at the date of revaluation less any subsequent impairment losses. Fair value is determined by reference to the highest and best use of land as determined by the independent valuer. Operational Port Land was independently valued by Colliers International, a registered valuer, on 30 June 2020. Due to the outbreak of the Coronavirus (COVID-19) there is a material valuation uncertainty regarding the assessed value of the Operational Port Land. Please see the Summary of Significant Accounting Policies for more detail.

The Group gets a formal valuation every 3 to 5 years. When there is no formal valuation performed the fair value of Operational Port Land is reviewed at the end of each reporting period to ensure that the carrying value of land is not materially different from its fair value. Any revaluation increase of Operational Port Land is recognised in Other Comprehensive Income and accumulated as a separate component of equity in the properties revaluation reserve, except to the extent it reverses a previous revaluation decrease for the same asset previously recognised in the Statement of Comprehensive Income, in which case the increase is credited to the Statement of Comprehensive Income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged to the Statement of Comprehensive Income to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation.

Property, Plant & Equipment (other than Operational Port Land) is recorded at cost less accumulated depreciation and impairment. Cost represents the value of the consideration to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service. All Property, Plant & Equipment is depreciated, excluding land.

The Board and management have undertaken a process to determine what constitutes Investment Property and what constitutes Property, Plant & Equipment. There is an element of judgement in this. There is a developed Port plan, and those items of land that are considered integral to the operations of the Port have been included in Operational Port Land. Land held specifically for capital appreciation or to derive rental income has been classed as Investment Property. In the current year Shed 39 has been reclassified from Investment Property to Property, Plant & Equipment as at 30 June 2020 as a result of a change in use of the building to owner-occupied.

14 Property, Plant and Equipment (continued)

Depreciation

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

Buildings	5 to 50 years
Wharves and Paving	2 to 100 years
Plant and Equipment	2 to 50 years

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

Impairment

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

During the year seismic assessments revealed additional earthquake damage to one of the buildings on the Port. The damage was extensive and the building is no longer useable. The recoverable amount was assessed as nil using the value in use method.

14 Property, Plant and Equipment (continued)

	Port Land at Fair Value $'000	Buildings at Cost $'000	Wharves and Paving at Cost $'000	Plant & Equipment at Cost $'000	Work in Progress $'000	Total $'000
Year ended 30 June 2019						
Opening net book amount	53,391	6,455	17,991	45,524	2,978	126,339
Additions	–	–	67	6	12,723	12,796
Transfer from Work in Progress	–	771	989	3,424	(5,375)	(191)
Disposals	–	–	–	(2,313)	–	(2,313)
Impairment	–	(66)	–	(2,555)	–	(2,621)
Temporary Works Depreciation	–	–	–	(377)	–	(377)
Depreciation Charge (note 5)	–	(345)	(1,026)	(5,365)	–	(6,736)
Closing net book amount	**53,391**	**6,815**	**18,021**	**38,344**	**10,326**	**126,897**
At 30 June 2019						
Cost or Valuation	116,391	29,786	100,300	82,575	10,326	339,378
Provision for Land Resilience	(63,000)	–	–	–	–	(63,000)
Accumulated Depreciation & Impairment	–	(22,971)	(82,279)	(44,231)	–	(149,481)
Net book amount	**53,391**	**6,815**	**18,021**	**38,344**	**10,326**	**126,897**
Year ended 30 June 2020						
Opening net book amount	53,391	6,815	18,021	38,344	10,326	126,897
Additions	5,318	–	–	–	22,701	28,019
Transfers from Work in Progress	1,912	937	1,204	3,429	(8,124)	(642)
Disposals	–	–	(14)	(5)	–	(19)
Reclassification	3,000	5,300	–	(4)	–	8,296
Impairment	–	(1,199)	–	–	–	(1,199)
Temporary Works Depreciation	–	–	–	(94)	–	(94)
Revaluation	5,918	–	–	–	–	5,918
Depreciation charge (note 5)	–	(1,286)	(1,205)	(5,074)	–	(7,565)
Change in the Provision for Resilience	(7,119)	–	–	–	–	(7,119)
Closing net book amount	**62,420**	**10,567**	**18,006**	**36,596**	**24,903**	**152,492**
At 30 June 2020						
Cost or Valuation	122,420	36,056	101,505	85,987	24,903	370,871
Provision for Land Resilience	(60,000)	–	–	–	–	(60,000)
Accumulated Depreciation & Impairment	–	(25,489)	(83,499)	(49,391)	–	(158,379)
Net book amount	**62,420**	**10,567**	**18,006**	**36,596**	**24,903**	**152,492**

14 Property, Plant and Equipment (continued)

Operational Port Land

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

Operational Port Land was independently valued by Colliers International, a registered valuer, on 30 June 2020. The assessed value at that time was $122.4m which was adjusted by $60.0m for estimated Operational Port Land resilience costs, to arrive at fair value for financial reporting purposes. $12.1m of Operational Port Land was reclassified from Commercial Zoned and Other Port Land to Industrial Zoned Land in line with Collier's valuation.

Due to the outbreak of the Coronavirus (COVID-19) there is a material valuation uncertainty regarding the assessed value of the Operational Port Land. Please see the Summary of Significant Accounting Policies for more detail.

	2020 $'000	2019 $'000
Industrial Zoned Land	**94,725**	79,590
Commercial Zoned	**2,200**	8,832
Other Port Land	**25,495**	25,231
	122,420	113,653
Less Provision for Land Resilience	**(60,000)**	(63,000)
Additions, Transfers, and Disposals of Port Land since valuation	**–**	2,738
Total Operational Port Land	**62,420**	53,391
Industrial Zoned Land		
Industrial Zoned Land as at 1 July	**79,590**	79,590
Additions	**–**	–
Transfers/Reclassifications	**12,145**	–
Increase / (decrease) in fair value	**2,990**	–
	94,725	79,590
Commercial Zoned Land		
Commercial Zoned Land as at 1 July	**8,832**	8,832
Additions	**–**	–
Transfers/Reclassifications	**(6,548)**	–
Increase / (decrease) in fair value	**(83)**	–
	2,200	8,832
Other Port Land		
Other Port Land as at 1 July	**25,231**	25,231
Additions	**–**	–
Transfers/Reclassifications	**(2,716)**	–
Increase / (decrease) in fair value	**2,980**	–
	25,495	25,231
Provision for Land Resilience		
Provision for Land Resilience as at 1 July	**(63,000)**	(63,000)
Additions	**5,318**	–
Transfers/Reclassifications	**4,801**	–
Change in Provision for Land Resilience charged to Revaluation Reserve	**(7,119)**	–
	(60,000)	(63,000)

14 Property, Plant and Equipment (continued)

Valuation Approach Industrial Zoned Land

The fair value of Industrial Zoned Land has been determined in accordance with International Valuation Standards and Australia and New Zealand Valuation and Property Standards. In particular Valuation Guidance Note NZVTIP 2 - Valuations for Real Property, Plant & Equipment for Use in New Zealand Financial Reports and NZ IFRS 13 (Fair Value Measurement).

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

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

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

- Sales of land or development sites within the wider Wellington region
- Size, shape, location and access to services including road frontage, exposure to vehicles, allowable height, and density of use.
- The current state of the Wellington and wider New Zealand economy
- The current state of Wellington property markets including the office, industrial, large format retail, residential accommodation, and hotel accommodation markets.

Each leasehold parcel of land is valued using a Capitalised Net Rental approach, where market ground rental is capitalised with reference to sales of lessors interests, with an allowance made for differences between contract and market rents adjusted for the terms of the lease. Significant inputs into this valuation approach are:

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

Market rental is assessed using both the:

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

Other key assumptions underlying the valuation are set out below:

- It is assumed that CentrePort will erect a structural sea wall along the reclamation edge to ensure that all sites offer appropriate stability for commercial development. All costs associated with the sea wall are to be borne by CentrePort and have been excluded from the valuer's assessed value. This has been taken into account in the fair value as noted in the "Operational Port Land Resilience" adjustment on page 34.
- All interim income generated from the vacant sites has been disregarded. This income does help offset operating expenses and holding costs however many of the 'vacant' land sales referenced to value the subject land also similarly have existing income pending redevelopment.

14 Property, Plant and Equipment (continued)

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

Industrial Zoned Land	Assessed Value	Valuation Approach	Key Valuation Assumptions	Valuation Impact
Freehold Land	$88.1m	Direct Sales Comparison approach	Weighted average land value – the rate per sqm applied to the subject property. This ranges from $180psqm to $1,500psqm	+–5% $4.4m
Leasehold Land	$6.6m	Capitalised Net Rental approach	Weighted average land value – the rate per sqm applied to the subject property. This ranges from $50psqm to $1,350psqm	+–5% $0.3m
			Lessors interest yield – A rental percentage applied to the land value to arrive at current market ground rent. This ranges from 6.25% to 6.75%	–0.5% $0.6m + 0.5% –$0.5m

Valuation Approach Commercial Zoned Land

The fair value of Commercial Zoned Land has been determined in accordance with International Valuation Standards and Australia and New Zealand Valuation and Property Standards. In particular Valuation Guidance Note NZVTIP 2 - Valuations for Real Property, Plant & Equipment for Use in New Zealand Financial Reports and NZ IFRS 13 (Fair Value Measurement).

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

Commercial Zoned Land is composed of freehold land & buildings and is valued using a combination of the following approaches:

- Market Capitalisation approach – This is where fair value is determined by assessing the property's market ground rental and then capitalising this using an appropriate yield.
- Discounted Cashflow approach – This is where fair value is determined by a present value of the projected cashflow of the property over a period, making allowances for such variables as discount rates, growth rates, rental levels, vacancy allowances, capital expenditure and outgoings, and terminal yields.

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

Commercial Zoned Land	Assessed Value	Valuation Approach	Key Valuation Assumptions	Valuation Impact
Freehold Land	$2.2m	Market Capitalisation	Market capitalisation rate – the rate of return determined through analysis of comparable, market related sales transactions, which is applied to a property's sustainable net income to derive value. This is set at 9.5%	+–0.125% $0.1m
		Discounted Cashflow	Discount rate – the rate of return used to determine the present value of future cash flows. The rate used was 10.5%	+–0.25% $0.1m

14 Property, Plant and Equipment (continued)

Valuation Approach Other Port Land

The fair value of Other Port Land has been determined in accordance with International Valuation Standards and Australia and New Zealand Valuation and Property Standards. In particular Valuation Guidance Note NZVTIP 2 - Valuations for Real Property, Plant & Equipment for Use in New Zealand Financial Reports and NZ IFRS 13 (Fair Value Measurement).

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

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

- Capitalised Net Market Rental approach – this is where market ground rental is capitalised with reference to sales of lessors interests, with an allowance made for differences between contract and market rents adjusted for the terms of the lease.
- Market Capitalisation approach – This is where fair value is determined by assessing the property's market ground rental and then capitalising this using an appropriate yield.
- Discounted Cashflow approach – This is where fair value is determined by a present value of the projected cashflow of the property over a period, making allowances for such variables as discount rates, growth rates, rental levels, vacancy allowances, capital expenditure and outgoings, and terminal yields.

Significant inputs into these valuation approaches are:

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

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

Other key assumptions underlying the valuation are set out below:

- The 2020 rent reviews have not been undertaken or initiated by either party. The valuation assumes the rentals have remained at those levels previously payable.

14 Property, Plant and Equipment (continued)

The following table summarises the key inputs and assumptions used by the valuer to arrive at an assessed value (excluding the provision for land resilience) and the sensitivity of the valuation to movements in unobservable inputs:

Other Port Land	Assessed Value	Valuation Approach	Key Valuation Assumptions	Valuation Impact
Leasehold Land	$22.5m	Capitalised Net Market Rental	Weighted average land value – the rate per sqm applied to the subject property. This ranges from $125psqm to $600psqm	+−5% $1.1m
			Lessors interest yield – A rental percentage applied to the land value to arrive at current market ground rent. This ranges from 5.5% to 6.0%	– 0.5% $2.1m + 0.5% –$1.7m
Leasehold Land	$3.0m	Market Capitalisation	Market capitalisation rate – the rate of return determined through analysis of comparable, market related sales transactions, which is applied to a property's sustainable net income to derive value. This is set at 9.0%	– 0.5% $0.2m + 0.5% –$0.2m
		Discounted Cashflow	Discount rate – the rate of return used to determine the present value of future cash flows. The rate used was 9.5%	– 0.5% $0.1m + 0.5% –$0.1m

Operational Port Land Resilience

An adjustment of $60.0m (2019: $63.0m) has been made to the fair value of Operational Port Land at 30 June 2020 to recognise the resilience work that needed to be undertaken to support the land and achieve the assessed value determined by Colliers International in their independent valuation. The resilience works costs are estimated with reference to the expected costs for remediation works undertaken for part of the operational port land. $7.2m of remediation works were completed during the year. The land resilience provision was increased by $7.1m for the revised estimate of the cost to complete the remediation works.

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

The adjustment to the fair value of Operational Port Land is a critical accounting estimate as the actual costs of resilience works may differ significantly from the estimate. A 15% increase/decrease in the estimate of the cost of the works would result in a movement in the fair value of Operational Port Land of $9.0m.

15 Investment Properties

Recognition and Measurement

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

The Group has the following classes of Investment Property:

- Developed Investment Property; and
- Land Available for Development

Valuation Approach

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

Due to the outbreak of the Coronavirus (COVID-19) there is a material valuation uncertainty regarding the assessed value of Investment Property. Please see the Summary of Significant Accounting Policies for more detail.

	2020 $'000	2019 $'000
Developed Investment Properties	**29,900**	37,371
Land Available for Development	**30,003**	25,082
	59,903	62,453

	2020 $'000	2019 $'000
Developed Investment Properties		
Developed Investment Property as at 1 July	**37,371**	4,500
Consolidated from SPV's (note 17)	**–**	29,236
Additions	**1,450**	3,806
Impairment relating to earthquake damage	**–**	(757)
Increase / (decrease) in fair value	**(620)**	586
Transfers / Reclassifications	**(8,300)**	–
	29,900	37,371
Land Available for Development		
Land Available for Development as at 1 July	**25,082**	13,515
Consolidated from SPV's (note 17)	**–**	7,801
Additions	**4,192**	3,224
Transfers / Reclassifications	**–**	–
Impairment relating to earthquake damage	**–**	107
Increase / (decrease) in fair value	**729**	435
	30,003	25,082
Investment Properties	**59,903**	62,453

15 Investment Properties (continued)

Developed Investment Property – Valuation

Developed Investment Property consists of the Customhouse building (2019: Shed 39 and the Customhouse). This property is leased to a third party. Shed 39 was reclassified as Property, Plant & Equipment as at 30 June 2020.

The Developed Investment Property was valued on 30 June 2020 by independent registered valuers of the firm Colliers International. The property is valued in accordance with Australia and New Zealand Valuation and Property Standards for assessing the market value of the property, in particular Valuation Guidance Note ANZVGN 9 - Assessing rental value and NZ IAS 40 - Investment Property.

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

- Contract Income approach – This is where fair value is determined by directly capitalising the passing income. This method is effective where income is receivable from a secure tenant, however this is less effective where the current contract rent varies from the assessed market rent due to various factors.
- Market Capitalisation approach – This is where fair value is determined by capitalising the property's market rental at an appropriate yield, and then an allowance is made for the difference between contract rent (either over or under) discounted until a notional equilibrium point in the lease term.
- Discounted Cashflow approach – This is where fair value is determined by a present value of the projected cashflow of the property over a 10 year period, making allowances for such variables as discount rates, growth rates, rental levels, vacancy allowances, capital expenditure and outgoings, and terminal yields.

Land Available for Development – Valuation

Land Available for Development consists of the Harbour Quays Development Land and the sites of the former BNZ Building and the former Statistics House (2019: Harbour Quays Development Land, former BNZ Building, and the former Statistics House).

These were valued on 30 June 2020 by independent registered valuers of the firm Colliers International. The sites were valued in accordance with Australia and New Zealand Valuation and Property Standards for assessing the market value of the property, in particular Valuation Guidance Note NZVGN 1 - Valuations for Use in New Zealand Financial Reports and IVS 101-105 and 400.

Land Available for Development is valued using the following approaches:

- Direct Sales Comparison approach – This is where the subject property is compared with recently sold properties of a similar nature with fair value determined through the application of positive and negative adjustments for their differing features. In carrying out this comparison, consideration is given to sales of similar property within the wider Wellington region, along with adjustments for factors such as the size, shape, location, access to services including road frontage, exposure to vehicles, allowable height, and density of use of the property.

Other key assumptions underlying the valuation are set out below:

- It is assumed that all 'normal' site services are fully reinstated, and no allowance has been made for any remedial or repair work required to the site or surrounding land and infrastructure.
- The valuation is based on the current Masterplan and the provision of several development sites across the precinct. Any alteration to the Masterplan or development sites may have an impact on the valuation.
- There are limitations to the soil along the reclamation edge and ground improvements are needed across the sites to mitigate the risk of lateral spread. This was factored into the valuation and the adopted values reflect the requirement for additional sub terrain site strengthening costs likely to be incurred as part of any new development.

15 Investment Properties (continued)

- The valuation assumed that CentrePort will erect a structural sea wall along the reclamation edge to ensure that all sites offer appropriate stability for commercial development. All costs associated with the sea wall are assumed to be borne by CentrePort and have been excluded from Collier's valuation. This has been estimated and deducted from the assessed value to measure the fair value in these financial statements.
- Due to low market confidence in the precinct (particularly for office uses); market assurance needs to be regained. This is perceived to be difficult should CentrePort decide against a strengthened seawall and elect for a compromised alternative solution.
- All interim income generated from the vacant sites has been disregarded. This income does help offset operating expenses and holding costs, however, many of the 'vacant' land sales referenced to value the subject land, also similarly have existing income pending redevelopment.
- The former BNZ Building is in the process of being deconstructed. It is assumed that this work is complete and the land is vacant. No allowances for the cost of this were included in Collier's valuation. This has been estimated and deducted from the assessed value to measure the fair value recognised in these financial statements.

After allowing for impairment based on the expected costs to repair or demolish the properties, the fair value of Land Available for Development is $30.0m (2019: $25.1m)

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

Class of Property	Assessed Value	Valuation Approach	Key Valuation Assumptions	Valuation Impact
Developed Investment Property	$29.9m	Contract Income	Capitalisation rate – the rate of return determined through analysis of comparable, market-related sales transactions, which is applied to a property's sustainable net income to derive value. The rate selected was 8.75%	+– 0.125% $0.5m
		Market Capitalisation	Capitalisation rate – the rate of return determined through analysis of comparable, market-related sales transactions, which is applied to a property's sustainable net income to derive value. The rate selected was 7.75%	+– 0.125% $0.5m
		Discounted Cashflow	Discount rate – the rate of return used to determine the present value of future cash flows. The rate selected was 8.5%	+–0.25% $0.5m
Land Available for Development	$39.6m	Direct Sales Comparison	Weighted average land value – the rate per sqm applied to the subject property. The rates applied ranged from $100 – $2,500 per sqm	+–5% $2.0m

16 Aggregated Joint Venture Information

Recognition and Measurement

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

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

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

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

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

Interests in Joint Ventures

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

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

16 Aggregated Joint Venture Information (continued)

Summarised balance sheet

	Port Associates		Property Associates		Total	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Current						
Cash and cash equivalents	**88**	60	**–**	–	**88**	60
Other current assets (excluding cash)	**120**	113	**–**	–	**120**	113
Total current assets	**208**	173	**–**	–	**208**	173
Other current liabilities (including trade payables)	**(149)**	(118)	**–**	–	**(149)**	(118)
Total current liabilities	**(149)**	(118)	**–**	–	**(149)**	(118)
Non-current						
Assets	**87**	77	**–**	–	**87**	77
Total non-current assets	**87**	77	**–**	–	**87**	77
Financial liabilities	**(800)**	(510)	**–**	–	**(800)**	(510)
Other liabilities	**–**	–	**–**	–	**–**	–
Total non-current liabilities	**(800)**	(510)	**–**	–	**(800)**	(510)
Net assets	**(654)**	(378)	**–**	–	**(654)**	(378)

16 Aggregated Joint Venture Information (continued)

Summarised statement of comprehensive income

	Port Associates		Property Associates		Total	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Revenue	**1,152**	1,236	**–**	4,362	**1,152**	5,598
Operating expenses	**(1,427)**	(1,336)	**–**	(3,067)	**(1,427)**	(4,403)
Net finance cost	**–**	–	**–**	(11,910)	**–**	(11,910)
	(275)	(100)	**–**	(10,615)	**(275)**	(10,715)
Earthquake Related Items						
Costs and impairments	**–**	–	**–**	(154)	**–**	(154)
Insurance income	**–**	–	**–**	21,384	**–**	21,384
Post-tax profit from continuing operations	**(275)**	(100)	**–**	10,615	**(275)**	10,515
Income tax (expense)/ benefit	**–**	–	**–**	(329)	**–**	(329)
	(275)	(100)	**–**	10,286	**(275)**	10,186
Fair value adjustments	**–**	–	**–**	–	**–**	–
Prior period adjustment	**–**	(33)	**–**	–	**–**	(33)
	(275)	(133)	**–**	10,286	**(275)**	10,153
Dividends received from joint venture or associate	**–**	–	**–**	–	**–**	–

Reconciliation of summarised financial information

	Port Associates		Property Associates		Total	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Opening net assets 30 June	**(378)**	(245)	**–**	74,706	**(378)**	74,461
Profit/(loss) for the year	**(275)**	(133)	**–**	10,286	**(275)**	10,153
Transfer of ownership of net assets SPV's	**–**	–	**–**	(84,992)	**–**	(84,992)
Closing net assets	**(653)**	(378)	**–**	–	**(653)**	(378)
Interest in joint venture	**(327)**	(189)	**–**	–	**(327)**	(189)
Applied against loan advances	**327**	189	**–**	–	**327**	189
Carrying value	**–**	–	**–**	–	**–**	–

16 Aggregated Joint Venture Information (continued)

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

		Proportion of ownership interest	
Name of entity	**Principal activities**	**2020**	2019
Harbour Quays A1 Limited*		**100%**	100%
Harbour Quays D4 Limited*		**100%**	100%
Harbour Quays F1F2 Limited*		**100%**	100%
Direct Connect Container Services Limited		**50%**	50%

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

	2020 $'000	2019 $'000
Carrying amount at beginning of year	**–**	74,584
Share of profit / (loss) of joint ventures	**(138)**	10,220
Consolidation of net assets of SPV's on acquisition	**–**	(84,992)
Applied against loan advances	**138**	189
Total current assets	**–**	–
Other Joint Venture Companies	**–**	–

17 Redemption of Mandatory Convertable Notes

Summary of Acquisition

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

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

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

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

(a) Assets and liabilities acquired

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

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

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

(b) Purchase consideration – cash outflow

	2019 $'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	–
Less: Balances acquired	
Cash	47,944
Net inflow of cash – investing activities	**47,944**

17 Redemption of Mandatory Convertable Notes (continued)

(c) Acquired receivables

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

(d) Revenue and profit contribution

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

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

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

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

(e) Acquisition-related costs

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

18 Intangible Assets

Recognition and Measurement

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

	Goodwill $'000	Computer software $'000	Total $'000
Year ended 30 June 2019			
Opening net book amount	2,675	378	3,053
Additions	–	–	–
Transfer from WIP (note 14)	–	191	191
Amortisation charge (note 5)	–	(167)	(167)
Closing net book amount	2,675	402	3,077
At 30 June 2019			
Cost	2,675	4,254	6,929
Accumulated amortisation	–	(3,852)	(3,852)
Net book amount	2,675	402	3,077
Year ended 30 June 2020			
Opening net book amount	2,675	402	3,077
Additions	–	–	–
Transfers from WIP (note 14)	–	643	643
Reclassification	–	4	4
Disposals	–	(4)	(4)
Amortisation charge (note 5)	–	(271)	(271)
Closing net book amount	2,675	774	3,449
At 30 June 2020			
Cost	2,675	4,897	7,572
Accumulated amortisation	–	(4,123)	(4,123)
Net book amount	2,675	774	3,449

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2020 reporting period the recoverable amount of the cash-generating unit (CGU) was determined using the Fair Value less Costs of Disposal method. The calculations use cash flow projections based on financial budgets approved by management. The model uses an estimated terminal growth rate of 1.5% before being discounted to present value using a WACC of 6.0%. No impairment was noted in FY20 (2019: Nil).

19 Trade and Other Payables

	2020 $'000	2019 $'000
Trade payables	**3,736**	5,868
Accruals	**6,156**	7,373
Income in Advance	**708**	708
Other payables	**502**	73
	11,102	14,022

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

20 Provision for Employee Entitlements

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

CentrePort has also accrued for restructuring costs as a result of a staffing review and change process due to COVID-19. Please see note 2(c).

	2020 $'000	2019 $'000
Current liability	**5,508**	3,695
Non-current liability	**357**	282
Total Liability	**5,865**	3,977

The rate used for discounting the provision for future payments is 1.4% (2019: 2.5%).

21 Leases

FY2019 Accounting policy

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

Group as a Lessee

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

Group as a Lessor

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

FY2020 Accounting Policy

Leases as a lessee

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

21 Leases (continued)

Extension options

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

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

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

Leases as a lessor

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

Operating Leases

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

Finance Leases

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

Amounts recognised in the Balance sheet

The Balance sheet shows the following amounts relating to leases as a lessee:

	2020 $'000	2019 $'000
Right-of-use assets net book value		
Land	**1,622**	–
Net current lease liabilities/(assets)		
Current lease liabilities	**235**	–
Current lease (assets)	**(88)**	–
	147	–
Net non-current lease liabilities/(assets)		
Non-current lease liabilities	**1,962**	–
Non-current lease (assets)	**(437)**	–
	1,525	–

There have been no additions to the right-of-use assets during the year to 30 June 2020.

21 Leases (continued)

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

	Port Land at Fair Value $'000	Investment Property at Fair Value $'000	Buildings at Cost $'000	Wharves and Paving at Cost $'000	Plant & Equipment at Cost $'000	Right of Use Assets at Cost $'000
Year ended 30 June 2020						
Opening net book amount	13,250	34,227	4,218	13,807	1,549	626
Additions	–	791	–	–	–	–
Transfers from Work in Progress	–	–	–	110	37	–
Reclassification	–	(2,790)	2,790	–	–	–
Impairment	–	–	–	–	–	–
Revaluation	3,635	30	–	–	–	–
Depreciation charge	–	–	(826)	(757)	(69)	(81)
Closing net book amount	**16,885**	**32,258**	**6,181**	**13,159**	1,518	545
At 30 June 2020						
Cost or Valuation	35,802	32,258	8,470	20,413	2,095	626
Accumulated impairment	(18,456)	–	–	–	–	–
Accumulated depreciation	–	–	(2,289)	(7,254)	(577)	(81)
Net book amount	**17,346**	**32,258**	**6,181**	**13,159**	1,518	545

Amounts recognised in the Statement of Comprehensive Income

The Statement of Comprehensive Income shows the following amounts relating to leases as a lessee:

	2020 $'000	2019 $'000
Depreciation charge of right-of-use assets		
Land (included in Operating Expenses)	**202**	–
Interest expense (included in Net Interest Income/(Expenses))	**113**	–
Expense relating to short-term leases (included in Operating Expenses)	**1,710**	–

Amounts recognised in the Statement of Cash Flows

	2020 $'000	2019 $'000
Repayment of Lease Liabilities	**151**	–
Interest paid on Lease Liabilities (included in Interest Expense)	**84**	–
Cash paid for short term leases (included in Payments to Suppliers and Employees)	**1,710**	–
Total Net cash outflow for leases	**1,945**	–

21 Leases (continued)

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

Amounts Receivable under operating leases as a Lessor

	2020 $'000	2019 $'000
Within 1 year	**11,647**	11,747
Between 1 and 2 years	**8,767**	9,392
Between 2 and 3 years	**6,324**	9,072
Between 3 and 4 years	**5,627**	6,380
Between 4 and 5 years	**5,522**	5,627
Greater than 5 years	**7,855**	13,370
Total	**45,742**	55,588

Amounts Receivable under finance leases as a Lessor

	2020 $'000	2019 $'000
Within 1 year	**88**	–
Between 1 and 2 years	**89**	–
Between 2 and 3 years	**91**	–
Between 3 and 4 years	**93**	–
Between 4 and 5 years	**95**	–
Longer than 5 years	**171**	–
Minimum lease payments	**626**	–
Less unearned finance income	**(102)**	–
Present value of minimum lease payments receivable	**524**	–

22 Financial Risk Management

Financial Instruments

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

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

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

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

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

Amortised Cost

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

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

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

Fair Value through Profit or Loss (FVTPL)

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

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

22 Financial Risk Management (continued)

Offsetting Financial Instruments

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

Financial Risk Management Objectives

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

Capital Risk Management

CentrePort manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group as at 30 June 2020 consists of cash reserves and retained earnings (2019: cash, debt facilities, and retained earnings).

(a) Market risk

Currency Risk

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

Interest Rate Risk

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

Group sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 0.5% (2019: 0.5%) increase or decrease represents management's assessment of the possible change in interest rates.

22 Financial Risk Management (continued)

(a) Market risk (continued)

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

		Interest rate risk				Foreign exchange risk			
		−0.5%		+0.5%		−10%		+10%	
30 June 2020	**Carrying amount**	**Profit**	**Equity**	**Profit**	**Equity**	**Profit**	**Equity**	**Profit**	**Equity**
Financial assets									
Cash and cash equivalents	250,050	(854)	(854)	854	854	–	–	–	–
Accounts receivable	12,317	–	–	–	–	–	–	–	–
Investments	19,726	(97)	(97)	97	97	–	–	–	–
Financial liabilities									
Provision for Employee Entitlements	5,865	–	–	–	–	–	–	–	–
Trade payables	10,394	–	–	–	–	–	–	–	–
Total increase/ (decrease)		(951)	(951)	951	951	–	–	–	–

		Interest rate risk				Foreign exchange risk			
		−0.5%		+0.5%		−10%		+10%	
30 June 2019	**Carrying amount**	**Profit**	**Equity**	**Profit**	**Equity**	**Profit**	**Equity**	**Profit**	**Equity**
Financial assets									
Cash and cash equivalents	91,724	(235)	(235)	235	235	–	–	–	–
Accounts receivable	10,365	–	–	–	–	–	–	–	–
Financial liabilities									
Provision for Employee Entitlements	3,977	–	–	–	–	–	–	–	–
Trade payables	14,022	–	–	–	–	–	–	–	–
Total increase/ (decrease)		(235)	(235)	235	235	–	–	–	–

22 Financial Risk Management (continued)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from Cash and Cash Equivalents with banks, financial institutions, and other institutions as well as outstanding Trade and Other Receivables. For banks, financial institutions, and other institutions only independently rated parties with a minimum rating of 'A' are accepted. For Trade and Other Receivables the Group performs credit evaluations on all customers requiring credit and generally does not require collateral. Maximum exposures to credit risk as at balance date are the carrying value of financial assets in the balance sheet.

Trade and other receivables include amounts that are unimpaired but considered past due as at balance date. Expected Credit Losses are calculated on a lifetime basis for Trade Receivables. Please see Note 12 for more information.

Credit Risk Exposure

	2020 $'000	2019 $'000
Cash and Cash Equivalents		
AA rated entities	**213,050**	73,224
A rated entities	**37,000**	18,500
	250,050	91,724
Investments		
AA rated entities	**19,726**	–

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

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds at short notice to meet its financial commitments as they fall due. To reduce the exposure to liquidity risk the Group has a bank overdraft facility of $2.0m through a set off arrangement (2019: $2.0m). The Group terminated its banking facilities during the year (2019: $50.0m available with nil drawn down).

22 Financial Risk Management (continued)

(c) Liquidity risk (continued)

Liquidity profile of financial instruments

The following tables detail the Group's liquidity profile based on undiscounted cash outflows at 30 June 2020 and 30 June 2019, assuming future interest cost on borrowings at nil (2019: nil) of the average debt for each period.

	Less than One Year $'000	1-2 Years $'000	2-5 Years $'000	5+ Years $'000	**Total $'000**
30 June 2020					
Trade and Other Payables	10,394	–	–	–	**10,394**
Employee Entitlements	5,508	377	–	–	**5,885**
Lease Liabilities	337	320	863	1,391	**2,911**
Total	16,239	697	863	1,391	**19,190**
30 June 2019					
Trade and Other Payables	13,314	–	–	–	**13,314**
Employee Entitlements	3,695	317	–	–	**4,012**
Total	17,009	317	–	–	**17,326**

22 Financial Risk Management (continued)

(d) Financial instruments by category

	Fair value through profit or loss $'000	Amortised Cost $'000	Total $'000
Assets			
30 June 2020			
Trade and other receivables	–	12,317	12,317
Cash and cash equivalents	–	250,050	250,050
Investments	–	19,726	19,726
Total assets	–	282,093	282,093
30 June 2019			
Trade and other receivables	–	60,555	60,555
Cash and cash equivalents	–	91,724	91,724
Total assets	–	152,279	152,279

	Fair value through profit or loss $'000	Amortised Cost $'000	Total $'000
Liabilities			
30 June 2020			
Employee Entitlements	–	5,865	5,865
Trade and other payables	–	10,394	10,394
Net Lease Liabilities	–	1,673	1,673
Total liabilities	–	17,932	17,932
30 June 2019			
Employee Entitlements	–	3,977	3,977
Trade and other payables	–	14,022	14,022
Total liabilities	–	17,999	17,999

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

	2020 $'000	2019 $'000
Profit for the Year from Continuing Operations	**158,294**	72,933
Add / (Less) Non-Cash Items:		
Depreciation	**7,659**	7,113
Right-of-Use Asset Depreciation	**202**	–
Amortisation	**271**	167
Impairment and Fair Value Movements	**1,198**	3,271
Fair Value Movement of Financial Instruments	**–**	–
Decrease / (Increase) in Fair Value of Investment Properties	**(108)**	(1,021)
Equity Accounted Earnings	**–**	(10,220)
Loss on Disposal of Fixed Assets	**–**	1,814
Add / (Less) Movements in Working Capital:		
Trade and Other Receivables	**(5,993)**	(1,015)
Insurance Receivable	**50,000**	9,268
Trade and Other Payables	**(2,920)**	3,671
Inventories	**(894)**	(481)
Taxation Payable/Refund	**(2,295)**	2,737
Provision for Employee Entitlements	**1,888**	(191)
Deferred Tax	**9,540**	(1,208)
Add / (Less) Items Classified as Investing and Financing Activities:		
Accounts Payable related to Property, Plant & Equipment	**(1,782)**	(619)
Accounts Payable related to Earthquake Capital Expenditure	**–**	(433)
Prepayments related to Property, Plant & Equipment	**3,583**	–
Insurance Progress Payments (Material Damage)	**(206,998)**	(68,808)
Other	**143**	(965)
Net cash inflow from Operating Activities	**11,788**	16,013

24 Related Party Transactions

Subsidiaries of CentrePort Ltd

	Principal activity	Place of incorporation and operation	Proportion of ownership interest held by the group	
			2020 %	**2019 %**
CentrePort Property Management Limited	Management services	New Zealand	**100**	100
CentrePort Properties Limited	Investment in special purpose vehicles	New Zealand	**100**	100
Harbour Quays Property Limited	Investment in special purpose vehicles	New Zealand	**100**	100
Harbour Quays A1 Limited	Commercial Rental Property	New Zealand	**100**	100
Harbour Quays D4 Limited	Commercial Rental Property	New Zealand	**100**	100
Harbour Quays F1F2 Limited	Commercial Rental Property	New Zealand	**100**	100
Wellington Port Coldstores Limited	Cold Storage	New Zealand	**100**	100

24 Related Party Transactions (continued)

Parent and Controlled entities

CentrePort is 76.92% owned by WRC Holdings Ltd, a subsidiary of Wellington Regional Council, and 23.08% owned by MWRC Holdings Limited, a subsidiary of Manawatu-Wanganui Regional Council (trading as Horizons Regional Council).

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

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

	2020 $'000	2019 $'000
Greater Wellington Regional Council and Subsidiaries		
Income received from rent and services performed	**714**	707
Payment for use of navigational facilities, guarantee of CentrePort Group borrowings, and services performed	**(727)**	(867)
Investment in Commercial Paper	**19,726**	–
As at 30 June 2020, the Group held $19.7m of unsecured Commercial Paper issued by GWRC. The Commercial Paper will mature on 29 March 2021 for $20.0m.		
Horizons Regional Council and Subsidiaries		
Payment for services performed	**(4)**	–
Direct Connect Container Services Limited		
Income received from rent and services performed	**537**	511
Payment for goods and services	**(141)**	(244)
Loan advances	**(145)**	(70)
Total Loan Receivable	**400**	255
Harbour Quays A1 Limited		
Amounts received / (paid) for tax losses transferred	**–**	(743)
Harbour Quays D4 Limited		
Amounts received / (paid) for tax losses transferred	**–**	401
Harbour Quays F1F2 Limited		
Amounts received / (paid) for tax losses transferred	**–**	1,308

24 Related Party Transactions (continued)

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

	2020 $'000	2019 $'000
Direct Connect Container Services Limited receivable	49	44
Direct Connect Container Services Limited payable	–	(28)
	49	16

For the year ended 30 June 2019 $0.2m of management fees were paid by Harbour Quays A1 Limited, Harbour Quays D4 Limited, and Harbour Quays F1F2 Limited to CentrePort Property Management Limited. Due to the settlement of the Mandatory Convertible Notes in May 2019 all entities were consolidated for the year ended 30 June 2020 and these management fees have been eliminated upon consolidation.

Key Management Personnel Compensation

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

	2020 $'000	2019 $'000
Salaries, fees, and other short-term employee benefits	3,952	4,210

25 Capital Commitments

At balance date CentrePort had entered into commitments for the acquisition of property, plant, and equipment amounting to of $10.1m for the Group (2019: $11.7m).

26 Contingent Liabilities

During the reporting period a former contractor instigated proceedings against CentrePort for the alleged unlawful suspension, and then termination, of their contract in relation to a health and safety incident that occurred on the 2nd of October 2019. The total amount claimed by the contractor is $1.1m. CentrePort incurred $220k of costs relating to this incident that is believed to be recoverable from the contractor. The company's lawyers have advised that they do not consider that the claim has merit, and they have recommended that it be contested. No provision has been made in these financial statements as Management does not consider a present obligation exists for which an outflow of economic benefits is probable (2019:No contingent liabilities).

27 Contingent Assets

There are no contingent assets in 2020 (2019: The Group had made a claim with its insurers for damages incurred to its insured port assets and infrastructure from the November 2016 earthquake. The insurers had accepted that the damage was covered under the group insurance policies, however, the final settlement amount had not yet been agreed. At the time is was not possible to reliably estimate the value of the contingent asset.)

28 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.

Auditors' report

To the shareholders of CentrePort Limited Group

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF CENTREPORT LIMITED GROUP'S 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 financial statements of the Group on his behalf.

Opinion

We have audited the financial statements of the Group on pages 7 to 60, that comprise the balance sheet as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 30 June 2020; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 26 August 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the uncertainties arising from the impact of the Kaikoura earthquake and the impact of Covid-19. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Emphasis of matters

Without modifying our opinion, we draw attention to the following matters.

Uncertainties arising from the impact of the Kaikoura earthquake

Note 3 on pages 18 and 19 to the financial statements, explains the material impact of the Kaikoura earthquake on the Group. This note links to 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.

Impact of Covid-19

Note 2c on pages 13 and 14 to the financial statements, describes the impact of Covid-19 on the Group. We draw specific attention to page 13 that describes material uncertainties highlighted by the valuer, related to estimating the fair values of the Group's investment property and operational port land.

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Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

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

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

Responsibilities of the Board of Directors for the financial statements

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

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

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

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

Responsibilities of the Auditor for the audit of the financial statements

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

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

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

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related

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to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information obtained prior to the date of our opinion. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

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

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

JShepherd

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