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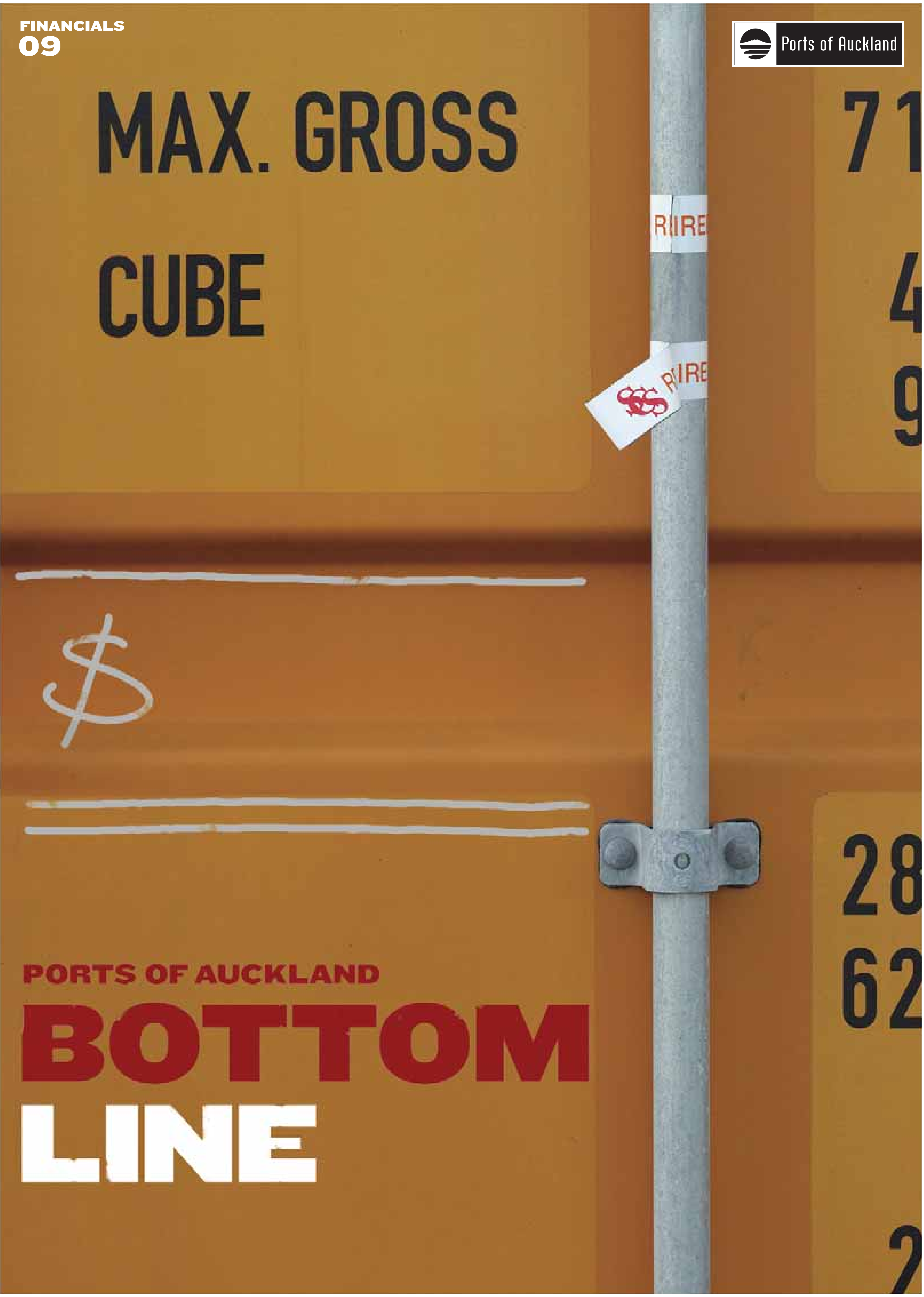
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PORTS OF AUCKLAND

BOTTOM LINE

BOTTOM LINE

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Deloitte.

AUDIT REPORT

TO THE READERS OF PORTS OF AUCKLAND LIMITED AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

The Auditor-General is the auditor of Ports of Auckland Limited (the company) and group. The Auditor-General has appointed me, Andrew Burgess, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the company and group for the year ended 30 June 2009.

UNQUALIFIED OPINION

In our opinion:

- The financial statements of the company and group on pages 3 to 44:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the company and group's financial position as at 30 June 2009; and
    - the results of their operations and cash flows for the year ended on that date.
- Based on our examination the company and group kept proper accounting records.

The audit was completed on 4 September 2009, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

BASIS OF OPINION

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

THE FINANCIAL STATEMENTS REFER TO THE NEW LOCAL GOVERNMENT STRUCTURE FOR THE AUCKLAND REGION

In forming our opinion, we considered the disclosures in note 41 on page 38 about the Government establishing a new local government structure for the Auckland region. The Local Government (Tamaki Makaurau Reorganisation) Act 2009 will establish a single unitary authority (the Auckland Council) that will be responsible for governing the entire Auckland region from 1 November 2010.

Decisions are yet to be made on the Auckland Council's structure and operations, including how the company will be vested and integrated. We consider the disclosures to be appropriate to the company's circumstances.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE AUDITOR

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the company and group as at 30 June 2009. They must also give a true and fair view of the results of operations and cash flows for the year ended on that date. The Board of Directors responsibilities arise from the Port Companies Act 1988 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 19(1) of the Port Companies Act 1988.

INDEPENDENCE

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

In addition to the audit we have carried out assignments in the areas of accounting advice, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the company or any of its subsidiaries.

ANDREW BURGESS
Deloitte

On behalf of the Auditor-General
Auckland, New Zealand

This audit report relates to the financial statements of Ports of Auckland Limited and group for the year ended 30 June 2009 included on Ports of Auckland Limited's website. Ports of Auckland Limited's Board of Directors is responsible for the maintenance and integrity of Ports of Auckland Limited's website. We have not been engaged to report on the integrity of Ports of Auckland Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 4 September 2009 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

		Group		Parent	
		2009	2008	2009	2008
	Notes	$'000	$'000	$'000	$'000
Revenue from services	5	163,745	169,368	163,666	169,301
Cost of providing services	7	(90,532)	(92,056)	(90,532)	(92,056)
Gross margin on services		73,213	77,312	73,134	77,245
Other income	6	2,609	2,755	4,620	6,148
Expenses, excluding finance costs	7	(37,469)	(25,665)	(37,235)	(25,534)
Finance costs	7	(26,815)	(28,549)	(26,815)	(28,549)
Share of profit from associates and joint ventures – accounted for using the equity method		1,769	3,376	–	–
Profit before income tax		13,307	29,229	13,704	29,310
Income tax expense	9	(7,902)	(8,114)	(7,956)	(8,129)
Profit from continuing operations		5,405	21,115	5,748	21,181
Profit for the year		5,405	21,115	5,748	21,181
Profit attributable to members of Ports of Auckland Limited		5,405	21,115	5,748	21,181

The above income statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS

AS AT 30 JUNE 2009

		Group		Parent	
		2009	2008	2009	2008
	Notes	$'000	$'000	$'000	$'000
Assets					
Current assets					
Cash and cash equivalents	11	2,473	448	2,472	447
Receivables and prepayments	12	14,506	16,178	14,494	16,174
Inventories	13	4,352	1,997	4,352	1,997
Derivative financial instruments	14	–	408	–	408
Current tax receivables	15	–	1,741	–	1,741
		21,331	20,772	21,318	20,767
Non-current assets classified as held for sale	16	19,099	–	19,099	–
Total current assets		40,430	20,772	40,417	20,767
Non-current assets					
Property, plant and equipment	17	665,437	745,050	665,437	745,050
Investment properties	18	21,769	25,398	20,369	23,798
Intangible assets	19	6,145	2,337	6,145	2,337
Other assets	20	–	–	983	1,022
Investments accounted for using the equity method	21	16,918	5,998	15,304	4,141
Derivative financial instruments	14	5,201	3,893	5,201	3,893
Available-for-sale financial assets	22	17,424	23,791	17,424	23,791
Total non-current assets		732,894	806,467	730,863	804,032
Total assets		773,324	827,239	771,280	824,799
Liabilities					
Current liabilities					
Payables	23	19,604	15,950	19,598	15,945
Interest bearing liabilities*	24, 42	100,500	440	100,500	440
Derivative financial instruments	14	1,084	–	1,084	–
Provisions	25	6,480	8,434	6,480	8,434
Other current liabilities	26	–	–	300	300
Current tax liabilities	27	611	–	611	–
		128,279	24,824	128,573	25,119
Total current liabilities		128,279	24,824	128,573	25,119
Non-current liabilities					
Interest bearing liabilities	28, 42	250,000	355,375	250,000	355,375
Provisions	29	1,856	1,663	1,856	1,663
Derivative financial instruments	14	15,466	–	15,466	–
Deferred tax liabilities	30	40,773	47,271	40,565	47,009
Total non-current liabilities		308,095	404,309	307,887	404,047
Total liabilities		436,374	429,133	436,460	429,166
Net assets		336,950	398,106	334,820	395,633
Equity					
Contributed equity	32	106,005	106,005	106,005	106,005
Reserves	33(a)	23,724	83,095	23,724	83,095
Retained earnings	33(b)	207,221	209,006	205,091	206,533
		336,950	398,106	334,820	395,633
Total equity		336,950	398,106	334,820	395,633

The Board of Directors of Ports of Auckland Limited authorised these financial statements for issue on 4 September 2009.
On behalf of the Board

J. C. Lindsay, Director

J. B. Madsen, Director

*Following balance date (refer note 42):

1. Queens Wharf was sold on 7 August 2009. The ownership of the wharf and buildings will transfer on 1 April 2010. The $40,000,000 proceeds were received on 18 August 2009.
2. Ports of Auckland Limited issued 50,000,000 new ordinary shares to Auckland Regional Holdings. 40,000,000 shares were called and $40,000,000 was received on 3 September 2009.
3. Renegotiation of bank debt facilities are well advanced.
4. A $20,000,000 loan facility from Auckland Regional Holdings has been put in place.

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

		Group		Parent	
	Notes	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Total equity at the beginning of the financial year		**398,106**	330,450	**395,633**	327,911
(Loss) / gain on revaluation of land, buildings and wharves, net of tax	33	**(50,419)**	81,996	**(50,419)**	81,996
Available-for-sale financial assets, net of tax transferred to profit and loss	33	**1,124**	(3,934)	**1,124**	(3,934)
Cash flow hedges, net of tax	33	**(10,076)**	(3,186)	**(10,076)**	(3,186)
Net income recognised directly in equity		**338,735**	405,326	**336,262**	402,787
Profit for the year		**5,405**	21,115	**5,748**	21,181
Total recognised income and expense for the year		**344,140**	426,441	**342,010**	423,968
Transactions with equity holders in their capacity as equity holders:					
Dividends provided for or paid	34	**(7,190)**	(22,764)	**(7,190)**	(22,764)
In specie distribution		**–**	(5,571)	**–**	(5,571)
Total equity at the end of the financial year		**336,950**	398,106	**334,820**	395,633

The above statements of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

		Group		Parent	
	Notes	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		186,357	198,005	186,276	197,930
Payments to suppliers and employees (inclusive of goods and services tax)		(116,367)	(119,182)	(116,325)	(119,142)
		69,990	78,823	69,951	78,788
Dividends received		3,918	5,426	3,918	5,426
Interest received		573	279	573	279
Interest paid		(26,194)	(28,530)	(26,194)	(28,530)
Income taxes paid		(3,154)	(7,976)	(3,154)	(7,976)
Net cash inflow / (outflow) from operating activities	43	45,133	48,022	45,094	47,987
Cash flows from investing activities					
Payments for property, plant and equipment		(16,329)	(34,219)	(16,329)	(34,219)
Payments for investment property		–	(650)	–	(650)
Payment for intangible assets		(4,622)	(579)	(4,622)	(579)
Loan advanced to a joint venture partnership		(11,622)	(478)	(11,622)	(478)
Proceeds from sale of property, plant and equipment		818	11,795	818	11,795
Proceeds from sale of available-for-sale financial assets		1,027	–	1,027	–
Repayment of loans by related parties		250	1,250	289	1,285
Net cash inflow / (outflow) from investing activities		(30,478)	(22,881)	(30,439)	(22,846)
Cash flows from financing activities					
Proceeds from borrowings		5,000	10,000	5,000	10,000
Repayment of borrowings		(10,000)	(17,000)	(10,000)	(17,000)
Dividends paid to company's shareholders	34	(7,190)	(22,764)	(7,190)	(22,764)
Net cash inflow / (outflow) from financing activities		(12,190)	(29,764)	(12,190)	(29,764)
Net increase (decrease) in cash and cash equivalents		2,465	(4,623)	2,465	(4,623)
Cash and cash equivalents at the beginning of the financial year		8	4,631	7	4,630
Cash and cash equivalents at end of year	11	2,473	8	2,472	7

The above cash flow statements should be read in conjunction with the accompanying notes.

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NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2009

1 GENERAL INFORMATION

Ports of Auckland Limited (the Parent) and its subsidiaries (together called the Group) own and operate New Zealand's largest container port, a major gateway for trade on the North Island's east coast and the regional Port of Onehunga on the west coast. The Group's operations are in New Zealand only.

The Parent is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Ports of Auckland Building, Sunderland Street, Auckland.

These consolidated financial statements have been approved for issue by the Board of Directors on 1 September 2009.

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.

Compliance with IFRS

The financial statements for the year ended 30 June 2009 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable New Zealand Financial Reporting Standards.

The separate and consolidated financial statements of Ports of Auckland Limited and Subsidiaries also comply with International Financial Reporting Standards (IFRS).

Entities reporting

The financial statements of the "Parent" are for Ports of Auckland Limited as a separate legal entity.

The consolidated financial statements of the "Group" are for the Ports of Auckland Limited and its subsidiaries, associates and joint ventures.

The Parent and the Group are designated as profit-orientated entities for financial reporting purposes.

Statutory base

Ports of Auckland Limited is a company registered in New Zealand under the Companies Act 1993 and prepares its financial statements in accordance with the Financial Reporting Act 1993.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000).

Modified historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment, available-for-sale financial assets, derivative instruments and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies, as outlined in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ports of Auckland Limited as at 30 June 2009 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Investments in subsidiaries are accounted in the parent entity using the cost method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Associates

Associates are all entities over which the company has significant influence but not control, generally evidenced by holdings of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill identified on acquisition (refer to note 37).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements adjust the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint ventures

Jointly controlled entities

The interest in a jointly controlled entity is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the jointly controlled entity is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly owned entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly owned entity.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

(e) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, excluding goods and services tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Rental income

Rental income is recognised on a straight line basis over the lease term.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(f) Income tax

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 and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(g) Leases

(i) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) The Group is the lessor

Assets leased to third parties under operating leases are included in investment property and property, plant and equipment in the balance sheet. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever there is an indication of impairment, each balance sheet date, the Group reviews the carrying amounts of its other 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 it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation can be identified.

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

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

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision for doubtful debts is the difference between the asset's carrying amount and the present values of estimated cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of the provision for doubtful debts and the amount of the loss is recognised in the income statement within 'administration expenses'. When a trade receivable for which a provision for doubtful debts has been recognised becomes uncollectible in a subsequent period, it is written off against the provision for doubtful debts. Trade receivables that have been recognised as uncollectible are considered on a case by case basis. Trade receivables that are 180 days overdue are considered potentially uncollectible and where there is evidence a trade receivable is in receivership or liquidation this would be recognised as uncollectible. Subsequent recoveries of amounts previously written off are credited against 'administration expenses' in the income statement.

(k) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs.

(l) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell. Fair value less costs to sell is based on an independent valuer's report.

(m) Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature and purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss on initial recognition. A financial asset is classified as held for trading in this category if acquired principally for the purpose of selling or if it is part of an identified portfolio of financial instruments that the Group manage together and has a recent actual pattern of short-term profit taking or if so designated by management. Derivatives are also categorised as held for trading unless they are designated and effective as a hedging instrument. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (note 12).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised at trade date. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.

Certain shares held by the company are classified as being available-for-sale financial assets and are stated at fair value. Unrealised gains and losses arising from changes in the fair value of the shares classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

The fair values of quoted investments are based on current bid prices.

(n) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on point paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of a financial asset or, where appropriate, a shorter period to the net carrying amount of the financial asset.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit and loss.

(o) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or hedges of exposure to variability in cash flows that is attributable to a particular risk associated with an asset or liability or to highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The company also documents their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The Group applies only fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the ineffective portion is recognised in the income statement within finance costs. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within finance costs.

Hedge accounting is discontinued, when the Group revokes the hedging instrument, it expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit and loss from that date over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the interest payment that is hedged takes place). The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings are recognised in the income statement within finance costs when the related interest is recognised. When the forecast transaction that is hedged results in the recognition of an item of plant, property and equipment, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the item property, plant and equipment. The deferred amounts are ultimately recognised in the income statement when the item of property, plant and equipment is depreciated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(p) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(q) Property, plant and equipment

Land, buildings and wharves (except for investment properties – refer to note 2(r)) are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings and wharves. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Pavement is stated at deemed cost based on a valuation performed as at 30 June 2005. Land, buildings, and wharves were all revalued at 30 June 2009 by external independent valuers; Barratt-Boyes Jefferies Limited. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of assets constructed by the company includes the cost of all materials used in construction, associated borrowing costs, direct labour on the project and an appropriate proportion of variable and fixed overheads. The company capitalises borrowing costs where they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is deemed as having significant expenditure and takes a substantial period, greater than six months, to complete and prepare the asset for its intended use. Costs cease to be capitalised as soon as the asset is ready for productive use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land, buildings and wharves are credited to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the income statement. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

▪ Buildings	30-50 years
▪ Wharves	50-100 years
▪ Plant and machinery	5-20 years
▪ Pavement	25-85 years
▪ Other	3-20 years

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 (note 2(h)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Investment property

Land, buildings and wharves which are not rented or intended for port operation purposes and are rented with the principal objective to earn rental and/or capital appreciation are accounted for as investment property. Investment property is carried at fair value, representing open-market value determined annually by external independent valuers. Changes in fair values are recorded in the income statement as part of other income. Investment properties are not depreciated for financial accounting purposes.

(s) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill on acquisitions of joint ventures is included in investments of joint ventures. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in the operation by each primary reporting segment (note 4).

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives (three to five years).

Costs that are directly associated with the development of identifiable and unique software products controlled by the company and that will probably contribute to future economic benefits beyond one year are capitalised. Capitalised costs include external direct costs of materials and services, payroll and direct payroll-related costs for employees' (including contractors) time spent on the project. These costs are amortised on a straight line basis over their estimated useful lives (three to five years).

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(u) Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(v) Borrowing costs

Borrowing costs are expensed, except for costs incurred for the construction of any qualifying asset which are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

(w) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(x) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Bonus plans

The company recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Retirement benefit plans

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to contributions.

(y) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(z) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

(aa) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.

(ab) Statement of cash flows

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. The following terms are used in the statement of cash flows:

Operating activities: are the principal revenue producing activities of the Group and other activities that are not investing or financing activities.

Investing activities: are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities: are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

(ac) Adoption of new and revised standards

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods but which the Group has not early adopted. The following are the new standards, interpretations and amendments applicable to the Group that are not yet effective.

- NZ IFRS 8 Operating Segments. NZ IFRS 8 replaces NZ IAS 14 Segment Reporting and changes how operating segments are defined and their results disclosed in the notes to the financial statements. This revised standard will be effective for annual reporting periods beginning on or after 1 January 2009. The Group will comply with this revised Standard in the annual reporting period beginning on 1 July 2009.
- NZ IAS 23 (Amendment), Borrowing Costs (effective from annual periods beginning on or after 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. NZ IAS 23 is not expected to have a material impact on the Group as the Group is already capitalising borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.
- NZ IAS 1 (Amendment), Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The revised NZ IAS 1 requires an entity to present all owner changes in equity, separately from non owner changes in equity, in a statement of changes in equity. All non owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (an income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. This is not expected to have a material impact on the Group.
- NZ IAS 39 (Amendments) Financial Instruments: Recognition and Measurement – Eligible hedging items (effective from 1 July 2009). This change is not expected to have a material impact on the Group.
- NZ IFRS 7 Financial Instruments: Disclosure. Improving disclosures about financial instruments. (effective from 1 January 2009). This change is not expected to have a material impact on the Group.
- NZ IAS 27 Consolidated and Separate Financial Statements – revised 2008 (effective from 1 July 2009). This change is not expected to have a material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- NZ IFRS 3 Business Combinations – revised 2008. This change is not expected to have a material impact on the Group.
- Omnibus Amendments (2008) and (2009). These changes are not expected to have a material impact on the Group.
- Improvements to New Zealand Equivalents to International Financial Reporting Standard 2008 and 2009. This Standard is a result of the IASB's annual improvement process, and includes amendments to certain recognition, measurements and presentation requirements of New Zealand Equivalents to International Financial Reporting Standards.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and are reviewed on an ongoing basis. Actual results may differ from those estimates.

(a) Critical accounting estimates and assumptions

The following are the critical estimates and judgements management has made in the process of applying the Group's accounting policies and that have the most significant impact on the amounts recognised in the financial statements.

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

Useful lives of property, plant and equipment

As described in note 2, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. The determination of the estimated useful lives has a significant impact on the timing of recognition of depreciation expense.

Fair value of property, plant and equipment and investment property

The Group revalues investment property annually and property, plant and equipment (specifically land, buildings and wharves) every three years. The valuation is performed by independent registered valuers. The revaluation exercise requires an estimation of the amounts for which these assets could be exchanged between willing parties in an arm's length transaction. The determination of value for these assets has a significant impact on the total asset value reported and in the case of property, plant and equipment the depreciation expense recognised.

Fair value of derivative financial instruments

The fair value of derivative financial instruments is determined by valuation experts using various valuation techniques. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the balance date. Interest rate caps are valued using an option pricing model and assumptions based on market conditions existing at balance date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

4 SEGMENT INFORMATION

(a) Description of segments

Business segments
The company is organised into the following divisions by product and service type.

Port Operations
Encompasses the movement of commercial vessels within the ports and operating the container terminals, conventional wharves, civil, mechanical and electrical maintenance and information processing services.

Other
Includes North Tugz Limited, Seafuels Limited, United Containers Limited and the investment in Northland Port Corporation (NZ) Limited and other non-port operations. None of these activities constitutes a separately reportable segment.

Geographical segments
The company operates in one geographical area: the greater Auckland area.

(b) Primary reporting format – business segments

2009	Port Operations $'000	Other $'000	Total continuing operations $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Sales to external customers	162,659	1,086	163,745	–	163,745
Intersegment sales (note (ii))	–	–	–	–	–
Total sales revenue	162,659	1,086	163,745	–	163,745
Shares of net profits of associates and joint venture partnership (note (iii))	–	1,769	1,769	–	1,769
Other revenue/income	709	1,900	2,609	–	2,609
Total revenue and other income	163,368	4,755	168,123	–	168,123
Segment result	45,978	(5,856)	40,122	–	40,122
Finance costs					(26,815)
Profit before income tax					13,307
Income tax expense					(7,902)
Net profit for the year					5,405
Segment assets	714,914	41,492	756,406	–	756,406
Segment liabilities	436,160	214	436,374	–	436,374
Investments in associates and joint venture partnerships (note (iii))	–	16,918	16,918	–	16,918
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	18,362	13,002	31,364	–	31,364
Depreciation and amortisation expense	21,330	–	21,330	–	21,330

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4 SEGMENT INFORMATION (continued)

2008	Port Operations $'000	Other $'000	Total continuing operations $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Sales to external customers	168,622	746	169,368	–	169,368
Intersegment sales (note (ii))	–	–	–	–	–
Total sales revenue	168,622	746	169,368	–	169,368
Shares of net profits of associates and joint venture partnership (note (iii))	–	3,376	3,376	–	3,376
Other revenue	728	2,027	2,755	–	2,755
Total segment revenue/income	169,350	6,149	175,499	–	175,499
Segment result	52,832	4,946	57,778	–	57,778
Finance costs					(28,549)
Profit before income tax					29,229
Income tax expense					(8,114)
Net profit for the year					21,115
Segment assets	772,051	49,190	821,241	–	821,241
Segment liabilities	428,866	267	429,133	–	429,133
Investments in associates and joint venture partnerships (note (iii))	–	5,998	5,998	–	5,998
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	33,735	–	33,735	–	33,735
Depreciation and amortisation expense	19,062	–	19,062	–	19,062

(c) Notes to and forming part of the segment information

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 2 and accounting standard NZ IAS 14 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits and provisions. Segment assets and liabilities do not include income taxes.

(ii) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's length" basis and are eliminated on consolidation.

(iii) Equity accounted investments

The company has an investment in a New Zealand associate United Containers Limited and New Zealand joint ventures North Tugz Limited and Seafuels Limited that are accounted for using the equity method. These investments are included in other because their activities are dissimilar to the other reportable business segment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

5 REVENUE

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
From continuing operations				
Sales revenue				
Port operations income	162,659	168,622	162,659	168,622
Non-port operations income	1,086	746	1,007	679
	163,745	169,368	163,666	169,301

6 OTHER INCOME

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Net gain on disposal of property, plant and equipment	101	430	101	430
Dividend income – available-for-sale financial assets	1,900	2,027	1,900	2,027
Dividend income	7	6	2,018	3,399
Interest income	601	292	601	292
	2,609	2,755	4,620	6,148

7 EXPENSES

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Expenses, excluding finance costs, included in the income statement classified by function				
Cost of providing services	90,532	92,056	90,532	92,056
Other expenses	37,469	25,665	37,235	25,534
	128,001	117,721	127,767	117,590
Classification of these expenses by function				
Cost of providing services	90,532	92,056	90,532	92,056
Other expenses from ordinary activities				
Marketing	1,372	1,508	1,372	1,508
Occupancy	1,397	1,110	1,397	1,110
Administration	23,030	20,614	22,996	20,583
Other	1,314	1,260	1,314	1,260
Fair value changes on investment properties	3,629	1,173	3,429	1,073
Impairment of available-for-sale financial assets	6,727	–	6,727	–
	128,001	117,721	127,767	117,590
Depreciation				
Buildings	1,466	1,047	1,466	1,047
Plant and equipment	13,263	11,978	13,263	11,978
Other	2,154	2,125	2,154	2,125
Wharves	2,501	2,153	2,501	2,153
Pavement	1,132	1,095	1,132	1,095
Total depreciation	20,516	18,398	20,516	18,398
Amortisation				
Computer software amortisation	814	664	814	664
Total amortisation	814	664	814	664
Finance costs				
Interest and finance charges paid/payable	26,097	29,322	26,097	29,322
Interest rate swaps: cash flow hedges, ineffective portion	681	(275)	681	(275)
Interest rate swaps – fair value changes	177	163	177	163
	26,955	29,210	26,955	29,210
Amount capitalised (2009: 6.16% 2008: 9.09%)	(140)	(661)	(140)	(661)
Finance costs expensed	26,815	28,549	26,815	28,549
Net loss on disposal of property, plant and equipment	54	117	54	117
Net loss on disposal of available-for-sale financial assets	219	–	219	–
	273	117	273	117
Rental expense relating to operating leases				
Operating lease payments	–	190	–	190
Sundry expenses				
Donations	5	34	5	34
Bad debts	48	84	48	84
Directors' fees	396	373	396	373
Net foreign exchange losses / (gains)	210	–	210	–
Employee benefits				
Employee benefits expense, including restructuring costs and termination benefits	54,304	52,230	54,304	52,230
Pension costs – defined contribution plans	2,133	2,222	2,133	2,222
Total employee benefits	56,437	54,452	56,437	54,452

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

8 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Group:

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Assurance services				
Audit services				
Deloitte				
Audit and review of financial reports	163	157	160	154
Total remuneration for audit services	163	157	160	154
(b) Advisory services				
Other services	–	29	–	29
Total remuneration for advisory services	–	29	–	29
	163	186	160	183

9 INCOME TAX EXPENSE

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Income tax expense				
Current tax	5,460	7,935	5,460	7,935
Deferred tax	2,368	731	2,422	746
Under (over) provided in prior years	74	(552)	74	(552)
	7,902	8,114	7,956	8,129
Income tax expense is attributable to:				
Profit from continuing operations	7,902	8,114	7,956	8,129
Aggregate income tax expense	7,902	8,114	7,956	8,129
Deferred income tax (revenue) expense included in income tax expense comprises:				
Origination and reversal of temporary differences (note 30)	2,368	731	2,422	746
	2,368	731	2,422	746
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	13,307	29,229	13,704	29,310
	13,307	29,229	13,704	29,310
Tax at the New Zealand tax rate of 30% (2008 – 33%)	3,992	9,646	4,111	9,672
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Expenditure not deductible for tax	3,231	258	3,171	225
Depreciation and amortisation	164	(145)	227	(114)
Non taxable income	–	(1,449)	–	(1,449)
Share of net profit of associates	(531)	(1,114)	–	–
Sundry items	1,046	918	447	(205)
Income tax expense	7,902	8,114	7,956	8,129
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in the income statement but directly debited or credited to equity				
Net deferred tax – (credited) debited directly to equity (note 33)				
Property, plant and equipment revaluation reserve	(4,653)	6,333	(4,653)	6,333
Available-for-sale investments revaluation reserve	482	(1,689)	482	(1,689)
Hedging reserve – cash flow hedges	(4,695)	(1,268)	(4,695)	(1,268)
	(8,866)	3,376	(8,866)	3,376

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

10 EARNINGS PER SHARE

	Group		Parent	
	2009 **Cents**	2008 Cents	**2009** **Cents**	2008 Cents
(a) Basic earnings per share				
Earnings per share from profit attributable to the shareholders of the company				
Basic earnings per share (cents)	5.1	19.9	5.4	20.0
Profit attributable to the ordinary equity holders of the company	5.1	19.9	5.4	20.0

(b) Reconciliations of earnings used in calculating earnings per share

	Group		Parent	
	2009 **$'000**	2008 $'000	**2009** **$'000**	2008 $'000
Basic earnings per share				
Basic earnings per share are calculated by dividing the profit by the weighted average number of ordinary shares on issue during the period				
Profit from continuing operations	5,405	21,115	5,748	21,181
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	5,405	21,115	5,748	21,181

(c) Weighted average number of shares used as the denominator

	Group		Parent	
	2009 **Number**	2008 Number	**2009** **Number**	2008 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	106,005,192	106,005,192	106,005,192	106,005,192

11 CASH AND CASH EQUIVALENTS

	Group		Parent	
	2009 **$'000**	2008 $'000	**2009** **$'000**	2008 $'000
Cash at bank and in hand	3	3	3	3
Bank balances	68	445	67	444
Deposits at call	2,402	–	2,402	–
	2,473	448	2,472	447

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Group		Parent	
	2009 **$'000**	2008 $'000	**2009** **$'000**	2008 $'000
Balances as above	2,473	448	2,472	447
Bank overdrafts (note 24)	–	(440)	–	(440)
Balances per statement of cash flows	2,473	8	2,472	7

(a) Fair value

The carrying amount for cash and cash equivalents equals the fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

12 RECEIVABLES AND PREPAYMENTS

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Trade receivables	14,163	15,815	14,149	15,815
Provision for doubtful receivables	(130)	(282)	(123)	(282)
Net trade receivables	14,033	15,533	14,026	15,533
Prepayments	473	645	468	641
	14,506	16,178	14,494	16,174

The fair value of trade receivables approximates their carrying values.

(a) Impaired receivables

As at 30 June 2009 current trade receivables of the Group with a nominal value of $141,000 (2008: $225,000) were impaired. The amount of the provision was $40,000 (2008: $108,000). The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
3 to 6 months	141	225	135	225
	141	225	135	225

Past due but not impaired

As at 30 June 2009, trade receivables of $4,195,000 (2008: $6,430,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Up to 3 months	4,195	6,430	4,187	6,430
3 to 6 months	95	208	89	208
	4,290	6,638	4,276	6,638

Movements in the provision for impairment of receivables are as follows:

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
At 1 July	282	309	282	309
Provision for impairment recognised during the year	17	71	10	71
Receivables written off during the year as uncollectible	(42)	(82)	(42)	(82)
Unused amount reversed	(127)	(16)	(127)	(16)
	130	282	123	282

The creation and release of the provision for impaired receivables has been included in 'administration expenses' in the income statement. Amounts charged to the provision for doubtful receivables are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due.

(b) Bad and doubtful trade receivables

The company has recognised a loss of $48,000 (2008: $84,000) in respect of bad and doubtful trade receivables. The loss has been included in 'administration expenses' in the income statement.

(c) Credit risk

The Group has policies in place to ensure that the sales of services are made to customers with appropriate credit history.
At 30 June 2009 73% (2008: 67%) of the trade receivables balance represented amounts owed by the Group's ten largest customers.

The Group has no history of defaults with these major customers.

13 CURRENT ASSETS – INVENTORIES

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Inventories				
– at net realisable value	4,352	1,997	4,352	1,997
	4,352	1,997	4,352	1,997

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2009 amounted to $64,000 (2008: $642,000), this was offset by $2,070,000 due to reversal of write-downs. The net recovery has been included in 'expenses, excluding finance costs' in the income statement, refer to note (7).

14 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current assets				
Interest rate swaps – cash flow hedges ((i))	–	408	–	408
Total current derivative financial instrument assets	–	408	–	408
Non-current assets				
Interest rate swaps – cash flow hedges ((i))	5,201	3,893	5,201	3,893
Total non-current derivative financial instrument assets	5,201	3,893	5,201	3,893
Total derivative financial instrument assets	5,201	4,301	5,201	4,301
Current liabilities				
Interest rate swaps cash flow hedges ((i))	1,084	–	1,084	–
Total current derivative financial instrument liabilities	1,084	–	1,084	–
Non-current liabilities				
Interest rate swaps – cash flow hedges ((i))	15,466	–	15,466	–
Total non-current derivative financial instrument liabilities	15,466	–	15,466	–
Total derivative financial instrument liabilities	16,550	–	16,550	–

Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 43).

All derivatives are designated as hedging instruments.

(i) Interest rate swap contracts – cash flow hedges

Bank loans of the company currently bear an average variable interest rate of 3.32% (2008: 9.20%). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the company has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 77% (2008: 75%) of the loan principal outstanding and are timed to expire as interest and loan repayments fall due. The fixed interest rates range between 5.28% and 6.94% (2008: 5.70% and 7.95%) and the maturity dates range between 16 November 2009 to 28 November 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

14 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

During the current financial year several new interest rate swap contracts were put in place with forward start dates. This equates to 39% of the total notional principal amount.

At 30 June 2009, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	Group and Parent	
	2009 $'000	2008 $'000
Less than 1 year	55,000	80,000
1–2 years	10,000	70,000
2–3 years	145,000	10,000
3–4 years	60,000	45,000
4–5 years	52,000	10,000
Greater than 5 years	125,000	52,000
	447,000	267,000

The contracts require settlement of net interest receivable or payable on a quarterly basis. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified into the income statement when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately. In the year ended 30 June 2009 an ineffective portion expense of $681,000 (2008: $275,000 credit) was transferred to the income statement.

(ii) Forward exchange contracts – cash flow hedges

The Group is party to forward exchange contracts in order to manage foreign exchange risk. The Group's risk management policy is to hedge purchases of major items of plant and equipment in foreign currencies only.

These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature when the payment for the purchase of major component parts full due.

At 30 June 2009 the Group had no outstanding forward exchange contracts. During the current financial year the Group entered into USD forward exchange contracts to buy the equivalent of $NZ10,888,000 for the loan advanced to a joint venture company Seafuels Ltd.

At 30 June 2008 the Group had no outstanding forward exchange contracts. During the current financial year the Group entered into Euro forward exchange contracts to buy the equivalent of $NZ10, 441,000 for the purchase of additional items of plant and equipment (straddles).

Where forward exchange contracts have been designated and tested as an effective hedge the portion of the gain or loss on the hedged instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity. The ineffective portion is recognised in the income statement immediately.

At balance date these contracts had a fair value of $Nil (2008: $Nil).

Where forward exchange contracts are not designated and tested as an effective hedge, the gain or loss on the forward contract is recognised in the income statement as 'other expenses'.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

15 CURRENT ASSETS – CURRENT TAX RECEIVABLES

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Excess of tax paid for current period over amount due	–	1,741	–	1,741
	–	1,741	–	1,741

16 CURRENT ASSETS – NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Buildings	1,292	–	1,292	–
Other property, plant & equipment	259	–	259	–
Wharves	17,548	–	17,548	–
	19,099	–	19,099	–

Queens Wharf and associated assets have been reclassified as held for sale, as it is highly probable that these assets will be disposed of accordingly based on current negotiations. A cash settlement is anticipated to be received in the early part of the next financial year once approved by the Directors.

Accumulated asset revaluation reserves relating to the non-current assets classified as held for sale is $3,828,000.

The segment in which the non-current assets are classified as held for sale is presented in Port Operations in segment information; refer to note (4).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

17 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Freehold	Freehold	Plant and				
	land	buildings	equipment	Other	Wharves	Pavements	Total
Group and Parent	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2007							
– Cost	260,804	39,881	191,162	32,648	167,151	62,165	753,811
Accumulated depreciation	–	(2,217)	(81,134)	(22,942)	(3,507)	(2,013)	(111,813)
Net book value	260,804	37,664	110,028	9,706	163,644	60,152	641,998
Year ended 30 June 2008							
Opening net book value	260,804	37,664	110,028	9,706	163,644	60,152	641,998
Exchange differences	–	–	778	–	–	–	778
Revaluation surplus	67,126	8,516	–	–	12,687	–	88,329
Additions	760	(89)	23,080	1,887	2,834	4,266	32,738
Disposals	(50)	(103)	(144)	(17)	–	–	(314)
Impairment charge recognised in profit and loss	–	(131)	–	–	–	–	(131)
Reversal of Impairment charge in profit and loss	–	–	–	–	46	–	46
Depreciation charge	–	(1,047)	(11,978)	(2,125)	(2,149)	(1,095)	(18,394)
Assets reclassified	140	(1,223)	–	2,010	(927)	–	–
Closing net book value	328,780	43,587	121,764	11,461	176,135	63,323	745,050
At 30 June 2008							
– Cost model	–	–	194,574	36,220	–	66,431	297,225
– Valuation model	328,780	43,587	–	–	176,135	–	548,502
Accumulated depreciation	–	–	(72,810)	(24,759)	–	(3,108)	(100,677)
Net book value	328,780	43,587	121,764	11,461	176,135	63,323	745,050

	Freehold	Freehold	Plant and				
	land	buildings	equipment	Other	Wharves	Pavements	Total
Group and Parent	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2009							
Opening net book value	328,780	43,587	121,764	11,461	176,135	63,323	745,050
Revaluation surplus	(43,040)	(5,325)	–	–	(6,707)	–	(55,072)
Additions	–	198	3,339	1,641	75	10,774	16,027
Disposals	–	–	(750)	(20)	–	–	(770)
Impairment charge recognised in profit and loss	(53)	(130)	–	–	–	–	(183)
Transfers to assets held for sale	–	(1,292)	–	(259)	(17,548)	–	(19,099)
Depreciation charge	–	(1,466)	(13,263)	(2,154)	(2,501)	(1,132)	(20,516)
Assets reclassified	(6,720)	3,662	(202)	202	(932)	3,990	–
Closing net book value	278,967	39,234	110,888	10,871	148,522	76,955	665,437
At 30 June 2009							
– Cost model	–	–	194,965	37,158	–	81,196	313,319
– Valuation model	278,967	39,234	–	–	148,522	–	466,723
Accumulated depreciation	–	–	(84,077)	(26,287)	–	(4,241)	(114,605)
Net book value	278,967	39,234	110,888	10,871	148,522	76,955	665,437

The property, plant and equipment balance above includes work in progress $18,495,000 (2008: $6,945,000).

17 NON-CURRENT ASSETS PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Valuations of land, buildings and wharves

All Port Operations land, buildings and wharves were revalued to fair value at 30 June 2009. The valuation basis is fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The value was determined as at 8 May 2009 by independent registered valuers, Barratt-Boyes Jefferies Limited, associates of the New Zealand Institute of Valuers. The revaluation changes net of applicable deferred income taxes was charged to the property plant and equipment revaluation reserve in shareholders' equity (note 33).

Where the fair value of an asset is able to be determined by reference to the price in an active market for the same asset or a similar asset, the fair value of the asset is determined using this information. Where the fair value is not able to be determined in this manner, the most common and accepted methods for assessing the current market value are the capitalisation of estimated rental income approach and the discounted cash flow approach. The major inputs and assumptions that are used in the valuation that require judgement include forecasts of the current and expected future market rentals and growth, maintenance and capital expenditure requirements, vacancy and leasing costs.

Where the fair value of the asset is not able to be reliably determined using any of the above mentioned market based evidence, depreciated replacement cost (DRC) is considered to be the most appropriate basis for the determination of fair value. This situation arises where assets are of a specialised nature such as buildings and wharves, and where the asset is rarely sold, except as part of a continuing business.

Land, buildings and wharves were revalued to fair value at 30 June 2008. Due to the global economic downturn it was prudent to obtain another valuation as at 30 June 2009 from independent registered valuers to reflect changes in fair values.

18 NON-CURRENT ASSETS – INVESTMENT PROPERTIES

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
At fair value				
Opening balance at 1 July	25,398	25,925	23,798	24,225
Acquisitions	–	650	–	650
Net (loss) / gain from fair value adjustment	(3,629)	(1,173)	(3,429)	(1,073)
Depreciation	–	(4)	–	(4)
Closing balance at 30 June	21,769	25,398	20,369	23,798

(a) Valuation basis

Investment properties were valued on 8 May 2009 by Barratt-Boyes Jefferies Limited as at 30 June 2009 and Colliers International NZ Limited as at 30 June 2009, registered valuers and associates of the New Zealand Institute of Valuers. The valuers have recent experience in the location and category of the investment being valued. The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction at the operative date, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

Where the fair value is not able to be determined based on comparable sales, the most common and accepted methods for assessing the current market value are the capitalisation of estimated rental income approach and the discounted cash flow approach. The major inputs and assumptions that are used in the valuation that require judgement include forecasts of the current and expected future market rentals and growth, maintenance and capital expenditure requirements, vacancy and leasing costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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19 NON-CURRENT ASSETS – INTANGIBLE ASSETS

Group and Parent	Computer software $'000	Other intangible assets $'000	Total $'000
At 1 July 2007			
Cost	9,144	–	9,144
Accumulated depreciation and impairment	(6,722)	–	(6,722)
Net book value	2,422	–	2,422
Year ended 30 June 2008			
Opening net book amount	2,422	–	2,422
Development costs recognised as an asset	232	–	232
Additions	347	–	347
Amortisation charge **	(664)	–	(664)
Closing net book value	2,337	–	2,337
At 30 June 2008			
Cost	9,723	–	9,723
Accumulated amortisation and impairment	(7,386)	–	(7,386)
Net book value	2,337	–	2,337

Group and Parent	Computer software $'000	Other intangible assets $'000	Total $'000
Year ended 30 June 2009			
Opening net book value	2,337	–	2,337
Development costs recognised as an asset *	515	–	515
Additions	1,820	2,289	4,109
Disposals	(2)	–	(2)
Amortisation charge **	(814)	–	(814)
Closing net book value	3,856	2,289	6,145
At 30 June 2009			
Cost	12,000	2,289	14,289
Accumulated amortisation and impairment	(8,144)	–	(8,144)
Net book value	3,856	2,289	6,145

* Capitalised development costs are an internally generated intangible asset.

** Amortisation of $814,000 (2008: $664,000) is included in the depreciation and amortisation expense in the income statement.

20 NON-CURRENT ASSETS – OTHER ASSETS

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Shares in subsidiaries (note 36)	–	–	983	1,022
	–	–	983	1,022

21 NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Shares in associates (note 37)	3,879	3,828	3,260	3,260
Interest in joint venture partnerships (note 38)	13,039	2,170	12,044	881
	16,918	5,998	15,304	4,141

(a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity.

(b) Shares in joint venture partnerships

The interest in North Tugz Limited and Seafuels Limited, joint ventures are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity.

22 NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
At beginning of year	23,791	29,415	23,791	29,415
Disposals	(1,246)	–	(1,246)	–
Losses from impairment	(5,121)	–	(5,121)	–
Movements through reserves	–	(5,624)	–	(5,624)
At end of year	17,424	23,791	17,424	23,791
Listed securities				
Equity securities	17,424	23,791	17,424	23,791
	17,424	23,791	17,424	23,791

The investment included above represents an investment in Northland Port Corporation (NZ) Limited in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. The Group holds 19.9% of the listed equity securities in Northland Port Corporation (NZ) Limited. The fair value of these securities is based on quoted market prices.

(a) Listed securities

The listed equity securities held by the Group are classified as available-for-sale financial assets and are stated at fair value. Unrealised gains and losses arising from changes in fair value of the listed equity securities classified as available-for-sale financial assets are recognised in equity in the available-for-sale investments revaluation reserve. Where listed equity securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the income statement.

During the current financial year Northland Port Corporation Limited proceeded with its intention to buyback approximately 5% of the issued capital at market prices. The Group sold 5% of the current investment holding for $1,246,000 to maintain its 19.9% holdings and incurred a loss on disposal of the shares of $219,000, refer to note (7).

Impairment of an available-for-sale financial asset must be recognised if the investment's fair value is below cost and the decline in its fair value is significant. There has been a significant decline in the market price of Northland Port Corporation Limited at balance sheet date which represents the fair value of the investment at balance date. There is objective evidence to suggest impairment.

The impairment loss write down included current fair value change of $5,121,000 in the current financial year and the prior year negative available-for-sale revaluation reserve which is the accumulated fair value adjustment of $6,727,000 as presented in the income statement, refer to note (7).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

23 CURRENT LIABILITIES – PAYABLES

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Trade and other payables	7,501	7,347	7,500	7,346
Accrued expenses	9,981	8,603	9,976	8,599
Restructuring accrued expenses	2,122	–	2,122	–
	19,604	15,950	19,598	15,945

The fair value of trade and other payables approximates their carrying value.

24 CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Bank overdrafts	–	440	–	440
Interest bearing liabilities	100,500	–	100,500	–
Total current interest bearing borrowings	100,500	440	100,500	440

(a) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on interest bearing liabilities are set out in note 28.

(b) Fair value disclosures

Details of the fair value of interest bearing liabilities for the Group are set out in note 28.

Details of the security relating to each of the unsecured liabilities and further information on the bank overdrafts and bank loans are set out in note 28.

25 CURRENT LIABILITIES – PROVISIONS

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Employee benefits	6,480	6,359	6,480	6,359
Other provisions	–	2,075	–	2,075
	6,480	8,434	6,480	8,434

The amount included in other provisions represents a provision for environmental liabilities relating to contamination. The unused amounts was reversed in the current financial year.

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Group and Parent	
	2009 Other provisions $'000	2008 Other provisions $'000
Current		
Carrying amount at start of year	2,075	2,233
Additional provisions recognised	–	–
Amounts incurred and charged	(96)	(158)
Unused amounts reversed	(1979)	–
Carrying amount at end of year	–	2075

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

26 CURRENT LIABILITIES – OTHER CURRENT LIABILITIES

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Advance from subsidiaries	–	–	300	300
	–	–	300	300

27 CURRENT LIABILITIES – CURRENT TAX LIABILITIES

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Income tax	611	–	611	–
	611	–	611	–

28 NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Unsecured				
Term and revolving advances facility				
– Set up transaction costs	–	(125)	–	(125)
– $100 million rolling seven year non-amortising term loan	100,000	100,000	100,000	100,000
– $150 million rolling five year non-amortising term loan	150,000	150,000	150,000	150,000
– $250 million rolling three year revolving credit facility	–	105,500	–	105,500
Total unsecured non-current interest bearing borrowings	250,000	355,375	250,000	355,375
Total non-current interest bearing liabilities	250,000	355,375	250,000	355,375

(a) Non-current interest bearing borrowings

At balance date, the Group and Parent have unsecured borrowings of $350,500,000 (2008: $355,500,000) under a term and revolving advances facility put in place on 19 December 2005.

The term and revolving advances facility consist of a $250,000,000 rolling three year revolving advances facility (Facility A), a $150,000,000 rolling five year non-amortising term loan (Facility B) and a $100,000,000 rolling seven year non-amortising term loan (Facility C). As at 30 June 2009, the undrawn amount under Facility A was $149,500,000 (2008: $144,500,000).

At 30 June 2009, the Group had in place a $500,000,000 (2008: $500,000,000) term and revolving advances facility as mentioned in the previous paragraph, that is subject to a negative pledge deed, dated 17 July 1995 and amended by way of Deed of Variation and Restatement dated 19 December 2005 and Variation Deed relating to the negative pledge deed poll date 18 May 2007. This is for the benefit of Westpac Banking Corporation, Bank of New Zealand and Commonwealth Bank of Australia.

The current and non-current borrowings are unsecured. The parent company borrows the under a negative pledge arrangement which requires certain certificates and covenants.

(b) Fair value

The fair value of interest bearing liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

The carrying amounts of the current and non-current liabilities approximate their fair values as all debt amounts are based on floating interest rates.

29 NON-CURRENT LIABILITIES – PROVISIONS

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Employee benefits	1,856	1,663	1,856	1,663
	1,856	1,663	1,856	1,663

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

30 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
The balance comprises temporary differences attributable to:				
Inventories	(60)	(738)	(60)	(738)
Provisions and prepayments	(3,581)	(4,123)	(3,579)	(4,123)
Depreciation & amortisation – plant, property and equipment	43,069	41,818	43,069	41,818
Depreciation & amortisation – investment property	248	309	30	36
Deferred income	2,830	2,875	2,830	2,875
Other temporary differences	(8)	(11)	–	–
	42,498	40,130	42,290	39,868
Amounts recognised directly in equity				
Revaluation of property, plant and equipment	1,680	6,333	1,680	6,333
Available-for-sale financial assets	–	(482)	–	(482)
Cash flow hedges	(3,405)	1,290	(3,405)	1,290
	(1,725)	7,141	(1,725)	7,141
Net deferred tax liabilities	40,773	47,271	40,565	47,009
Movements:				
Opening balance at 1 July	47,271	43,164	47,009	42,887
Charged/(credited) to the income statement (note 9)	2,368	731	2,422	746
(Credited)/charged to equity (notes 33)	(8,866)	3,376	(8,866)	3,376
Closing balance at 30 June	40,773	47,271	40,565	47,009

31 IMPUTATION CREDITS

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Imputation credit account				
Balance at beginning of year	71,031	69,764	71,031	69,764
Tax payments, net of refunds	3,642	–	3,642	–
Dividends received during year	1,293	1,769	1,293	1,769
Prior period adjustment	(1,180)	(502)	(1,180)	(502)
Balance at end of year	74,786	71,031	74,786	71,031

32 CONTRIBUTED EQUITY

		Number of shares		Group and Parent	
(Group and Parent numbers)	Notes	2009 shares	2008 shares	2009 $'000	2008 $'000
(a) Share capital					
Ordinary shares	(b)				
Ordinary shares authorised and issued		106,005,192	106,005,192	106,005	106,005
Total contributed equity				106,005	106,005

(b) Ordinary shares

All ordinary shares on issue are fully paid and have an issue share price of $1 per share.

Changes to the Companies Act in 1993 abolished the authorised capital and par value concept in relation to share capital from 1 July 2004. Therefore the Group does not have a limited amount of authorised capital and issued shares do not have a par value.

All ordinary shares rank equally with one vote attached to each fully paid ordinary share and dividend rights.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

33 RESERVES AND RETAINED EARNINGS

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Reserves				
Property, plant and equipment revaluation reserve	31,577	81,996	31,577	81,996
Available-for-sale investments revaluation reserve	–	(1,124)	–	(1,124)
Hedging reserve – cash flow hedges	(7,853)	2,223	(7,853)	2,223
	23,724	83,095	23,724	83,095
Movements:				
Property, plant and equipment revaluation reserve				
Balance 1 July	81,996	–	81,996	–
Revaluation – gross (note 17)	(55,072)	88,329	(55,072)	88,329
Deferred tax (note 30)	4,653	(6,333)	4,653	(6,333)
Balance 30 June	31,577	81,996	31,577	81,996
Available-for-sale investments revaluation reserve				
Balance 1 July	(1,124)	2,810	(1,124)	2,810
Revaluations (note 22)	(5,121)	(5,623)	(5,121)	(5,623)
Deferred tax (note 30)	(482)	1,689	(482)	1,689
Transfer to profit and loss – impairment of available-for-sale investments	6,727	–	6,727	–
Balance 30 June	–	(1,124)	–	(1,124)
Hedging reserve – cash flow hedges				
Balance 1 July	2,223	5,409	2,223	5,409
Revaluations (note 14)	(16,986)	(524)	(16,986)	(524)
Transfer to net profit	2,215	(4,708)	2,215	(4,708)
Transfer to plant, property and equipment	–	778	–	778
Deferred tax (note 30)	4,695	1,268	4,695	1,268
Balance 30 June	(7,853)	2,223	(7,853)	2,223
(b) Retained earnings				
Balance 1 July	209,006	216,226	206,533	213,687
Net profit for the year	5,405	21,115	5,748	21,181
Dividends	(7,190)	(22,764)	(7,190)	(22,764)
In specie distribution	–	(5,571)	–	(5,571)
Balance 30 June	207,221	209,006	205,091	206,533

(c) Nature and purpose of reserves

(i) Property, plant and equipment revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 2(q). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) Available-for-sale investments revaluation reserve

Changes in the fair value arising on the revaluation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in note 2(m). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

(iii) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 2(o). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

34 DIVIDENDS

	2009 Cents	2008 Cents	2009 $'000	2008 $'000
Interim dividend for the year ended 30 June 2009	–	–	–	–
Final dividend for the year ended 30 June 2008	6.78	–	7,190	–
Interim dividend for the year ended 30 June 2008	–	8.99	–	9,534
Final dividend for the year ended 30 June 2007	–	12.48	–	13,230
	6.78	21.47	7,190	22,764

35 RELATED PARTY TRANSACTIONS

(a) Parent entities

Ports of Auckland Limited is wholly owned by Auckland Regional Holdings.

Auckland Regional Holdings is a statutory entity, established by the Government to ensure independent, prudent management of regional assets. Auckland Regional Holdings has an independent board of directors and is a council-controlled organisation (CCO) accountable, through its Statement of Intent, to the Auckland Regional Council.

(b) Directors

The names of persons who were directors of the company at any time during the financial year are as follows: R H Gower, E J Hobbs, P V Hubscher, J C Lindsay, S M Paterson and J B Madsen. G J Judd ceased to be a director on 21 May 2009.

(c) Other transactions with key management personnel or entities related to them

Information on transactions with key management personnel or entities related to them, other than compensation and transactions with other related parties is set out below.

E J Hobbs and P V Hubscher are directors of Auckland Regional Holdings.

In December 2005 the Group entered into a new term and revolving credit facility with a syndication of banks – Westpac Banking Corporation, Bank of New Zealand and Commonwealth Bank of Australia. G J Judd who is chairman of ASB Bank Limited (a subsidiary of Commonwealth Bank of Australia) did not participate in the decision to enter into the facility (Mr Judd ceased to be a director of Ports of Auckland Limited on 21 May 2009.) The facility was established on an arm's length commercial basis. The term and revolving credit facility set up in December 2005 has been utilised during the current financial year. (refer to note 28)

During the current financial year the Group received dividends of $1,900,000 (2008: $2,027,000) from Northland Port Corporation (NZ) Limited.

J B Madsen is a director of North Tugz Limited. During the current financial year the Group received dividends of $1,642,000 (2008:$2,655,000) from North Tugz Limited.

The Group is providing management services to Sea + City Projects Limited (as agents for Auckland Regional Holdings.) Management fees charged during the current financial year were $238,000 (2008: $390,000). Included in the accounts receivable balance at 30 June 2009 is $39,000 (2008: $28,000) outstanding from Auckland Regional Holdings.

J B Madsen ceased to be a director of United Containers Limited on 17 February 2009. W R Thompson, Chief Financial Officer of Ports of Auckland Limited because a director of United Containers Limited on 17 February 2009. During the current financial year the Group purchased services from United Containers Limited for $1,059,000 (2008:$ 975,000) on an arm's length commercial basis. The Group received dividends from United Container Limited during the current financial year of $370,000 (2008: $738,000).

During the current financial year J B Madsen was appointed as a director of Seafuels Limited a joint venture in which the Group holds a 50% ownership interest.

(d) Key management and personnel compensation

Key management personnel compensation for the years ended 30 June 2009 and 2008 is set out below. The key management personnel are all the directors of the company and the direct reports to the Managing Director whom have the greatest authority for the strategic direction and management of the company.

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Salaries and other short term employee benefits	3,163	4,791	3,163	4,791

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

36 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b):

All subsidiaries are 100% owned and have a balance date of 30 June.

			Equity holding	
Name of entity	Country of incorporation	Class of shares	2009 %	2008 %
Ports of Auckland Investments Limited	New Zealand	Ordinary	100	100
Ports of Auckland Nominees Limited	New Zealand	Ordinary	100	100
Axis Intermodal Limited	New Zealand	Ordinary	100	100
Axis International Limited	New Zealand	Ordinary	100	100
Freemans Bay Properties Limited	New Zealand	Ordinary	100	100
West Tugz Pty Limited	Australia	Ordinary	100	100

37 INVESTMENTS IN ASSOCIATES

(a) Carrying amounts

Information relating to associates is set out below.

		Ownership interest		Group		Parent	
Name of company	Principal activity	2009 %	2008 %	2009 $'000	2008 $'000	2009 $'000	2008 $'000
United Container Limited	Container Depot	27.5	27.5	3,879	3,828	3,260	3,260
				3,879	3,828	3,260	3,260

The above associate is incorporated in New Zealand.

The above entity has a balance date of 30 June.

	2009 $'000	2008 $'000
(b) Movements in carrying amounts		
Carrying amount at the beginning of the financial year (including goodwill $593,000 (2008: $593,000))	3,828	3,958
Share of profits after income tax	421	608
Dividends received	(370)	(738)
Carrying amount at the end of the financial year (including goodwill $593,000 (2008: $593,000))	3,879	3,828

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

38 INTERESTS IN JOINT VENTURES

(a) Joint ventures

The company has a 50% interest in North Tugz Limited, which is resident in New Zealand and the principal activity is marine towage.

During the current financial year the company has acquired a 50% interest in Seafuels Limited, which is resident in New Zealand. The principal activity is to provide a new tanker for re- fuelling services for cruise ships and commercial vessels in the Auckland area.

The interests in North Tugz Limited and Seafuels Limited is accounted for in the consolidated financial statements using the equity method of accounting and is carried at cost by the parent entity (refer to note 21). Information relating to the joint venture partnership is set out below.

			Carrying value of investment			
	Ownership interest		Group		Parent	
Name and principal activity	2009 %	2008 %	2009 $'000	2008 $'000	2009 $'000	2008 $'000
North Tugz Limited	50%	50%	1,626	2,170	631	881
Seafuels Limited	50%	–	11,413	–	11,4 13	–
			13,039	2,170	12,044	881

(i) North Tugz Limited has a 30 June year end and Seafuels Limited has a 31 December year.

(ii) The entities are not a controlled entity due to the provisions of a shareholder agreement.

	Group	
	2009 $'000	2008 $'000
(b) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	2,170	3,307
Share of profits after income tax	1,348	2,768
Loan advanced to Seafuels Limited	11,413	–
Repayment of loan	(250)	(1,250)
Dividends received	(1,642)	(2,655)
Carrying amount at the end of the financial year	13,039	2,170

	Aggregate Balances		Group's Portion*	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Share of joint venture's and associate's assets and liabilities				
Current assets	8,253	6,376	2,980	2,134
Non-current assets	66,128	44,344	30,067	19,157
Total assets	74,381	50,720	33,047	21,291
Current liabilities	8,827	4,626	3,769	1,693
Non-current liabilities	41,628	21,190	19,634	9,535
Total liabilities	50,455	25,816	23,403	11,228
Net assets	23,926	24,904	9,644	10,063
Share of joint venture's and associate's revenue, expenses and results				
Revenues	35,656	34,650	11,826	11,513
Expenses	(30,203)	(26,422)	(9,616)	(8,185)
Profit before income tax	5,453	8,228	2,210	3,328

* The Group owns 50% of the joint ventures and 27.5% of the associate.

The associates and joint ventures had no contingent liabilities as at 30 June 2009 (2008: $Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

39 COMMITMENTS

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Capital commitments				
Property, plant and equipment	3,081	8,257	3,081	8,257
	3,081	8,257	3,081	8,257
(b) Operating lease commitments				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	–	190	–	190
Later than one year but not later than five years	–	214	–	214
Later than five years	–	–	–	–
	–	404	–	404

The Group leases land under a non-cancellable operating lease agreement. The lease reflects normal commercial arrangements with escalation clauses and renewal rights. On renewal, the terms of the lease are renegotiated.

The lease expenditure is charged to the income statement during the period and is disclosed in note 7.

40 CONTINGENCIES

(a) Contingent liabilities

The parent entity and Group had no contingent liabilities at 30 June 2009 (2008: $Nil).

41 AUCKLAND TRANSITION AGENCY

Ports of Auckland Limited (the "Parent") is wholly owned by Auckland Regional Holdings. Auckland Regional Holdings is a statutory entity, established by the Government to ensure independent, prudent management of regional assets. Auckland Regional Holdings has an independent board of directors and is a council-controlled organisation (CCO) accountable, through its Statement of Intent, to the Auckland Regional Council.

There is legislation in place, the Local Government (Tamaki Makaurau Reorganisation) Act 2009 ["Reorganisation Act"] that means the existing local authorities in the Auckland region will be dissolved on 31 October 2010. The functions, duties, and powers of the existing local authorities including the Auckland Regional Council, will become the functions, duties and powers of the single unitary authority (the Auckland Council) that will be responsible for governing the entire Auckland region from 1 November 2010.

There is a Transition Agency that will develop an organisation structure for the Auckland Council so that it can operate efficiently and effectively on and from 1 November 2010 and it will develop a change management plan that includes protocols and process for managing the transition of:

- assets from existing local government organisations to the Council structure;
- staff from existing local government organisations to the Council structure having regard to the existing employment agreements applying to the staff.

Decisions are yet to be made on the Auckland Council's organisational structure and operations, including how the council organisation will be vested and integrated into that organisation structure.

The Parent is not aware of anything arising from the reorganisation process that will result in any change to the carrying values of the assets and liabilities of the Group. Nor is the Parent aware of any additional liabilities that may arise from the dissolution. Also, it is possible that the reorganisation process may result in changes to the structure of the Parent. However, all the matters relating to the Auckland reorganisation have not yet been finalised and there remains uncertainty as to what, if any, changes may occur. Any such changes as may occur are likely to result from legislation and the decisions of the Auckland Transition Agency.

42 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 7 August 2009, Ports of Auckland Limited entered into a sale and purchase agreement with Auckland Regional Council and the New Zealand Government for a wharf and buildings located at Queens Wharf for a sale price of $40,000,000. Ownership of the wharf and buildings will transfer on 1 April 2010. The $40,000,000 proceeds were received by Ports of Auckland on 18 August 2009.

Ports of Auckland Limited has issued 50,000,000 new ordinary shares to Auckland Regional Holdings. 40,000,000 shares were called and $40,000,000 was received on 3 September 2009.

Renegotiations of bank debt facilities are well advanced.

A $20,000,000 loan facility from Auckland Regional Holdings has been put in place.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

43 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit for the year	5,405	21,115	5,748	21,181
Depreciation and amortisation	21,330	19,062	21,330	19,062
Movements in associate and joint ventures	243	17	–	–
Fair value movements in derivatives	878	(957)	878	(957)
Foreign exchange realised losses	210	–	210	–
Movements in borrowings allocated to interest paid	125	219	125	219
Net loss (gain) on sale of non-current assets	172	(313)	172	(313)
Net impairment charge for property, plant and equipment	184	85	184	85
Fair value adjustment to investment property	3,629	1,173	3,429	1,073
Fair value loss (gain) on available-for-sale financial assets at fair value through profit or loss	6,727	–	6,727	–
Change in operating assets and liabilities:				
Decrease (increase) in receivables and prepayments	1,672	6,010	1,680	6,011
(Increase) decrease in other operating assets	(2,355)	85	(2,355)	85
Increase (decrease) creditors and provisions	1,700	(521)	1,699	(521)
Increase (decrease) in provision for income taxes payable	2,352	(606)	2,352	(606)
Increase (decrease) in provision for deferred income tax	2,368	731	2,422	746
Increase (decrease) in other provisions	193	(37)	193	(37)
Capital items included in working capital movements	300	1,959	300	1,959
Net cash inflow from operating activities	45,133	48,022	45,094	47,987

44 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

Risk management is performed by Group management who evaluate and hedge certain financial risks including currency risk and interest rate risk under a Treasury Policy that is approved by the Board of Directors.

The Group does not hold derivative financial instruments for speculative purposes.

(a) Market risk

(i) Currency risk

Currency risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency, New Zealand dollars (NZD). The Treasury Policy requires that the Group enters into foreign exchange contracts for the purchase of major items of plant and equipment and that the full amount of the purchase must be hedged. Foreign exchange instruments approved under the Treasury Policy are forward exchange contracts and currency options.

Arrangements that meet the hedge accounting criteria are accounted for in accordance with the accounting policy set out in note 2. During the financial year the Group's foreign currency exposure included exposures to various currencies, the main currency exposure being US dollars. As at balance date the Group had no foreign exchange contracts exposure.

(ii) Price risk

The Group and the parent entity are exposed to equity securities price risk because of the investment held in Northland Port Corporation Limited, classified on the balance sheet as available-for-sale financial assets. Neither the Group nor the parent entity is exposed to commodity price risk.

The investments represent investments in listed market securities. The fair value of the securities is based on quoted market prices.

(iii) Cash flow and fair value interest rate risk

The Group's main interest-rate risk arises from long-term borrowings. Borrowings are at variable rates and thus expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group manages its cash flow interest-rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

44 FINANCIAL RISK MANAGEMENT (continued)

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	30 June 2009		30 June 2008	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank overdrafts and bank loans	3.3%	350,500	9.2%	355,815
Interest rate swaps (notional principal amount)	6.3%	447,000	7.1%	267,000

Interest bearing loans are at floating interest rates and are repriced quarterly. Interest rate swaps are used to hedge the interest on these loans and are also repriced quarterly.

An analysis by maturities is provided in note 14(a) and a summary of terms and conditions is in note 28.

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk, foreign exchange risk and other price risk. It shows the effect on equity and profit before tax as at balance date from a movement in the relevant variables, while all other variables are held constant.

A sensitivity of 100 basis points movement (1%) in interest rates, and 10% movement in foreign exchange rates and equity prices have been applied respectively. These are considered reasonable given the current level of interest rates, foreign exchange rates and equity prices and the volatility observed both on a historical basis and market expectation for future movement.

		Interest rate risk				Foreign exchange risk				Other price risk			
		-1%		+1%		-10%		+10%		-10%		+10%	
Group **30 June 2009**	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets													
Cash and cash equivalents	2,473	(24)	–	24	–	–	–	–	–	–	–	–	–
AFS investments	17,424	–	–	–	–	–	–	–	–	(1,742)	–	1,742	–
Derivatives													
– cash flow hedges	5,201	2	(4,045)	(2)	3,651	–	–	–	–	–	–	–	–
Financial liabilities													
Derivatives													
– cash flow hedges	16,550	1	(7,336)	(1)	7,059	–	–	–	–	–	–	–	–
Trade payables	19,604	–	–	–	–	(3)	–	4	–	–	–	–	–
Interest bearing liabilities	350,500	785	–	(785)	–	–	–	–	–	–	–	–	–
Total increase/ (decrease)		764	(11,381)	(764)	10,710	(3)	–	4	–	(1,742)	–	1,742	–

		Interest rate risk				Foreign exchange risk				Other price risk			
		-1%		+1%		-10%		+10%		-10%		+10%	
Group **30 June 2008**	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets													
Cash and cash equivalents	448	–	–	–	–	–	–	–	–	–	–	–	–
AFS investments	23,791	–	–	–	–	–	–	–	–	–	(2,379)	–	2,379
Derivatives													
– cash flow hedges	4,301	337	(4,494)	(32)	4,788	–	–	–	–	–	–	–	–
Financial liabilities													
Trade payables	15,950	–	–	–	–	(9)	–	10	–	–	–	–	–
Interest bearing liabilities	355,815	885	–	(885)	–	–	–	–	–	–	–	–	–
Total increase/ (decrease)		1,222	(4,494)	(917)	4,788	(9)	–	10	–	–	(2,379)	–	2,379

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

44 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers from outstanding receivables. For banks and financial institutions only parties with a minimum long term Standard and Poors rating of A+ or above, or the Moody equivalent rating are accepted. Gross limits are set for financial institutions and the usage of these limits is determined by assigning product weightings to the principal amount of the transaction. Transactions are spread across a number of counterparties to avoid concentrations of credit exposure.

Trade receivables consist of a large number of customers, spread across diverse industries. Approximately 73% (2008: 67%) of trade receivables at balance date is reflected by the Group's ten largest customers.

The Group maintains customer relationships on a credit basis with recognised, creditworthy third parties. Customers who wish to complete transactions with the Group on a credit basis are subject to a credit assessment, which may include a review of their financial strengths, previous credit history with the Group, payment habits with other suppliers, bank references and credit rating agency reports. Trade receivables are also monitored on a permanent basis and impairment allowances made if risks are identified, so that the Group is not exposed to any additional significant default risks on trade receivables.

The carrying amount of financial assets recorded in the financial statements, which is net of impairments losses, represents the Group's maximum exposure to credit risk without taking into account any collateral obtained.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies in place that limit the amount of credit exposure to any one financial institution.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the spreading of debt maturities.

To help reduce liquidity risk, the Group manages its cash requirements by forecasting and utilising flexibility in its funding facilities. The Group aims to minimise its cost of capital through effective cash management. It also has a liquidity policy which targets a minimum level of committed funding facilities to net debt.

Liquidity risk is monitored by continuously forecasting actual cash flows and matching the maturity profiles of financial assets and liabilities.

Maturities of financial liabilities

The tables below analyse the Group's and the parent entity's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

44 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

Group At 30 June 2009	Less than 6 months $'000	6–12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non-derivatives							
Payables	19,604	–	–	–	–	19,604	19,604
Variable rate loans *	106,194	4,129	155,700	104,980	–	371,003	350,500
Total non-derivatives	125,798	4,129	155,700	104,980	–	390,607	370,104
Derivatives							
Net settled (interest rate swaps)	5,157	4,759	4,923	2,439	–	17,278	16,550
Total derivatives	5,157	4,759	4,923	2,439	–	17,278	16,550

Group At 30 June 2008	Less than 6 months $'000	6–12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non-derivatives							
Payables	15,950	–	–	–	–	15,950	15,950
Variable rate loans *	16,832	16,183	27,502	384,920	–	445,437	355,815
Total non-derivatives	32,782	16,183	27,502	384,920	–	461,387	371,765
Derivatives							
Net settled (interest rate swaps)	–	–	–	–	–	–	–
Total derivatives	–	–	–	–	–	–	–

Parent At 30 June 2009	Less than 6 months $'000	6–12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non-derivatives							
Payables	19,898	–	–	–	–	19,898	19,898
Variable rate loans *	106,194	4,129	155,700	104,980	–	371,003	350,500
Total non-derivatives	126,092	4,129	155,700	104,980	–	390,901	370,398
Derivatives							
Net settled (interest rate swaps)	5,157	4,759	4,923	2,439	–	17,278	16,550
Total derivatives	5,157	4,759	4,923	2,439	–	17,278	16,550

Parent At 30 June 2008	Less than 6 months $'000	6–12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non-derivatives							
Payables	16,245	–	–	–	–	16,245	16,245
Variable rate loans *	16,832	16,183	27,502	384,920	–	445,437	355,815
Total non-derivatives	33,077	16,183	27,502	384,920	–	461,682	372,060
Derivatives							
Net settled (interest rate swaps)	–	–	–	–	–	–	–
Total derivatives	–	–	–	–	–	–	–

* For floating rate instruments the amounts disclosed are determined by reference to the interest rate at the last repricing date.

Refer to events occurring after balance sheet date (note 42) for subsequent changes to the current debt structure.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2009

44 FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk management

The Group's capital structure consists of contributed equity, reserves and retained earnings as shown in the balance sheet.

The Group's objective when managing capital is to safe guard their ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors balance sheet strengths and flexibility using cash flow forecast analysis and detailed budgeting processes. In addition, consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio, the ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

(e) Financial instruments by category

Assets as per balance sheet

	Derivatives used for hedging $'000	Loans and receivables $'000	Available for sale $'000	Total $'000
Group				
At 30 June 2009				
Available-for-sale financial assets	–	–	17,424	17,424
Derivative financial instruments	5,201	–	–	5,201
Trade and other receivables	–	14,163	–	14,163
Cash and cash equivalents	–	2,473	–	2,473
	5,201	16,636	17,424	39,261
At 30 June 2008				
Available-for-sale financial assets	–	–	23,791	23,791
Derivative financial instruments	4,301	–	–	4,301
Trade and other receivables	–	15,533	–	15,533
Cash and cash equivalents	–	448	–	448
	4,301	15,981	23,791	44,073
Parent				
At 30 June 2009				
Available-for-sale financial assets	–	–	17,424	17,424
Derivative financial instruments	5,201	–	–	5,201
Trade and other receivables	–	14,149	–	14,149
Cash and cash equivalents	–	2,472	–	2,472
	5,201	16,621	17,424	39,246
At 30 June 2008				
Available-for-sale financial assets	–	–	23,791	23,791
Derivative financial instruments	4,301	–	–	4,301
Trade and other receivables	–	15,533	–	15,533
Cash and cash equivalents	–	447	–	447
	4,301	15,980	23,791	44,072

44 FINANCIAL RISK MANAGEMENT (continued)

(e) Financial instruments by category (continued)

Liabilities as per balance sheet

	Derivatives used for hedging $'000	Measured at amortised cost $'000	Total $'000
Group			
At 30 June 2009			
Interest bearing liabilities	–	350,500	350,500
Derivative financial instruments	16,550	–	16,550
Trade and other payables	–	19,604	19,604
	16,550	370,104	386,654
At 30 June 2008			
Interest bearing liabilities	–	355,815	355,815
Derivative financial instruments	–	–	–
Trade and other payables	–	15,950	15,950
	–	371,765	371,765
Parent			
At 30 June 2009			
Interest bearing liabilities	–	350,500	350,500
Derivative financial instruments	16,550	–	16,550
Trade and other payables	–	19,898	19,898
	16,550	370,398	386,948
At 30 June 2008			
Interest bearing liabilities	–	355,815	355,815
Derivative financial instruments	–	–	–
Trade and other payables	–	16,245	16,245
	–	372,060	372,060

S
32,500 kg
71,650 lbs
4,200 kg
9,260 lbs
AD
28,300 kg
62,390 lbs
2,700 cuft

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