

2010-2011
Ports of Auckland Financial Report

Re Port

Details of our Results

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Audit report

to the readers of Ports of Auckland Limited and Group Financial Statements
for the year ended 30 June 2011



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 on her behalf.

We have audited the financial statements of the company and group on pages 3 to 70, that comprise the Statements of Financial Position as at 30 June 2011, the Income Statements, the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year ended 30 June 2011, and the notes to the financial statements that include accounting policies and other explanatory information.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements of the company and group on pages 3 to 70:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the company and group's:
 - financial position as at 30 June 2011; and
 - financial performance and cash flows for the year ended on that date.

OPINION ON OTHER LEGAL REQUIREMENTS

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 22 August 2011. This is the date at which our opinion is expressed.

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

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Audit report (continued)

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company and group's financial position, financial performance and cash flows.

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

The Board of Directors' responsibilities arise from the Financial Reporting Act 1993 and the Port Companies Act 1988.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 19 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.

Other than the audit, 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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements of Ports of Auckland Limited (the Company) and Group for the year ended 30 June 2011 included on Ports of Auckland Limited's website. The Company's Board of Directors is responsible for the maintenance and integrity of the Ports of Auckland Limited's website. We have not been engaged to report on the integrity of the Ports of Auckland Limited 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/from these 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 22 August 2011 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 statements may differ from legislation in other jurisdictions.

Income statements

for the year ended 30 June 2011

	Notes	Group		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue from services	4	177,217	165,700	170,047	163,606
Cost of providing services	6	(94,326)	(87,976)	(87,166)	(85,553)
Gross margin on services		82,891	77,724	82,881	78,053
Other income	5	6,620	21,537	8,562	31,961
Expenses, excluding finance costs	6	(35,017)	(31,499)	(35,392)	(30,686)
Finance costs	7	(20,746)	(21,261)	(20,718)	(21,254)
Share of profit from associates and joint ventures – accounted for using the equity method	34,35	2,164	2,195	–	–
Profit before income tax		35,912	48,696	35,333	58,074
Income tax expense	8	(12,586)	(11,504)	(13,259)	(11,708)
Profit from continuing operations		23,326	37,192	22,074	46,366
Profit for the year		23,326	37,192	22,074	46,366
Attributable to:					
Equity holders of Ports of Auckland Limited and Subsidiaries		23,543	37,447	22,074	46,366
Non-controlling interest	30	(217)	(255)	–	–
Profit attributable to members of Ports of Auckland Limited		23,326	37,192	22,074	46,366

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

Statements of comprehensive income

for the year ended 30 June 2011

	Notes	Group		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Profit for the year		23,326	37,192	22,074	46,366
Other comprehensive income					
Gain on revaluation of land and buildings, net of tax	29	108	(168)	108	(168)
Cash flow hedges, net of tax	29	564	387	564	387
Net change in fair value of listed securities	29	82	(4,027)	82	(4,027)
Deferred tax transferred to retained earnings	27,29(b)	–	4,419	–	4,419
Other comprehensive income for the year, net of tax		754	611	754	611
Total comprehensive income for the year, net of tax		24,080	37,803	22,828	46,977
Total comprehensive income for the year is attributable to:					
Equity holders of Ports of Auckland Limited and Subsidiaries		24,297	38,058	22,828	46,977
(Loss) attributable to non-controlling interest		(217)	(255)	–	–
		24,080	37,803	22,828	46,977

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

Statements of financial position

as at 30 June 2011

	Notes	Group		Parent	
		2011 \$'000	2010* \$'000	2011 \$'000	2010* \$'000
ASSETS					
Current assets					
Cash and cash equivalents	10	219	1,423	1	1,262
Receivables and prepayments	11	19,801	16,113	19,044	15,324
Inventories	12	4,601	4,831	4,601	4,831
Total current assets		24,621	22,367	23,646	21,417
Non-current assets					
Property, plant and equipment	15	604,204	616,964	603,898	616,757
Investment properties	16	59,680	50,464	58,380	49,064
Intangible assets	17	9,325	11,999	5,953	8,699
Investments accounted for using the equity method	19,34,35	4,963	4,882	3,466	3,766
Derivative financial instruments	13	–	48	–	48
Listed securities	20	13,479	13,397	13,479	13,397
Trade and other receivables	14	5,413	12,163	8,723	13,695
Other assets	18	–	–	9,009	8,642
Total non-current assets		697,064	709,917	702,908	714,068
Total assets		721,685	732,284	726,554	735,485
LIABILITIES					
Current liabilities					
Payables	21	17,927	15,405	17,305	14,934
Interest bearing liabilities	22	2,930	9,346	2,930	9,346
Current tax liabilities		4,481	4,026	5,029	4,381
Provisions	23	6,917	7,019	6,853	6,957
Derivative financial instruments	13	1,404	165	1,404	165
Other current liabilities	24	22	–	322	300
Total current liabilities		33,681	35,961	33,843	36,083
Non-current liabilities					
Interest bearing liabilities	25	237,320	250,030	237,320	249,724
Provisions	26	1,678	1,714	1,678	1,714
Deferred income		732	–	732	–
Derivative financial instruments	13	8,573	10,820	8,573	10,820
Deferred tax liabilities	27	38,827	37,009	38,642	36,650
Total non-current liabilities		287,130	299,573	286,945	298,908
Total liabilities		320,811	335,534	320,788	334,991
Net assets		400,874	396,750	405,766	400,494
EQUITY					
Share capital	28	146,005	146,005	146,005	146,005
Reserves	29(a)	16,840	16,086	16,840	16,086
Retained earnings	29(b)	237,401	231,614	242,921	238,403
		400,246	393,705	405,766	400,494
Equity attributable to equity holders of Ports of Auckland Limited		400,246	393,705	405,766	400,494
Non-controlling interest	30	628	3,045	–	–
Total equity		400,874	396,750	405,766	400,494

* In accordance with NZ IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, the comparative financial information has been restated to reflect the reclassification of a loan included in 'Investments accounted for using the equity method' and a transfer correction between 'Reserves' and 'Retained earnings' on the face of the statements of financial position. Reference should be made to note 41 for further explanation.

The Board of Directors of Ports of Auckland Limited authorised these financial statements for issue on 22 August 2011.



R. C. Pearson
Director



G. S. Hawkins
Director

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of changes in equity

for the year ended 30 June 2011

	Notes	Attributable to equity holders of the Company			Non-controlling interests \$'000	Total equity \$'000
		Share capital \$'000	*Other reserves \$'000	*Retained earnings \$'000		
Group						
Balance at 1 July 2009		106,005	23,724	207,221	–	336,950
Profit after tax		–	–	37,447	(255)	37,192
Other comprehensive income		–	(3,808)	4,419	–	611
Total comprehensive income, net of tax		–	(3,808)	41,866	(255)	37,803
Transfer revaluation surplus on derecognised property, plant and equipment		–	(3,830)	3,830	–	–
Proceeds from shares issued		40,000	–	–	–	40,000
Funds contributed by equity holders		–	–	1,023	–	1,023
Dividends provided for or paid		–	–	(22,326)	–	(22,326)
Non-controlling interest arising on business combination		–	–	–	3,300	3,300
Total other		40,000	(3,830)	(17,473)	3,300	21,997
Balance at 30 June 2010	28,29,30	146,005	16,086	231,614	3,045	396,750

* In accordance with NZ IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, the comparative financial information has been restated to reflect a transfer correction between 'Reserves' and 'Retained earnings' on the face of the statements of financial position. Reference should be made to note 41 for further explanation.

	Notes	Attributable to equity holders of the Company			Non-controlling interests \$'000	Total equity \$'000
		Share capital \$'000	Other reserves \$'000	Retained earnings \$'000		
Group						
Balance at 1 July 2010		146,005	16,086	231,614	3,045	396,750
Profit after tax		–	–	23,543	(217)	23,326
Other comprehensive income		–	754	–	–	754
Total comprehensive income, net of tax		–	754	23,543	(217)	24,080
Dividends provided for or paid		–	–	(17,556)	–	(17,556)
Non-controlling interest arising on business combination		–	–	(200)	(2,200)	(2,400)
Total other		–	–	(17,756)	(2,200)	(19,956)
Balance at 30 June 2011	28,29,30	146,005	16,840	237,401	628	400,874

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

Statements of changes in equity (continued)

for the year ended 30 June 2011

	Attributable to equity holders of the Company			Non-controlling interests \$'000	Total equity \$'000	
	Notes	Share capital \$'000	*Other reserves \$'000			*Retained earnings \$'000
Parent						
Balance at 1 July 2009		106,005	23,724	205,091	–	334,820
Profit after tax		–	–	46,366	–	46,366
Other comprehensive income		–	(3,808)	4,419	–	611
Total comprehensive income, net of tax		–	(3,808)	50,785	–	46,977
Transfer revaluation surplus on derecognised property, plant and equipment		–	(3,830)	3,830	–	–
Proceeds from shares issued		40,000	–	–	–	40,000
Funds contributed by equity holders		–	–	1,023	–	1,023
Dividends provided for or paid		–	–	(22,326)	–	(22,326)
Total other		40,000	(3,830)	(17,473)	–	18,697
Balance at 30 June 2010	28,29	146,005	16,086	238,403	–	400,494

* In accordance with NZ IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, the comparative financial information has been restated to reflect a transfer correction between 'Reserves' and 'Retained earnings' on the face of the statements of financial position. Reference should be made to note 41 for further explanation.

	Attributable to equity holders of the Company			Non-controlling interests \$'000	Total equity \$'000	
	Notes	Share capital \$'000	Other reserves \$'000			Retained earnings \$'000
Parent						
Balance at 1 July 2010		146,005	16,086	238,403	–	400,494
Profit after tax		–	–	22,074	–	22,074
Other comprehensive income		–	754	–	–	754
Total comprehensive income, net of tax		–	754	22,074	–	22,828
Dividends provided for or paid		–	–	(17,556)	–	(17,556)
Total other		–	–	(17,556)	–	(17,556)
Balance at 30 June 2011	28,29	146,005	16,840	242,921	–	405,766

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

Statements of cash flows

for the year ended 30 June 2011 —

	Notes	Group		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		201,984	186,127	192,008	184,465
Payments to suppliers and employees (inclusive of goods and services tax)		(128,945)	(124,327)	(117,573)	(121,244)
		73,039	61,800	74,435	63,221
Dividends received		2,435	3,375	2,435	3,375
Interest received		77	405	77	404
Interest paid		(20,209)	(22,605)	(20,181)	(22,604)
Income taxes paid		(10,692)	(7,486)	(10,998)	(7,486)
Net cash inflow / (outflow) from operating activities	39	44,650	35,489	45,768	36,910
Cash flows from investing activities					
Payment for purchase of subsidiary, net of cash acquired		(2,400)	–	(2,400)	–
Payments for property, plant and equipment		(6,825)	(5,201)	(6,758)	(5,023)
Payments for investment property		(3,618)	(278)	(3,612)	(278)
Payment for intangible assets		(3,980)	(3,600)	(3,906)	(3,600)
Loan advanced to a joint venture partnership		–	(750)	–	(750)
Advances to related parties		–	–	(1,672)	(1,500)
Contribution to fund property, plant and equipment		763	–	763	–
Proceeds from sale of property, plant and equipment		632	45,191	632	45,191
Repayment of loans by related parties		7,050	125	7,050	166
Net cash inflow / (outflow) from investing activities		(8,378)	35,487	(9,903)	34,206
Cash flows from financing activities					
Proceeds from issue of shares		–	40,000	–	40,000
Proceeds from shareholder's loan		–	8,977	–	8,977
Contribution from equity holders		–	1,023	–	1,023
Proceeds from borrowings		26,000	6,300	26,000	6,000
Repayment of borrowings		(38,850)	(106,000)	(38,500)	(106,000)
Repayment of shareholder's loan		(10,000)	–	(10,000)	–
Dividends paid to company's shareholders	31	(17,556)	(22,326)	(17,556)	(22,326)
Net cash inflow / (outflow) from financing activities		(40,406)	(72,026)	(40,056)	(72,326)
Net increase / (decrease) in cash and cash equivalents		(4,134)	(1,050)	(4,191)	(1,210)
Cash and cash equivalents at the beginning of the financial year		1,423	2,473	1,262	2,472
Cash and cash equivalents at end of year	10	(2,711)	1,423	(2,929)	1,262

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

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

Notes to the financial statements

30 June 2011

1 GENERAL INFORMATION

Ports of Auckland Limited (the 'Parent' or the 'Company') 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, Mechanics Bay, Auckland 1010.

These consolidated financial statements have been approved for issue by the Board of Directors on 22 August 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial statements for the year ended 30 June 2011 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 its 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-oriented 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, financial assets measured at fair value through other comprehensive income, derivative instruments and investment property.

Adoption of new and revised standards and interpretations

In December 2009 the Group elected to early adopt NZ IFRS 9 'Financial Instruments'. The reason for early adoption was to take advantage of the standard as early as possible. The Group has applied the transitional provisions contained in NZ IFRS 9 in the year ended 30 June 2010 and chose 31 December 2009 as its date of initial application.

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.

Comparative information

In accordance with NZ IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, the comparative financial information has been restated to reflect the reclassification of a loan included in 'Investments accounted for using the equity method' and a transfer correction between 'Reserves' and 'Retained earnings' on the face of the statements of financial position. Reference should be made to note 41 for further explanation.

(b) Principles of consolidation

(i) Subsidiaries

The Group financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under NZ IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are recorded at cost less any impairment in the Parent company's financial statements.

Notes to the financial statements (continued)

30 June 2011

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's 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 34).

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 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 statement of financial position.

When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled 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 controlled 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) 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.

(d) 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.

(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.

(e) 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. The relevant tax rates are applied to the cumulative amounts of the 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 from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss.

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

(f) 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.

Notes to the financial statements (continued)

30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 statement of financial position. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(g) Impairment of non-financial 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. At each balance 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 amount 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.

(h) 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 interest bearing liabilities in current liabilities on the statement of financial position.

(i) 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 uncollectible 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.

(j) 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.

(k) 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 recorded at the lower of the carrying amount and fair value to sell. Fair value less costs to sell is based on an independent valuer's report.

(l) Investments and other financial assets

On initial recognition, the Group classifies its investments in the following categories: financial assets measured at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The classification depends on the business model for managing financial assets and the contractual cash flow characteristics on the financial asset and is determined at the time of initial recognition or only when a change in the business model occurs (with the exception of equity instruments).

Financial assets are recognised on trade date – the date on which the Group commits to purchase the asset.

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Notes to the financial statements (continued)

30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets measured at amortised cost

The Group's financial assets held in order to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding are measured at amortised cost. Cash and cash equivalents and trade receivables are classified in this category.

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

Financial assets are classified at fair value through profit or loss if they are not measured at amortised cost or designated as such. Gains and losses on a financial asset designated in this category and not part of a hedging relationship are recognised in profit or loss.

(iii) Financial assets at fair value through other comprehensive income

At initial recognition, the Group makes an irrevocable election (on an instrument-by-instrument basis) to present in other comprehensive income the gains and losses in fair value of investments in equity instruments that are not held for trading. When the investment is disposed of, the cumulative gain or loss previously accumulated in the reserves is not recycled to profit or loss.

The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets are impaired.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

(m) 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 and points 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 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 or loss.

(n) 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 Group 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 Group 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 hedged 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 or 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 in finance costs.

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 of property, plant and equipment. The deferred amounts are ultimately recognised in the income statement when the item of property, plant and equipment is depreciated.

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.

(o) Fair value estimation

The fair value of financial instruments traded in a public market (such as publicly traded derivatives and equity instruments) 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.

Notes to the financial statements (continued)

30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(p) Property, plant and equipment

Land, buildings and wharves (except for investment properties – refer to note 2(q)) 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. 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 is 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	20–50 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(g)).

Gains and losses on disposals are determined by comparing 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.

(q) 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.

(r) Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of a subsidiary is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any) in the acquiree over the fair value of the identifiable net assets recognised.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously-held equity interest (if any) in the acquiree, then the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised, but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of fair value less cost to sell and value in use. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the financial statements (continued)

30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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).

(iii) Other intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(s) 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.

(t) 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 date.

(u) 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.

(v) 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(w) Insurance contracts

The Group is a partner in the Accident Compensation Commission (ACC) Partnership Programme. Under the Partnership Programme the Group is liable for all its claim costs for a period of two years up to a specified maximum. At the end of the two year period, the Company pays a premium to ACC for the value of residual claims, and the liability for ongoing claims from that point passes back to ACC.

The liability for the ACC Partnership Programme is recognised in provisions and measured as the present value of expected future payments to be made in respect of the employee injuries and claims up to the reporting date using actuarial techniques. Consideration is given to expected future wage and salary levels and experience of employee claims and injuries. 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.

(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.

Notes to the financial statements (continued)

30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(iii) Bonus plans

The Group 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) Share capital

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

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

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

(ab) Standards and interpretations in issue not yet adopted

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 2011 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.

- Amendments to NZ IAS 24 'Related Party Disclosures' (effective for financial reporting periods commencing on or after 1 January 2011).
- Amendments to NZ IFRS 7 'Financial Instruments: Disclosures' (effective for financial reporting periods commencing on or after 1 January 2012).

- Amendments to NZ IAS 12 'Incomes Taxes' – Deferred tax: Recovery of Underlying Assets (effective for financial reporting periods on or after 1 January 2012).
- NZ IFRS 10 'Consolidated Financial Statements' (effective for financial periods commencing on or after 1 January 2013).
- NZ IFRS 11 'Joint Arrangements' (effective for financial periods commencing on or after 1 January 2013).
- NZ IFRS 12 'Disclosures of Interests in Other Entities' (effective for financial periods commencing on or after 1 January 2013).
- NZ IFRS 13 'Fair Value Measurements' (effective for financial periods commencing on or after 1 January 2013).
- NZ IAS 27 'Separate Financial Statements' – revised 2011 (effective for financial periods commencing on or after 1 January 2013).
- NZ IAS 28 'Investments in Associates and Joint Ventures' (revised 2011) (effective for financial periods commencing on or after 1 January 2013).
- Amendments to New Zealand Equivalents to International Financial Reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards (effective for financial periods commencing on or after 1 July 2011).
- FRS 44 'New Zealand Additional Disclosures' (effective for financial periods commencing on or after 1 July 2011).
- Improvements to International Financial Reporting Standards 2010 (effective for financial reporting periods commencing on or after 1 January 2011).
- IAS 19 'Employee Benefits' (effective for financial periods commencing on or after 1 January 2013).
- Revised NZ IFRS 9 'Financial Instruments' (2010) (effective for financial periods commencing on or after 1 January 2013).

The new standards, amendments and interpretations are unlikely to have a material impact on the Group's accounts and therefore have not been analysed in detail.

(ac) Goods and Services Tax (GST)

The income statement has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Notes to the financial statements (continued)

30 June 2011

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.

Critical accounting estimates

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, (refer to note 17).

Useful lives of property, plant and equipment

As described in note 2(p), 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 valuations are performed by independent registered valuers. The revaluation exercises require 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, (refer to notes 2(p), 2(q), 15 and 16).

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.

4 REVENUE

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
From continuing operations				
<i>Sales revenue</i>				
Port operations income	175,116	164,059	168,002	162,044
Non-port operations income	2,101	1,641	2,045	1,562
	177,217	165,700	170,047	163,606

5 OTHER INCOME

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Net gain on disposal of property, plant and equipment	186	88	186	88
Fair value adjustment to investment property	5,704	–	5,704	–
Gain on sale of intangible assets	–	–	–	7,700
Net gain on disposal of non-current assets classified as held for sale	–	20,362	–	20,362
Dividend income – listed securities	646	675	646	675
Dividend income	7	7	1,789	2,700
Interest income	77	405	237	436
	6,620	21,537	8,562	31,961

Notes to the financial statements (continued)

30 June 2011

6 EXPENSES

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Expenses, excluding finance costs, included in the income statement classified by function				
Cost of providing services	94,326	87,976	87,166	85,553
Other expenses	35,017	31,499	35,392	30,686
	129,343	119,475	122,558	116,239
Classification of these expenses by function				
Cost of providing services	94,326	87,976	87,166	85,553
Other expenses from ordinary activities				
Marketing	1,633	1,413	1,630	1,413
Occupancy	2,123	1,367	2,097	1,347
Administration	21,657	21,594	20,092	20,855
Other	3,927	1,445	3,915	1,391
Fair value changes on investment properties	106	238	–	238
Impairment of property, plant and equipment	56	5,442	56	5,442
Impairment of other intangible assets	4,048	–	4,048	–
Impairment of software	1,467	–	1,467	–
Impairment of investment in subsidiaries	–	–	2,087	–
	129,343	119,475	122,558	116,239
<i>Depreciation</i>				
Buildings	1,247	1,299	1,245	1,299
Plant and equipment	12,081	12,246	12,067	12,240
Other	1,918	2,113	1,908	2,110
Wharves	2,165	2,144	2,165	2,144
Pavement	1,318	1,249	1,318	1,249
Total depreciation	18,729	19,051	18,703	19,042
<i>Amortisation</i>				
Computer software	1,139	1,046	1,137	1,046
Total amortisation	1,139	1,046	1,137	1,046
Net loss on disposal of property, plant and equipment	266	66	266	66
<i>Sundry expenses</i>				
Donations	37	1	37	1
Bad debts	34	12	21	12
Directors' fees	425	383	425	383
	496	396	483	396
<i>Employee benefit expense</i>				
Employee benefits expense, including restructuring costs and termination benefits	52,936	49,946	51,564	49,232
Pension costs – defined contribution plans	1,937	1,994	1,937	1,994
Total employee benefits	54,873	51,940	53,501	51,226

Auditor's fees

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

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(a) Assurance services				
Audit services				
Deloitte				
Statutory audit	200	196	171	171
Auckland Super City audit	81	–	81	–
Total remuneration paid to the Auditor	281	196	252	171

Notes to the financial statements (continued)

30 June 2011

7 FINANCE COSTS

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Finance costs				
Interest and finance cost	20,705	21,199	20,677	21,192
Interest rate swaps: cash flow hedges, ineffective portion	41	62	41	62
Total finance costs	20,746	21,261	20,718	21,254
Finance costs expensed	20,746	21,261	20,718	21,254

8 INCOME TAX

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(a) Income tax expense				
Current tax expense in respect of the current year	11,684	10,607	12,220	10,962
Deferred tax expense relating to the origination and reversal of temporary differences	1,439	(1,269)	1,613	(1,281)
Deferred tax – impact of change in tax rate from 30% to 28%	–	(2,275)	–	(2,259)
Deferred tax – Impact of the reduction in tax depreciation available on buildings with a useful life of 50 years or more to 0%	–	4,147	–	3,992
Under/(over) provided in prior years	(537)	294	(574)	294
Total tax expense	12,586	11,504	13,259	11,708
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	35,912	48,696	35,333	58,074
Tax at the New Zealand tax rate of 30%	10,772	14,609	10,600	17,422
Tax effect of a change in tax rates	–	(2,275)	–	(2,259)
Tax effect on the reduction in tax depreciation available on buildings with a useful life of 50 years or more to 0%	–	4,147	–	3,992
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Expenditure not deductible for tax	2,268	1,711	2,859	1,711
Depreciation and amortisation	943	(939)	1,119	(942)
Non-taxable income	(1,711)	(6,109)	(1,711)	(8,419)
Share of net profit of associates	(651)	(659)	–	–
Sundry items	965	1,019	392	203
Income tax expense	12,586	11,504	13,259	11,708

The Budget on 28 May 2010 introduced two changes which have had an impact on deferred tax:

- reduction in company tax rate to 28% from 30%; and
- reduction in tax depreciation available on buildings with a useful life of 50 years or more to 0%.

This impact was recognised in the year ended 30 June 2010.

The 28% company tax rate applies from the 2012 income year, and therefore will apply for the first time to the 30 June 2012 year end. The deferred tax balance has been calculated at 28% tax rate in the current financial period.

The reduction in the building tax depreciation rate to 0% also applies from the 2012 income year.

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(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				
Property, plant and equipment revaluation reserve	(108)	(72)	(108)	(72)
Hedging reserve – cash flow hedges	487	124	487	124
	379	52	379	52

Notes to the financial statements (continued)

30 June 2011

9 IMPUTATION CREDITS

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Imputation credit account				
Balance at beginning of year	81,454	74,786	81,454	74,786
Tax payments, net of refunds	9,879	6,959	9,879	6,959
Dividends received during year	760	1,475	760	1,475
Dividends paid during year	(4,439)	–	(4,439)	–
Prior period adjustment	–	(1,766)	–	(1,766)
Balance at end of year	87,654	81,454	87,654	81,454

The Company's ability to carry forward imputation credits is reliant on shareholder continuity and IRD approval.

10 CASH AND CASH EQUIVALENTS

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash at bank and in hand	1	2	1	2
Bank balances	218	786	–	625
Deposits at call	–	635	–	635
	219	1,423	1	1,262

For the purposes of the statements of cash flows, cash and cash equivalents include cash on hand, bank balances and deposits on call, net of outstanding bank overdrafts. Cash and cash equivalents at balance date as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position.

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

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Balances as above	219	1,423	1	1,262
Bank overdrafts (note 22)	(2,930)	–	(2,930)	–
Balances per statements of cash flows	(2,711)	1,423	(2,929)	1,262

Notes to the financial statements (continued)

30 June 2011

11 RECEIVABLES AND PREPAYMENTS

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade receivables	19,190	15,292	17,998	14,211
Related party receivables	94	96	533	366
Provision for doubtful receivables	(113)	(166)	(113)	(140)
Net trade receivables	19,171	15,222	18,418	14,437
Prepayments	630	891	626	887
	19,801	16,113	19,044	15,324

The fair value of trade receivables approximates their carrying values. The Group does not hold any collateral in respect of the balances above.

(a) Impaired receivables

As at 30 June 2011, current trade receivables of the Group with a nominal value of \$102,000 (2010: \$133,000) were impaired. The amount of the provision was \$33,000 (2010: \$86,000). The individually impaired receivables mainly relate to customers, who are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The average credit period on rendering of services is 30 days.

The ageing of these receivables is as follows:

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
3 to 6 months	102	133	73	120
	102	133	73	120

Past due but not impaired

As at 30 June 2011, trade receivables of \$10,421,000 (2010: \$7,806,000) 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Up to 3 months	10,341	7,606	9,918	7,082
3 to 6 months	80	200	50	91
	10,421	7,806	9,968	7,173

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

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
At 1 July	166	130	140	123
Provision for impairment recognised during the year	–	54	–	35
Receivables written off during the year as uncollectible	(26)	(8)	–	(8)
Unused amount reversed	(27)	(10)	(27)	(10)
	113	166	113	140

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 Group has recognised a loss of \$34,000 (2010: \$12,000) in respect of bad and doubtful trade receivables. The loss has been included in 'administration expenses' in the income statement.

Notes to the financial statements (continued)

30 June 2011

12 CURRENT ASSETS – INVENTORIES

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<i>Inventories – consumables and spares</i>				
– at cost	4,292	4,522	4,292	4,522
– at net realisable value	309	309	309	309
	4,601	4,831	4,601	4,831

Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2011 amounted to \$64,000 (2010: \$64,000). The write-down of inventories was included in 'expenses, excluding finance costs' in the income statement, refer to note 6.

The cost of inventories recognised as an expense ('costs of providing services') during the year in the Group was \$6,679,000 (Parent: \$6,679,000).

13 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Non-current assets				
Interest rate swaps – cash flow hedges ((a)(i))	–	48	–	48
Total non-current derivative financial instrument assets	–	48	–	48
Total derivative financial instrument assets	–	48	–	48
Current liabilities				
Interest rate swaps – cash flow hedges ((a)(i))	1,404	165	1,404	165
Total current derivative financial instrument liabilities	1,404	165	1,404	165
Non-current liabilities				
Interest rate swaps – cash flow hedges ((a)(i))	8,573	10,820	8,573	10,820
Total non-current derivative financial instrument liabilities	8,573	10,820	8,573	10,820
Total derivative financial instrument liabilities	9,977	10,985	9,977	10,985

(a) 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 40).

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 3.63% (2010: 3.94%). 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 81% (2010: 77%) of the loan principal outstanding and are timed to expire as interest and loan repayments fall due. The fixed interest rates range between 4.82% and 6.94% (2010: 5.36% and 6.94%) and the maturity dates range between 14 November 2011 to 31 May 2017.

During the current financial year several new interest rate swap contracts were put in place with forward start dates. This equates to 11% of the total notional principal amount.

At 30 June 2011, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	Group and Parent	
	2011 \$'000	2010 \$'000
Less than 1 year	70,000	10,000
1 – 2 years	60,000	70,000
2 – 3 years	52,000	60,000
3 – 4 years	–	52,000
4 – 5 years	50,000	–
Greater than 5 years	40,000	50,000
	272,000	242,000

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.

Notes to the financial statements (continued)

30 June 2011 —

13 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(a) Instruments used by the Group (continued)

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 reclassified into the income statement in finance costs when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately. In the year ended 30 June 2011, an ineffective portion expense of \$41,000 (2010: \$62,000 expense) 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 2011, the Group had no outstanding forward exchange contracts (2010: \$Nil). During the current financial year, the Group has not entered into forward exchange contracts.

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 (2010: \$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'.

14 NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Net related party receivables				
Related party receivable – CONLINXX Limited	–	–	3,310	1,532
Related party receivable – Seafuels Limited	5,413	12,163	5,413	12,163
	5,413	12,163	8,723	13,695

The fair value of non-current receivables approximates their carrying value.

The interest on the related party shareholder loan to CONLINXX Limited is based upon the Reserve Bank 90 day bill rate plus margin of 4% and the interest is compounded quarterly. The related party shareholder loan with CONLINXX Limited has a lock-in period of three years from and including incorporation date (23 December 2009).

On 12 July 2010, Ports of Auckland Limited guaranteed 50% of a National Australia Bank New Zealand Currency Term Cash Advance Facility structure for Seafuels Limited. On establishment of the debt facility Seafuels Limited repaid \$6,200,000 of the shareholder loan and made additional repayments during the financial period of \$550,000. The related party shareholder loan to Seafuels Limited is non-interest bearing and is repayable on demand, but the Company does not intend to demand repayment within the next twelve months.

Notes to the financial statements (continued)

30 June 2011

15 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land \$'000	Freehold buildings \$'000	Plant and equipment \$'000	Other \$'000	Wharves \$'000	Pavement \$'000	Total \$'000
At 1 July 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
Year ended 30 June 2010							
Opening net book value	278,967	39,234	110,888	10,871	148,522	76,955	665,437
Acquisition of subsidiary	–	30	25	4	–	–	59
Additions	–	84	2,839	1,078	212	752	4,965
Disposals	–	–	(29)	(55)	–	(26)	(110)
Impairment charge recognised in profit or loss	–	(3,633)	(2,048)	–	–	–	(5,681)
Depreciation charge	–	(1,299)	(12,246)	(2,113)	(2,144)	(1,249)	(19,051)
Assets reclassified	(18,842)	–	(482)	–	1,618	(10,949)	(28,655)
Closing net book value	260,125	34,416	98,947	9,785	148,208	65,483	616,964
At 30 June 2010							
– Cost model	–	–	192,791	37,811	–	70,969	301,571
– Valuation model	260,125	39,349	–	–	150,352	–	449,826
Accumulated depreciation	–	(4,933)	(93,844)	(28,026)	(2,144)	(5,486)	(134,433)
Net book value	260,125	34,416	98,947	9,785	148,208	65,483	616,964
Year ended 30 June 2011							
Opening net book value	260,125	34,416	98,947	9,785	148,208	65,483	616,964
Additions	–	1,467	1,484	1,673	1,270	556	6,450
Disposals	–	–	(581)	(126)	–	–	(707)
Impairment charge recognised in profit or loss	–	(56)	–	–	–	–	(56)
Depreciation charge	–	(1,247)	(12,081)	(1,918)	(2,165)	(1,318)	(18,729)
Assets reclassified	–	–	–	282	–	–	282
Closing net book value	260,125	34,580	87,769	9,696	147,313	64,721	604,204
At 30 June 2011							
– Cost model	–	–	190,978	38,293	–	71,524	300,795
– Valuation model	260,125	37,056	–	–	151,623	–	448,804
Accumulated depreciation	–	(2,476)	(103,209)	(28,597)	(4,310)	(6,803)	(145,395)
Net book value	260,125	34,580	87,769	9,696	147,313	64,721	604,204

Notes to the financial statements (continued)

30 June 2011

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

Parent	Freehold land \$'000	Freehold buildings \$'000	Plant and equipment \$'000	Other \$'000	Wharves \$'000	Pavement \$'000	Total \$'000
At 1 July 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
Year ended 30 June 2010							
Opening net book value	278,967	39,234	110,888	10,871	148,522	76,955	665,437
Additions	–	84	2,757	1,003	212	752	4,808
Disposals	–	–	(29)	(55)	–	(26)	(110)
Impairment charge recognised in profit or loss	–	(3,633)	(2,048)	–	–	–	(5,681)
Depreciation charge	–	(1,299)	(12,240)	(2,110)	(2,144)	(1,249)	(19,042)
Asset reclassified	(18,842)	–	(482)	–	1,618	(10,949)	(28,655)
Closing net book value	260,125	34,386	98,846	9,709	148,208	65,483	616,757
At 30 June 2010							
– Cost	–	–	192,684	37,733	–	70,969	301,386
– Valuation	260,125	39,318	–	–	150,352	–	449,795
Accumulated depreciation	–	(4,932)	(93,838)	(28,024)	(2,144)	(5,486)	(134,424)
Net book value	260,125	34,386	98,846	9,709	148,208	65,483	616,757
Parent	Freehold land \$'000	Freehold buildings \$'000	Plant and equipment \$'000	Other \$'000	Wharves \$'000	Pavement \$'000	Total \$'000
Year ended 30 June 2011							
Opening net book value	260,125	34,386	98,846	9,709	148,208	65,483	616,757
Additions	–	1,391	1,437	1,670	1,270	556	6,324
Disposals	–	–	(580)	(126)	–	–	(706)
Impairment charge recognised in profit or loss	–	(56)	–	–	–	–	(56)
Depreciation charge	–	(1,245)	(12,067)	(1,908)	(2,165)	(1,318)	(18,703)
Asset reclassified	–	–	–	282	–	–	282
Closing net book value	260,125	34,476	87,636	9,627	147,313	64,721	603,898
At 30 June 2011							
– Cost model	–	–	190,826	38,211	–	71,524	300,561
– Valuation model	260,125	36,950	–	–	151,623	–	448,698
Accumulated depreciation	–	(2,474)	(103,190)	(28,584)	(4,310)	(6,803)	(145,361)
Net book value	260,125	34,476	87,636	9,627	147,313	64,721	603,898

The property, plant and equipment balance includes work in progress of \$2,715,000 (2010: \$2,972,000).

Property, plant and equipment additions include finance costs capitalised of \$9,000 (2010: \$Nil). The average effective interest rate used is 3.95%.

Impairment losses recognised in respect of property, plant and equipment during the financial year amounted to \$56,000 (2010: \$5,681,000; the impairment losses were attributable to the demolition of a building and the write-down of the recoverable amount for property, plant and equipment).

Valuations of land, buildings and wharves

In the current financial year, property, plant and equipment was not revalued.

All Port Operations land, buildings and wharves were independently valued by Barratt-Boyes Jefferies Limited registered valuers, as at 30 June 2009 to fair value.

The fair value of an asset is determined by reference to its highest and best use subject to current zoning, defined as the most probable use of the property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being revalued.

The fair value of Port Operations assets have been assessed taking into account the current zoning of the property as a port operation and assumes continued efficient operation, adequate strategic profitability and service potential of the entity.

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.

Notes to the financial statements (continued)

30 June 2011

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

Where the fair value of the asset is not able to be reliably determined using any of the abovementioned 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.

To arrive at fair value for property, plant and equipment as at 30 June 2009 the valuers used different approaches for different asset groups.

The valuation approach is as follows:

Buildings – fair value has been assessed having regard to the short term nature of the tenancies, the Port related uses of the premises, the existing rental stream and the underlying freehold land values.

Land – market evidence in respect of industrial land values within the wider Auckland area – \$150–\$1,350 per m².

Wharves – Optimised Depreciated Replacement Cost (ODRC) approach in respect of the various wharf structures taking into account their age, type, location and condition – \$240–\$800 per m².

a) Carrying amounts that would have been recognised if land, wharves and buildings were stated at cost

If freehold land, wharves and freehold buildings were stated on the historical cost basis, the amounts would be as follows:

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Freehold land				
Cost	245,230	245,230	245,230	245,230
Accumulated depreciation	–	–	–	–
Net book value	245,230	245,230	245,230	245,230
Wharves				
Cost	159,379	158,109	159,379	158,109
Accumulated depreciation	(11,521)	(9,307)	(11,521)	(9,307)
Net book value	147,858	148,802	147,858	148,802
Freehold buildings				
Cost	39,803	38,384	39,697	38,354
Accumulated depreciation	(5,431)	(4,574)	(5,429)	(4,573)
Net book value	34,372	33,810	34,268	33,781

16 NON-CURRENT ASSETS – INVESTMENT PROPERTIES

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
At fair value				
Opening balance	50,464	21,769	49,064	20,369
Capitalised subsequent expenditure	3,618	278	3,612	278
Net gain/(loss) from fair value adjustment	5,598	(238)	5,704	(238)
Transfer from property, plant and equipment	–	28,655	–	28,655
Closing balance at 30 June	59,680	50,464	58,380	49,064

Valuation basis

Ports of Auckland's accounting policy is for investment property to be measured at fair value, which reflects market conditions at the statement of financial position date. To determine fair value, Ports of Auckland obtain investment property valuations annually by independent registered valuers.

The valuations as at 30 June 2011 were performed by Seagar & Partners (Auckland) Limited and Colliers International. The valuations as at 30 June 2010 were performed by Gribble Churton Taylor Limited and Colliers International. All valuers are registered valuers and have experience in the location and category of the investment properties being valued.

Ports of Auckland's investment property portfolio comprises a mixture of lessor's interest in both terminating and perpetual ground leases together with freehold land and waterspace licences. The waterspace licences can be treated in the same way as land in this portfolio as their value as investments have similar characteristics.

The value of the lessor's interest in the land is essentially the right to receive the rental income and the right to review the income periodically when scheduled reviews and renewal occur.

The basis of the valuation is based on market evidence at the date of valuation. The valuation methodologies used were based on direct sales comparison, or a direct capitalisation of rental income using market comparisons of capitalisation rates, supported by a discount cash flow approach.

A market capitalisation rate of 6.25% along with a medium term growth rate of 3.28% has been applied, with the exception of waterspace licences for which a market capitalisation rate of 8.00% along with a medium term growth rate of 3.28% has been applied.

Notes to the financial statements (continued)

30 June 2011

17 NON-CURRENT ASSETS – INTANGIBLE ASSETS

Group	Goodwill \$'000	Computer software \$'000	Other intangible assets \$'000	Total \$'000
At 1 July 2009				
Cost	–	12,000	2,289	14,289
Accumulated depreciation and impairment	–	(8,144)	–	(8,144)
Net book value	–	3,856	2,289	6,145
Year ended 30 June 2010				
Opening net book amount	–	3,856	2,289	6,145
Development costs recognised as an asset *	–	490	–	490
Additions	–	1,883	1,289	3,172
Goodwill arising on business combination	3,300	–	–	3,300
Disposals	–	(62)	–	(62)
Amortisation charge **	–	(1,046)	–	(1,046)
Closing net book value	3,300	5,121	3,578	11,999
At 30 June 2010				
Cost	3,300	14,041	3,578	20,919
Accumulated amortisation and impairment	–	(8,920)	–	(8,920)
Net book value	3,300	5,121	3,578	11,999
Group	Goodwill \$'000	Computer software \$'000	Other intangible assets \$'000	Total \$'000
Year ended 30 June 2011				
Opening net book value	3,300	5,121	3,578	11,999
Development costs recognised as an asset *	–	1,163	–	1,163
Additions	–	2,347	470	2,817
Disposals	–	–	–	–
Impairment charge ***	–	(1,467)	(4,048)	(5,515)
Amortisation charge **	–	(1,139)	–	(1,139)
Closing net book value	3,300	6,025	–	9,325
At 30 June 2011				
Cost	3,300	16,068	–	19,368
Accumulated amortisation and impairment	–	(10,043)	–	(10,043)
Net book value	3,300	6,025	–	9,325

Notes to the financial statements (continued)

30 June 2011

17 NON-CURRENT ASSETS – INTANGIBLE ASSETS (continued)

Parent	Goodwill \$'000	Computer software \$'000	Other intangible assets \$'000	Total \$'000
At 1 July 2009				
Cost	–	12,000	2,289	14,289
Accumulated depreciation and impairment	–	(8,144)	–	(8,144)
Net book amount	–	3,856	2,289	6,145
Year ended 30 June 2010				
Opening net book amount	–	3,856	2,289	6,145
Development costs recognised as an asset *	–	490	–	490
Additions	–	1,883	1,289	3,172
Disposals	–	(62)	–	(62)
Amortisation charge **	–	(1,046)	–	(1,046)
Closing net book value	–	5,121	3,578	8,699
At 30 June 2010				
Cost	–	14,041	3,578	17,619
Accumulated amortisation and impairment	–	(8,920)	–	(8,920)
Net book value	–	5,121	3,578	8,699
Year ended 30 June 2011				
Opening net book amount	–	5,121	3,578	8,699
Development costs recognised as an asset*	–	1,163	–	1,163
Additions	–	2,273	470	2,743
Disposals	–	–	–	–
Impairment charge ***	–	(1,467)	(4,048)	(5,515)
Amortisation charge **	–	(1,137)	–	(1,137)
Closing net book value	–	5,953	–	5,953
At 30 June 2011				
Cost	–	15,994	–	15,994
Accumulated amortisation and impairment	–	(10,041)	–	(10,041)
Net book value	–	5,953	–	5,953

* Capitalised development costs is an internally generated intangible asset.

** Amortisation of \$1,139,000 (2010: \$1,046,000) is included in other expenses in the income statement.

*** Impairment losses recognised in respect of other intangible assets during the financial year amounted to \$5,515,000. These losses have been included in other expenses (impairment of other intangible assets and impairment of software) in the income statement.

Computer software additions include finance costs capitalised of \$40,000 (2010: \$Nil). The average effective interest rate is 3.95%.

Goodwill has been allocated to one cash-generating unit, Wiri Freight Hub.

(a) Impairment tests for goodwill

The recoverable amount of the relevant cash-generating unit was assessed by reference to value in use. A weighted average cost of capital of 11.6% per annum (2010: 11.6% per annum) and a terminal growth rate of 2.6% per annum (2010: 2.0% per annum) were applied to the value in use model.

Notes to the financial statements (continued)

30 June 2011

18 NON-CURRENT ASSETS – OTHER ASSETS

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Shares in subsidiaries (note 33)	–	–	9,009	8,642
	–	–	9,009	8,642

On 21 December 2010, the Company acquired an additional 20% of the shares in CONLINXX Limited for NZL Group for a consideration of \$2,400,000.

As at 30 June 2011 the investment in CONLINXX Limited has been impaired by \$2,087,000 (2010: \$Nil) to \$8,014,000.

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

	Group		Parent	
	2011 \$'000	2010* \$'000	2011 \$'000	2010* \$'000
Shares in associates (note 34)	4,093	4,027	3,260	3,260
Interest in joint venture partnerships (note 35)	870	855	206	506
	4,963	4,882	3,466	3,766

(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.

(c) Restatement of comparative information*

The comparatives for 30 June 2010 have been restated; refer to note 41 for further explanation.

20 NON-CURRENT ASSETS – LISTED SECURITIES

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
At beginning of year	13,397	17,424	13,397	17,424
Movements through reserves	82	(4,027)	82	(4,027)
At end of year	13,479	13,397	13,479	13,397
Listed securities				
Equity securities	13,479	13,397	13,479	13,397
	13,479	13,397	13,479	13,397

Listed securities represent 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.

The listed equity securities held by the Group are designated as financial assets at fair value through other comprehensive income. Gains and losses arising from changes in fair value are recognised in other comprehensive income.

The Group adopted NZ IFRS 9 'Financial Instruments' in December 2009 and as part of that adoption process, elected to report the shares held in Northland Port Corporation (NZ) Limited on the basis of fair value through other comprehensive income.

Prior to the early adoption of NZ IFRS 9, listed equity securities were classified as available-for-sale and stated at fair value.

The dividend from the investment will continue to be recognised in the income statement, when the Group's right to receive payment of the dividend is established.

21 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade payables	6,864	5,257	6,328	4,820
Accrued expenses	10,880	10,148	10,690	10,114
Related party trade payables	183	–	287	–
	17,927	15,405	17,305	14,934

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

Notes to the financial statements (continued)

30 June 2011

22 CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Bank overdraft	2,930	–	2,930	–
Loans from related parties	–	9,346	–	9,346
Total current interest bearing borrowings	2,930	9,346	2,930	9,346

(a) Bank overdraft

The bank overdraft facility limit and maximum amount of credit to be made available to the Company is \$10,000,000, which is primarily used for short term working capital requirements. The interest rate is based upon the Reserve Bank of New Zealand's "Official Cash Rate" plus a marginal rate of 1.5% and interest is calculated on the daily balance outstanding.

(b) Loans from related parties

The loan advanced to the Group for the amount of \$10,000,000 by Auckland Regional Holdings on 25 November 2009 has been repaid in full to Auckland Council Investments Limited on 30 June 2011.

(c) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 25 and note 40.

(d) Fair value disclosures

Details of the fair value of interest bearing liabilities for the Group are set out in note 25.

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 25.

23 CURRENT LIABILITIES – PROVISIONS

	Group		Parent	
	2011 \$'000	2011 \$'000	2011 \$'000	2010 \$'000
Employee benefits	6,439	6,478	6,375	6,416
ACC Partnership Programme	478	541	478	541
	6,917	7,019	6,853	6,957

(a) Employee benefits

Employee benefits represent annual leave, alternative days leave, sick leave and long service leave.

(b) ACC Partnership Programme

Liability valuation

An independent actuarial valuer (AON New Zealand) has calculated the Group's liability, as at 30 June 2011. The valuer has attested satisfaction as to the nature, sufficiency and accuracy of the data used to determine the outstanding liability.

The valuation carried out as at 30 June 2011 produced a value for the ACC reserve of \$478,000 (2010: \$541,400). Pre-valuation date claim inflation has been taken as 50% (2010: 50%) of movements in the CPI and 50% (2010: 50%) of the movements in the Average Weekly Earnings (AWE) Index. Post-valuation date claim inflation has been taken as 4% per annum (2010: 4% per annum). A discount rate of 3.8% (2010: 4.5%) has been used.

The Group is not exposed to any significant concentrations of insurance risks as work related injuries are generally the result of an isolated event to an individual employee.

Objectives for managing risk

The Group manages the exposure arising from the programme by promoting a safe and healthy work environment by:

- implementing and monitoring health and safety policies;
- induction training on health and safety;
- actively managing work place injuries to ensure employees return to work as soon as possible;
- recording and monitoring work place injuries and near misses to identify risk areas and implementing mitigating actions; and
- identification of work place hazards and implementation of appropriate safety procedures.

Notes to the financial statements (continued)

30 June 2011

23 CURRENT LIABILITIES – PROVISIONS (continued)

Group – 2011	Employee benefits \$'000	ACC Partnership Programme \$'000	Total \$'000
Current			
Balance at 1 July 2010	6,478	541	7,019
Payments/other sacrifices of economic benefits	(39)	(63)	(102)
Balance at 30 June 2011	6,439	478	6,917

Group – 2010	Employee benefits \$'000	ACC Partnership Programme \$'000	Total \$'000
Current			
Balance at 1 July 2009	6,480	461	6,941
Payments/other sacrifices of economic benefits	(2)	80	78
Balance at 30 June 2010	6,478	541	7,019

Parent – 2011	Employee benefits \$'000	ACC Partnership Programme \$'000	Total \$'000
Current			
Balance at 1 July 2010	6,416	541	6,957
Payments/other sacrifices of economic benefits	(41)	(63)	(104)
Balance at 30 June 2011	6,375	478	6,853

Parent – 2010	Employee benefits \$'000	ACC Partnership Programme \$'000	Total \$'000
Current			
Balance at 1 July 2009	6,480	461	6,941
Payments/other sacrifices of economic benefits	(64)	80	16
Balance at 30 June 2010	6,416	541	6,957

24 CURRENT LIABILITIES – OTHER CURRENT LIABILITIES

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Deferred income	22	–	22	–
Advances from subsidiaries	–	–	300	300
	22	–	322	300

Notes to the financial statements (continued)

30 June 2011 —

25 NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Unsecured				
Loan from NZL Group Limited	–	306	–	–
Revolving cash advances facility – \$290 million (2010: \$300 million)	237,320	249,724	237,320	249,724
Total unsecured non-current interest bearing borrowings	237,320	250,030	237,320	249,724
Total non-current interest bearing liabilities	237,320	250,030	237,320	249,724

(a) Non-current interest bearing borrowings

At balance date, the Group and Parent have unsecured borrowings of \$238,000,000 under a \$300,000,000 rolling three year revolving advances facility put in place on 26 November 2009, and subsequently amended to \$290,000,000 on 22 October 2010 (2010: \$250,500,000 under \$300,000,000 rolling three year revolving advances facility put in place on 26 November 2009).

At 30 June 2011, the undrawn amount under the revolving advances facility was \$52,000,000 (2010: \$49,500,000).

At 30 June 2011, the Group had in place a \$290,000,000 revolving advances facility (2010: \$300,000,000 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 and 26 November 2009. This is for the benefit of Westpac Banking Corporation, Bank of New Zealand and Commonwealth Bank of Australia.

The non-current borrowings are unsecured. The Parent company borrows under a negative pledge arrangement which requires certain certificates and covenants (refer to note 40(f)). There have been no breaches of this negative pledge during the financial period.

Loans from NZL Group Limited

At balance date, the Group has borrowings from NZL Group Limited of \$Nil (2010: \$306,000). NZL Group Ltd owns 10% non-controlling interest in CONLINXX Ltd (2010: 30% non-controlling interest).

(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 interest rate is based on BKBM (bank bill bid settlement) rate plus a margin of 0.925% per annum. The Parent company generally borrows funds on a 90 day term.

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

Notes to the financial statements (continued)

30 June 2011

26 NON-CURRENT LIABILITIES – PROVISIONS

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Employee benefits	1,678	1,714	1,678	1,714
	1,678	1,714	1,678	1,714

Movements in provisions

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

Group – 2011	Employee benefits \$'000	Total \$'000
Non-current		
Carrying amount at start of year	1,714	1,714
Payments/other sacrifices of economic benefits	(36)	(36)
Carrying amount at end of year	1,678	1,678

Group – 2010	Employee benefits \$'000	Total \$'000
Non-current		
Carrying amount at start of year	1,856	1,856
Payments/other sacrifices of economic benefits	(142)	(142)
Carrying amount at end of year	1,714	1,714

Parent – 2011	Employee benefits \$'000	Total \$'000
Non-current		
Carrying amount at start of year	1,714	1,714
Payments/other sacrifices of economic benefits	(36)	(36)
Carrying amount at end of year	1,678	1,678

Parent – 2010	Employee benefits \$'000	Total \$'000
Non-current		
Carrying amount at start of year	1,856	1,856
Payments/other sacrifices of economic benefits	(142)	(142)
Carrying amount at end of year	1,714	1,714

Notes to the financial statements (continued)

30 June 2011

27 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

Movements – Group	Opening balance \$'000	Charged to profit or loss \$'000	Charged to other comprehensive income \$'000	Changes in income tax rates \$'000	Total \$'000
At 1 July 2009					
Cash flow hedges	(3,405)	–	124	–	(3,281)
Revaluation of property, plant and equipment	1,680	–	(72)	–	1,608
Inventory	(60)	(29)	–	–	(89)
Property, plant and equipment	42,764	3,788	(4,419)	(2,059)	40,074
Investment property	248	166	–	(18)	396
Intangible assets	305	150	–	(31)	424
Provisions	(3,581)	(910)	–	–	(4,491)
Deferred revenue	2,830	(294)	–	(167)	2,369
Other	(8)	7	–	–	(1)
At 30 June 2010	40,773	2,878	(4,367)	(2,275)	37,009
At 1 July 2010					
Cash flow hedges	(3,281)	–	487	–	(2,794)
Revaluation of property, plant and equipment	1,608	–	(108)	–	1,500
Inventory	(89)	89	–	–	–
Property, plant and equipment	40,074	968	–	–	41,042
Investment property	396	112	–	–	508
Intangible assets	424	42	–	–	466
Provisions	(4,491)	257	–	–	(4,234)
Deferred revenue	2,369	(30)	–	–	2,339
Other	(1)	1	–	–	–
At 30 June 2011	37,009	1,439	379	–	38,827
Movements – Parent					
	Opening balance \$'000	Charged to profit or loss \$'000	Charged to other comprehensive income \$'000	Changes in income tax rates \$'000	Total \$'000
At 1 July 2009					
Cash flow hedges	(3,405)	–	124	–	(3,281)
Revaluation of property, plant and equipment	1,680	–	(72)	–	1,608
Inventory	(60)	(29)	–	–	(89)
Property, plant and equipment	42,764	3,788	(4,419)	(2,059)	40,074
Investment property	30	–	–	(2)	28
Intangible assets	305	150	–	(31)	424
Provisions	(3,579)	(904)	–	–	(4,483)
Deferred revenue	2,830	(294)	–	(167)	2,369
At 30 June 2010	40,565	2,711	(4,367)	(2,259)	36,650
At 1 July 2010					
Cash flow hedges	(3,281)	–	487	–	(2,794)
Revaluation of property, plant and equipment	1,608	–	(108)	–	1,500
Inventory	(89)	89	–	–	–
Property, plant and equipment	40,074	968	–	–	41,042
Investment property	28	282	–	–	310
Intangible assets	424	42	–	–	466
Provisions	(4,483)	262	–	–	(4,221)
Deferred revenue	2,369	(30)	–	–	2,339
At 30 June 2011	36,650	1,613	379	–	38,642

Notes to the financial statements (continued)

30 June 2011 —

28 SHARE CAPITAL

	Notes	2011 Shares	Group and Parent 2010 Shares	2011 \$'000	2010 \$'000
(a) Share capital					
Ordinary shares	(b)				
Opening balance of ordinary shares issued		146,005,192	106,005,192	146,005	106,005
Issue of ordinary shares during the financial year	(b)	–	40,000,000	–	40,000
		146,005,192	146,005,192	146,005	146,005

(b) Ordinary shares

At 30 June 2011, there were 146,005,192 (2010: 146,005,192) ordinary shares issued and fully paid; 10,000,000 ordinary shares remain uncalled at the end of the financial year.

On 3 September 2009, 50,000,000 ordinary shares were issued for cash at \$1.00 per share, 40,000,000 ordinary shares were called and \$40,000,000 was received during the prior financial year.

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; they carry a right to dividends and a share of net assets on a wind up.

Notes to the financial statements (continued)

30 June 2011

29 RESERVES AND RETAINED EARNINGS

	Notes	Group		Parent	
		2011 \$'000	2010* \$'000	2011 \$'000	2010* \$'000
(a) Reserves – Components of other comprehensive income					
Property, plant and equipment revaluation reserve		27,687	27,579	27,687	27,579
Hedging reserve – cash flow hedges		(6,902)	(7,466)	(6,902)	(7,466)
Fair value through other comprehensive income reserve		(3,945)	(4,027)	(3,945)	(4,027)
		16,840	16,086	16,840	16,086
Movements:					
<i>Property, plant and equipment revaluation reserve</i>					
Balance 1 July		27,579	31,577	27,579	31,577
Revaluation – gross	15	–	(240)	–	(240)
Deferred tax	27	108	72	108	72
Transfer to retained earnings	41	–	(3,830)	–	(3,830)
Balance 30 June		27,687	27,579	27,687	27,579

* In accordance with NZ IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, the comparative financial information has been restated to reflect a transfer correction between 'Reserves' and 'Retained earnings' on the face of the statements of financial position. Reference should be made to note 41 for further explanation.

	Notes	Group		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<i>Hedging reserve – cash flow hedges</i>					
Balance 1 July		(7,466)	(7,853)	(7,466)	(7,853)
Revaluations		(6,051)	(8,371)	(6,051)	(8,371)
Transfer to net profit		7,102	8,882	7,102	8,882
Deferred tax	27	(487)	(124)	(487)	(124)
Balance 30 June		(6,902)	(7,466)	(6,902)	(7,466)
<i>Fair value through other comprehensive income reserve</i>					
Balance 1 July		(4,027)	–	(4,027)	–
Fair value changes of financial assets through other comprehensive income	20	82	(4,027)	82	(4,027)
Balance 30 June		(3,945)	(4,027)	(3,945)	(4,027)

Notes to the financial statements (continued)

30 June 2011

29 RESERVES AND RETAINED EARNINGS (continued)

(b) Retained earnings

	Notes	Group		Parent	
		2011 \$'000	2010* \$'000	2011 \$'000	2010* \$'000
Balance 1 July		231,614	207,221	238,403	205,091
Net profit attributable to members of Ports of Auckland Limited and Subsidiaries		23,543	37,447	22,074	46,366
Dividends	31	(17,556)	(22,326)	(17,556)	(22,326)
Transfer to retained earnings		–	4,419	–	4,419
Fair value change on funds contributed by equity holders		–	1,023	–	1,023
Other movements		(200)	–	–	–
Transfers from asset revaluation reserve	41	–	3,830	–	3,830
Balance 30 June		237,401	231,614	242,921	238,403

The amount of \$4,419,000 transferred to retained earnings in the prior financial year was the release of the deferred tax liability on the disposal of non-current assets classified as held for sale.

(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(p). 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) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge. The amounts are recognised in the income statement when the associated hedged transactions affect profit or loss in note 2(n).

(iii) Fair value through other comprehensive income reserve

The fair value through other comprehensive income reserve is used to record the fair value changes on listed securities. The fair value movements are recognised in the statements of comprehensive income.

(d) Restatement of comparative information*

Refer to note 41 for further explanation.

30 NON-CONTROLLING INTERESTS

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Interest in:				
Share capital	1,100	3,300	–	–
Retained profits	(472)	(255)	–	–
	628	3,045	–	–

	Group	
	2011 \$'000	2010 \$'000
Balance at 1 July	3,045	–
Share capital	(2,200)	3,300
Retained profits	(217)	(255)
Balance at the end of the year	628	3,045

On 21 December 2010, the Company acquired an additional 20% of the shares in CONLINXX Limited from NZL Group for a consideration of \$2,400,000.

31 DIVIDENDS

	Group and Parent			
	2011 Cents	2010 Cents	2011 \$'000	2010 \$'000
Interim dividend for the year ended 30 June 2011	7.09	–	10,359	–
Final dividend for the year ended 30 June 2010	4.93	–	7,197	–
Interim dividend for the year ended 30 June 2010	–	6.79	–	9,913
Final dividend for the year ended 30 June 2009	–	11.71	–	12,413
	12.02	18.50	17,556	22,326

Notes to the financial statements (continued)

30 June 2011

32 RELATED PARTY TRANSACTIONS

(a) Parent entities

Ports of Auckland Limited is wholly owned by Auckland Council Investments Limited (previously by Auckland Regional Holdings).

Auckland Council Investments Limited (ACIL) owns and manages Auckland Council's major investment assets. It has an independent Board of Directors and is a council-controlled organisation (CCO). The ultimate controlling party of Auckland Council Investments Limited is Auckland Council.

(b) Directors

During the year, the Group entered into transactions with companies in which there are common directorships. These transactions have occurred on an arm's length commercial basis, without special privileges.

(c) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2011 and 2010 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.

The Group does not provide any non cash benefits to directors and key management personnel in addition to their directors fees or salaries.

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Directors' fees	425	383	425	383
Salaries, other short term employee benefits	3,242	2,775	3,242	2,775
Termination costs	1,475	–	1,475	–
	5,142	3,158	5,142	3,158

(d) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Notes	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<i>Related parties – current receivables balances</i>				
Auckland Council	4	–	4	–
Auckland Regional Holdings	–	33	–	33
Auckland Waterfront Development Agency Limited	26	–	26	–
CONLINXX Limited	–	–	439	270
United Containers Limited	19	31	19	31
North Tugz Limited	29	17	29	17
Seafuels Limited	16	15	16	15
11	94	96	533	366

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

Notes	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<i>Related parties – current payables balances</i>				
Auckland Council	89	–	89	–
Watercare Services Limited	25	–	25	–
Auckland Waterfront Development Agency Limited	23	–	23	–
CONLINXX Limited	–	–	104	–
United Containers Limited	46	–	46	–
21	183	–	287	–

Notes to the financial statements (continued)

30 June 2011

32 RELATED PARTY TRANSACTIONS (continued)

(d) Outstanding balances (continued)

	Notes	Group		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<i>Related parties – other current liabilities balances</i>					
Auckland Regional Holdings	22	–	9,346	–	9,346
Advance from Ports of Auckland Investments Limited	24	–	–	300	300
		–	9,346	300	9,646
<i>Related parties – non-current assets balances</i>					
Seafuels Limited – shareholder loan	14	5,413	12,163	5,413	12,163
CONLINXX Limited – shareholder loan	14	–	–	3,310	1,532
		5,413	12,163	8,723	13,695

(e) Transactions with related parties

Related party	Nature of transactions	Transactions	
		2011 \$'000	2010 \$'000
Northland Port Corporation (NZ) Limited	Net dividends received	433	452
North Tugz Limited – (Joint Venture)	Net dividends received	1,000	1,750
	Advance repayments to Ports of Auckland Limited	300	125
	Services provided by Ports of Auckland Limited	297	45
United Containers Limited – (Associate)	Net dividends received	237	121
	Services provided by Ports of Auckland Limited	561	386
	Services provided to Ports of Auckland Limited	608	1,314
CONLINXX Limited – (Subsidiary)	Advances by Ports of Auckland Limited	1,250	1,500
	Services provided by Ports of Auckland Limited	1,431	595
	Services provided to Ports of Auckland Limited	911	21
Seafuels Limited – (Joint Venture)	Advances by Ports of Auckland Limited	–	750
	Advance repayments to Ports of Auckland Limited	6,750	–
	Services provided by Ports of Auckland Limited	161	–
Auckland Regional Holdings	Net dividend paid	7,197	22,326
	Advance to Ports of Auckland Limited	–	10,000
	Services provided to Ports of Auckland Limited	215	368
Auckland Council Investments Limited	Net dividend paid	10,359	–
	Advance repayment from Ports of Auckland Limited	10,000	–
	Services provided to Ports of Auckland Limited	439	–
Auckland Council	Services provided by Ports of Auckland Limited (from 1 November 2010 to 30 June 2011)	8	–
	Services provided to Ports of Auckland Limited (from 1 November 2010 to 30 June 2011)	688	–
Watercare Services Limited – (Common ultimate shareholder)	Services provided to Ports of Auckland Limited (from 1 November 2010 to 30 June 2011)	219	–
Auckland Waterfront Development Agency Limited – (Common ultimate shareholder)	Services provided by Ports of Auckland Limited (from 1 November 2010 to 30 June 2011)	223	–
	Services provided to Ports of Auckland Limited (from 1 November 2010 to 30 June 2011)	6	–

Notes to the financial statements (continued)

30 June 2011 —

33 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 have a balance date of 30 June.

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2011 %	2010 %
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
CONLINXX Limited	New Zealand	Ordinary	90	70
The Treadway Trust	New Zealand		100	100

34 INVESTMENTS IN ASSOCIATES

(a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activities	Ownership interest		Group		Parent	
		2011 %	2010 %	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
United Container Limited	Container Depot	27.5	27.5	4,093	4,027	3,260	3,260
				4,093	4,027	3,260	3,260

The above associate is incorporated in New Zealand.

The above entity has a balance date of 30 June.

Movements in carrying amounts	Group	
	2011 \$'000	2010 \$'000
Carrying amount at the beginning of the financial year (including goodwill \$593,000 (2010: \$593,000))	4,027	3,879
Share of profits after income tax	420	328
Dividends received	(354)	(180)
Balance at 30 June	4,093	4,027

Notes to the financial statements (continued)

30 June 2011

35 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.

The Company has a 50% interest in Seafuels Limited, which is resident in New Zealand and the principal activity is to provide a tanker for refuelling services for cruise ships and commercial vessels in the Auckland area.

The interests in North Tugz Limited and Seafuels Limited are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the Parent entity (refer to note 19). Information relating to the joint venture partnerships are set out below.

Name and principal activity	Ownership interest		Carrying value of investment			
	2011	2010	Group		Parent	
	%	%	2011	2010*	2011	2010*
			\$'000	\$'000	\$'000	\$'000
North Tugz Limited	50	50%	395	593	206	506
Seafuels Limited	50	50%	475	262	–	–
			870	855	206	506

(i) North Tugz Limited has a 30 June year-end and Seafuels Limited has a 31 December year-end. To equity account for the investment in Seafuels Limited the 30 June 2011 balance is based on the audited six month period ended 31 December 2010 and the unaudited six month period ended 30 June 2011.

(ii) The entities are not controlled entities due to the provisions of shareholder agreements.

(iii) The comparatives for 30 June 2010 have been restated; refer to note 41 for further explanation. *

	Group	
	2011	2010
	\$'000	\$'000
(b) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	855	1,626
Share of profits after income tax	1,744	1,867
Loan advanced to Seafuels Limited	–	–
Repayment of loan	(300)	(125)
Dividends received	(1,429)	(2,513)
Carrying amount at the end of the financial year	870	855

	Aggregate balance		Group's portion	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Share of joint ventures and associates assets and liabilities				
Current assets	8,494	7,713	3,043	2,721
Non-current assets	65,865	67,506	29,787	30,617
Total assets	74,359	75,219	32,830	33,338
Current liabilities	7,184	10,930	2,987	4,832
Non-current liabilities	41,099	39,924	19,414	18,781
Total liabilities	48,283	50,854	22,401	23,613
Net assets	26,076	24,365	10,429	9,725

	Aggregate balances		Group's portion	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Share of joint ventures and associate's revenue, expenses and results				
Revenues	43,031	40,730	15,042	14,034
Expenses	(36,993)	(34,367)	(12,521)	(11,239)
Profit before income tax	6,038	6,363	2,521	2,795

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

The joint ventures and associates had no contingent liabilities or capital commitments as at 30 June 2011 (2010: \$Nil).

Notes to the financial statements (continued)

30 June 2011

36 COMMITMENTS

(a) Capital commitments

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Property, plant and equipment	8,291	825	8,291	825
Intangible assets – software	1,093	–	1,093	–
Investment property	590	–	590	–
	9,974	825	9,974	825

(b) Lease commitments where a Group company is the lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Within one year	5,003	5,103	5,304	4,810
Later than one year and not later than five years	17,178	16,727	18,028	15,435
Later than five years	18,645	19,143	18,645	19,143
	40,826	40,973	41,977	39,388

The majority of operating leases relate to investment property owned by the Group with lease terms between 4 to 12 years. Further operating leases relating to buildings with port operation boundaries included in property, plant and equipment also owned by the Group with a lease term between 1 to 31 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

37 CONTINGENCIES

(a) Contingent liabilities

The Parent entity and Group had no contingent liabilities at 30 June 2011 (2010: \$Nil).

38 EVENTS OCCURRING AFTER THE BALANCE DATE

On 22 August 2011, subsequent to year end the Board of Directors resolved to pay a final fully imputed dividend of 5.22 cents per ordinary share, a total of \$7,628,000. The dividend has been paid on 24 August 2011.

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

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Profit for the year	23,326	37,192	22,074	46,366
Depreciation and amortisation	19,868	20,097	19,840	20,088
Movements in associate and joint ventures	(381)	498	–	–
Fair value movements in derivatives	91	99	91	99
Movements in borrowings allocated to interest paid	750	(407)	750	(407)
Movement in interest received	(14)	–	(160)	–
Gain on sale of intangible assets	–	–	–	(7,700)
Net/(gain) loss on sale of non-current assets	80	(20,948)	80	(20,948)
GST on disposal of non-current assets classified as held for sale	–	(5,000)	–	(5,000)
Net impairment charge for property, plant and equipment	56	5,442	56	5,442
Net impairment charge for other intangible assets	4,048	–	4,048	–
Net impairment charge for software	1,467	–	1,467	–
Fair value adjustment to investment property	(5,598)	238	(5,704)	238
Impairment of investment in subsidiaries	–	–	2,087	–
Change in operating assets and liabilities:				
(Increase)/decrease in receivables and prepayments	(3,688)	(1,607)	(3,720)	(830)
(Increase)/decrease in other operating assets	230	(479)	230	(479)
(Decrease)/increase in creditors and provisions	2,420	(3,660)	2,267	(4,187)
Increase/(decrease) in provision for income taxes payable	455	3,415	648	3,770
(Decrease)/increase in provision for deferred income tax	1,439	603	1,613	452
(Decrease)/increase in other provisions	(36)	(142)	(36)	(142)
Capital items included in working capital movements	137	148	137	148
Net cash inflow from operating activities	44,650	35,489	45,768	36,910

Notes to the financial statements (continued)

30 June 2011

40 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 programme 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 Group does not have any material exposure to currency risk except for the one-off purchases of assets (e.g. plant and equipment) denominated in foreign currencies. 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(c) and note 2(n).

At 30 June 2011, the Group had no foreign currency derivative contracts outstanding (2010: \$Nil).

(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 (NZ) Limited, classified on the statements of financial position as listed securities (at fair value through other comprehensive income). 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.

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

	30 June 2011		30 June 2010	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank overdrafts and bank loans	3.6	240,930	3.9	250,500
Interest-rate swaps (notional principal amount)	6.3	272,000	6.5	242,000

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 13 and a summary of terms and conditions is in note 22 and note 25.

Notes to the financial statements (continued)

30 June 2011

40 FINANCIAL RISK MANAGEMENT (continued)

(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.

Group 30 June 2011	Carrying amount \$'000	Interest rate risk				Foreign exchange risk				Other price risk			
		-1%		+1%		-10%		+10%		-10%		+10%	
		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	219	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	24,584	-	-	-	-	-	-	-	-	-	-	-	-
Listed securities	13,479	-	-	-	-	-	-	-	-	(1,348)	-	1,348	-
Derivatives – cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities													
Derivatives – cash flow hedges	9,977	6	(4,241)	126	4,772	-	-	-	-	-	-	-	-
Trade payables	17,927	-	-	-	-	(30)	-	26	-	-	-	-	-
Interest bearing liabilities	240,250	489	-	(489)	-	-	-	-	-	-	-	-	-
Total increase/ (decrease)		495	(4,241)	(363)	4,772	(30)	-	26	-	(1,348)	-	1,348	-

Group 30 June 2010	Carrying amount \$'000	Interest rate risk				Foreign exchange risk				Other price risk			
		-1%		+1%		-10%		+10%		-10%		+10%	
		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	1,423	(6)	-	6	-	-	-	-	-	-	-	-	-
Trade and other receivables	27,385	-	-	-	-	-	-	-	-	-	-	-	-
Listed securities	13,397	-	-	-	-	-	-	-	-	(1,340)	-	1,340	-
Derivatives – cash flow hedges	48	(15)	(1,281)	(1)	1,194	-	-	-	-	-	-	-	-
Financial liabilities													
Derivatives – cash flow hedges	10,985	1	(3,880)	(1)	3,753	-	-	-	-	-	-	-	-
Trade payables	15,405	-	-	-	-	(15)	-	14	-	-	-	-	-
Interest bearing liabilities	259,376	588	-	(588)	-	-	-	-	-	-	-	-	-
Total increase/ (decrease)		568	(5,161)	(584)	4,947	(15)	-	14	-	(1,340)	-	1,340	-

Notes to the financial statements (continued)

30 June 2011

40 FINANCIAL RISK MANAGEMENT (continued)

(iv) Summarised sensitivity analysis (continued)

Parent 30 June 2011	Carrying amount \$'000	Interest rate risk				Foreign exchange risk				Other price risk			
		-1%		+1%		-10%		+10%		-10%		+10%	
		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	1	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	27,141	(33)	-	33	-	-	-	-	-	-	-	-	-
List securities	13,479	-	-	-	-	-	-	-	-	(1,348)	-	1,348	-
Derivatives – cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities													
Derivatives – cash flow hedges	9,977	6	(4,241)	126	4,772	-	-	-	-	-	-	-	-
Trade payables	17,605	-	-	-	-	(30)	-	26	-	-	-	-	-
Interest bearing liabilities	240,250	489	-	(489)	-	-	-	-	-	-	-	-	-
Total increase/ (decrease)		462	(4,241)	(330)	4,772	(30)	-	26	-	(1,348)	-	1,348	-

Parent 30 June 2010	Carrying amount \$'000	Interest rate risk				Foreign exchange risk				Other price risk			
		-1%		+1%		-10%		+10%		-10%		+10%	
		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	1,262	(6)	-	6	-	-	-	-	-	-	-	-	-
Trade and other receivables	28,132	(15)	-	15	-	-	-	-	-	-	-	-	-
Listed securities	13,397	-	-	-	-	-	-	-	-	(1,340)	-	1,340	-
Derivatives – cash flow hedges	48	15	(1,281)	(1)	1,194	-	-	-	-	-	-	-	-
Financial liabilities													
Derivatives – cash flow hedges	10,985	1	(3,880)	(1)	3,753	-	-	-	-	-	-	-	-
Trade payables	15,234	-	-	-	-	(15)	-	14	-	-	-	-	-
Interest bearing liabilities	259,070	585	-	(585)	-	-	-	-	-	-	-	-	-
Total increase/ (decrease)		580	(5,161)	(566)	4,947	(15)	-	14	-	(1,340)	-	1,340	-

(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 Pooors 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.

Notes to the financial statements (continued)

30 June 2011 —

40 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Trade receivables consist of a large number of customers, spread across diverse industries. Approximately 71% (2010: 67%) of trade receivables at balance date is reflected by the Group's ten largest customers. At balance date approximately 31% (2010: 17%) of the trade receivables related to one customer. The Group is satisfied with the credit quality of the customer and does not anticipate any non performance.

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 and the guarantee set out in note 14.

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.

Ports of Auckland Limited guaranteed 50% of a National Australia Bank of New Zealand Currency Loan Cash Advances Facility structure for Seafuels Limited. The Group's maximum credit risk in relation to this guarantee is \$7,500,000. At 30 June 2011 the Group's share of the amount drawn down is \$6,172,000.

(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.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group – At 30 June 2011	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	17,927	–	–	–	–	17,927	17,927
Variable rate loans *	7,291	4,483	8,675	241,484	–	261,933	240,250
Financial guarantee contracts	7,500	–	–	–	–	7,500	–
Total non-derivatives	32,718	4,483	8,675	241,484	–	287,360	258,177
Derivatives							
Net settled (interest rate swaps)	3,857	2,314	3,013	1,456	2	10,642	9,977
Total derivatives	3,857	2,314	3,013	1,456	2	10,642	9,977

Notes to the financial statements (continued)

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40 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

Group – At 30 June 2010	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	15,405	–	–	–	–	15,405	15,405
Variable rate loans *	5,038	15,068	10,220	255,011	–	285,337	259,376
Total non-derivatives	20,443	15,068	10,220	255,011	–	300,742	274,781

Derivatives

Net settled

(interest rate swaps)	3,322	2,559	3,591	2,052	–	11,524	10,985
Total derivatives	3,322	2,559	3,591	2,052	–	11,524	10,985

Parent – At 30 June 2011	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	17,605	–	–	–	–	17,605	17,605
Variable rate loans *	7,291	4,483	8,675	241,484	–	261,933	240,250
Financial guarantee contract	7,500	–	–	–	–	7,500	–
Total non-derivatives	32,396	4,483	8,675	241,484	–	287,038	257,855

Derivatives

Net settled

(interest rate swaps)	3,857	2,314	3,013	1,456	2	10,642	9,977
Total derivatives	3,857	2,314	3,013	1,456	2	10,642	9,977

Parent – At 30 June 2010	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	15,234	–	–	–	–	15,234	15,234
Variable rate loans *	5,038	15,068	10,220	254,644	–	284,970	259,070
Total non-derivatives	20,272	15,068	10,220	254,644	–	300,204	274,304

Derivatives

Net settled

(interest rate swaps)	3,322	2,559	3,591	2,052	–	11,524	10,985
Total derivatives	3,322	2,559	3,591	2,052	–	11,524	10,985

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

(d) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

Notes to the financial statements (continued)

30 June 2011

40 FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value estimation

The following tables presents the Group and Parent's assets and liabilities that are measured at fair value as at 30 June 2011.

Group – At 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
Assets				
Derivatives used for hedging	–	–	–	–
Listed securities	13,479	–	–	13,479
Total assets	13,479	–	–	13,479
Liabilities				
Derivatives used for hedging	–	9,977	–	9,977
Total liabilities	–	9,977	–	9,977

Group – At 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
Assets				
Derivatives used for hedging	–	48	–	48
Listed securities	13,397	–	–	13,397
Total assets	13,397	48	–	13,445
Liabilities				
Derivatives used for hedging	–	10,985	–	10,985
Total liabilities	–	10,985	–	10,985

Parent – At 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
Assets				
Derivatives used for hedging	–	–	–	–
Listed securities	13,479	–	–	13,479
Total assets	13,479	–	–	13,479
Liabilities				
Derivatives used for hedging	–	9,977	–	9,977
Total liabilities	–	9,977	–	9,977

Parent – At 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
Assets				
Derivatives used for hedging	–	48	–	48
Listed securities	13,397	–	–	13,397
Total assets	13,397	48	–	13,445
Liabilities				
Derivatives used for hedging	–	10,985	–	10,985
Total liabilities	–	10,985	–	10,985

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily NZX equity investments classified as trading securities or financial assets at fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Notes to the financial statements (continued)

30 June 2011

40 FINANCIAL RISK MANAGEMENT (continued)

(e) Financial instruments by category

Financial assets as per statements of financial position

Group At 30 June 2011	At fair value through profit or loss \$'000	At fair value through other comprehensive income \$'000	At amortised cost \$'000	Total \$'000
Listed securities	–	13,479	–	13,479
Other financial assets	–	–	5,413	5,413
Derivative financial instruments	–	–	–	–
Trade and other receivables	–	–	19,171	19,171
Other financial assets through profit or loss	–	–	–	–
Cash and cash equivalents	–	–	219	219
	–	13,479	24,803	38,282

Group At 30 June 2010	Derivatives used for hedging \$'000	At fair value through other comprehensive income \$'000	*At amortised cost \$'000	Total \$'000
Listed securities	–	13,397	–	13,397
Other financial assets	–	–	12,163	12,163
Derivative financial instruments	48	–	–	48
Trade and other receivables	–	–	15,222	15,222
Other financial assets through profit or loss	–	–	–	–
Cash and cash equivalents	–	–	1,423	1,423
	48	13,397	28,808	42,253

* Refer to note 41 for further explanation.

Financial assets as per statements of financial position

Parent At 30 June 2011	Derivatives used for hedging \$'000	At fair value through other comprehensive income \$'000	*At amortised cost \$'000	Total \$'000
Listed securities	–	13,479	–	13,479
Other financial assets	–	–	8,723	8,723
Derivative financial instruments	–	–	–	–
Trade and other receivables	–	–	18,418	18,418
Other financial assets through profit or loss	–	–	–	–
Cash and cash equivalents	–	–	1	1
	–	13,479	27,142	40,621

Parent At 30 June 2010	Derivatives used for hedging \$'000	At fair value through other comprehensive income \$'000	*At amortised cost \$'000	Total \$'000
Listed securities	–	13,397	–	13,397
Other financial assets	–	–	13,695	13,695
Derivative financial instruments	48	–	–	48
Trade and other receivables	–	–	14,437	14,437
Other financial assets through profit or loss	–	–	–	–
Cash and cash equivalents	–	–	1,262	1,262
	48	13,397	29,394	42,839

* Refer to note 41 for further explanation.

Notes to the financial statements (continued)

30 June 2011

40 FINANCIAL RISK MANAGEMENT (continued)

(e) Financial instruments by category (continued)

Financial liabilities as per statements of financial position

Group At 30 June 2011	Derivatives used for hedging \$'000	Other financial liabilities \$'000	Total \$'000
Interest-bearing liabilities	–	240,250	240,250
Derivative financial instruments	9,977	–	9,977
Trade and other payables	–	17,927	17,927
	9,977	258,177	268,154

Group At 30 June 2010	Derivatives used for hedging \$'000	Other financial liabilities \$'000	Total \$'000
Interest-bearing liabilities	–	259,376	259,376
Derivative financial instruments	10,985	–	10,985
Trade and other payables	–	15,405	15,405
	10,985	274,781	285,766

Parent At 30 June 2011	Derivatives used for hedging \$'000	Other financial liabilities \$'000	Total \$'000
Interest-bearing liabilities	–	240,250	240,250
Derivative financial instruments	9,977	–	9,977
Trade and other payables	–	17,605	17,605
	9,977	257,855	267,832

Parent At 30 June 2010	Derivatives used for hedging \$'000	Other financial liabilities \$'000	Total \$'000
Interest-bearing liabilities	–	259,070	259,070
Derivative financial instruments	10,985	–	10,985
Trade and other payables	–	15,234	15,234
	10,985	274,304	285,289

(f) Capital risk management

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

The Group's objective when managing capital is to safeguard its 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 statement of financial position 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 'current and non-current borrowings' as shown in the Group's statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

	Notes	Group	
		2011 \$'000	2010 \$'000
Total borrowings		240,250	259,376
Less: cash and cash equivalents (note 10)	(b)	(219)	(1,423)
Net debt		240,031	257,953
Total equity		400,874	396,750
Total capital		640,905	654,703
Gearing ratio – net debt to net debt + equity (%)		37%	39%

The Group is subject to a negative pledge deed in relation to its interest-bearing borrowings as set out in note 25. The negative pledge deed sets out a minimum interest cover requirements (1.50:1.00) and a maximum gearing ratio percentage requirements (65%).

Notes to the financial statements (continued)

30 June 2011

41 RESTATEMENT OF COMPARATIVE INFORMATION

For the year ended 30 June 2010, the Group has reclassified a loan included on the face of the statements of financial position in 'Investment accounted for using the equity method' to non-current assets 'Trade and other receivables'.

The impact of this restatement on the relevant balances as at 30 June 2010 in the statements of financial position is as follows:

Parent	As previously stated \$000	Restatement \$000	As restated \$000
Non-current assets			
Investments accounted for using the equity method	15,929	(12,163)	3,766
Trade and other receivables	1,532	12,163	13,695

Group	As previously stated \$000	Restatement \$000	As restated \$000
Non-current assets			
Investments accounted for using the equity method	17,045	(12,163)	4,882
Trade and other receivables	–	12,163	12,163

In 2009 the Company funded the purchase of a fuel tanker – 'Awanuia' by Seafuels Limited. At the time of purchase the fuel tanker was yet to arrive in New Zealand; as a result the related capital structure was yet to be decided and the Company had no intention of repayment. Upon the finalisation of the capital structure in 2010 this balance became repayable and as a result was required to be reclassified from investments accounted for using the equity method to non-current assets – trade and other receivables.

For the year ended 30 June 2010, the Group has reclassified 'Reserves – Property, plant and equipment revaluation' directly to 'Retained earnings'. In accordance with NZ IAS 16 Property, Plant and Equipment, when an asset is derecognised with a revaluation surplus, the revaluation surplus is transferred directly to retained earnings. The revaluation surplus on the disposal of 'Non-current assets classified assets held for sale' was not transferred in 2010.

The impact of this restatement on the relevant balance as at 30 June 2010 in the statements of financial position is as follows:

Parent	As previously stated \$000	Restatement \$000	As restated \$000
Equity			
Reserves	19,916	(3,830)	16,086
Retained earnings	234,573	3,830	238,403

Group	As previously stated \$000	Restatement \$000	As restated \$000
Equity			
Reserves	19,916	(3,830)	16,086
Retained earnings	227,784	3,830	231,614

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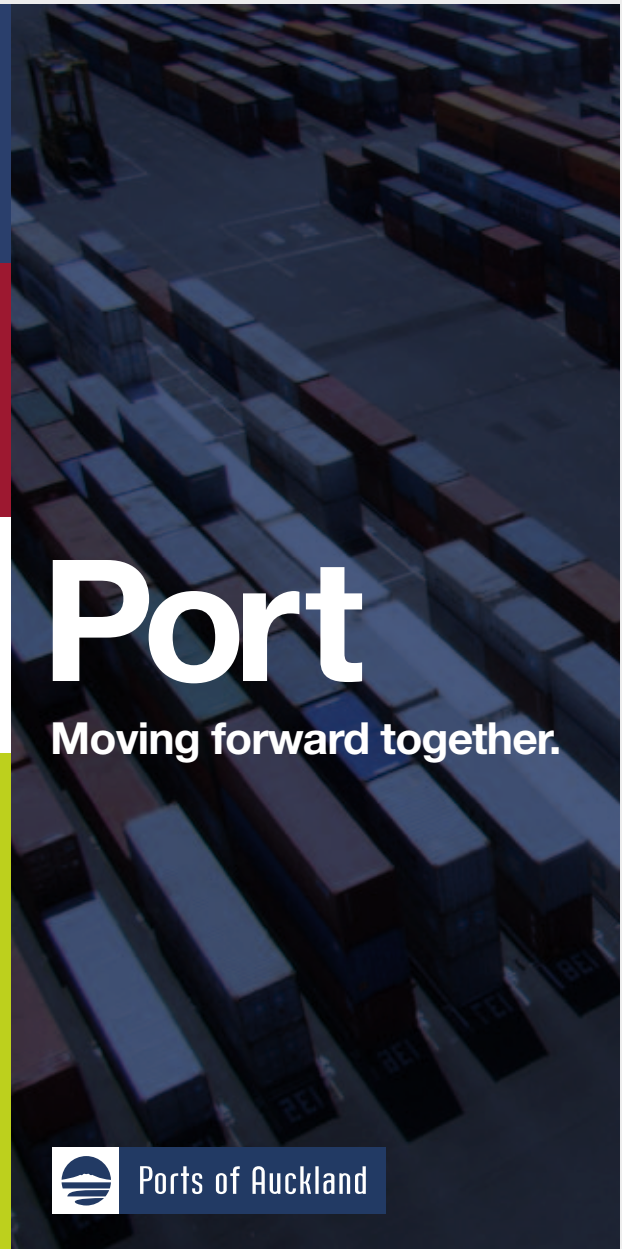
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