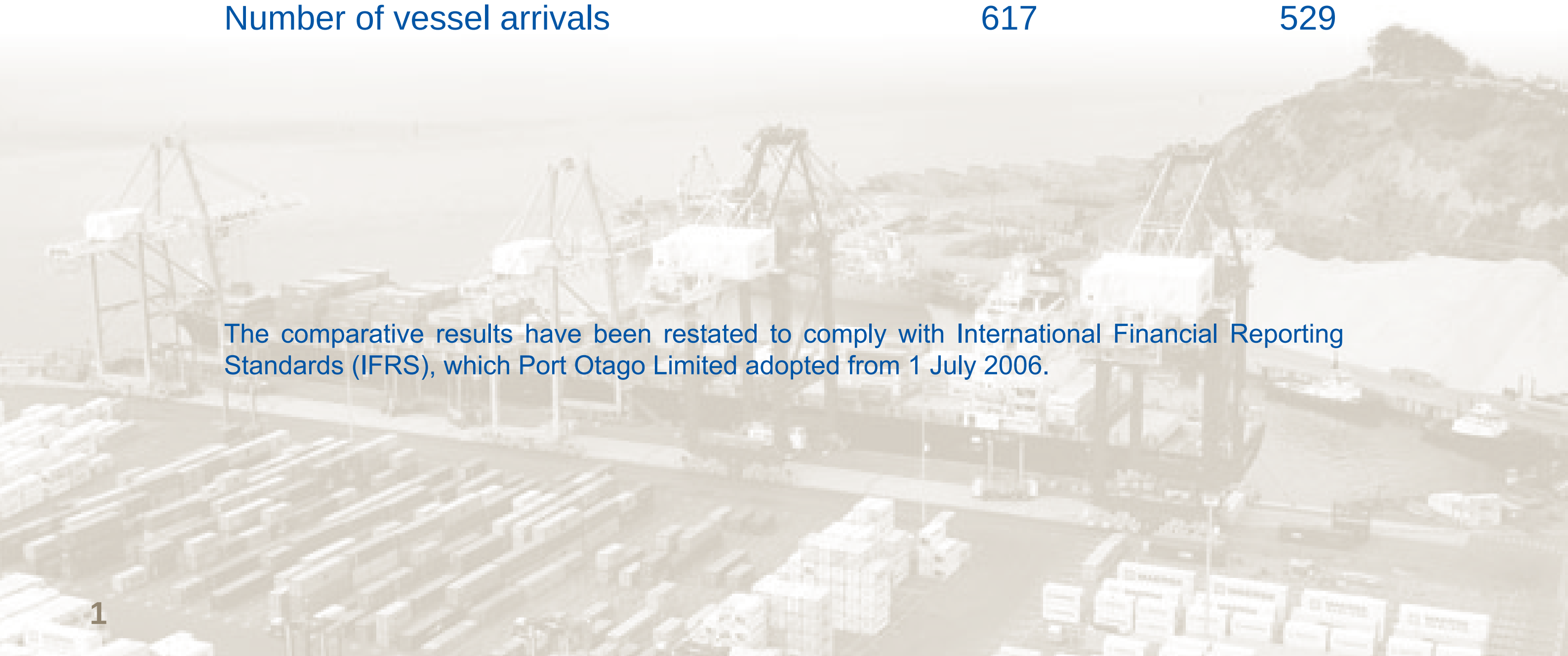
Annual Report 2007

Overview of Group results

	2007 $million	2006 $million
Operating revenue	59.4	50.4
Operating surplus before tax	16.2	13.7
Profit for the period	39.3	41.1
Total assets	396	353
Shareholders equity	252	213
Equity ratio	64%	60%
Net asset backing per share	$12.60	$10.65
Trade:		
Container throughput (TEU)	171,000	130,000
Conventional cargo volume (000 tonnes)	969	970
Number of vessel arrivals	617	529



The comparative results have been restated to comply with International Financial Reporting Standards (IFRS), which Port Otago Limited adopted from 1 July 2006.

Contents

2007 Chairman's Review

The current year, marking the 125th anniversary of the shipment from Port Chalmers of New Zealand's first frozen meat exports to England, has again been an impressive year for Port Otago. Better trading profitability along with increases in property values have enabled the Group to achieve another strong result, a profit of $39.3 million for the year to 30 June 2007.

Financial results

While the Port Otago Group consolidated profit of $39.3 million is a 4% decrease on the last financial year, it is a significant result given that the reduction is entirely due to a lower contribution from property revaluations. The current year includes an unrealised gain of $25.3 million from investment property revaluations whereas last year the increase was $35.4 million.

On an operating surplus before tax basis the Group achieved an excellent result, a surplus of $16.2 million for the year, up 18% on last year. This operating surplus reflected a 26% increase in EBITDA partially offset by higher depreciation and interest costs, but favourably impacted by recognising gains in the value of interest swaps that more than offset foreign currency exchange losses.

A summary of the financial year's result follows:

Profits (years ended 30 June)	2007 $m	2006 $m	Change
EBITDA*	27.1	21.5	+26%
Depreciation and amortisation	(6.1)	(5.7)	
Net interest expense	(7.2)	(4.1)	
Net change in value of interest rate swaps	3.2	0.8	
Net currency exchange (losses)/gains	(0.8)	1.2	
Operating surplus before tax	16.2	13.7	+18%
Gain on sale of investment property	0.1	0.3	
Unrealised revaluation of investment property	25.3	35.4	
Profit before tax	41.6	49.4	-16%
Income tax expense	(2.3)	(8.3)	
Profit for the year	39.3	41.1	-4%

**Earnings before interest, currency exchange losses or gains, tax, depreciation and amortisation*

The $3.2 million unrealised gain in the value of interest rate swaps reflects the favourable impact of an upward shift in both short-term and long-term interest rates. This gain will reverse in future periods as the interest rate swaps progressively expire.

This is the first occasion when the Group has reported its financial results under New Zealand equivalents of International Financial Reporting Standards (NZ IFRS). Port Otago's date of transition to NZ IFRS was 1 July 2005 and therefore the results for the year ended 30 June 2006 have been retrospectively restated in accordance with the requirements of the New Zealand financial reporting standard covering first-time adoption of NZ IFRS.

Dividend

Dividends paid or declared for the year ended 30 June 2007 totalled $6.90 million, an increase of $0.15 million from the last year level of $6.75 million. The fully imputed dividends represent 75% of the trading surplus after tax.

Growth in shareholder equity

Strong growth in shareholder equity has occurred during the year. At the completion of the financial year shareholder equity stood at $252 million, up 18% relative to the opening position.

2007 Chairman's Review continued

As well as the $39.3 million profit for the year, an unrealised increase of $6.5 million in the value of the company's investment in Lyttelton Port Company (LPC) was also recorded as a positive movement in equity. Based on sharemarket transactions at balance date the LPC shares were valued at $2.43 per share, an increase of 41 cents per share on the recorded value at 30 June 2006 and 10 cents above the $2.33 average cost price.

The Group's equity ratio at 30 June 2007 of 64% falls within the Group's preferred range of between 55% and 65%.

Port operations

Financial

Port operations had an outstanding year. Container throughput of 171,000 TEU (twenty foot equivalent units) exceeded expectations and was 32% up on last year's comparative of 130,000 TEU. The number of tranship container lifts was more than triple last year's level.

As a result of the higher container throughput and increased activity levels in other parts of the port business, revenue grew by 16% to $50.0 million. The surplus from port operations was an excellent $9.1 million, an improvement of 46% on the comparative for last year, helped by a $1.6 million non-cash tax gain arising from the decrease in the future company tax rate to 30%.

Trade

While there was significant growth in container throughput during the year, conventional cargo volume of 969,000 tonnes was consistent with last year. Higher log exports offset reductions in woodchip exports and cement imports.

The port's warehousing division achieved a lift in profitability helped by handling record levels of dairy products.

Shipping services

There continues to be a very good range of shipping services available to the Region's exporters and importers. During the year there was sustained growth in container volumes from all of the port's regular shipping line customers. With proximity to major export production and a deep natural sheltered harbour the port will remain attractive for inclusion on the service schedules of international lines.

Infrastructure upgrade

The significant investment in port infrastructure over recent years continued in the current financial year. The port's second ZPMC ship-to-shore container crane arrived in June 2007 and commissioning has been completed. Strengthening of the multi-purpose wharf, completed in the first half of the financial year, has given the port the ability to use the two ZPMC cranes on either of the two main container wharves.

The second new ZPMC container crane will allow the port to realise further productivity gains from increasing the exchange rate for loading and unloading containers, which will also result in improved ship turnaround times. In the current year the port has benefited from working ships using three container cranes and our shipping line customers increasingly expect this level of service as the norm. The port has recently received delivery of a new empty container handler and two new straddle carriers are due for delivery in September 2007.

Construction of a new purpose-built pilot launch is underway. A Brisbane firm with proven expertise in the design and construction of pilot launches is undertaking the contract.

The addition of a canopy to cover the rail receiving area at the Back Beach warehouse facility is substantially complete. With increasing volumes of dairy product being received by rail the new canopy will help in keeping the product in top condition and will improve the working conditions for unloading trains, particularly during times of wet weather.

2007 Chairman's Review continued

Health & safety

The Company achieved a major milestone in health and safety performance. The lost time accident frequency rate of 1.0 per 100,000 hours worked was lower than in any previous 12-month period. The 5 lost time accidents recorded during the year are an improvement on the 7 recorded for the previous year.

The Board fully supports the effort and commitment by management and staff to promote and achieve a safe working environment. In line with the Company's focus on continuous improvement, new initiatives are planned for the current year to further improve health and safety outcomes.

Staff

We extend our sincere thanks to the staff, who have again responded positively to the challenges brought about by increased levels of business activity over the past year. Their commitment to delivering superior standards of customer service continues to be a key factor in the port's success.

The coming year will provide fresh challenges but we are confident that, coupled with on-going investment in new equipment and training, the dedication and determination of staff will remain pivotal to the success of Port Otago.

Environment and community

During the past year the Port Environment / Liaison Committee has continued to meet six weekly to consider a range of issues including noise, landscaping and lighting within the port area. The Committee, which comprises representatives from Port Otago, the Port Chalmers community and port users, provides a vital link to the community and is an important forum through which the Company's environmental performance can be monitored.

The Board and management remain focused on completing the acoustic treatment of properties significantly affected by noise from port operations, as required under the noise management plan. Acoustic treatment work has been completed, subject to certification, on 3 residential properties and specifications have been drawn up for another 7 properties, with work to start shortly.

In the coming year the company will investigate redevelopment options for some of the residential properties overlooking the port that were previously acquired under the noise management plan. In consultation with the Port Environment / Liaison Committee, the Company plans to establish a development proposal that will enhance the area and benefit the local community.

The Company continues to actively support a wide range of local and community group projects. The walking track from Dunedin's boat harbour to Ravensbourne, to which the Company is contributing $46,000, was officially opened on 20 December 2006.

125th anniversary of New Zealand's first frozen meat export shipment

On 24 March 2007 the Company held a festival to celebrate the 125th anniversary of the shipment from Port Chalmers of New Zealand's first frozen meat export to England. The event was well attended and included the unveiling of a plaque, designed by local artist Magnus Sinclair, to mark the commemoration. Meat exports continue to form a significant proportion of export container volume and the port provides world-class levels of cargo care for this valuable export trade.

Investment in Lyttelton Port Company Limited

We continue to hold a 15.47% shareholding in Lyttelton Port Company Limited (LPC), acquired as a long-term investment in 2006. Dividends of $997,000 were received from LPC during the year.

We remain of the view that, in conjunction with LPC, we can contribute positively to the future direction of the South Island port industry.

2007 Chairman's Review continued

Chalmers Properties Limited

The Group's property investment business, operated by Chalmers Properties Limited (CPL), has again recorded a strong result. Investment property rentals grew by 15% to $8.4 million reflecting a combination of rent commencing upon completion of the development of Hobill Avenue, Auckland and increases from rent reviews. Refurbishment of the Rosebank Road, Auckland property was substantially complete at balance date and will contribute to rents in the 2008 financial year.

An improved trading surplus was achieved with the profit after tax excluding property disposals and unrealised revaluations increasing by 41% to $3.9 million. The rise was partly fuelled by recognising a $0.9 million pre-tax gain in the value of variable to fixed interest rate swaps compared to $0.4 million recognised last year. These gains are unrealised and have occurred due to interest rates increasing after the swaps had been put in place.

The $25.3 million increase in value of the investment property portfolio for the current year compared to $35.4 million last year indicates a trend towards a slower pace of growth in property values. The current year revaluation was dominated by a substantial uplift in value for the Dunedin leasehold land portfolio due to higher rentals and compression in rent yields. There was a reduction in value of the company's Hamilton joint venture land holdings reflecting alterations to the staging of a District Plan variation being undertaken by the Hamilton City Council.

CPL has continued to work with the Dunedin City Council in an effort to progress planning changes to facilitate a revitalisation of Dunedin's Harbourside area. Subsequent to balance date the Otago Regional Council has announced plans for new office premises and identified a site on the southeast side of the Steamer Basin. We believe this significant announcement represents an exciting opportunity for the Harbourside area and will act as a catalyst for future development.

The Hamilton City Council has continued work on a proposed District Plan variation that, if implemented, will change the potential land use for the company's Hamilton joint venture land holdings. The company has chosen to participate, by joint venture involvement, in the acquisition of two further Hamilton properties for future development over time as planning changes permit. Concurrent with these purchases the company is selling its interest in three blocks of land that, due to alterations to the staging of the plan change, are unlikely to be capable of development in the near future.

These changes in the company's joint venture land holdings have occurred after balance date and reflect a focus on land expected to attract industrial and commercial zonings while reducing holdings of future residential land. The three blocks of land being sold are shown in the balance sheet as Property held for sale of $9.2 million based on the Group's share of the contracted selling prices.

CPL's investment property portfolio continues to retain an appropriate balance between income earning investment property and property with future development potential. CPL remains focused on maximising long-term shareholder value through prudent acquisition and completing quality development projects.

The following table shows the geographical location of the Group's investment property, including property held for sale, by value at 30 June 2007:

Location	2007 %	2006 %
Dunedin	52%	47%
Auckland	33%	33%
Hamilton	15%	20%
Total	**100%**	**100%**

2007 Chairman's Review continued

Performance targets

A comparison of actual performance with the targets in the Statement of Corporate Intent is as follows:

	Actual	Target	Outcome
Trade			
Cargo tonnage	3.0 million tonnes	3.0 million tonnes	Target achieved
Number of vessel arrivals	617 vessels	575 vessels	Target achieved
Environmental			
Incidents leading to pollution of harbour	Nil	Nil	Target achieved
Full compliance with all resource consent conditions	Achieved	Achieved	Target achieved
Health & Safety			
Frequency rate *(lost time accidents per 100,000 work hours)*	1.0	1.0	Target achieved

Financial performance

	Port Otago Group		Port Operations		
	Actual	Target	Actual	Target	
EBIT* return on assets	5.4%	6.3%	6.7%	6.8%	Target not achieved
Return on shareholders funds	16.9%	5.4%	8.5%	5.3%	Target achieved
Equity Ratio	64%	56%	53%	50%	Target achieved
Debt servicing ratio (times)	2.7	2.4	2.5	2.4	Target achieved

**Earnings before interest and taxation*

The Port Otago Group EBIT return on assets was affected by higher investment property values than those anticipated at the time of establishing the target.

Outlook

In the past year the company has achieved an excellent lift in profitability but there is no room for complacency as we consider the future. Over the past 10 years the size of container ships has steadily increased as shipping lines seek to move freight around the world more efficiently and economically. To prepare Port Chalmers for the next generation of container shipping, Port Otago has initiated a project to explore the issues and options associated with securing visits by bigger ships. This important project will consider issues such as the need to deepen the harbour channel, improvements needed to wharves and berths, and how to manage logistical issues from larger container flows.

In the coming year we will target further productivity improvements and continue to seek ways of working with customers to maximise our efficiency within the supply chain. With up-to-date infrastructure and a well-trained, experienced and committed workforce the port can look forward with confidence to meet the challenges of the future.

Through acquisition and growth in property values Chalmers Properties has established a substantial and diversified property portfolio. While the company's property values have recently exhibited strong growth, up $60 million in two years, this rate of increase is unlikely to be sustained through all phases of the economic cycle. Just as property values can rise there is a risk that values may fall although property continues to be an excellent investment when judged over the long-term. With a robust rental income base and good holdings of undeveloped land, CPL is well placed to make a significant contribution to the future growth of the Port Otago Group.

For and on behalf of the Board

John Gilks
Chairman
27 August 2007

Consolidated Income Statement

For the year ended 30 June 2007

	Notes	Group		Parent Company	
		2007 $000	2006 $000	2007 $000	2006 $000
Revenue					
Port operations		49,970	43,117	50,043	43,193
Investment property rental		8,406	7,312	-	-
Dividend income		997	-	3,297	2,100
		59,373	50,429	53,340	45,293
Other income					
Gain on sale of investment property		84	344	-	-
Unrealised net change in the value of investment property	12	25,304	35,378	-	-
Total revenue and other income		84,761	86,151	53,340	45,293
Expenses					
Staff costs		(18,201)	(15,874)	(17,484)	(15,447)
Fuel and electricity		(2,415)	(2,240)	(2,381)	(2,240)
Purchased materials and services		(11,672)	(10,853)	(10,626)	(9,373)
Depreciation and amortisation		(6,095)	(5,654)	(6,037)	(5,594)
	4	(38,383)	(34,621)	(36,528)	(32,654)
Financial (expense) / income	5				
Interest and other financial (expense)/income		(7,183)	(4,114)	(5,074)	(2,575)
Net change in value of interest rate swaps		3,216	818	2,330	452
Realised exchange gain/(loss)		(741)	-	(741)	-
Unrealised exchange gain/(loss)		(120)	1,170	(120)	1,170
		(4,828)	(2,126)	(3,605)	(953)
Profit before tax		41,550	49,404	13,207	11,686
Income tax expense	6a	(2,269)	(8,288)	(1,771)	(3,334)
Profit for the year		**39,281**	**41,116**	**11,436**	**8,352**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2007

	Notes	Group		Parent Company	
		2007 $000	2006 $000	2007 $000	2006 $000
Equity at the beginning of the year		212,904	183,267	101,237	104,364
Total recognised revenues and expenses:					
Profit for the year		39,281	41,116	11,436	8,352
Unrealised increase/(decrease) in the value of share investments	20b	6,488	(4,979)	6,488	(4,979)
Distribution to owners:					
Dividend paid	28	(6,750)	(6,500)	(6,750)	(6,500)
Equity at the end of the year		**251,923**	**212,904**	**112,411**	**101,237**

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

As at 30 June 2007

	Notes	Group		Parent Company	
		2007 $000	2006 $000	2007 $000	2006 $000
Current assets					
Cash and cash equivalents		2,349	519	2,220	-
Trade and other receivables	7	7,518	11,582	6,684	4,753
Secured advances	8	4,923	1,851	-	-
Inventories		345	368	345	368
Property held for sale	13	9,192	-	-	-
Other financial instruments	10	30	564	25	532
Finance leases	9	76	-	-	-
Income tax		297	437	198	306
		24,730	15,321	9,472	5,959
Non-current assets					
Property, plant and equipment	11	155,047	147,320	154,965	147,297
Investment property	12	170,870	152,879	-	-
Property deposit		1,142	910	-	-
Secured advances	8	-	3,079	-	-
Shares in listed companies	10	38,453	31,965	38,453	31,965
Investment in subsidiaries		-	-	7,000	7,000
Finance leases	9	1,252	-	-	-
Other financial instruments	10	3,861	1,140	2,512	689
Intangible assets	14	586	472	586	472
		371,211	337,765	203,516	187,423
Total assets		**395,941**	**353,086**	**212,988**	**193,382**
Current liabilities					
Cash and cash equivalents		-	-	-	2,627
Trade and other payables	15	2,696	13,252	2,069	2,738
Employee entitlements	16	2,914	2,277	2,641	2,271
		5,610	15,529	4,710	7,636
Non-current liabilities					
Borrowings (secured)	17	120,450	104,590	82,220	69,680
Employee entitlements	16	924	874	924	874
Other financial instruments	21	-	59	-	43
Deferred tax liabilities	6c	17,034	19,130	12,723	13,912
		138,408	124,653	95,867	84,509
Total liabilities		144,018	140,182	100,577	92,145
Equity					
Share capital	19	20,000	20,000	20,000	20,000
Reserves	20	231,923	192,904	92,411	81,237
Total equity		251,923	212,904	112,411	101,237
Total equity and liabilities		**395,941**	**353,086**	**212,988**	**193,382**

For and on behalf of the Board of Directors

J W Gilks
Chairman

D R Black
Director

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2007

	Notes	Group 2007 $000	Group 2006 $000	Parent Company 2007 $000	Parent Company 2006 $000
Cash flows from operating activities					
Cash was provided from:					
Receipts from port operations		48,516	42,565	48,589	42,641
Rental income		8,143	7,362	-	-
Dividend received		997	-	3,297	2,100
Interest received		499	510	123	100
Cash was disbursed to:					
Payment to employees and suppliers		(32,593)	(24,336)	(30,093)	(24,211)
Interest paid		(7,568)	(4,943)	(5,069)	(3,067)
Income tax paid		(4,218)	(3,861)	(2,786)	(2,885)
Net GST paid		(1,104)	(2,326)	(981)	(1,888)
Tax subvention payment		-	(55)	-	(55)
Net cash flows from operating activities	22	**12,672**	**14,916**	**13,080**	**12,735**
Cash flows from investing activities					
Cash was provided from:					
Sale of property, plant and equipment		4	124	4	124
Sale of investment property		6,270	98	-	-
Cash was applied to:					
Purchase of property, plant and equipment		(13,582)	(13,717)	(13,502)	(13,662)
Purchase of investments		(1,328)	(36,944)	-	(36,944)
Interest capitalised		(354)	(335)	(354)	(335)
Purchase of investment property		(7,335)	(5,746)	-	-
Improvements to investment property		(2,070)	(3,423)	-	-
Advances to joint venture		(94)	-	(171)	-
Net cash flows used in investing activities		**(18,489)**	**(59,943)**	**(14,023)**	**(50,817)**
Cash flows from financing activities					
Cash was provided from:					
Proceeds from borrowings		17,010	56,303	13,690	43,340
Cash was applied to:					
Repayment of borrowings		(2,613)	(4,480)	(1,150)	(1,550)
Dividends paid		(6,750)	(6,500)	(6,750)	(6,500)
Net cash flows from financing activities		**7,647**	**45,323**	**5,790**	**35,290**
Increase (decrease) in cash held		1,830	296	4,847	(2,792)
Cash held at beginning of period		519	223	(2,627)	165
Cash held at end of period		**2,349**	**519**	**2,220**	**(2,627)**

The accompanying notes form part of these financial statements.

Statement of Accounting Policies

For the year ended 30 June 2007

1. General information

Port Otago Limited ("the Company") is a limited company incorporated and domiciled in New Zealand. The address of its registered office and principal place of business is disclosed in the directory of the annual report.

Port Otago Limited operates a full service container port at Port Chalmers and provides wharf facilities in Dunedin. The principal activities of the Company, its subsidiaries and share of joint ventures ('the Group") are further described in note 23. The consolidated financial statements presented are those of Port Otago Limited, its subsidiaries and share of joint ventures ("the Group"). The ultimate parent of the Group is the Otago Regional Council.

These financial statements have been prepared to comply with the Companies Act 1993, the Financial Reporting Act 1993 and the Port Companies Act 1988.

2. Summary of significant accounting policies

Basis of Preparation

These annual consolidated financial statements of Port Otago Limited have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. This includes NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as the date of adoption of NZ IFRS for Port Otago Limited is 1 July 2006.

Accounting policies applied in these annual financial statements comply with NZ IFRS interpretations issued and effective as at the time of preparing these statements (August 2007) as applicable to the Company as a profit-oriented entity. In complying with NZ IFRS the Company is simultaneously in compliance with International Financial Reporting Standards (IFRS).

The preparation of the annual financial statements in accordance with NZ IFRS resulted in changes in the accounting policies as compared with the most recent annual financial statements prepared under previous NZ GAAP. The accounting policies presented below have been applied consistently to all periods presented in these annual financial statements and in preparing an opening NZ IFRS balance sheet at 1 July 2005 for the purposes of the transition to NZ IFRS, except in specific areas where for NZ IFRS 1 allows exemptions.

Measurement base

These annual financial statements have been prepared under the historical cost convention except for the revaluation of certain assets and the recognition at fair value of certain financial instruments (including derivative instruments).

The following specific accounting policies have a significant effect on the measurement of results and financial position:

Basis of Consolidation

The consolidated financial statements include those of Port Otago Limited (the parent company) and its subsidiaries accounted for by line aggregation of assets, liabilities, revenues, expenses and cash flows that are recognised in the financial statements of all entities in the consolidated group. All inter-company transactions are eliminated on consolidation.

Subsidiaries

Subsidiaries are entities that are controlled, either directly or indirectly, by the Company. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Joint ventures

Joint ventures are joint arrangements with other parties in which the Company has several liability in respect of costs and liabilities. The Company's share of the assets, liabilities, revenues and expenses of joint ventures is incorporated into the Company's financial statements on a line-by-line basis.

Foreign currencies

(a) Functional presentation currency

The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional currency.

(b) Transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are

Statement of Accounting Policies continued

For the year ended 30 June 2007

translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the balance date exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant, interest costs incurred during the period required to construct an item of property, plant and equipment are capitalised as part of the asset's total cost.

As permitted under NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards, the Group valued its land, buildings and wharves at the date of transition, 1 July 2005, to NZ IFRS at fair value and used that fair value as deemed cost as at the transition date.

Property is classified as property, plant and equipment rather than investment property if the property is held for any of the following reasons:

- to meet the strategic purposes of the port, or
- to form part of buffer zones to port activity, or
- to assist the provision of port services, or
- to promote or encourage the import or export of goods through the port.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis so as to allocate the costs of assets over their estimated useful lives as follows:

Land	nil
Land improvements and buildings	10-50 years
Wharves, paving and dredging	15-70 years
Vessels and floating plant	5-30 years
Plant, equipment and vehicles	3-30 years

Investment property

Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value at the balance sheet date. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Other intangible assets

The cost of acquiring an intangible asset is amortised from the date the asset is ready for use on a straight-line basis over the periods of expected benefit. For computer software the amortisation periods range from 1 to 5 years. Where the periods of expected benefit or recoverable values have diminished, due to technological change or market conditions, amortisation is accelerated or the carrying value is written down.

Impairment

Assets are reviewed at each Balance Sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indication of impairment exists then the asset's recoverable amount is estimated. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

Leases – Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.
Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Statement of Accounting Policies continued

For the year ended 30 June 2007

Leases – Operating leases

Leases under which the lessor substantially retains all the risks and benefits of ownership are classified as operating leases. Operating lease payments are recognised as an expense in the periods the amounts are payable.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of stores, materials and maintenance spares are determined on a weighted average basis. The carrying amount of inventories includes appropriate allowances for obsolescence and deterioration.

Property held for sale

Property classified as held for sale is measured at:

- fair value for items transferred from investment property, and
- fair value less estimated costs of disposal for items transferred from property, plant and equipment.

Property is classified as held for sale if the carrying amount will be recovered through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the property is available for immediate sale in its present state. There must also be an expectation of completing the sale within one year from the date of classification.

Borrowing costs

Borrowing costs directly attributable to plant and equipment are capitalised as part of the cost of those assets. Other borrowing costs are expensed.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less. Bank overdrafts form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Financial instruments

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

(a) Trade and other receivables including advances

Trade and other receivables, including advances, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment 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 the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is expensed in the income statement.

(b) Investments

Share investments held by the Group are classified as available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

When parent company accounts are presented as part of annual financial reporting, investments in subsidiaries and joint ventures are measured at cost.

(c) Borrowings

Borrowings are recognised initially at fair value. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method.

(d) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method.

(e) Derivative financial instruments

1. Managing financial risk

The Group's activities expose it primarily to the financial risks of changes in credit risk, interest rates and foreign exchange rates. The Group uses derivative financial instruments to minimise potential adverse effects from certain risk exposures.

- **Interest rate risk**

  Borrowings at variable interest rates expose the Group to interest rate risk. The Group manages its

Statement of Accounting Policies continued

For the year ended 30 June 2007

interest rate risk by using floating-to-fixed interest rate swaps with a range of terms. These interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

- **Foreign exchange risk**
  The Group is exposed to foreign exchange risk when purchasing major items of plant and equipment with payment denominated in a foreign currency. Foreign currency forward purchase contracts are used to limit the Group's exposure to movements in exchange rates on foreign currency denominated liabilities and purchase commitments.

- **Market risk**
  The fair value of shares in listed companies will fluctuate as a result of changes in market prices. Market prices for a particular share may fluctuate due to factors specific to the individual share or its issuer, or factors affecting all shares traded in the market.

- **Credit risk**
  In the normal course of business the Group incurs credit risk from trade receivables. Reflecting the nature of the business, a concentration of credit risk occurs due to a small number of shipping line and warehousing clients comprising a majority amount of port trade receivables. Regular monitoring of trade receivables is undertaken to ensure that the credit exposure remains within the Group's normal terms of trade.

2. Accounting for derivative financial instruments
Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are remeasured at their fair value at subsequent reporting dates. The resulting gain or loss is recognised in profit or loss immediately since the Group's derivatives do not qualify for hedge accounting. Under NZIFRS, hedge accounting may only be applied when derivatives are designated as hedges and evaluated, both prospectively and retrospectively, to prove that they meet specific effectiveness criteria.

The net differential paid or received on interest rate swaps is recognised as a component of interest expense over the period of the swap agreement.

(f) Fair value estimation
The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date.

The fair value of listed shares traded actively on the stock exchange is based on quoted market prices at the balance date.

Employee benefits
Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave, sick leave, long service leave, retiring allowances, profit sharing and bonus plans when it is probable that settlement will be required.

(a) Short term employee benefits
Provisions made in respect of employee benefits expected to be settled within 12 months are measured at undiscounted amounts based on remuneration rates that the Group expects to pay.

(b) Long term employee benefits
Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date. These provisions are affected by a number of estimates including projected interest rates, the expected length of service of employees and future levels of employee earnings.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are calculated by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

Revenue recognition

(a) Provision of services
Revenue from port services is recognised in the accounting period in which the actual service is provided to the customer.

Statement of Accounting Policies continued

For the year ended 30 June 2007

(b) Rental income

Rental income is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(c) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the asset to that asset's net carrying amount.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established, being the declaration date of the dividend.

(e) Sale of investments, investment property and property held for sale

Net gains or losses on the sale of investments, investment property and property held for sale are recognised when an unconditional contract is in place and it is probable that the Group will receive the consideration due.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax except to the extent that it relates to items recognised directly in equity, in which case the tax expense is also recognised in equity.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted by the balance date.

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Goods and services tax (GST)

The income statement and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST with the exception of receivables and payables, which include GST invoiced.

Critical estimates and accounting assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom, by definition, equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimate of Fair Value of Investment Property

At each balance date the Group obtains annual valuations of investment property, determined by registered independent valuers, in accordance with the accounting policy stated in the statement of accounting policies.

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information recent sales prices of similar properties in less active markets are used, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

Changes in property market values, including changes arising from alterations to proposed and existing planning rules, may result in the fair values of investment property being different from previous estimates. The carrying amount of investment property is detailed in note 12.

Property, plant and equipment

At each balance date, the Group reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful lives and residual value estimates of property, plant and equipment requires the Group to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Group, and expected disposal proceeds from the future sale of the asset.

Statement of Accounting Policies continued

For the year ended 30 June 2007

An incorrect estimate of the useful life of residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the statement of financial performance, and carrying amount of the asset in the statement of financial position. The Group minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programs;
- Analysis of prior asset sales.

The Group has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amount of plant and equipment is disclosed in note 11.

Interim Report

The Company's Interim Report for the six month period ended 31 December 2006, disclosed that the accounting policy applied under superseded NZ GAAP in relation to property intended for sale, which includes property for resale upon completion of development, had been reassessed. At the time of preparing the Interim Report it was considered that, under superseded NZ GAAP (and NZ IFRS) such properties should have been reflected as property intended for sale and valued at the lower of cost and net realisable value.

Accordingly, a prior period error was recognised in respect of the Group's share of:

- a 10% portion of the initial joint venture purchase of Hamilton land ("Newby 1"), and
- the portion of joint venture land likely to achieve residential zoning.

As part of preparing the annual Financial Statements, management have further reviewed the accounting treatment for property intended for sale, including property for resale upon completion of development. As a result of this review the prior period error treatment adopted in the Interim Report is no longer considered appropriate.

This change in management judgement has the following financial impacts:

All figures are NZ IFRS ( ) represents income and liabilities		Treatment adopted in the Interim Report $000	Financial impact of the change in treatment $000	Treatment adopted in the Annual Financial Statements $000
(a)	**Consolidated Income Statement - year ended 30 June 2007**			
	Unrealised net change in the value of investment property	(30,035)	4,731	(25,304)
	Income tax expense	3,829	(1,560)	2,269
(b)	**Consolidated Income Statement - year ended 30 June 2006**			
	Unrealised net change in the value of investment property	(29,377)	(6,001)	(35,378)
	Income tax expense	5,298	2,990	8,288
(c)	**Consolidated Balance Sheet - at 30 June 2007**			
	Property intended for sale	7,949	(7,949)	-
	Property held for sale	-	9,192	9,192
	Investment property	166,568	4,302	170,870
	Deferred tax liability	(15,474)	(1,560)	(17,034)
	Reserves	(227,938)	(3,985)	(231,923)
(d)	**Consolidated Balance Sheet - at 30 June 2006**			
	Property intended for sale	7,942	(7,942)	-
	Investment property	134,660	18,219	152,879
	Deferred tax liability	(16,140)	(2,990)	(19,130)
	Reserves	(185,617)	(7,287)	(192,904)

Segment reporting

The Company does not have equity or debt securities that are publicly traded and is not in the process of issuing equity or debt securities to the public. Accordingly the Group has chosen not to report financial information by segment, either business or geographical, in the financial statements.

Statement of Accounting Policies continued

For the year ended 30 June 2007

3. Adoption of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS)

The Group's financial statements for the year ending 30 June 2007 are the Group's first annual financial statements that comply with NZ IFRS.

These consolidated annual financial statements have been prepared in accordance with NZ IFRS and comply with NZ IFRS, IFRS and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. They are also covered by NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards because they are the Group and Company's first annual NZ IFRS financial statements.

The adoption of these new and revised standards has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current and prior periods:

- Deferred tax NZ IAS 12
- Computer software NZ IAS 38
- Financial instruments NZ IAS 32 and NZ IAS 39
- Investment property NZ IAS 40

The impacts of these changes in accounting policies are described below.

In adopting NZ IFRS the Group has applied NZ IFRS 1 which requires an entity to use the same accounting policies in its opening NZ IFRS balance sheet and throughout all periods presented in its first NZ IFRS financial statements. In preparing its opening NZ IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous NZ GAAP). An explanation of how the transition from previous NZ GAAP to NZ IFRS has affected the Group's financial position, income statement and cash flows is set out in the following tables and notes that accompany the tables.

NZ IFRS 1 exemptions elected

As permitted by the election available under NZ IFRS 1, the Group valued port related land (including improvements), buildings and wharves at the date of transition to NZ IFRS at their fair value and used that fair value as deemed cost as at that date. Applying this election to the Group's opening NZ IFRS balance sheet as at 1 July 2005 resulted in property, plant and equipment increasing by $67.0 million with an increase in retained earnings of $52.8 million after allowing for a deferred tax liability of $14.2 million.

Standards, amendments and interpretations issued but not yet effective

The Group has not applied the following standards, amendments and interpretations that have been issued but are not yet effective:

- NZ IFRS 7 Financial Instruments: Disclosures
- Amendment to NZ IAS 1 and IAS 1 Presentation of Financial Statements – Capital Disclosures
- Amendment to the scope of NZ IAS 14 Segment Reporting
- NZ IFRIC 9 Reassessment of embedded derivatives.

Application of the standards, amendments and interpretations is not expected to have a material impact on the financial account balances of the Group.

Statement of Accounting Policies continued

For the year ended 30 June 2007

Reconciliation between previous NZ GAAP and NZ IFRS

Reconciliation of Consolidated Balance Statement

Group

		As at 1 July 2005			As at 30 June 2006		
	Note	Previous NZ GAAP $000	Effect of transition to NZ IFRS $000	NZ IFRS $000	Previous NZ GAAP $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
Current assets							
Cash and cash equivalents		223	-	223	519	-	519
Trade and other receivables		5,735	-	5,735	11,582	-	11,582
Secured advances		-	-	-	1,851	-	1,851
Inventories		378	-	378	368	-	368
Other financial instruments	d	-	8	8	-	564	564
Income tax		211	-	211	437	-	437
		6,547	8	6,555	14,757	564	15,321
Non-current assets							
Property, plant and equipment	b, f	72,558	66,624	139,182	82,335	64,985	147,320
Investment property	a	104,358	3,284	107,642	148,175	4,704	152,879
Property deposit		-	-	-	910	-	910
Secured advances		4,916	-	4,916	3,079	-	3,079
Shares in listed companies	c	-	-	-	36,944	(4,979)	31,965
Other financial instruments	d	-	231	231	-	1,140	1,140
Intangible assets	f	348	294	642	-	472	472
		182,180	70,433	252,613	271,443	66,322	337,765
Total assets		**188,727**	**70,441**	**259,168**	**286,200**	**66,886**	**353,086**
Current liabilities							
Trade and other payables		3,793	-	3,793	13,252	-	13,252
Other financial instruments	d	-	201	201	-	-	-
Employee entitlements	g	1,884	85	1,969	2,233	44	2,277
		5,677	286	5,963	15,485	44	15,529
Non-current liabilities							
Borrowings (secured)		54,230	-	54,230	104,590	-	104,590
Employee entitlements		797	-	797	874	-	874
Other financial instruments	d	-	381	381	-	59	59
Deferred tax liabilities	e	-	14,530	14,530	3,609	15,521	19,130
		55,027	14,911	69,938	109,073	15,580	124,653
Total liabilities		60,704	15,197	75,901	124,558	15,624	140,182
Equity							
Share capital		20,000	-	20,000	20,000	-	20,000
Reserves		108,023	55,244	163,267	141,642	51,262	192,904
Total equity		128,023	55,244	183,267	161,642	51,262	212,904
Total equity and liabilities		**188,727**	**70,441**	**259,168**	**286,200**	**66,886**	**353,086**

Statement of Accounting Policies continued

For the year ended 30 June 2007

Reconciliation between previous NZ GAAP and NZ IFRS

Reconciliation of Consolidated Income Statement
Group

	Note	Previous NZ GAAP $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
		30 June 2006 (12 months)		
Revenue				
Port operations		43,117	-	43,117
Investment property rental		7,312	-	7,312
		50,429	-	50,429
Other income				
Gain on sale of investment property	a	1,409	(1,065)	344
Unrealised net change in the value of investment property	a	30,042	5,336	35,378
Total revenue and other income		81,880	4,271	86,151
Expenses				
Labour	g	(15,915)	41	(15,874)
Fuel and electricity		(2,240)	-	(2,240)
Purchased materials and services		(10,853)	-	(10,853)
Depreciation and amortisation	b	(4,130)	(1,524)	(5,654)
		(33,138)	(1,483)	(34,621)
Financial (expense)/income				
Interest (expense)/income		(4,114)	-	(4,114)
Net change in value of interest rate swaps	d	-	818	818
Unrealised exchange gain/(loss)	d	-	1,170	1,170
		(4,114)	1,988	(2,126)
Profit before tax		44,628	4,776	49,404
Income tax expense	e	(4,509)	(3,779)	(8,288)
Profit for the period		**40,119**	**997**	**41,116**

Reconciliation of Profit under NZ IFRS
Group

	Note	12 months ended 30 June 2006 $000
Reported profit under previous NZ GAAP		40,119
Effect of transition to IFRS		
Unrealised net change in the value of investment property	a	5,336
Gain on sale of investment property	a	(1,065)
Increased depreciation from deemed cost election for certain property, plant and equipment	b	(1,524)
Mark to market interest rate swaps	d	818
Unrealised exchange gain/(loss)	d	1,170
Deferred tax on adjustments	e	(3,779)
Employee benefits	g	41
Profit for the period under NZ IFRS		**41,116**

Reconciliation of Equity under NZ IFRS
Group

	Note	1 July 2005 $000	30 June 2006 $000
Reported equity under previous NZ GAAP		128,023	161,642
Effect of transition to NZ IFRS			
Unrealised net change in the value of investment property	a	3,284	4,704
Property, plant & equipment deemed cost election	b	66,981	65,457
Available for sale shares in listed companies	c	-	(4,979)
Mark to market interest rate swaps	d	(144)	674
Unrealised exchange gain/(loss)	d	(199)	971
Deferred tax on adjustments	e	(14,593)	(15,521)
Employee benefits	g	(85)	(44)
Equity under NZ IFRS		**183,267**	**212,904**

Statement of Accounting Policies continued

For the year ended 30 June 2007

Reconciliation between previous NZ GAAP and NZ IFRS

Reconciliation of Balance Statement

Parent

	Note	As at 1 July 2005			As at 30 June 2006		
		Previous NZ GAAP $000	Effect of transition to NZ IFRS $000	NZ IFRS $000	Previous NZ GAAP $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
Current assets							
Cash and cash equivalents		165	-	165	-	-	-
Trade and other receivables		4,293	-	4,293	4,753	-	4,753
Inventories		378	-	378	368	-	368
Other financial instruments	d	-	-	-	-	532	532
Income tax		126	-	126	306	-	306
		4,962	-	4,962	5,427	532	5,959
Non-current assets							
Property, plant and equipment	b, f	72,548	66,624	139,172	82,312	64,985	147,297
Shares in listed companies	c	-	-	-	36,944	(4,979)	31,965
Investment in subsidiaries		7,000	-	7,000	7,000	-	7,000
Other financial instruments	d	-	12	12	-	689	689
Intangible assets	f	967	(325)	642	165	307	472
		80,515	66,311	146,826	126,421	61,002	187,423
Total assets		**85,477**	**66,311**	**151,788**	**131,848**	**61,534**	**193,382**
Current liabilities							
Cash and cash equivalents		-	-	-	2,627	-	2,627
Trade and other payables		2,974	-	2,974	2,738	-	2,738
Other financial liabilities	d	-	201	201	-	-	-
Employee entitlements	g	1,884	85	1,969	2,227	44	2,271
		4,858	286	5,144	7,592	44	7,636
Non-current liabilities							
Borrowings (secured)		27,890	-	27,890	69,680	-	69,680
Employee entitlements		797	-	797	874	-	874
Other financial instruments	d	-	256	256	-	43	43
Deferred tax liabilities	e	-	13,337	13,337	-	13,912	13,912
		28,687	13,593	42,280	70,554	13,955	84,509
Total liabilities		33,545	13,879	47,424	78,146	13,999	92,145
Equity							
Share capital		20,000	-	20,000	20,000	-	20,000
Reserves		31,932	52,432	84,364	33,702	47,535	81,237
Total equity		51,932	52,432	104,364	53,702	47,535	101,237
Total equity and liabilities		**85,477**	**66,311**	**151,788**	**131,848**	**61,534**	**193,382**

Statement of Accounting Policies continued

For the year ended 30 June 2007

Reconciliation between previous NZ GAAP and NZ IFRS

Reconciliation of Income Statement Parent	Note	30 June 2006 (12 months) Previous NZ GAAP $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
Revenue				
Port operations		43,193	-	43,193
Investment property rental		-	-	-
Dividend income		2,100	-	2,100
		45,293	-	45,293
Other income				
Gain on sale of investment property	a	-	-	-
Unrealised net change in the value of investment property	a	-	-	-
Total revenue and other income		45,293	-	45,293
Expenses				
Labour	g	(15,488)	41	(15,447)
Fuel and electricity		(2,240)	-	(2,240)
Purchased materials and services		(9,373)	-	(9,373)
Depreciation and amortisation	b	(4,070)	(1,524)	(5,594)
		(31,171)	(1,483)	(32,654)
Financial (expense)/income				
Interest (expense)/income		(2,575)	-	(2,575)
Net change in value of interest rate swaps	d	-	452	452
Unrealised exchange gain/(loss)	d	-	1,170	1,170
		(2,575)	1,622	(953)
Profit before tax		11,547	139	11,686
Income tax expense	e	(3,277)	(57)	(3,334)
Profit for the period		**8,270**	**82**	**8,352**

Reconciliation of Profit under NZ IFRS Parent	Note	12 months ended 30 June 2006 $000
Reported profit under previous NZ GAAP		8,270
Effect of transition to IFRS		
Increased depreciation from deemed cost election for certain property, plant and equipment	b	(1,524)
Mark to market interest rate swaps	d	452
Unrealised exchange gain/(loss)	d	1,170
Deferred tax on adjustments	e	(57)
Employee benefits	g	41
Profit for the period under NZ IFRS		**8,352**

Reconciliation of Equity under NZ IFRS Parent	Note	1 July 2005 $000	30 June 2006 $000
Reported equity under previous NZ GAAP		51,932	53,702
Effect of transition to NZ IFRS			
Property, plant & equipment deemed cost election	b	66,980	65,457
Available for sale shares in listed companies	c	-	(4,979)
Mark to market interest rate swaps	d	(245)	207
Unrealised exchange gain/(loss)	d	(199)	971
Deferred tax on adjustments	e	(14,019)	(14,077)
Employee benefits	g	(85)	(44)
Equity under NZ IFRS		**104,364**	**101,237**

Statement of Accounting Policies continued

For the year ended 30 June 2007

Reconciliation between previous NZ GAAP and NZ IFRS

Notes to the reconciliations

a. Investment property – valuation basis

Under previous NZ GAAP investment properties were revalued annually, at the end of each financial year, to open market value less costs of disposal that could reasonably be anticipated. Under NZ IFRS the Group measures investment property at fair value each six months, at 31 December and at 30 June. The fair value of each investment property reflects market conditions at the balance sheet date and is determined without any deduction for disposal costs.

b. Property, plant and equipment

Companies adopting NZ IFRS for the first time are allowed certain exemptions from the full requirements of NZ IFRS. As part of these exemptions the Group has elected to measure port land, buildings and wharves at the date of transition to New Zealand equivalents to IFRS, 1 July 2005, at their fair value and to use that fair value as deemed cost.

In order to determine the fair values of port land, buildings and wharves at 1 July 2005 a valuation was conducted by independent registered valuers, Barlow Justice Limited, and a peer review was undertaken by DTZ New Zealand Limited.

As a result of using the fair value of port buildings and wharves as deemed cost the depreciation charge under NZ IFRS has increased relative to depreciation reported under previous NZ GAAP.

c. Shares in listed companies

Under previous NZ GAAP Shares in listed companies were stated at cost less any impairment. Impairment losses were only recognised where there had been a permanent diminution in the value of the investment.

Under NZ IFRS Shares in listed companies are classified as “Available-for-sale” financial assets and are measured at fair value based on quoted market prices at the balance date. Movements in fair value are recognised in equity while any impairment is recognised through the income statement.

In the year to 30 June 2006, the Group purchased a 15.47% stake in Lyttelton Port Company Limited (“LPC”) at a cost of $36.9 million. The average cost price for the Group’s investment in LPC amounts to $2.33 per share. At 30 June 2007 the prevailing sharemarket price for LPC was $2.43 per share (30 June 2006: $2.02 per share). Directors consider there have been no events to indicate the investment in LPC shares is impaired.

d. Derivative financial instruments

As part of managing risk the Group uses foreign exchange forward purchase agreements when purchasing major items of plant and equipment denominated in a foreign currency. The Group also uses interest rate swaps that have the economic effect of converting borrowings from floating interest rates to fixed rates. Both foreign exchange forward purchase agreements and interest rate swaps are known as derivative financial instruments and, under NZ IFRS, are measured in the Balance Sheet at fair value at each reporting date. Movements in fair value are recorded in the Income Statement.

e. Deferred tax

Under NZ IFRS deferred tax is provided in full on temporary differences arising between the accounting and tax base of assets and liabilities. The primary components of the Group’s deferred tax liability arise from temporary differences on:

- property, plant and equipment, particularly for port land, buildings and wharves since for these assets fair values were used as deemed cost at the 1 July 2005 IFRS transition date,
- investment property,
- property held for sale,
- derivative financial instruments, and
- liabilities for employee entitlements.

f. Intangible assets

Computer software is classified under IFRS as an intangible asset rather than as an item of property, plant and equipment where that software is not integral to a piece of equipment.

g. Employee benefits

As part of NZ IFRS the Group has recognised a sick leave liability calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

Notes to the Financial Statements

4. Operating expenses

	Notes	Group		Parent Company	
		2007 $000	2006 $000	2007 $000	2006 $000
Auditors' remuneration					
Audit services – Audit New Zealand		65	60	44	46
Assurance services – Audit New Zealand		20	-	15	-
Audit services – Pricewaterhouse Coopers		4	-	-	-
Total auditors' remuneration		**89**	**60**	**59**	**46**
Bad and doubtful debts					
Movement in provision		42	(11)	42	(11)
Net write-off		42	2	-	2
Total bad and doubtful debts		**84**	**(9)**	**42**	**(9)**
Directors' remuneration		348	338	231	203
Donations		67	42	67	42
Goodwill amortisation and write-off		-	285	-	285
Loss on disposal of assets		28	101	33	101
Operating leases		1,196	1,280	1,190	1,268
Depreciation and amortisation					
Depreciation of property, plant and equipment	11	5,770	5,363	5,749	5,355
Amortisation of intangibles	14	288	239	288	239
Amortised leasing costs		37	52	-	-
Total depreciation and amortisation		**6,095**	**5,654**	**6,037**	**5,594**

5. Finance costs

	Notes	Group		Parent Company	
		2007 $000	2006 $000	2007 $000	2006 $000
Financial (expense)/income					
Interest income		1,009	482	123	100
Interest expense		(8,192)	(4,596)	(5,197)	(2,675)
Interest rate swaps - fair value movement		3,216	818	2,330	452
Realised foreign exchange gain/(loss)		(741)	-	(741)	-
Unrealised foreign exchange gain/(loss)		(120)	1,170	(120)	1,170
Net financial (expense)/income		**(4,828)**	**(2,126)**	**(3,605)**	**(953)**

Notes to the Financial Statements continued

6. Income taxes

a) The total charge for the year can be reconciled to the accounting profit as follows:

	Notes	Group		Parent Company	
		2007 $000	2006 $000	2007 $000	2006 $000
Profit before tax		41,550	49,404	13,207	11,686
Imputation credits		491	-	491	-
		42,041	49,404	13,698	11,686
Prima facie tax expense at 33%		(13,874)	(16,303)	(4,520)	(3,856)
Non deductible expenses		(348)	(171)	(65)	(171)
Non assessable income		28	271	759	693
Unrealised change in investment property		9,097	9,154		
Prior year adjustment		188	7	(7)	-
Deferred tax asset (liability) not previously recognised	6c	-	(1,246)	-	-
Adjustments relating to changes in tax rates		2,149		1,571	-
Benefit of imputation credits		491	-	491	-
Income tax expense		**(2,269)**	**(8,288)**	**(1,771)**	**(3,334)**
Allocated between:					
Current tax payable		(4,365)	(3,688)	(2,960)	(2,759)
Deferred tax		2,096	(4,600)	1,189	(575)

The New Zealand Government enacted legislation prior to 30 June 2007 to change the company tax rate from 33% to 30% effective from 1 April 2008. This change impacts longer-term temporary differences reversing after the 2008 financial year.

b) The movements in the imputation credit account are:

	Notes	Group		Parent Company	
		2007 $000	2006 $000	2007 $000	2006 $000
Balance at beginning of the year		21,057	20,402	19,536	18,821
Attached to dividends received		491	-	1,624	1,034
Taxation paid		4,218	3,861	2,786	2,886
Attached to dividends paid		(3,325)	(3,201)	(3,325)	(3,201)
Prior year adjustment		-	(5)	-	(4)
Balance at end of the year		**22,441**	**21,057**	**20,621**	**19,536**

Imputation credits are attached directly and indirectly to shareholders of the parent company, through:

Parent Company	20,621	19,536
Subsidiaries	1,820	1,521
	22,441	**21,057**

Notes to the Financial Statements continued

6. Income taxes continued

c) The following are the major deferred tax liabilities and assets and the movements thereon during the current and prior reporting periods.

Group	Notes	Property, plant and equipment $000	Investment Property $000	Financial Instruments $000	Other $000	Total $000
Balance 1 July 2006		495	5,140	155	(737)	5,053
Opening IFRS adjustment credited direct to equity		14,201	-	389	(513)	14,077
Adjusted opening balance		14,696	5,140	544	(1,250)	19,130
Credited / (charged) to income statement		(1,323)	(1,548)	624	151	(2,096)
Balance at 30 June 2007		**13,373**	**3,592**	**1,168**	**(1,099)**	**17,034**
Balance 1 July 2005		546	705	-	(1,314)	(63)
Opening IFRS adjustment credited direct to equity		14,201	541	(113)	(36)	14,593
Adjusted opening balance		14,747	1,246	(113)	(1,350)	14,530
Credited / (charged) to income statement		(51)	3,894	657	100	4,600
Balance at 30 June 2006		**14,696**	**5,140**	**544**	**(1,250)**	**19,130**

Parent	Notes	Property, plant and equipment $000	Investment Property $000	Financial Instruments $000	Other $000	Total $000
Balance 1 July 2006		495	-	-	(660)	(165)
Opening IFRS adjustment credited direct to equity		14,201	-	389	(513)	14,077
Adjusted opening balance		14,696	-	389	(1,173)	13,912
Credited / (charged) to income statement		(1,323)	-	373	(239)	(1,189)
Balance at 30 June 2007		**13,373**	**-**	**762**	**(1,412)**	**12,723**
Balance 1 July 2005		546	-	-	(1,228)	(682)
Opening IFRS adjustment credited direct to equity		14,201	-	(146)	(36)	14,019
Adjusted opening balance		14,747	-	(146)	(1,264)	13,337
Credited / (charged) to income statement		(51)	-	535	91	575
Balance at 30 June 2006		**14,696**	**-**	**389**	**(1,173)**	**13,912**

Notes to the Financial Statements continued

7. Trade and other receivables

	Notes	Group 2007 $000	Group 2006 $000	Parent Company 2007 $000	Parent Company 2006 $000
Trade receivables		7,317	5,238	6,295	4,505
Allowance for doubtful debts		(42)	-	(42)	-
Property disposal receivable		-	6,066	-	-
Amount owing by subsidiary		-	-	220	30
Prepayments		243	278	211	218
		7,518	**11,582**	**6,684**	**4,753**

8. Secured advances

	Notes	Group 2007 $000	Group 2006 $000	Parent Company 2007 $000	Parent Company 2006 $000
Advances receivable from:					
Other related entities		4,923	4,930	-	-
		4,923	**4,930**	**-**	**-**
Analysed as:					
Current		4,923	1,851	-	-
Non Current		-	3,079	-	-
Security analysis:					
Borrowings secured against property owned under joint venture arrangements		4,916	4,916	-	-
Unsecured		7	14	-	-

Advances receivable are charged at 7.10% to 8.65% (last year: 7.10% to 8.36%). These advances are repayable within the next 12 months.

9. Finance leases

	Notes	Minimum future lease payments Group 2007 $000	Minimum future lease payments Group 2006 $000	Present value of minimum future lease receivables Group 2007 $000	Present value of minimum future lease receivables Group 2006 $000
Repayments due:					
No later than 1 year		229	-	215	-
Later than 1 year and not later than 5 years		918	-	644	-
Later than 5 years		1,090	-	469	-
Minimum future lease payments		2,237	-	1,328	-
Gross finance lease receivables		2,237	-	1,328	-
Less unearned finance income		(909)	-	-	-
Present value of minimum lease payments		**1,328**	**-**	**1,328**	**-**

	2007	2006
Included in the financial statements as:		
Current	76	-
Non-current	1,252	-
	1,328	**-**

Notes to the Financial Statements continued

9. Finance leases continued

The finance lease receivable relates to the Group funding of tenant improvements to an investment property. A new lease commenced in April 2007 for an initial period of 10 years and the finance lease receivable will be recovered over this period. The pre-tax interest rate applicable to the finance lease receivable is 12%. Interest income is recognised on a consistent basis to produce a constant rate of return on the net investment.

10. Other financial instruments

Held for Trading:

	Notes	Group		Parent Company	
		2007 $000	2006 $000	2007 $000	2006 $000
Current assets					
Interest rate swaps		30	38	25	6
Foreign currency forward contracts		-	526	-	526
		30	**564**	**25**	**532**
Non-current assets					
Interest rate swaps		3,861	697	2,512	246
Foreign currency forward contracts		-	443	-	443
		3,861	**1,140**	**2,512**	**689**

Available-for-sale investments carried at fair value:

	Notes	Group		Parent Company	
		2007 $000	2006 $000	2007 $000	2006 $000
Non-current assets					
Shares in listed companies		38,453	31,965	38,453	31,965

For further details of shares in listed companies see note 3c.

Notes to the Financial Statements continued

11. Property, Plant and Equipment

Group

Current period to 30 June 2007	Land $000	Buildings and improvements $000	Wharves and berth dredging $000	Plant, equipment and vehicles $000	Computer software $000	Capital work in progress $000	Total $000
Cost							
Balance 1 July 2006	10,818	27,377	20,244	54,609	2,997	2,022	118,067
NZ IFRS adjustments	23,989	6,051	25,681	-	-	-	55,721
NZ IFRS reclassification to intangible assets	-	-	-	-	(2,997)	-	(2,997)
Adjusted opening balance	34,807	33,428	45,925	54,609	-	2,022	170,791
Additions	714	991	3,169	1,024	-	8,051	13,949
Disposals	-	(425)	-	(125)	-	-	(550)
Cost at 30 June 2007	35,521	33,994	49,094	55,508	-	10,073	184,190
Accumulated depreciation							
Balance 1 July 2006	-	6,980	6,643	19,469	2,526	-	35,618
NZ IFRS adjustments	-	(5,446)	(4,175)	-	-	-	(9,621)
NZ IFRS reclassification to intangible assets	-	-	-	-	(2,526)	-	(2,526)
Adjusted opening balance	-	1,534	2,468	19,469	-	-	23,471
Depreciation for period	-	1,437	1,283	3,050	-	-	5,770
Disposals	-	(12)	-	(86)	-	-	(98)
Depreciation at 30 June 2007	-	2,959	3,751	22,433	-	-	29,143
Net book value							
Adjusted 30 June 2006	34,807	31,894	43,457	35,140	-	2,022	147,320
At 30 June 2007	**35,521**	**31,035**	**45,343**	**33,075**	**-**	**10,073**	**155,047**

Group

Comparative period to 30 June 2006	Land $000	Buildings and improvements $000	Wharves and berth dredging $000	Plant, equipment and vehicles $000	Computer software $000	Capital work in progress $000	Total $000
Cost							
Balance 1 July 2005	10,395	26,803	18,513	41,035	2,643	5,074	104,463
NZ IFRS adjustments	23,989	6,051	25,681	-	-	-	55,721
NZ IFRS reclassification to intangible assets	-	-	-	-	(2,643)	-	(2,643)
Adjusted opening balance	34,384	32,854	44,194	41,035	-	5,074	157,541
Additions	423	1,042	1,731	13,791	-	(3,052)	13,935
Disposals	-	(468)	-	(217)	-	-	(685)
Cost at 30 June 2006	34,807	33,428	45,925	54,609	-	2,022	170,791
Accumulated depreciation							
Balance 1 July 2005	-	6,188	6,289	17,123	2,286	-	31,886
NZ IFRS adjustments	-	(6,188)	(5,071)	-	-	-	(11,259)
NZ IFRS reclassification to intangible assets	-	-	-	-	(2,286)	-	(2,286)
Adjusted opening balance	-	-	1,218	17,123	-	-	18,341
Depreciation for period	-	1,556	1,250	2,557	-	-	5,363
Disposals	-	(22)	-	(211)	-	-	(233)
Depreciation at 30 June 2006	-	1,534	2,468	19,469	-	-	23,471
Net book value							
Adjusted 30 June 2005	34,384	32,854	42,976	23,912	-	5,074	139,200
At 30 June 2006	**34,807**	**31,894**	**43,457**	**35,140**	**-**	**2,022**	**147,320**

Notes to the Financial Statements continued

11. Property, Plant and Equipment continued

Parent

Current period to 30 June 2007	Land $000	Buildings and improvements $000	Wharves and berth dredging $000	Plant, equipment and vehicles $000	Computer software $000	Capital work in progress $000	Total $000
Cost							
Balance 1 July 2006	10,818	27,377	20,244	54,536	2,997	2,022	117,994
NZ IFRS adjustments	23,989	6,051	25,681	-	-	-	55,721
NZ IFRS reclassification to intangible assets	-	-	-	-	(2,997)	-	(2,997)
Adjusted opening balance	34,807	33,428	45,925	54,536	-	2,022	170,718
Additions	714	991	3,169	943	-	8,051	13,868
Disposals	-	(425)	-	(125)	-	-	(550)
Cost at 30 June 2007	35,521	33,994	49,094	55,354	-	10,073	184,036
Accumulated depreciation							
Balance 1 July 2006	-	6,980	6,643	19,419	2,526	-	35,568
NZ IFRS adjustments	-	(5,446)	(4,175)	-	-	-	(9,621)
NZ IFRS reclassification to intangible assets	-	-	-	-	(2,526)	-	(2,526)
Adjusted opening balance	-	1,534	2,468	19,419	-	-	23,421
Depreciation for period	-	1,437	1,283	3,029	-	-	5,749
Disposals	-	(12)	-	(87)	-	-	(99)
Depreciation at 30 June 2007	-	2,959	3,751	22,361	-	-	29,071
Net book value							
Adjusted 30 June 2006	34,807	31,894	43,457	35,117	-	2,022	147,297
At 30 June 2007	**35,521**	**31,035**	**45,343**	**32,993**	**-**	**10,073**	**154,965**

Parent

Comparative period to 30 June 2006	Land $000	Buildings and improvements $000	Wharves and berth dredging $000	Plant, equipment and vehicles $000	Computer software $000	Capital work in progress $000	Total $000
Cost							
Balance 1 July 2005	10,395	26,803	18,513	40,964	2,643	5,074	104,392
NZ IFRS adjustments	23,989	6,051	25,681	-	-	-	55,721
NZ IFRS reclassification to intangible assets	-	-	-	-	(2,643)	-	(2,643)
Adjusted opening balance	34,384	32,854	44,194	40,964	-	5,074	157,470
Additions	423	1,042	1,731	13,789	-	(3,052)	13,933
Disposals	-	(468)	-	(217)	-	-	(685)
Cost at 30 June 2006	34,807	33,428	45,925	54,536	-	2,022	170,718
Accumulated depreciation							
Balance 1 July 2005	-	6,188	6,289	17,081	2,286	-	31,844
NZ IFRS adjustments	-	(6,188)	(5,071)	-	-	-	(11,259)
NZ IFRS reclassification to intangible assets	-	-	-	-	(2,286)	-	(2,286)
Adjusted opening balance	-	-	1,218	17,081	-	-	18,299
Depreciation for period	-	1,556	1,250	2,549	-	-	5,355
Disposals	-	(22)	-	(211)	-	-	(233)
Depreciation at 30 June 2006	-	1,534	2,468	19,419	-	-	23,421
Net book value							
Adjusted 30 June 2005	34,384	32,854	42,976	23,883	-	5,074	139,171
At 30 June 2006	**34,807**	**31,894**	**43,457**	**35,117**	**-**	**2,022**	**147,297**

Notes to the Financial Statements continued

12. Investment property

	Notes	Group 2007 $000	Group 2006 $000
Balance at beginning of year		152,879	107,644
Property purchased		-	11,901
Property improvements during the period		1,984	3,506
Property sold		(105)	(5,550)
Unrealised change in the value of investment property		25,304	35,378
Transfer to property held for sale	13	(9,192)	-
Balance at end of year		**170,870**	**152,879**
Comprising:			
Property portfolio at cost		49,371	57,004
Revaluation		121,499	95,875
		170,870	152,879
Valuation analysis:			
Valued at 30 June balance date as determined by:			
Barlow Justice Limited		4,965	4,195
Colliers International		89,700	67,925
DTZ New Zealand Limited		23,960	20,125
Guy Stevenson & Petherbridge Limited		-	32,602
Seagar & Partners (Manukau) Limited		52,245	28,032
Property recorded at fair value		170,870	152,879

The Group's investment properties are valued annually at fair value effective 30 June. Fair value reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of the current market conditions.

All valuations were completed by independent valuers who conform with the New Zealand Property Institute Practicew Standards. The valuers have extensive market knowledge in the types of investment properties owned by the Group.

All investment properties were valued based on open market evidence including market rentals, land sales and yield information available to the valuers.

Included within the gross values for investment properties are capitalised leasing costs. These costs represent expenditure incurred by the Group in relation to letting of property. These costs are initially recorded as an asset and amortised over the life of the lease they relate to.

13. Property held for sale

	Notes	Group 2007 $000	Group 2006 $000
Balance at beginning of year		-	-
Transfer from investment property	12	9,192	-
Balance at end of year		**9,192**	**-**
Comprising:			
Property held for sale - at cost		6,372	-
Property held for sale - at valuation		2,820	-

The Group holds an interest in three parcels of land, held by certain Joint Ventures, that are being sold in September 2007, pursuant to August 2007 contractual arrangements.

The sale will involve the three parcels of land totalling 53.85 hectares being sold to parties related to the other Joint Venture participants for $18.384 million, of which the Group's share is $9.192 million.

Notes to the Financial Statements continued

13. Property held for sale continued

The land being sold has been recorded at balance date at a value of $9.192 million, reflecting the Group's 50% interest in the sale proceeds. A registered valuation at 30 June 2007 valued the Group's share of the land being sold at $10.99 million.

All liabilities secured against the portion of land being sold will be resecured against the remaining 14.73 hectares of land held by the Joint Venture.

14. Intangible Assets

Current period to 30 June 2007	Notes	Group $000	Parent Company $000
Computer Software			
Cost			
Balance 1 July 2006		2,997	2,997
Additions		402	402
Disposals		-	-
Balance at 30 June 2007		3,399	3,399
Accumulated amortisation			
Balance 1 July 2006		2,525	2,525
Amortisation for period	4	288	288
Disposals		-	-
Balance at 30 June 2007		2,813	2,813
Net book value			
At 30 June 2006		472	472
At 30 June 2007		**586**	**586**

Comparative period to 30 June 2006	Notes	Group $000	Parent Company $000
Computer Software			
Cost			
Balance 1 July 2005		-	-
NZ IFRS reclassification from property, plant and equipment	11	2,643	2,643
Adjusted opening balance		2,643	2,643
Additions		354	354
Disposals		-	-
Balance at 30 June 2006		2,997	2,997
Accumulated amortisation			
Balance 1 July 2005		-	-
NZ IFRS reclassification from property, plant and equipment	11	2,286	2,286
Adjusted opening balance		2,286	2,286
Amortisation for period	4	239	239
Disposals		-	-
Balance at 30 June 2006		2,525	2,525
Net book value			
At 30 June 2005		-	-
At 30 June 2006		**472**	**472**

Notes to the Financial Statements continued

15. Trade and other payables

	Notes	Group		Parent Company	
		2007 $000	2006 $000	2007 $000	2006 $000
Accounts payable		1,324	3,160	697	2,031
Other accrued charges		1,372	1,403	1,372	707
Vendor mortgage payable		-	1,463	-	-
Property purchase payable		-	7,226	-	-
		2,696	**13,252**	**2,069**	**2,738**

16. Employee entitlements

	Notes	Group		Parent Company	
		2007 $000	2006 $000	2007 $000	2006 $000
Accrued wages and salaries		607	258	352	258
Annual leave		2,229	1,975	2,211	1,969
Long service leave		559	509	559	509
Retiring allowances		365	365	365	365
Sick leave		78	44	78	44
Balance		**3,838**	**3,151**	**3,565**	**3,145**
Analysed as:					
Current		2,914	2,277	2,641	2,271
Non current		924	874	924	874

17. Borrowings

	Notes	Group		Parent Company	
		2007 $000	2006 $000	2007 $000	2006 $000
Bank borrowings		120,450	104,590	82,220	69,680

The Group has a $141 million committed facility with ANZ National Bank Limited. The Group may draw funding for terms ranging from call to the termination of the agreement, which is 31 October 2009.

The security for advances is a general security agreement over the assets of the Group.
The carrying amount of borrowings reflects fair value as the borrowing finance rates approximate market rates.

18. Capitalised borrowing costs

	Notes	Group		Parent Company	
		2007 $000	2006 $000	2007 $000	2006 $000
Borrowing costs capitalised during the year		354	335	354	335
Weighted average capitalisation rate on funds borrowed		7.14%	6.95%	7.14%	6.95%

Notes to the Financial Statements continued

19. Share capital

	Notes	Group 2007 $000	Group 2006 $000	Parent Company 2007 $000	Parent Company 2006 $000
Issued and paid up capital 20,000,000 shares		20,000	20,000	20,000	20,000

All shares carry equal voting rights and the right to share in any surplus on the winding up of the Group.

20. Reserves

	Notes	Group 2007 $000	Group 2006 $000	Parent Company 2007 $000	Parent Company 2006 $000
Retained earnings					
Balance at beginning of year		100,714	98,852	86,216	84,364
Profit for the year		39,281	41,116	11,436	8,352
Less dividends paid		(6,750)	(6,500)	(6,750)	(6,500)
Transfers (to)/from property revaluation reserve (a):					
Revaluations realised on property sold		96	2,624	-	-
Unrealised change in the value of investment property		(25,304)	(35,378)	-	-
Balance at end of year		**108,037**	**100,714**	**90,902**	**86,216**
(a) Property revaluation reserve:					
Balance at beginning of year		97,169	64,415	-	-
Transfers from/(to) retained earnings:					
Realised on property sold		(96)	(2,624)	-	-
Change in value of investment property	12	25,304	35,378	-	-
Balance at end of year		**122,377**	**97,169**	**-**	**-**
(b) Available-for-sale revaluation reserve:					
Balance at beginning of year		(4,979)	-	(4,979)	-
Valuation gain/(loss) recognised		6,488	(4,979)	6,488	(4,979)
Balance at end of year		**1,509**	**(4,979)**	**1,509**	**(4,979)**
Total Reserves		**231,923**	**192,904**	**92,411**	**81,237**

The available-for-sale revaluation reserve arises on the revaluation of shares in listed companies. Where a financial asset is sold that portion of the reserve, which relates to that financial asset, and is effectively realised, is recognised in the Income Statement. Where a financial asset is impaired that portion of the reserve, which relates to that financial asset is recognised in the Income Statement.

Notes to the Financial Statements continued

21. Derivative financial instruments

The fair values of the significant types of derivative financial instruments outstanding are summarised below. Hedge accounting has not been adopted.

	Group 2007			Group 2006		
	$000 Assets	$000 Liabilities	$000 Notional Amounts	$000 Assets	$000 Liabilities	$000 Notional Amounts
Interest rate swaps	3,891	-	70,250	733	(59)	64,200
Forward foreign exchange contracts	-	-	-	971	-	6,696
Balance	**3,891**	**-**	**70,250**	**1,704**	**(59)**	**70,896**
Included in the financial statements as:						
Current	30	-	2,650	564	-	8,745
Non current	3,861	-	67,600	1,140	(59)	62,151
Balance	3,891	-	70,250	1,704	(59)	70,896

	Parent Company 2007			Parent Company 2006		
	$000 Assets	$000 Liabilities	$000 Notional Amounts	$000 Assets	$000 Liabilities	$000 Notional Amounts
Interest rate swaps	2,537	-	44,500	250	(43)	34,650
Forward foreign exchange contracts	-	-	-	971	-	6,696
Balance	**2,537**	**-**	**44,500**	**1,221**	**(43)**	**41,346**
Included in the financial statements as:						
Current	25	-	1,250	532	-	4,945
Non current	2,512	-	43,250	689	(43)	36,401
Balance	2,537	-	44,500	1,221	(43)	41,346

Derivative financial instruments have the following maturities:

	Notes	Group		Parent Company	
		2007 $000	2006 $000	2007 $000	2006 $000
Within one year		2,650	8,745	1,250	4,945
One to two years		2,200	7,751	-	4,151
More than two years and not later than five years		22,550	16,450	11,850	5,750
More than five years		42,850	37,950	31,400	26,500
		70,250	**70,896**	**44,500**	**41,346**

Exchange Rates
Foreign exchange rates used at balance date for the New Zealand dollar are:

	30 June 2007	30 June 2006
USD	0.7696	0.6046
AUD	0.9089	0.8188

Notes to the Financial Statements continued

21. Derivative financial instruments continued

Material foreign currency monetary assets and liabilities
Monetary assets denominated in foreign currencies recognised in the balance sheet are:

	Parent 2007 $000	Parent 2006 $000
USD	881	237
AUD	1,081	-
	1,962	**237**

The Group does not have any material monetary liabilities denominated in foreign currencies.

Maturity profile of financial assets and liabilities
The following table details the Group's exposure to interest rate risk on financial assets and liabilities:

Current period to 30 June 2007

	Weighted average effective interest rate %	Variable interest rate $000	Maturity less than 1 year $000	1-2 years $000	2-3 years $000	3-4 years $000	4-5 years $000	More than 5 years $000	Non interest bearing $000	Total $000
Assets										
Cash & cash equivalents									2,349	2,349
Trade & other receivables									7,527	7,527
Finance leases	12%		76	86	97	109	123	837		1,328
Other financial assets									5,033	5,033
Secured advances	8.01%	4,914								4,914
Investments									38,453	38,453
Total financial assets		**4,914**	**76**	**86**	**97**	**109**	**123**	**837**	**53,362**	**59,604**
Liabilities										
Trade & other payables									2,696	2,696
Employee benefits									3,838	3,838
Borrowings	7.2%	41,040	14,010	5,300	6,950	4,200	8,700	40,250	-	120,450
Total financial liabilities		**41,040**	**14,010**	**5,300**	**6,950**	**4,200**	**8,700**	**40,250**	**6,534**	**126,984**

Comparative period to 30 June 2006

	Weighted average effective interest rate %	Variable interest rate $000	Maturity less than 1 year $000	1-2 years $000	2-3 years $000	3-4 years $000	4-5 years $000	More than 5 years $000	Non interest bearing $000	Total $000
Assets										
Cash & cash equivalents									519	519
Trade & other receivables									13,433	13,433
Other financial assets									1,704	1,704
Secured advances	7.51%	3,079								3,079
Investments									31,965	31,965
Total financial assets		**3,079**							**47,621**	**50,700**
Liabilities										
Trade & other payables									13,252	13,252
Other financial liabilities									59	59
Employee benefits									3,151	3,151
Borrowings	6.98%	35,030	11,760	4,850	5,300	5,500	4,200	37,950	-	104,590
Total financial liabilities		**35,030**	**11,760**	**4,850**	**5,300**	**5,500**	**4,200**	**37,950**	**16,462**	**121,052**

Notes to the Financial Statements continued

21. Derivative financial instruments continued

Fair value of financial assets and liabilities

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The carrying value of cash and cash equivalents, trade and other receivables, other current assets, trade and other payables, bank overdraft and employee entitlements is equivalent to the fair value of these assets and liabilities.
- The fair value of derivative instruments are calculated using quoted prices.

22. Reconciliation of consolidated operating cash flows

	Notes	Group		Parent Company	
		2007 $000	2006 $000	2007 $000	2006 $000
The reconciliation between profit and the cash flow from operations is:					
Profit for the period		39,281	41,116	11,436	8,352
Plus/(less) non cash items:					
Unrealised net change in the value of investment property		(25,304)	(35,378)	-	-
Depreciation, amortisation and goodwill impairment		6,110	5,919	6,037	5,879
Unrealised foreign exchange (gains)/losses		120	(1,170)	120	(1,170)
Movement in the fair value of interest rate swaps		(3,217)	(818)	(2,330)	(452)
Movement in non-current employee entitlements		50	77	50	77
Movement in deferred tax		(2,096)	4,600	(1,189)	574
Loss/(gain) on sale of property, plant and equipment		33	39	33	39
Movement in working capital items:					
Trade and other receivables		4,145	(5,885)	(1,760)	(460)
Trade and other payables		(8,202)	9,498	180	(236)
Current employee entitlements		377	302	370	302
Income tax		143	(227)	110	(180)
Property held for sale		-	-	-	-
Inventories		23	10	23	10
Loss/(gain) on disposal of investment property		(84)	(344)	-	-
Movement in working capital items classified as investing activities		1,293	(2,823)	-	-
Net cash flows from operating activities		**12,672**	**14,916**	**13,080**	**12,735**

23. Investment in subsidiaries, associates and joint ventures

Port Otago Limited operates a full service container port at Port Chalmers and provides wharf facilities at Dunedin. The company also has substantial property holdings. The following table details the principal activities of the company's subsidiaries, associates and joint ventures:

Name	Percentage owned	Balance date	Principal activity
Subsidiaries			
Chalmers Properties Limited	100%	30 June	Property investment
Perpetual Property Limited	100%	30 June	Property investment
South Freight Limited	100%	30 June	Dormant (non trading)
Fiordland Pilot Services Limited	100%	30 June	Shipping services

Notes to the Financial Statements continued

23. Investment in subsidiaries, associates and joint ventures continued

Name	Percentage owned	Balance date	Principal activity
Associates			
Hamilton JV Investment Company Limited	50%	30 June	Property trustee (non trading)
Hamilton JV Investment Company No.2 Limited	50%	30 June	Property trustee (non trading)
Hamilton JV Investment Company No.3 Limited	50%	30 June	Property trustee (non trading)
Hamilton JV Investment Company No.4 Limited	50%	30 June	Property trustee (non trading)
Hamilton JV Investment Company No.5 Limited	50%	30 June	Dormant (non trading)
Ormiston Road JV Company Limited	50%	30 June	Property trustee (non trading)

Joint ventures are joint arrangements with other parties in which the Group has several liability in respect of costs and liabilities. The Group's share of the assets, liabilities, revenues and expenses of joint ventures is incorporated into the Group's financial statements on a line-by-line basis.

The Group's interest in the jointly controlled entities are as follows:

Joint ventures			
HarbourCold Dunedin	50%	30 June	Cold store operation
The Hamilton Joint Venture	50%	30 June	Property investment
Hamilton JV Number 2	50%	30 June	Property investment
Hamilton JV Number 3	50%	30 June	Property investment
Hamilton JV Number 4	50%	30 June	Property investment
Ormiston Road Joint Venture	50%	30 June	Property investment

Port Otago Limited's investment in wholly owned subsidiary companies is recorded at cost.

The financial statements include the relevant interest in each joint venture's assets and liabilities at 30 June 2007 along with the share of trading for the relevant period.

	Notes	Group		Parent Company	
		2007 $000	**2006 $000**	**2007 $000**	**2006 $000**
Current assets		9,406	264	148	252
Non current assets		20,113	33,476	51	37
Total assets		29,519	33,740	199	289
Current liabilities		(5,094)	(3,342)	(45)	(34)
Non current liabilities		-	(3,080)	-	-
Total liabilities		(5,094)	(6,422)	(45)	(34)
Net assets		**24,425**	**27,318**	**154**	**255**
Income/ movement in property values		(3,549)	12,037	861	838
Expenses		(1,263)	(1,160)	(739)	(747)

Any capital commitments and contingent liabilities arising from the Group's interest in joint ventures are disclosed in notes 24 and 25 respectively.

Notes to the Financial Statements continued

24. Capital expenditure commitment

At 30 June 2007 the Group had commitments/approvals for capital expenditure of $13.9 million (last year: $21.1 million). Included within capital commitments is the Group's 50% share, via joint venture participation, in a conditional contract to purchase land at Hamilton. The joint venture has contracted to purchase the property for $18.4 million. An initial payment of $2.24 million has been made of which $0.64 million is non-refundable.

The contract will only become unconditional once a rezoning is achieved on terms and conditions acceptable to the joint venture.

The remaining capital expenditure of $5.8 million mainly relates to improvements to the port's infrastructure and assets.

25. Contingencies

Apart from the matters noted below, there are no contingent liabilities at 30 June 2007 (30 June 2006: nil).

Guarantees
As part of contractual arrangements for the purchase of a ship-to-shore container crane the ANZ National Bank Limited has issued guarantees at the request of the Group. At 30 June 2007 guarantees totalling $US0.6 million remained outstanding (30 June 2006: $US5.1 million). These guarantees progressively expire as the Group makes payments in accordance with the crane purchase contract. While the Group has indemnified the ANZ National Bank Limited against any claims made pursuant to the guarantees, the possibility of such claims occurring is considered remote.

Port Noise
The Company has an obligation under the Port Noise Management Plan and the requirements within the Dunedin City Council District Plan to either carry out or contribute to acoustic treatment of certain properties in Port Chalmers. The Company's obligation for acoustic treatment of residential properties varies depending on the level of noise received from the port. The Company is unable to reliably assess its future obligation since the extent and timing of property purchases and noise mitigation expenditure will depend on the decisions of individual property owners.

Financial Arrangement – Hamilton Joint Ventures
The Group has a 50% interest in certain Hamilton Joint Ventures. This interest is accounted for in accordance with Note 23.

Pursuant to the joint venture agreements between the parties, Chalmers Properties Limited ("CPL"), through the services of its Chief Executive, is the manager for each of the Hamilton Joint Ventures.

At the time of preparation of the Interim Report it was anticipated that an agreement would be completed for a sale, at cost, of 10% (of which the Group's half share amounts to 5%) of a 43.7-hectare block of joint venture land, known as Newby 1, to the CPL Chief Executive. Following subsequent negotiations it has been decided not to proceed on this basis.

While negotiations are continuing, the financial impact on the Group cannot be determined until an agreement is formalized.

26. Transactions with related parties

a) Transactions within the Group and with Otago Regional Council:

Related party revenue/(expenditure) transactions during the year:

	Group		Parent Company	
	2007 $000	2006 $000	2007 $000	2006 $000
• **Otago Regional Council**				
Contribution towards operation of Harbour Control Centre	60	60	60	60
• **Chalmers Properties Limited**				
Administration services provided	-	-	144	132
Interest revenue	-	-	-	20
Interest expense	-	-	-	(29)

Amounts receivable from related parties are included in note 7.

Notes to the Financial Statements continued

26. Transactions with related parties continued

b) Other related party transactions:

Director(s)	Related Party	Nature of relationship
J W Gilks	Director of City Forests Limited *(Resigned May 2007)*	Customer of the Group
J W Gilks	Director of Aurora Energy Limited *(Resigned May 2007)*	Lease of property from Group
J W Gilks	Director of Delta Utility Services Limited *(Resigned May 2007)*	Supplier to the Group Lease of property from Group
D R Black	Director of Farra Dunedin Engineering Limited	Supplier to the Group Lease of property from Group
E G Johnson	Chairman of Fulton Hogan Group	Supplier to the Group Lease of property from Group
V H Pooch	Director of Key Business Partners Limited	Supplier to the Group

Related party revenue/(expenditure) transactions during the year:

	Group		Parent Company	
	2007 $000	2006 $000	2007 $000	2006 $000
• **City Forests Limited**				
Port facility revenue	458	372	458	372
• **Aurora Energy Limited**				
Property rental	72	38	-	-
• **Delta Utility Services Limited**				
Property rental	1	1	1	1
Maintenance expense	(12)	(13)	(12)	(13)
Capital expenditure	(284)	(231)	(284)	(231)
• **Farra Dunedin Engineering Limited**				
Property rental	21	21	-	-
Maintenance expense	(28)	(46)	(28)	(46)
Capital expenditure	(37)	(27)	(37)	(27)
• **Fulton Hogan Group companies**				
Property rental	56	31	56	31
Transport and warehouse revenue	2	2	2	2
Maintenance and waste disposal costs	(393)	(137)	(393)	(137)
Capital expenditure	(977)	(103)	(977)	(103)
• **Key Business Partners Limited**				
Consultancy services	(22)	-	(16)	-

Notes to the Financial Statements continued

26. Transactions with related parties continued

Related party receivable/(payable) at year end:

	Group		Parent Company	
	2007 $000	2006 $000	2007 $000	2006 $000
• **City Forests Limited**				
Receivable	94	102	94	102
• **Aurora Energy Limited**				
Receivable	-	-	-	-
• **Delta Utility Services Limited**				
Receivable	-	6	-	-
Accounts payable	(1)	(1)	(1)	(1)
• **Farra Dunedin Engineering Limited**				
Receivable	-	6	-	-
• **Fulton Hogan Group companies**				
Receivable	1	1	1	1
Accounts payable	(189)	(9)	(189)	(9)

All related party transactions are conducted by the management of the respective companies on a commercial and arms length basis.

The amounts owing to/from related parties are payable in accordance with the company's normal terms of trade. No related party debts have been written off or forgiven during the year.

Related party contingency
At 31 December 2006 the Group reported that a parcel of joint venture land was to be sold to the Chief Executive of Chalmers Properties Limited. Note 25 on Contingencies contains further details.

27. Key management personnel compensation

The gross remuneration of directors and key management personnel during the year was as follows:

	Group		Parent Company	
	2007 $000	2006 $000	2007 $000	2006 $000
Directors' fees	348	338	231	203
Salaries and other short-term employee benefits	1,789	1,460	1,196	1,046
	2,137	**1,798**	**1,427**	**1,249**

Notes to the Financial Statements continued

28. Dividends – Group and Parent Company

	2007 $000	2006 $000
Declared and proposed in respect of the current financial year:		
Interim dividend	2,500	2,500
Second interim dividend	2,500	2,500
Final dividend	1,900	1,750
Dividends for the financial year	**6,900**	**6,750**
Adjust for dividends declared after year end:		
2007 Final dividend declared August 2007	(1,900)	-
2006 Final dividend declared August 2006	1,750	(1,750)
2005 Final dividend declared August 2005	-	1,500
Dividend distributed to owners as disclosed in the Statement of Movements in Equity	**6,750**	**6,500**

29. Operating leases - Group and Parent Company

The future minimum lease payments to be paid under non-cancellable operating leases are as follows:

Minimum rental commitments for all non-cancellable operating leases are:

	2007 $000	2006 $000
Payable within one year	720	555
Payable within one to two years	554	108
Payable within two to five years	1,377	-
	2,651	**663**

A significant portion of the total non-cancellable operating lease amount relates to the lease of a cold store. This lease commenced in April 2007 for a 5-year period expiring in March 2012. Other operating leases comprise leases of vehicles and equipment.

30. Significant events after balance date

Dividends
On 27 August 2007 the directors declared a final dividend of $1.9 million for the year ended 30 June 2007. Combined with interim dividends totalling $5.0 million this brings dividends paid and declared to $6.9 million for the full financial year (last year: $6.75 million).

Property held for sale
As explained in note 13, certain portions of land have been sold subsequent to balance date. As the land will be sold at the 30 June 2007 carrying amount, there will be no financial effect on next year's profit / (loss).

Land purchases
Subsequent to balance date the Group, via joint venture participation, entered into contractual agreements to purchase a further 2 blocks of land at Hamilton. The Group's share of the purchase price of the land is $10.71 million.

Apart from the above transactions, there were no other material events subsequent to balance date (last year: none).

Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

**TO THE READERS OF
PORT OTAGO LIMITED AND GROUP'S
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

The Auditor-General is the auditor of Port Otago Limited (the company) and group. The Auditor-General has appointed me, Devan Menon, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company, on his behalf, for the year ended 30 June 2007.

Unqualified opinion

In our opinion:

- The financial statements of the company and group on pages 8 to 42:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the company and group's financial position as at 30 June 2007; and
    - the results of operations and cash flows for the year ended on that date.
- Based on our examination the company and group kept proper accounting records.

The audit was completed on 29 August 2007 and 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 the Auditor, and explain our independence.

Basis of opinion

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

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

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

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

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;

Audit Report continued

- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

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

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

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the company and group as at 30 June 2006. They must also give a true and fair view of the results of operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Port Companies Act 1988 and the Financial Reporting Act 1993.

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

Independence

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

We have completed an assurance review of the methodology and process adopted in the redevelopment of a sample property, which is compatible with those independence requirements. Other than the audit and this assurance assignment, we have no relationship with or interests in the company or group.

Devan Menon
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of Port Otago Limited and Group for the year ended 30 June 2007 included on Port Otago Limited's web site. Port Otago Limited is responsible for the maintenance and integrity of the Port Otago Limited's web site. We have not been engaged to report on the integrity of Port Otago Limited's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

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 29 August 2007 to confirm the information included in the audited financial statements presented on this web site.

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

Statutory Disclosure

The following disclosures are made pursuant to the Companies Act 1993 in respect of the financial year ended 30 June 2007.

Group activities

Port Otago Limited provides a full range of port facilities, cargo handling and warehousing services at the Port of Otago.

Chalmers Properties Limited, a wholly owned subsidiary, manages the Group's investment property portfolio.

Financial results

The Group recorded a profit for the year of $39.3 million compared to $41.1 million last year.

Dividends

A final dividend of $1.9 million will be paid on 31 August 2007, to give a total dividend for the year of $6.9 million.

Changes in Accounting Policies

There have been no changes in accounting policies during the year, except as disclosed in note 3 of the Statement of Accounting Policies.

Directors

In accordance with the Company's constitution at least one third of the Directors retire by rotation at each Annual Meeting. The Directors who retire in each year are those who have been longest in office since their last election or appointment.

At the Company's last Annual Meeting, held on 13 December 2006, Messrs D R Black and D Rillstone retired by rotation and were reappointed. Mr V H Pooch was appointed as a director on 13 December 2006.

Directors' remuneration

Remuneration paid by the Port Otago Group to Directors during the year was:

	Port Otago Limited $000	Chalmers Properties Limited $000	Total Group $000
J W Gilks (Chairman)	55	5	60
D R Black (Deputy Chairman)	33	3	36
R D Anderson	-	16	16
G L Berry	38	25	63
G P Hinton	-	10	10
E G Johnson	36	3	39
J D Miller	28	29	57
D Rillstone	29	8	37
V H Pooch	12	18	30
	231	**117**	**348**

Statutory Disclosure continued

Directors' interests

Directors have disclosed the following general interests for the year ended 30 June 2007 in accordance with Section 140 of the Companies Act 1993:

Director	Entity	Relationship
J W Gilks	Botry – Zen Limited	Director
	Business in the Community Limited	Director
	Dublin Bay Investments Limited	Director
	Fisher & Paykel Appliances Holdings Limited (and its wholly owned subsidiaries)	Director
	Fisher & Paykel Finance Limited (and its wholly owned subsidiaries)	Director
	K.M.K Storage Limited	Director
	Merlin Genesis Limited	Director
	Philip Laing House Limited	Director
	Receivables Management (N.Z.) Limited (and its wholly owned subsidiaries)	Chairman
G L Berry	Arcology Investments Limited	Director
	Avenue Estate Home No.3 Limited	Director
	Banco Properties Limited	Director
	Banco Trustees Limited	Director
	Berry & Co	Senior Partner
	Berry & Co Solicitors Nominee Limited	Director
	Land Purchase Company No.1 Limited	Director
	Millbrook Resort Property Companies	Director
	New Zealand Radiology Contract Services Limited	Director
	Pean Limited	Director
	Riverstone Holdings Limited	Director
	Shotover Nominees Limited	Director
	Southern Lakes Development Co. Limited	Director
	Southern Property Holdings Limited	Director
	Totara Irrigation Development Limited	Director
	Totaratahi Estate Limited	Director
	Waitaki District Health Services Limited	Chairman
D R Black	Clough Holdings Limited	Chairman
	Farra Engineering Limited	Chairman
	Forests Otago Limited	Chairman
	Lifevent Medical Limited	Chairman
	Otago Rescue Helicopter Trust	Chairman
	Timberlands West Coast Limited	Chairman
	Healthcare Otago Charitable Trust	Chairman
E G Johnson	Bank of New Zealand	Director
	CRL Energy Limited	Director
	Fulton Hogan Limited (and its wholly owned subsidiaries)	Chairman
	Goldpine Group Limited (and its wholly owned subsidiaries)	Chairman
	MDC Holdings Limited (and its wholly owned subsidiaries)	Director
	National Institute of Water and Atmospheric Research Limited (and its wholly owned subsidiaries)	Director
	Stone Farm Holdings Limited	Director

Statistical Disclosure continued

Directors' interests continued

J D Miller	Hamilton JV Investment Company Limited	Director
	Hamilton JV Investment Company No.2 Limited	Director
	Hamilton JV Investment Company No.3 Limited	Director
	Hamilton JV Investment Company No.4 Limited	Director
	Hamilton JV Investment Company No.5 Limited	Director
	West Meadows Limited	Director
D Rillstone	Crosshill Farm Limited	Director
	Hazlett & Sons Limited (and its wholly owned subsidiaries)	Director
	Medic Limited	Director
	Moorhouse House and Garden Supplies Limited	Director
	Barker Fruit Processors Limited	Director
V H Pooch	Canterbury Despatch Limited	Chairman
	Key Business Partners Limited	Director
	Number Power Limited	Director
	Trackit New Zealand Limited	Chairman

Employee remuneration

During the year, the number of employees of Port Otago Limited and its subsidiaries who received total remuneration in excess of $100,000 are:

Remuneration range ($)	Number of employees
480,001 – 490,000	1
300,001 – 310,000	1
160,001 – 170,000	1
150,001 – 160,000	1
140,001 – 150,000	2
130,001 – 140,000	4
120,001 – 130,000	1
100,000 – 110,000	4

Directors of subsidiary companies

Directors fees for Chalmers Properties Limited are shown under directors' remuneration. No directors fees were paid by Fiordland Pilot Services Limited, Perpetual Property Limited and South Freight Limited.

The following persons held office as directors of subsidiary companies at 30 June 2007, or resigned during the year - as indicated with an (R):

Company	Director
Chalmers Properties Limited	J W Gilks, D R Black, R D Anderson (R), G L Berry, G P Hinton (R), E G Johnson, J D Miller, V H Pooch, D Rillstone
Fiordland Pilot Services Limited	J W Gilks, D R Black, G L Berry, J D Miller, D Rillstone
Perpetual Property Limited	J W Gilks, D R Black, R D Anderson (R), G L Berry, G P Hinton (R), J D Miller, V H Pooch, D Rillstone
South Freight Limited	A R Taggart

Statistory Disclosure continued

Directors insurance
The Group provides insurance cover for directors under the following policies:

(a) Directors liability insurance which ensures that generally directors will incur no monetary loss as a result of action undertaken by them as directors.

(b) Personal accident insurance which covers directors while travelling on company business.

Use of Company Information
There were no notices received from Directors of the Company requesting to use Company information received in their capacity as Director, which would not otherwise have been available to them.

Auditors
The Auditor-General continues as the Company's auditor in accordance with the Port Companies Act 1988. The Auditor-General has appointed Audit New Zealand to undertake the audit on its behalf.

The Group audit fee for the year ended 30 June 2007 was $79,000 (last year: $60,000).

For and on behalf of the Board of Directors

J W Gilks
Chairman

27 August 2007

D R Black
Director

27 August 2007

Five Year Summary

Trade analysis	**2007**	**2006**	**2005**	**2004**	**2003**
Number of ships	617	529	494	537	554
Cargo throughput (000's tonnes)	2,974	2,798	2,812	2,756	2,513

Financial comparisons	**2007**	**2006**	**2005#**	**2004#**	**2003#**
	$000	**$000**	**$000**	**$000**	**$000**
Revenue	59,373	50,429	46,507	44,616	39,964
Surplus from operations (EBIT)					
Port operations	13,614	11,709	10,757	11,581	10,691
Investment property	6,599	5,613	4,673	4,357	3,786
Total group	20,213	17,322	15,430	15,938	14,477
Included in Surplus from operations:					
Unusual revenues/(expenses)	84	344	(100)	608	-
Surplus before tax	16,246	14,026	12,572	13,694	13,312
Net surplus after tax					
Port operations	9,099	6,252	5,981	6,784	6,512
Investment property	4,029	3,134	2,368	2,314	2,180
Total group	13,128	9,386	8,349	9,098	8,692
Unrealised net change in value of investment property after tax	26,153	31,730	15,460	13,364	7,223
Profit after unrealised revaluations	39,281	41,116	23,809	22,462	15,915
Dividends for financial year	6,900*	6,750*	6,500*	6,500*	6,100*
Shareholders equity	251,923	212,904	128,023	110,714	94,352
Total assets					
Port operations	206,034	186,382	77,820	73,326	67,500
Investment property	189,907	166,704	110,907	86,283	66,143
Total group	395,941	353,086	188,727	159,609	133,643
Shareholders equity	64%	60%	68%	69%	71%
Net asset backing per share	$12.60	$10.65	$6.40	$5.54	$4.72
Earnings per share (cents)	196.4	205.6	119.0	112.3	79.6
Dividends per share (cents)	34.5*	33.8*	32.5*	32.5*	30.5*
Return on equity**					
before unrealised revaluations	5.6%	4.7%	7.0%	8.9%	9.8%
after unrealised revaluations	16.9%	20.8%	19.9%	21.9%	17.9%
EBIT return on assets					
Port operations	6.7%	6.8%	14.2%	16.5%	17.2%
Investment property	3.7%	4.1%	4.7%	5.7%	6.5%
Total group	5.4%	5.7%	8.9%	10.9%	12.0%

 # Financial data for 2003 to 2005 has been prepared under superseded NZ GAAP and has not been restated to NZ IFRS
** Includes the final dividend for the financial year declared after balance date, as disclosed in Note 28*
*** Profit divided by average shareholders equity*

Directory

Directors

John Gilks	Chairman
Ross Black	Deputy Chairman
George Berry	
Ed Johnson	
Jim Miller	
Vincent Pooch (appointed 13 December 2006)	
Dougal Rillstone	

Executive

Geoff Plunket	Group Chief Executive
Peter Brown	Commercial Manager
Bruce Trainor	Operations Manager
Wayne Muir	General Manager, Port Otago Group Warehousing
Lincoln Coe	Technical Services Manager
Hugh Marshall	Marine Services Manager
Andrew Taggart	Chief Financial Officer

Chalmers Properties Limited

Andrew Duncan	Chief Executive
Rachel Winder	Development and Asset Manager

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Bankers

ANZ National Bank Limited

Solicitors

Anderson Lloyd Caudwell

Auditors

Audit New Zealand on behalf of the Auditor-General

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