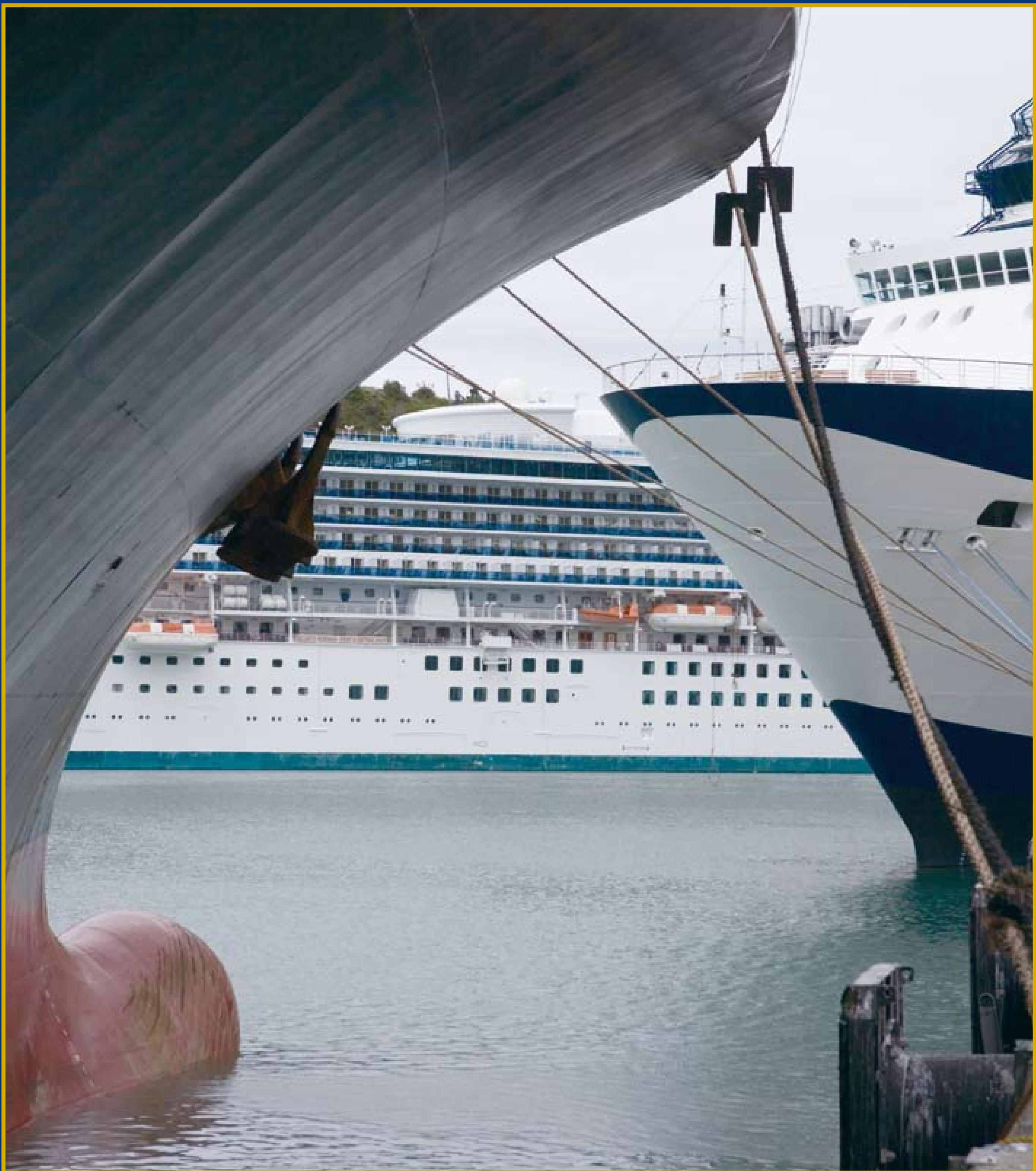
Annual Report 2009



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OVERVIEW OF GROUP RESULTS

	2009 $million	2008 $million
Operating revenue	67.2	65.0
Operating profit before income tax	15.0	14.8
Profit for the period	14.6	27.8
Total assets	409	401
Shareholders equity	270	266
Equity ratio	66%	66%
Net asset backing per share	$13.51	$13.32
Trade:		
Container throughput (TEU)	218,000	209,000
Conventional cargo volume (000 tonnes)	924	959
Number of vessel arrivals	589	551

2009 CHAIRMAN'S REVIEW

Financial results

Port Otago Limited achieved an improved operating profit and a further increase in investment property values in the year ended 30 June 2009. Operating profit before tax of $15.0 million was 1% up on the prior year notwithstanding that a $2.4 million gain on disposal of property was included in the prior year result. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 9% to $28.7 million.

The audited consolidated profit after tax of $14.6 million was less than last year's $27.8 million principally due to a lower level of unrealised gains from investment property revaluations. The consolidated result is comprised of profits from port activities and the investment property business operated by Chalmers Properties Limited. Unusual expenditure in the current year comprised $0.7 million to investigate a merger of port operations with Lyttelton Port Company and a $0.3 million subvention payment to the Otago Regional Council, the latter item offset by a reduction in income tax expense.

A summary of the year's result follows:

(years ended 30 June)	2009 $m	2008 $m	Change
EBITDA*	28.7	26.4	+9%
Gain on disposal of property	-	2.4	
Depreciation and amortisation	(7.1)	(6.8)	
Borrowing costs	(6.6)	(7.2)	
Operating profit before tax	15.0	14.8	+1%
Unusual items:			
Merger investigation costs	(0.7)	-	
Subvention payment	(0.3)	-	
Unrealised items:			
Unrealised revaluation of investment property	5.4	17.9	
Unrealised change in value of interest rate swaps	(0.5)	(0.6)	
Profit before tax	18.9	32.1	-41%
Income tax expense	(4.3)	(4.3)	
Profit for the year	14.6	27.8	-47%

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

Financial position

Port Otago has maintained its strong financial position, ending the year with a consolidated equity ratio of 66%. The Company successfully negotiated an extension to the Group's $120 million bank facility to a new expiry date of October 2011.

2009 CHAIRMAN'S REVIEW continued

Dividend

Ordinary dividends paid or declared for the year ended 30 June 2009 totalled $6.9 million. This compares with last year's total of $9.4 million, which comprised $6.9 million of ordinary dividends and a special dividend of $2.5 million. The current year's fully imputed dividends represent 69% of the trading surplus after tax.

Port operations

Financial

The port recorded operating earnings before interest and tax (EBIT) of $14.0 million which, on a normalised basis, were 6% up on last year. EBIT in the prior year of $14.6 million included a one-off gain of $1.4 million on the sale of port property. Although payroll costs increased at a faster rate than revenue, the holding of non-payroll costs at levels consistent with the previous year produced the improvement in normalised EBIT.

Trade

The container throughput of 218,000 TEU (twenty foot equivalent units) was 4% up on last year. There was a 9% increase in containerised exports which was partly offset by a fall in containerised imports. An increase in empty containers handled also contributed to the higher throughput.

A reduction in cement and fertiliser imports was partially offset by an increase in log exports to give an overall 4% reduction in conventional cargo tonnage relative to the prior year.

Vessel arrivals increased by 7% to 589 in the current year. There was a significant increase in port calls by cruise ships with 65 visits recorded versus 39 visits last year. There was also an increase in the number of container vessel port calls.

Shipping services

There has been considerable volatility within the container shipping industry over the last 12 months as shipping lines have rationalised due to lower global trading activity and to improve their financial returns. This has resulted in an overall reduction in capacity on the New Zealand coast as well as changes to the configuration and sequence of port calls on certain services. A number of New Zealand ports have been affected by these changes, including Port Chalmers.

Maersk's Southern Star Express service began the financial year calling twice-weekly at Port Chalmers but after the vessel departure in early September 2008 there was a six-month lull before the service resumed calling in March 2009 on a weekly basis. The Japan Korea service, operated by Maersk, Mitsui OSK Line (MOL), NYK and COSCO, ended its fortnightly Port Chalmers calls in July 2009. Pacifica Shipping commenced weekly port calls in November 2008 but has also recently ceased calling at Port Chalmers.

Despite these changes Port Otago continues to offer exporters a full range of shipping services to global markets.

Infrastructure upgrade

A more subdued level of capital expenditure for the port was reflected in the $5.1 million of capital expenditure for the financial year being less than the $7.0 million depreciation and amortisation expense. The upgrade of the "C-Block" refrigerated container storage area was the main capital project completed. This upgrade has improved the reliability of the electrical reticulation system and underlines the port's commitment to servicing the refrigerated container trade.

2009 CHAIRMAN'S REVIEW continued

Project next generation

Work has continued on investigating the port development required for Port Chalmers to handle the next generation of container vessels. It is anticipated that an application for resource consent to deepen the lower harbour channel to Port Chalmers will be lodged by December 2009.

Health and safety

The port business has recorded another very good health and safety performance with 3 lost time accidents for the year, the same number as for the previous year. While the lost time injury frequency rate of 0.53 per 100,000 hours worked did not meet the ambitious target rate of 0.25 the outcome was consistent with the record low achieved last year.

New initiatives planned for the current year will reinforce the Company's focus on continually improving health and safety outcomes towards zero harm at work.

Staff

The Board acknowledges the efforts during the year of management and staff in delivering high standards of service to our customers and maintaining good turnaround times for container vessels. The next year will bring fresh challenges as the port responds to the impact on trade volumes resulting from recent changes to cargo flows.

In order to meet the changing expectations of our customers we must change and adopt new ways of working. With significant fluctuations in workloads, both on a seasonal basis and within each week, the port must adapt its operations and adopt more flexible work practices in order to retain and improve its competitive position. The formation during the year of the vessel operations team, with hours of work more closely aligned to vessel arrival and departure times, is an important initiative aimed at improving the port's long term performance.

Environment and community

The Company has maintained its active involvement with the Port Environment / Liaison Committee during the year. The Committee's regular meetings provide opportunities to discuss noise, landscaping, lighting and other environmental issues within the port area.

Excellent progress is being made on the Company's acoustic treatment programme. Of the 26 properties situated in the >65 dBA 5-day Ldn zone, work on 17 properties or 65% is either underway or completed. The treatment of 5 properties was completed during the year. The Company's goal is to complete the acoustic treatment of all >65 dBA zone properties within the next 18 months. Acoustic treatment costs expensed in the financial year totalled $402,000 and reflect the port's strong commitment to the noise management plan.

The Company has continued to support a diverse range of local and community projects. Donations and sponsorships totalled $38,000 for the financial year.

Discussions with Lyttelton Port Company Limited (LPC)

In October 2008 Port Otago Limited entered into a Memorandum of Understanding with LPC to explore a merger of port operations. Antipodes, a specialist merger and acquisition firm, has been investigating the potential benefits of a merger on behalf of both companies. While these investigations have taken longer than first anticipated we remain positive in our view towards an amalgamation of the two ports. We anticipate the report from Antipodes being available to both companies in the near future.

2009 CHAIRMAN'S REVIEW continued

Chalmers Properties Limited (CPL)

CPL has achieved a positive and satisfying outcome for both operating and unrealised profit, delivering an $8.8 million after tax result for the full year. On an operating basis, CPL recorded a good improvement in performance with the profit before tax increasing to $6.3 million from $6.0 million in the prior year. This performance was particularly pleasing given that the prior year's result included a $1.0 million net gain from the sale of investment property.

During a year in which most listed property entities have been recording write-downs in valuations, it is significant that CPL has recorded a net increase in values by way of a $5.4 million unrealised revaluation gain. This reflects the continued strength of CPL's underlying strategy; to invest in property diversified by type and location and capable of achieving gain through improvement or planning change. At balance date 54%, by value, of the Group's investment property was located in Dunedin, 34% in Auckland and the remainder in Hamilton.

In keeping with this strategy CPL purchased during the year an industrial property in South Auckland, situated at Dalgety Drive in Wiri. This property has an excellent location for warehousing and distribution businesses, being close to all main transportation routes, and has future redevelopment options. Subsequent to balance date CPL has decided to sell the Harrow Street portion of the company's Dunedin ground lease portfolio. The sale will assist CPL in maintaining a strong capital position. As part of the sales process the Harrow Street titles will be first offered to existing lessees.

CPL is pleased to have achieved two significant planning outcomes during the year. Firstly, Hamilton City Council adopted the Rotokauri Structure Plan in December 2008 providing for mixed use zoning comprising industrial, retail and residential development. This is a significant outcome for the company through its joint venture in Hamilton and supports the diversification of the Group's property assets by holding land capable of investment improvement through planning change.

Secondly, in February 2009 the Dunedin City Council (DCC) announced the adoption of the Dunedin Harbourside Plan Change. CPL has worked with the DCC since 2000 to achieve an opportunity for all stakeholders and the wider community to access and enjoy the city's waterfront. Whilst the Plan is subject to appeal CPL is optimistic that a mutually acceptable outcome will be achieved through discussion and mediation. The Plan Change provides an opportunity for CPL to facilitate and promote rejuvenation of the waterfront in conjunction with its own landholdings in the area.

Directors

In March 2009 Jim Miller resigned from the Board after serving 12.5 years as a Director. During his time on the Board the Company achieved significant growth in both the scale of its operations and shareholder value. Jim's contribution to this success and, in particular, his focus on health and safety matters, is acknowledged.

John Harvey, previously Auckland managing partner at the accounting firm PricewaterhouseCoopers, was appointed as a Director in December 2008.

2009 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			
Container throughput	218,000 TEU[ø]	190,000 TEU[ø]	Target achieved
[ø]TEU = twenty foot equivalent units			
Conventional cargo throughput	0.924 million tonnes	0.960 million tonnes	Target not achieved
Number of vessel arrivals	589 vessels	610 vessels	Target not achieved
Environmental			
Incidents leading to pollution of harbour	Nil	Nil	Target achieved
Full compliance with all resource consent conditions	Nil breaches of resource consent conditions	Nil breaches of resource consent conditions	Target achieved
Health & Safety			
Frequency rate (lost time accidents per 100,000 work hours)	0.53	0.25	Target not achieved

Financial performance	Port Otago Group		
	Actual	**Target**	
EBIT* return on assets	5.1%	5.1%	Target achieved
Return on shareholders funds	5.4%	6.6%	Target not achieved
Equity ratio	66%	66%	Target achieved
Debt servicing ratio (times)	2.9	2.6	Target achieved

**EBIT = Earnings before interest and taxation*

The Return on shareholders funds was affected by a lower property revaluation than expected at the time of establishing the target.

Outlook

The outlook for next year's trading remains uncertain since the full consequences of the changes to shipping schedules referred to earlier will take time to reflect in operating results.

The dynamic nature of trade flows and volatility of container line shipping schedules are expected to create challenges for many New Zealand ports for some considerable time into the future. Port Otago is no exception and must progressively adapt to changes in container throughput. In the medium term these changes are likely to result in a reversal in the numbers of tranship containers handled from the high levels enjoyed in recent years.

As a long term business Port Otago will continue to commit investment to enhance the efficiency and productivity of its activities. Over the next 12 months the port will be focussed on "right-sizing" the business to match the expected level of trade.

Continuing strong rental cash flows are expected from the Group's investment property business, operated by Chalmers Properties Limited. With its well-diversified property portfolio and no current involvement in development work-in-progress CPL is well placed to weather changes in market conditions.

John Gilks
Chairman

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
Revenue					
Port operations		56,527	53,389	56,731	53,430
Investment property rental		9,843	8,510	-	-
Dividend income		807	665	3,907	5,665
Gain on disposal of property		40	2,447	48	1,412
Total revenue		67,217	65,011	60,686	60,507
Expenses	3				
Staff costs		(24,194)	(21,412)	(23,437)	(20,759)
Fuel and electricity		(2,916)	(2,920)	(2,873)	(2,885)
Purchased materials and services		(11,353)	(11,934)	(10,457)	(10,658)
Depreciation and amortisation		(7,142)	(6,794)	(7,019)	(6,708)
		(45,605)	(43,060)	(43,786)	(41,010)
Borrowing costs					
Interest income		358	685	117	85
Interest expense		(6,933)	(7,916)	(5,382)	(5,915)
Foreign exchange gain/(loss)		(1)	69	(1)	69
	4	(6,576)	(7,162)	(5,266)	(5,761)
Operating profit before income tax		**15,036**	**14,789**	**11,634**	**13,736**
Non-operating income and expenses					
Merger investigation costs		(722)	-	(722)	-
Subvention payment		(278)	-	(278)	-
Unrealised net change in the value of investment property	9	5,430	17,915	-	-
Unrealised net change in value of interest rate swaps		(567)	(635)	(275)	(334)
		3,863	17,280	(1,275)	(334)
Profit before income tax		**18,899**	**32,069**	**10,359**	**13,402**
Income tax expense	5	(4,306)	(4,281)	(1,689)	(2,375)
Profit for the year		**14,593**	**27,788**	**8,670**	**11,027**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
Equity at the beginning of the year		266,315	251,923	110,345	112,411
Total recognised revenues and expenses:					
Profit for the year		14,593	27,788	8,670	11,027
Unrealised increase/(decrease) in the value of share investments	17b	1,425	(3,165)	1,425	(3,165)
Movement in hedging reserve	17c	(5,245)	(831)	(3,937)	(528)
Distribution to owners:					
Dividend paid	25	(6,900)	(9,400)	(6,900)	(9,400)
Equity at the end of the year		**270,188**	**266,315**	**109,603**	**110,345**

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
Current assets					
Cash and cash equivalents		253	1,450	5,315	-
Trade and other receivables	6	6,708	13,250	5,870	9,812
Inventories		485	333	485	333
Property held for sale	10	1,420	1,420	-	-
Other financial instruments	18	-	1,134	-	736
Finance leases	7	103	93	-	-
Income tax		-	357	-	331
		8,969	18,037	11,670	11,212
Non-current assets					
Property, plant and equipment	8	153,327	155,405	153,015	155,174
Investment property	9	207,479	189,467	-	-
Property deposit		644	644	-	-
Shares in listed companies	18	36,713	35,288	36,713	35,288
Investment in subsidiaries		-	-	7,000	7,000
Finance leases	7	1,047	1,150	-	-
Other financial instruments	18	-	1,060	-	712
Intangible assets	11	721	448	721	448
		399,931	383,462	197,449	198,622
Total assets		**408,900**	**401,499**	**209,119**	**209,834**
Current liabilities					
Cash and cash equivalents		-	-	-	2,150
Trade and other payables	12	8,511	3,819	3,458	3,042
Dividend payable		-	5,000	-	5,000
Employee entitlements	13	4,231	3,688	4,148	3,531
Other financial instruments	18	3,501	19	2,447	-
Income tax	19	1,345	-	825	-
		17,588	12,526	10,878	13,723
Non-current liabilities					
Borrowings (secured)	14	102,690	105,030	75,340	72,380
Employee entitlements	13	1,449	1,388	1,047	1,024
Other financial instruments	18	2,490	106	2,002	-
Deferred tax liabilities	5c	14,495	16,134	10,249	12,362
		121,124	122,658	88,638	85,766
Total liabilities		138,712	135,184	99,516	99,489
Equity					
Share capital	16	20,000	20,000	20,000	20,000
Reserves	17	250,188	246,315	89,603	90,345
Total equity		270,188	266,315	109,603	110,345
Total equity and liabilities		**408,900**	**401,499**	**209,119**	**209,834**

For and on behalf of the Board of Directors

J W Gilks
Chairman

E J Harvey
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2009

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
Cash flows from operating activities					
Cash was provided from:					
Receipts from port operations		57,148	53,314	57,264	53,368
Rental income		9,643	8,796	-	-
Dividend received		807	665	7,307	2,265
Interest received		49	726	117	85
Cash was disbursed to:					
Payment to employees and suppliers		(38,935)	(36,196)	(36,892)	(33,243)
Net GST received/(paid)		(27)	1,407	(52)	1,113
Interest paid		(6,663)	(7,902)	(5,403)	(5,752)
Income tax paid		(1,995)	(4,852)	(958)	(2,598)
Net cash flows from operating activities	19	**20,027**	**15,958**	**21,383**	**15,238**
Cash flows from investing activities					
Cash was provided from:					
Sale of property, plant and equipment		44	3,603	48	3,603
Sale of investment property		5,446	9,174	-	-
Advances repaid		812	5,091	109	-
Repayment of lessee improvements		93	85	-	-
Refund of property deposit		-	800	-	-
Cash was applied to:					
Purchase of property, plant and equipment		(5,246)	(9,038)	(5,135)	(8,856)
Interest capitalised		(611)	(507)	-	(115)
Purchase of investment property		(7,146)	(5,115)	-	-
Improvements to investment property		(376)	(1,130)	-	-
Net cash flows from investing activities		**(6,984)**	**2,963**	**(4,978)**	**(5,368)**
Cash flows from financing activities					
Cash was provided from:					
Proceeds from borrowings		75,760	77,910	75,760	67,410
Cash was applied to:					
Repayment of borrowings		(78,100)	(93,330)	(72,800)	(77,250)
Dividends paid		(11,900)	(4,400)	(11,900)	(4,400)
Net cash flows from financing activities		**(14,240)**	**(19,820)**	**(8,940)**	**(14,240)**
Increase (decrease) in cash held		**(1,197)**	**(899)**	**7,465**	**(4,370)**
Cash held at beginning of period		1,450	2,349	(2,150)	2,220
Cash held at end of period		**253**	**1,450**	**5,315**	**(2,150)**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 20. 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. The financial statements of Port Otago Limited are for the year ended 30 June 2009. The financial statements were authorised for issue by the Board on 1 September 2009.

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.

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 2009) 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).

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 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.

NOTES TO THE FINANCIAL STATEMENTS continued

Property, plant and equipment

Property, plant and equipment is stated at 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.

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 the income statement 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.

NOTES TO THE FINANCIAL STATEMENTS continued

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, measured at the time of transfer, for items transferred from investment property, and
- fair value less estimated costs of disposal, measured at the time of transfer, 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. Property is not depreciated or amortised while it is classified as held for sale.

Borrowing costs
Borrowing costs directly attributable to the acquisition and/or construction of plant and equipment and long term investment property development projects are capitalised as part of the cost of those assets. Other borrowing costs are expensed in the period in which they are incurred.

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. Investments in listed companies are valued at selling price as at balance date.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

(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 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 method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates hedges of highly probable forecast transactions as cash flow hedges. Changes in the fair value of derivatives qualifying as cash flow hedges are recognised in equity. The ineffective component of the fair value changes on the hedging instrument is recorded directly in the income statement.

When a hedging instrument expires or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

For qualifying hedge relationships, the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

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, superannuation contributions, 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.

(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 and significant risks and rewards of ownership of assets have been transferred to the buyer.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

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
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 9.

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.

An incorrect estimate of the useful life of residual value will impact on the depreciable amount of an asset, therefore impacting of 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 programmes;
- 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 8.

Comparatives
Certain prior period revenue and expenditure have been reclassified between functional categories for consistency with the current period.

Changes in Accounting Policies
All accounting policies have been applied on bases consistent with those used in the financial statements for the year ended 30 June 2008.

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 IAS 1 Presentation of Financial Statements (revised 2007)
- NZ IFRS 3 Business Combinations (revised 2008)
- NZ IFRS 8 Operating Segments

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

NOTES TO THE FINANCIAL STATEMENTS continued

3. Operating Expenses

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
Auditors' remuneration					
Audit services – Audit New Zealand		94	92	63	60
Audit services – Pricewaterhouse Coopers		4	7	-	-
Total auditors' remuneration		**98**	**99**	**63**	**60**
Bad and doubtful debts					
Bad debts recovered		(28)	-	(28)	-
Bad debts written off		2	82	2	72
Total bad and doubtful debts		**(26)**	**82**	**(26)**	**72**
Directors' remuneration		365	369	265	264
Defined contribution plan employer contributions		932	923	925	917
Donations and community sponsorship		38	25	38	25
Loss on disposal of assets		8	51	23	51
Operating leases		1,269	1,254	1,233	1,254
Depreciation and amortisation					
Depreciation of property, plant and equipment	8	6,659	6,382	6,624	6,349
Amortisation of intangibles	11	395	359	395	359
Amortised leasing costs		88	53	-	-
Total depreciation and amortisation		**7,142**	**6,794**	**7,019**	**6,708**

4. Borrowing costs

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
Interest income		358	685	117	85
Interest expense		(7,544)	(8,423)	(5,382)	(6,030)
Interest capitalised	15	611	507	-	115
Foreign exchange gain/(loss)		(1)	69	(1)	69
		(6,576)	**(7,162)**	**(5,266)**	**(5,761)**

NOTES TO THE FINANCIAL STATEMENTS continued

5. Income taxes

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

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
Profit before tax		**18,899**	**32,069**	**10,359**	**13,402**
Imputation credits		346	327	346	327
		19,245	32,396	10,705	13,729
Prima facie tax expense at 30% (2008: 33%)		(5,774)	(10,691)	(3,211)	(4,531)
Non deductible items		338	(1,036)	21	(120)
Non assessable income		-	934	930	2,132
Unrealised change in investment property		1,146	6,684	-	-
Tax loss offset		186	-	186	-
Prior year adjustment		71	(168)	39	(183)
Deferred tax asset (liability) not previously recognised		(619)	(351)	-	-
Adjustments relating to changes in tax rates		-	20	-	-
Benefit of imputation credits		346	327	346	327
Income tax expense		**(4,306)**	**(4,281)**	**(1,689)**	**(2,375)**
Allocated between:					
Current tax payable		(3,697)	(4,826)	(2,116)	(2,510)
Deferred tax		(609)	545	427	135

b) The movements in the imputation credit account are:

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
Balance at beginning of the year		25,453	22,441	22,210	20,621
Attached to dividends received		346	327	3,132	1,115
Taxation paid		1,995	4,852	958	2,596
Attached to dividends paid		(5,100)	(2,167)	(5,100)	(2,167)
Prior year adjustment		33	-	-	45
Balance at end of the year		**22,727**	**25,453**	**21,200**	**22,210**

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

	2009	2008
Parent Company	21,200	22,210
Subsidiaries	1,527	3,243
	22,727	25,453

NOTES TO THE FINANCIAL STATEMENTS continued

5. 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 2008		13,340	3,368	621	(1,195)	16,134
Charged / (credited) to hedging reserve direct to equity		-	-	(2,248)	-	(2,248)
Charged / (credited) to income statement		68	1,081	(170)	(370)	609
Balance at 30 June 2009		**13,408**	**4,449**	**(1,797)**	**(1,565)**	**14,495**
Balance 1 July 2007		13,373	3,592	1,168	(1,099)	17,034
Charged / (credited) to hedging reserve direct to equity		-	-	(355)	-	(355)
Charged / (credited) to income statement		(33)	(224)	(192)	(96)	(545)
Balance at 30 June 2008		**13,340**	**3,368**	**621**	**(1,195)**	**16,134**

PARENT	NOTES	PROPERTY, PLANT AND EQUIPMENT $000	INVESTMENT PROPERTY $000	FINANCIAL INSTRUMENTS $000	OTHER $000	TOTAL $000
Balance 1 July 2008		13,340	-	435	(1,413)	12,362
Charged / (credited) to hedging reserve direct to equity		-	-	(1,686)	-	(1,686)
Charged / (credited) to income statement		68	-	(82)	(413)	(427)
Balance at 30 June 2009		**13,408**	**-**	**(1,333)**	**(1,826)**	**10,249**
Balance 1 July 2007		13,373	-	762	(1,412)	12,723
Charged / (credited) to hedging reserve direct to equity		-	-	(226)	-	(226)
Charged / (credited) to income statement		(33)	-	(101)	(1)	(135)
Balance at 30 June 2008		**13,340**	**-**	**435**	**(1,413)**	**12,362**

NOTES TO THE FINANCIAL STATEMENTS continued

6. Trade and other receivables

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
Trade receivables		6,300	6,752	5,438	5,971
Property disposal receivable		-	5,450	-	-
Amount owing by subsidiaries and related parties		11	793	96	3,605
Prepayments		397	255	336	236
		6,708	**13,250**	**5,870**	**9,812**

7. Finance leases

	NOTES	MINIMUM FUTURE LEASE PAYMENTS		PRESENT VALUE OF MINIMUM FUTURE LEASE RECEIVABLES	
		GROUP		GROUP	
		2009 $000	2008 $000	2009 $000	2008 $000
Repayments due:					
No later than 1 year		214	214	103	93
Later than 1 year and not later than 5 years		855	855	533	481
Later than 5 years		587	801	514	669
Minimum future lease payments		1,656	1,870	1,150	1,243
Gross finance lease receivables		1,656	1,870	1,150	1,243
Less unearned finance income		(506)	(627)	-	-
Present value of minimum lease payments		**1,150**	**1,243**	**1,150**	**1,243**
Included in the financial statements as:					
Current				103	93
Non-current				1,047	1,150

The finance lease receivable relates to the Group funding of tenant improvements to an investment property. A 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 10.2%. Interest income is recognised on a consistent basis to produce a constant rate of return on the net investment.

NOTES TO THE FINANCIAL STATEMENTS continued

8. Property, Plant and Equipment

Group

Current period to 30 June 2009

	LAND $000	BUILDINGS AND IMPROVEMENTS $000	WHARVES AND BERTH DREDGING $000	PLANT, EQUIPMENT AND VEHICLES $000	CAPITAL WORK IN PROGRESS $000	TOTAL $000
Cost						
Balance 1 July 2008	34,073	34,521	49,311	69,693	3,301	190,899
Additions	246	169	44	5,354	-	5,813
Disposals	-	(239)	-	(3,215)	(998)	(4,452)
Cost at 30 June 2009	34,319	34,451	49,355	71,832	2,303	192,260
Accumulated depreciation						
Balance 1 July 2008	-	(4,203)	(5,202)	(26,089)	-	(35,494)
Depreciation for period	-	(1,381)	(1,402)	(3,876)	-	(6,659)
Disposals	-	42	-	3,179	-	3,221
Depreciation at 30 June 2009	-	(5,542)	(6,604)	(26,787)	-	(38,933)
Net book value						
At 30 June 2008	34,073	30,318	44,109	43,604	3,301	155,405
At 30 June 2009	**34,319**	**28,909**	**42,751**	**45,045**	**2,303**	**153,327**

Comparative period to 30 June 2008

	LAND $000	BUILDINGS AND IMPROVEMENTS $000	WHARVES AND BERTH DREDGING $000	PLANT, EQUIPMENT AND VEHICLES $000	CAPITAL WORK IN PROGRESS $000	TOTAL $000
Cost						
Balance 1 July 2007	35,521	33,994	49,094	55,508	10,073	184,190
Additions	253	807	217	14,203	-	15,480
Disposals	(1,701)	(280)	-	(18)	(6,772)	(8,771)
Cost at 30 June 2008	34,073	34,521	49,311	69,693	3,301	190,899
Accumulated depreciation						
Balance 1 July 2007	-	(2,959)	(3,751)	(22,433)	-	(29,143)
Depreciation for period	-	(1,257)	(1,451)	(3,674)	-	(6,382)
Disposals	-	13	-	18	-	31
Depreciation at 30 June 2008	-	(4,203)	(5,202)	(26,089)	-	(35,494)
Net book value						
At 30 June 2007	35,521	31,035	45,343	33,075	10,073	155,047
At 30 June 2008	**34,073**	**30,318**	**44,109**	**43,604**	**3,301**	**155,405**

NOTES TO THE FINANCIAL STATEMENTS continued

8. Property, Plant and Equipment (continued)

Parent

Current period to 30 June 2009

	LAND $000	BUILDINGS AND IMPROVEMENTS $000	WHARVES AND BERTH DREDGING $000	PLANT, EQUIPMENT AND VEHICLES $000	CAPITAL WORK IN PROGRESS $000	TOTAL $000
Cost						
Balance 1 July 2008	34,073	34,521	49,311	69,357	3,301	190,563
Additions	246	169	44	5,353	-	5,812
Disposals	-	(239)	-	(3,180)	(1,133)	(4,552)
Cost at 30 June 2009	34,319	34,451	49,355	71,530	2,168	191,823
Accumulated depreciation						
Balance 1 July 2008	-	(4,203)	(5,202)	(25,984)	-	(35,389)
Depreciation for period	-	(1,381)	(1,402)	(3,841)	-	(6,624)
Disposals	-	42	-	3,163	-	3,205
Depreciation at 30 June 2009	-	(5,542)	(6,604)	(26,662)	-	(38,808)
Net book value						
At 30 June 2008	34,073	30,318	44,109	43,373	3,301	155,174
At 30 June 2009	**34,319**	**28,909**	**42,751**	**44,868**	**2,168**	**153,015**

Comparative period to 30 June 2008

	LAND $000	BUILDINGS AND IMPROVEMENTS $000	WHARVES AND BERTH DREDGING $000	PLANT, EQUIPMENT AND VEHICLES $000	CAPITAL WORK IN PROGRESS $000	TOTAL $000
Cost						
Balance 1 July 2007	35,521	33,994	49,094	55,354	10,073	184,036
Additions	253	807	217	14,021	-	15,298
Disposals	(1,701)	(280)	-	(18)	(6,772)	(8,771)
Cost at 30 June 2008	34,073	34,521	49,311	69,357	3,301	190,563
Accumulated depreciation						
Balance 1 July 2007	-	(2,959)	(3,751)	(22,361)	-	(29,071)
Depreciation for period	-	(1,257)	(1,451)	(3,641)	-	(6,349)
Disposals	-	13	-	18	-	31
Depreciation at 30 June 2008	-	(4,203)	(5,202)	(25,984)	-	(35,389)
Net book value						
At 30 June 2007	35,521	31,035	45,343	32,993	10,073	154,965
At 30 June 2008	**34,073**	**30,318**	**44,109**	**43,373**	**3,301**	**155,174**

NOTES TO THE FINANCIAL STATEMENTS continued

9. Investment property

	NOTES	GROUP 2009 $000	GROUP 2008 $000
Balance at beginning of year		189,467	170,870
Property purchased		11,633	4,380
Property improvements during the period		338	1,410
Interest capitalised		611	392
Property sold		-	(4,080)
Unrealised change in the value of investment property		5,430	17,915
Transfer to property held for sale	10	-	(1,420)
Balance at end of year		**207,479**	**189,467**
Comprising:			
Property portfolio at cost		68,791	56,208
Revaluation		138,688	133,259
		207,479	189,467
Valued at 30 June balance date as determined by:			
Barlow Justice Limited		5,180	5,180
Colliers International		107,303	102,951
DTZ New Zealand Limited		21,500	23,300
Seagar & Partners (Manukau) Limited		73,496	58,036
Property recorded at fair value		207,479	189,467

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 Practice 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. At balance date $411,000 (last year: $379,000) of capitalised leasing costs are included in the gross balance of investment properties.

There were no significant contractual obligations of a capital and/or maintenance nature relating to the current investment property portfolio at balance date (last year: none).

NOTES TO THE FINANCIAL STATEMENTS continued

10. Property held for sale

	NOTES	GROUP	
		2009 $000	2008 $000
Balance at beginning of year		1,420	9,192
Property sold		-	(9,192)
Transfer from investment property	9	-	1,420
Balance at end of year		**1,420**	**1,420**
Comprising:			
Property held for sale - at cost		250	250
Property held for sale - valuation component at the time of transfer		1,170	1,170
		1,420	1,420

The Group holds a 50% interest in The Hamilton Joint Venture (HJV) which has contracted to sell 10% of its Newby 1 block to the Chief Executive of Chalmers Properties Limited (CPL). Note 23(b) contains details of the contract terms. The Group's share of 10% of the Newby 1 block is reflected as Property held for sale since the land is to be sold in the ordinary course of business. The $1.42 million of property held for sale is expected to be recovered in more than 12 months after 30 June 2009.

11. Intangible Assets

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
Opening cost		3,620	3,399	3,620	3,399
Plus additions		668	221	668	221
Less disposals		(30)	-	(30)	-
Closing cost		4,258	3,620	4,258	3,620
Opening amortisation		(3,172)	(2,813)	(3,172)	(2,813)
Amortisation for period	3	(395)	(359)	(395)	(359)
Plus disposals		30	-	30	-
Closing amortisation		(3,537)	(3,172)	(3,537)	(3,172)
Balance		**721**	**448**	**721**	**448**

NOTES TO THE FINANCIAL STATEMENTS continued

12. Trade and other payables

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
Accounts payable		2,756	2,520	2,262	1,939
Other accrued charges		1,213	1,299	1,196	1,103
Vendor mortgage payable		4,542	-	-	-
Balance		**8,511**	**3,819**	**3,458**	**3,042**

13. Employee entitlements

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
Accrued wages and salaries		1,304	1,173	1,221	1,023
Annual leave		2,838	2,436	2,838	2,429
Long service leave		588	579	588	579
Retiring allowances		459	445	459	445
Sick leave		89	79	89	79
Employee incentive	23(b)	402	364	-	-
Balance		**5,680**	**5,076**	**5,195**	**4,555**
Analysed as:					
Current		4,231	3,688	4,148	3,531
Non current		1,449	1,388	1,047	1,024

14. Borrowings

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
Bank borrowings		102,690	105,030	75,340	72,380

(a) Port Otago Group facility

The Group has a $120 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 2011.

The security for advances is a general security agreement over the assets of the Group.

(b) Hamilton Joint Venture facility

The Group has a 50% interest in The Hamilton Joint Venture (HJV) which has a $21 million committed facility with ANZ National Bank Limited. HJV may draw funding for terms ranging from call to the termination of the facility, which is 5 March 2011. At 30 June 2009 HJV had drawn $21 million under its facility (last year: $21 million), with the Group's 50% share amounting to $10.5 million.

Security for bank advances under the Hamilton Joint Venture facility is as follows:

- A first registered mortgage over various joint venture land holdings.
- A general security agreement over the assets of both joint venture participants. Perpetual Property Limited is the Group's joint venture participant.
- Guarantees (each limited to $21 million) from the owners of both joint venture participants. Chalmers Properties Limited is the owner of the Group's joint venture participant.

The carrying amount of borrowings reflects fair value as the borrowing finance rates approximate market rates.

NOTES TO THE FINANCIAL STATEMENTS continued

15. Capitalised borrowing costs

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
Borrowing costs capitalised during the year		611	507	-	115
Weighted average capitalisation rate on funds borrowed		8.97%	7.34%	-	7.51%

16. Share capital

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $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.

NOTES TO THE FINANCIAL STATEMENTS continued

17. Reserves

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
Retained earnings					
Balance at beginning of year		115,543	109,010	92,529	90,902
Profit for the year		14,593	27,788	8,670	11,027
Less dividends paid		(6,900)	(9,400)	(6,900)	(9,400)
Transfers (to)/from property revaluation reserve:					
Revaluations realised on property sold		-	6,060	-	-
Unrealised change in the value of investment property		(5,430)	(17,915)	-	-
Balance at end of year		**117,806**	**115,543**	**94,299**	**92,529**
(a) Property revaluation reserve:					
Balance at beginning of year		133,259	121,404	-	-
Transfers from/(to) retained earnings:					
Realised on property sold		-	(6,060)	-	-
Change in value of investment property	9	5,430	17,915	-	-
Balance at end of year		**138,689**	**133,259**	**-**	**-**
(b) Available-for-sale revaluation reserve:					
Balance at beginning of year		(1,656)	1,509	(1,656)	1,509
Valuation gain/(loss) recognised		1,425	(3,165)	1,425	(3,165)
Balance at end of year		**(231)**	**(1,656)**	**(231)**	**(1,656)**
(c) Hedging reserve:					
Balance at beginning of year		(831)	-	(528)	-
Change in fair value of interest rate swaps		(7,493)	(1,186)	(5,623)	(754)
Deferred tax arising on fair value movement		2,248	355	1,686	226
Balance at end of year		**(6,076)**	**(831)**	**(4,465)**	**(528)**
Total Reserves		**250,188**	**246,315**	**89,603**	**90,345**

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.

The available-for-sale revaluation reserve has a balance of $231,000. This reflects the difference at balance date between the market price of listed shares and their cost. The value of the shares has not been impaired, and the amount has not been taken to the Income Statement, as per the view of the directors, the market price as at 30 June 2009 does not reflect a permanent impairment to their value.

NOTES TO THE FINANCIAL STATEMENTS continued

18. Financial Instruments

(a) Financial instrument categories

The accounting policies for financial instruments have been applied to the line items below:

	GROUP		PARENT	
	2009 $000	**2008 $000**	**2009 $000**	**2008 $000**
Financial Assets				
Derivative financial instruments				
Hedge accounted	-	2,194	-	1,448
Loans and receivables				
Cash and cash equivalents	253	1,450	5,315	-
Debtors and other receivables	6,707	13,250	5,870	9,812
Secured advances	-	-	-	-
Property deposit	644	644	-	-
Other financial assets:				
- finance leases	1,150	1,243	-	-
Total loans and receivables	**8,754**	**16,587**	**11,185**	**9,812**
Fair value through equity				
Listed Shares	36,713	35,288	36,713	35,288

	GROUP		PARENT	
	2009 $000	**2008 $000**	**2009 $000**	**2008 $000**
Financial Liabilities				
Derivative financial instruments				
Hedge accounted	(5,991)	(125)	(4,449)	-
Financial liabilities at amortised cost				
Creditors and other payables	(3,964)	(3,819)	(3,458)	(3,042)
Borrowings:				
- Cash and cash equivalents	-	-	-	(2,150)
- secured loans	(102,690)	(105,030)	(75,340)	(72,380)
Total financial liabilities at amortised cost	**(106,654)**	**(108,849)**	**(78,798)**	**(77,572)**

(b) Credit quality of financial assets

The maximum credit exposure for each class of financial asset is as follows:

	GROUP		PARENT	
	2009 $000	**2008 $000**	**2009 $000**	**2008 $000**
Cash at bank and term deposits	253	1,450	5,315	-
Debtors and other receivables	6,707	13,250	5,870	9,812
Derivative financial instrument assets	-	2,194	-	1,448
Finance leases	1,150	1,243	-	-
Property deposit	644	644	-	-
Total credit risk	**8,754**	**18,781**	**11,185**	**11,260**

Debtors and other receivables mainly arise from the Group's principal activities and procedures are in place to regularly monitor trade receivables to ensure that the credit exposure remains within the Group's normal terms of trade.

Regular monitoring of other financial assets is undertaken to ensure the credit exposure is appropriate for that class of asset.

NOTES TO THE FINANCIAL STATEMENTS continued

18. Financial Instruments (continued)

(c) Contractual maturity analysis of financial instruments

Financial Assets

The table below analyses financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

	CARRYING AMOUNT $000	CONTRACTUAL CASH FLOWS $000	LESS THAN 1 YEAR $000	1 YEAR OR GREATER $000
Group 2009				
Cash and cash equivalents	253	253	253	-
Debtors and other receivables	6,707	6,707	6,707	-
Finance leases	1,150	1,656	214	1,443
Property deposit	644	644	-	644
Total	8,754	9,260	7,174	2,087
Parent 2009				
Cash and cash equivalents	5,315	5,315	5,315	-
Debtors and other receivables	5,870	5,870	5,870	-
Total	11,185	11,185	11,185	-
Group 2008				
Cash and cash equivalents	1,450	1,450	1,450	-
Debtors and other receivables	13,250	13,250	13,250	-
Net settled derivative assets	2,071	2,374	1,155	1,219
Finance leases	1,243	1,870	214	1,656
Property deposit	644	644	-	644
Total	18,658	19,588	16,069	3,519
Parent 2008				
Debtors and other receivables	9,812	9,812	9,812	-
Net settled derivative assets	1,448	1,667	762	905
Total	11,260	11,479	10,574	905

Financial Liabilities

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate of the instrument at the balance date.

The amounts disclosed are the contractual undiscounted cash flows.

	CARRYING AMOUNT $000	CONTRACTUAL CASH FLOWS $000	LESS THAN 1 YEAR $000	1 YEAR OR GREATER $000
Group 2009				
Creditors and other payables	(3,964)	(3,964)	(3,964)	-
Net settled derivative liabilities	(5,991)	(6,202)	(3,552)	(2,650)
Secured loans	(102,690)	(127,066)	(6,405)	(120,661)
Total	(112,645)	(137,232)	(13,921)	(123,311)
Parent 2009				
Creditors and other payables	(3,458)	(3,458)	(3,458)	-
Net settled derivative liabilities	(4,449)	(4,621)	(2,481)	(2,140)
Secured loans	(75,340)	(94,151)	(4,499)	(89,652)
Total	(83,247)	(102,230)	(10,438)	(91,792)
Group 2008				
Creditors and other payables	(3,819)	(3,819)	(3,819)	-
Secured loans	(105,030)	(131,491)	(5,989)	(125,502)
Total	(108,849)	(135,310)	(9,808)	(125,502)
Parent 2008				
Creditors and other payables	(3,042)	(3,042)	(3,042)	-
Cash and cash equivalents	(2,150)	(2,150)	(2,150)	-
Secured loans	(72,380)	(91,255)	(3,738)	(87,517)
Total	(77,572)	(96,447)	(8,930)	(87,517)

NOTES TO THE FINANCIAL STATEMENTS continued

18. Financial Instruments (continued)

(d) Sensitivity analysis of financial instruments

The tables below illustrate the potential profit and equity (excluding retained earnings) impact for reasonably possible market movements where the impact is significant.

Group	2009				2008			
	-100bps		+100bps		-100bps		+100bps	
	Profit $000	Other Equity $000	Profit $000	Other Equity $000	Profit $000	Other Equity $000	Profit $000	Other Equity $000
Interest rate risk								
Financial Assets								
Derivatives - hedge accounted	-	-	-	-	-	(3,017)	-	2,856
Financial Liabilities								
Derivatives - hedge accounted	-	(3,032)	-	2,886	-	-	-	-
Borrowings	611	-	(611)	-	764	-	(764)	-
Total sensitivity to interest rate risk	**611**	**(3,032)**	**(611)**	**2,886**	**764**	**-**	**(764)**	**-**

	-10%		+10%		-10%		+10%	
	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity
Equity Price Risk								
Financial Assets								
Shares in listed companies	-	(3,671)	-	3,671	-	(3,529)	-	3,529
Total sensitivity to equity price risk	**-**	**(3,671)**	**-**	**3,671**	**-**	**(3,529)**	**-**	**3,529**

Parent	2009				2008			
	-100bps		+100bps		-100bps		+100bps	
	Profit $000	Other Equity $000	Profit $000	Other Equity $000	Profit $000	Other Equity $000	Profit $000	Equity $000
Interest rate risk								
Financial Assets								
Derivatives - hedge accounted	-	-	-	-	-	(2,140)	-	2,019
Financial Liabilities								
Derivatives - hedge accounted	-	(2,350)	-	2,234	-	-	-	-
Borrowings	498	-	(498)	-	543	-	(543)	-
Total sensitivity to interest rate risk	**498**	**(2,350)**	**(498)**	**2,234**	**543**	**-**	**(543)**	**-**

	-10%		+10%		-10%		+10%	
	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity
Equity Price Risk								
Financial Assets								
Shares in listed companies	-	(3,671)	-	3,671	-	(3,529)	-	3,529
Total sensitivity to equity price risk	**-**	**(3,671)**	**-**	**3,671**	**-**	**(3,529)**	**-**	**3,529**

NOTES TO THE FINANCIAL STATEMENTS continued

19. Reconciliation of consolidated operating cash flows

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
The reconciliation between profit & the cash flow from operations is:					
Profit for the period		14,593	27,788	8,670	11,027
Plus/(less) non cash items:					
Unrealised net change in the value of investment property		(5,430)	(17,915)	-	-
Depreciation and amortisation		7,142	6,795	7,019	6,709
Unrealised foreign exchange (gains)/losses		-	(4)	-	(4)
Movement in the fair value of interest rate swaps		567	672	275	334
Movement in non-current employee entitlements		61	100	23	100
Movement in deferred tax		609	(582)	(426)	(135)
Property deposit written off		-	336	-	-
Plus/(less) items classified as investing activities:					
Loss/(gain) on sale of property, plant and equipment		(48)	(1,409)	(48)	(1,411)
Loss/(gain) on disposal of investment property		8	(1,371)	-	-
Movement in working capital items:					
Trade and other receivables		293	(5,744)	3,835	(3,126)
Trade and other payables		134	4,364	416	975
Current employee entitlements		549	1,259	616	890
Income tax		1,702	(58)	1,156	(133)
Inventories		(153)	12	(153)	12
Movement in working capital items classified as investing activities		-	1,715	-	-
Net cash flows from operating activities		**20,027**	**15,958**	**21,383**	**15,238**

20. 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 tables detail 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
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)
Hamilton JV (N3) Limited	50%	30 June	Property trustee (non trading)
Hamilton Porter JV Company Limited	33.3%	30 June	Property trustee (non trading)
Ormiston Road JV Company Limited	50%	30 June	Property trustee (non trading)

NOTES TO THE FINANCIAL STATEMENTS continued

20. Investment in subsidiaries, associates and joint ventures (continued)

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:

Name	Percentage owned	Balance date	Principal activity
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
Hamilton JV (N3)	50%	30 June	Property investment
Hamilton Porter JV	33.3%	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 2009 along with the share of trading for the relevant period.

	NOTES	GROUP		PARENT COMPANY	
		2009 $000	2008 $000	2009 $000	2008 $000
Current assets		1,615	1,872	160	212
Non current assets		29,579	26,825	33	38
Total assets		31,194	28,697	193	250
Current liabilities		(539)	(155)	(28)	(18)
Non current liabilities		(14,557)	(14,487)	-	-
Total liabilities		(15,096)	(14,642)	(28)	(18)
Net assets		**16,098**	**14,055**	**165**	**232**
Income		3,036	836	867	832
Expenses		(1,109)	(1,381)	(759)	(757)

Any capital commitments and contingent liabilities arising from the Group's interest in joint ventures are disclosed in notes 21 and 22 respectively.

NOTES TO THE FINANCIAL STATEMENTS continued

21. Capital expenditure commitment

At 30 June 2009 the Group had commitments/approvals for capital expenditure of $9.0 million (last year: $8.2 million).

Included within capital commitments is the Group's 33.3% share, via joint venture participation, in a contract to purchase land at Hamilton. The joint venture has contracted to purchase the property for $19.0 million (plus GST). Initial deposits have been paid to the vendor and the settlement amount of $17.1 million (Group 33.3% share: $5.7 million) is due for payment in April 2010. An independent valuation showed that the property being purchased had a fair value of $19.7 million at 30 June 2009.

The remaining capital expenditure of $3.3 million (last year: $2.3 million) relates to improvements to the port's infrastructure and assets.

22. Contingent Liabilities

Apart from the matters noted below, there are no contingent liabilities at 30 June 2009 (30 June 2008: nil).

Port Noise
The Company continues to have an obligation to either carry out or contribute to acoustic treatment of certain properties in Port Chalmers. The Company is unable to reliably assess its future obligation since the extent and timing of noise mitigation expenditure will depend on the decisions of individual property owners.

Guarantees
The Group has a 50% interest in certain Hamilton Joint Ventures. As part of funding arrangements the Group has guaranteed joint venture borrowings from ANZ National Bank Limited to a limit of $21 million. At 30 June 2009 joint venture bank borrowings were $21 million (last year: $21 million) and the Group's 50% share, amounting to $10.5 million, was recorded as a non current liability in the Balance Sheet. Note 14 contains further details.

Contract for the sale of joint venture land
A joint venture in which the Group has a 33.3% share has entered into a long-term conditional contract to sell a subdivided site for $1.8 million. The purchaser may cancel the contract if an Approved Survey Plan is not lodged by April 2013.

NOTES TO THE FINANCIAL STATEMENTS continued

23. 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	
	2009 $000	2008 $000	2009 $000	2008 $000
• **Otago Regional Council**				
Contribution towards operation of Harbour Control Centre	60	60	60	60
Sale of land and buildings	-	3,350	-	3,350
• **Chalmers Properties Limited**				
Administration services provided	-	-	240	240
Consultancy fees	-	-	(75)	(68)
Interest expense	-	-	(302)	(129)
• **Fiordland Pilot Services Limited**				
Interest income	-	-	13	4

Amounts receivable from related parties are included in note 6.

During the year the Company and its shareholder, the Otago Regional Council (“ORC”), entered into an agreement for the ORC to transfer tax losses to the Company. In conjunction with the tax loss transfer the Company made a subvention payment of $278,000 to the ORC. The consequence of the tax loss transfer and the subvention payment was a $278,000 reduction in income tax payments in the current year.

(b) Financial arrangement – Hamilton Joint Ventures

The Group has an interest in certain Hamilton Joint Ventures. Pursuant to the joint venture agreements Chalmers Properties Limited (CPL), through the services of its Chief Executive, is the manager for each of the Hamilton Joint Ventures. During the year ended 30 June 2008 The Hamilton Joint Venture agreed to sell 10% (of which the Group’s half share amounts to 5%) of a 43.7 hectare block of joint venture land to the CPL Chief Executive.

The terms of the transaction with the CPL Chief Executive are as follows:

- Sale price of $2.84 million (plus GST if any) with deposits totalling $0.28 million payable when certain conditions are met and the balance payable on the vendor providing title.
- The Hamilton Joint Venture participants will pay 75% of the costs of developing the land to be sold, up to a maximum of $0.84 million before tax, which amounts to $1.38 million after payroll taxes are added. The Group’s share is 50% of this amount, or a maximum of $0.69 million.

At 30 June 2009 a balance sheet provision (refer Note 13) reflects the Group’s share of:

- the difference between the $2.84 nominal sale proceeds and the net present value of the sales proceeds, and
- the earned portion of the net present value of incentives to be reimbursed by The Hamilton Joint Venture participants. The discounted incentives are recognised as earned on a straight-line basis over the period from February 2008 to February 2013 (last year: February 2008 to September 2011).

NOTES TO THE FINANCIAL STATEMENTS continued

23. Transactions with related parties (continued)

(c) Other related party transactions

Director(s)	Related Party	Nature of relationship
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
	Director of National Institute of Water and Atmospheric Research Limited	Supplier to the 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	
	2009 $000	2008 $000	2009 $000	2008 $000
• **Farra Dunedin Engineering Limited**				
Property rental	27	21	-	-
Maintenance expense	(44)	(30)	(44)	(30)
Capital expenditure	-	(76)	-	(76)
• **Fulton Hogan Group companies**				
Property rental	8	31	8	31
Transport and warehouse revenue	3	2	3	2
Maintenance expense	(287)	(343)	(287)	(343)
Capital expenditure	(5)	(34)	(5)	(34)
• **Key Business Partners Limited**				
Consultancy services	(1)	(17)	(1)	(17)
• **National Institute of Water and Atmospheric Research Limited**				
Consultancy services	(13)	-	(13)	-
Capital expenditure	(311)	-	(311)	-

Related party receivable/(payable) at year end:

	GROUP		PARENT COMPANY	
	2009 $000	2008 $000	2009 $000	2008 $000
• **Fulton Hogan Group companies**				
Receivable	1	3	1	3
Accounts payable	(82)	(4)	(82)	(4)
• **Farra Dunedin Engineering Limited**				
Receivable	7	7	-	-
• **National Institute of Water and Atmospheric Research Limited**				
Accounts payable	(37)	-	(37)	-

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.

NOTES TO THE FINANCIAL STATEMENTS continued

24. Key management personnel compensation

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

	GROUP		PARENT COMPANY	
	2009 $000	**2008 $000**	**2009 $000**	**2008 $000**
Directors' fees	365	369	265	264
Salaries and other short-term employee benefits	1,799	1,790	1,358	1,196
	2,164	**2,159**	**1,623**	**1,460**

25. Dividends – Group and Parent Company

	NOTES	2009 $000	2008 $000
Declared and proposed in respect of the current financial year			
Interim dividend		2,500	2,500
Second interim dividend		2,500	2,500
Special dividend		-	2,500
Final dividend		1,900	1,900
Dividends for the financial year		**6,900**	**9,400**
Adjust for dividends declared after year end:			
2009 Final dividend declared September 2009	27	(1,900)	-
2008 Final dividend declared August 2008		1,900	(1,900)
2007 Final dividend declared August 2007		-	1,900
Dividend distributed to owners as disclosed in the Consolidated Statement of Changes in Equity		6,900	9,400
Dividends per share (cents)		34.5	47

26. 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:

	NOTES	2009 $000	2008 $000
Payable within one year		550	625
Payable within one to two years		547	550
Payable within two to five years		280	827
		1,377	**2,002**

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.

NOTES TO THE FINANCIAL STATEMENTS continued

27. Significant events after balance date

Dividends

On 1 September 2009 the directors declared a final dividend of $1.9 million for the year ended 30 June 2009. As the final dividend was approved after balance date, the financial effect of the dividend payable of $1.9 million has not been recognised in the Balance Sheet.

AUDIT REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit Report

**To the readers of
Port Otago Limited and group's
financial statements
for the year ended 30 June 2009**

The Auditor-General is the auditor of Port Otago Limited (the company) and group. The Auditor-General has appointed me, Bede Kearney, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company and group for the year ended 30 June 2009.

Unqualified Opinion

In our opinion:

- The financial statements of the company and group on pages 7 to 37:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the company and group's financial position as at 30 June 2009; and
    - the results of 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 1 September 2009, 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;
- reviewing significant estimates and judgements made by the Board of Directors;

AUDIT REPORT continued

- 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 the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the company and group as at 30 June 2009 and 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 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.

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.

Bede Kearney
Audit New Zealand
On behalf of the Auditor-General
Dunedin, 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 2009 included on the Port Otago Limited's website. Port Otago Limited's Board of Directors is responsible for the maintenance and integrity of the Port Otago Limited's website. We have not been engaged to report on the integrity of the Port Otago Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 1 September 2009 to confirm the information included in the audited financial statements presented on this website.

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

STATUTORY DISCLOSURE

The following disclosures are made pursuant to the Companies Act 1993 in respect of the financial year ended 30 June 2009.

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 $14.6 million compared to $27.8 million last year.

Dividends
A final dividend of $1.9 million will be paid on 1 September 2009, which brings total dividends for the year to $6.9 million.

Changes in Accounting Policies
Accounting policies have been applied on a consistent basis with the prior year.

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 10 December 2008, Messrs J D Miller and D Rillstone retired by rotation and were reappointed. Mr E J Harvey was appointed as a director on 23 December 2008 and Mr J D Miller retired on 31 March 2009.

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)	73	13	86
D R Black (Deputy Chairman)	49	10	59
E J Harvey[A]	17	3	20
E G Johnson	42	8	50
J D Miller[R]	22	22	44
D Rillstone	32	19	51
V H Pooch	30	25	55
	265	**100**	**365**

[A] Appointed / [R] Resigned during the year

STATUTORY DISCLOSURE continued

Directors interests

Directors have disclosed the following general interests for the year ended 30 June 2009 in accordance with Section 140 of the Companies Act 1993:

Director	Entity	Relationship
J W Gilks	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
	Wanaka Storage Limited	Director
	Philip Laing House Limited	Director
	Receivables Management (N.Z.) Limited (and its wholly owned subsidiaries)	Chairman
D R Black	Clough Holdings Limited	Chairman
	Farra Engineering Limited	Chairman
	Forests Otago Limited	Chairman
	Otago Rescue Helicopter Trust	Chairman
	Healthcare Otago Charitable Trust	Chairman
E J Harvey	Pomare Investments Limited	Director
	New Zealand Opera Limited	Director
E G Johnson	Bank of New Zealand	Director
	Fulton Hogan Limited (and its wholly owned subsidiaries)	Chairman
	Goldpine Group Limited (and its wholly owned subsidiaries)	Chairman
	National Institute of Water and Atmospheric Research Limited (and its wholly owned subsidiaries)	Director
	Port Marlborough (New Zealand) Limited (and its wholly owned subsidiaries)	Chairman
	Stone Farm Holdings Limited	Director
V H Pooch	Key Business Partners Limited	Director
	Southern Hospitality Limited	Chairman
	Goom Landscapes Limited	Chairman
	Canterbury Despatch Limited	Chairman
	Number Power Limited	Director
D Rillstone	Crosshill Farm Limited	Director
	Hazlett & Sons Limited (and its wholly owned subsidiaries)	Chairman
	Medic Limited	Director
	Payton Holdings Limited	Director
	Barker Fruit Processors Limited	Director

STATUTORY DISCLOSURE continued

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 *
440,001 – 450,000	1
320,001 – 330,000	1
190,001 – 200,000	2
180,001 – 190,000	1
170,001 – 180,000	1
160,001 – 170,000	5
150,001 – 160,000	2
140,001 – 150,000	4
110,001 – 120,000	6
100,001 – 110,000	4

Remuneration includes salary, bonuses, motor vehicles and other sundry benefits received in the person's capacity as an employee.

* Several employees finished working for the Group during the period and, due to redundancy and other termination payments, their normal levels of remuneration were exceeded.

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 2009, or resigned during the year - as indicated with an (R):

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

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 2009 was $94,400 (last year: $91,750).

For and on behalf of the Board of Directors

J W Gilks
Chairman
1 September 2009

E J Harvey
Director
1 September 2009

FIVE YEAR SUMMARY

Trade analysis	2009	2008	2007	2006	2005
Number of ships	589	551	617	529	494
Cargo throughput (000's tonnes)	3,034	3,052	2,974	2,798	2,812

Financial comparisons	2009 $000	2008 $000	2007 $000	2006 $000	2005 $000
Revenue	67,177	62,564	59,373	50,429	46,507
Surplus from operations (EBIT)					
Port operations	12,994	14,612	13,614	11,709	10,757
Investment property	7,617	7,408	6,599	5,613	4,673
Total group	20,611	22,020	20,213	17,322	15,430
Included in Surplus from operations:					
Unusual revenues/(expenses)	(960)	2,447	84	344	(100)
Surplus before tax (before revaluations)	13,469	14,154	16,666	14,026	12,572
Profit after tax (before revaluations)					
Port operations	5,699	6,063	9,099	6,252	5,981
Investment property	3,464	3,810	5,298	3,134	2,368
Total group	9,163	9,873	14,397	9,386	8,349
Unrealised net change in value of investment property	5,430	17,915	24,884	31,730	15,460
Profit after unrealised revaluations	14,593	27,788	39,281	41,116	23,809
Dividends for financial year	6,900*	9,400*	6,900*	6,750*	6,500*
Shareholders equity	270,188	266,315	251,923	212,904	128,023
Total assets					
Port operations	202,177	203,090	206,034	186,382	77,820
Investment property	206,723	198,409	189,907	166,704	110,907
Total group	408,900	401,499	395,941	353,086	188,727
Shareholders equity	66%	66%	64%	60%	68%
Net asset backing per share	$13.51	$13.32	$12.60	$10.65	$6.40
Earnings per share (cents)	73.0	138.9	196.4	205.6	119.0
Dividends per share (cents)	34.5*	47.0*	34.5*	33.8*	32.5*
Return on equity**					
before unrealised revaluations	3.4%	3.8%	6.2%	4.7%	7.0%
after unrealised revaluations	5.4%	10.7%	16.9%	20.8%	19.9%
EBIT return on assets					
Port operations	6.6%	7.1%	6.7%	6.8%	14.2%
Investment property	3.7%	3.8%	3.7%	4.1%	4.7%
Total group	5.1%	5.5%	5.4%	5.7%	8.9%

Financial data for 2005 was 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 25
** Profit divided by average shareholders equity

DIRECTORY

Directors

John Gilks	Chairman
Ross Black	Deputy Chairman
John Harvey	Chairman Audit Committee
Ed Johnson	
Vincent Pooch	
Dougal Rillstone	

Executive

Geoff Plunket	Group Chief Executive
Matt Ballard	General Manager Human Resources and Information Technology
Peter Brown	General Manager Commercial
Lincoln Coe	General Manager Infrastructure
Ron Horner	General Manager Operations
Andrew Taggart	Chief Financial Officer

Chalmers Properties Limited

Andrew Duncan	Chief Executive

Address

15 Beach Street
PO Box 8
Port Chalmers

Phone	(03) 472-7890
Facsimile	(03) 472-7891
Email	pol@portotago.co.nz
Website	www.portotago.co.nz

Bankers

ANZ National Bank Limited

Solicitors

Anderson Lloyd

Auditors

Audit New Zealand on behalf of the Auditor-General

2009

PORT OTAGO LIMITED

www.portotago.co.nz