

PORT TARANAKI LIMITED
ANNUAL REPORT 2011



Directors

John Young ONZM JP, Chairman to 15 September 2010

John Auld, Chairman from 23 September 2010

Craig Norgate, Deputy Chairman from 23 September 2010

Peter Horton

Trevor Johnston

David MacLeod

Roger Taylor MNZM

Company Secretary

Bronwyn Clement

Executive Officers

Roy Weaver, Chief Executive

Bronwyn Clement, Corporate Support Manager

David Sharman, Chief Financial Officer

Auditors

Deloitte on behalf of the Auditor-General

Bankers

Bank of New Zealand Limited

Westpac Banking Corporation

Solicitors

Govett Quilliam

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Port Taranaki
the west gate



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**“PROVIDING SUBSTANCE TO
TARANAKI’S ECONOMY BY
OPERATING A SUCCESSFUL
AND SUSTAINABLE BUSINESS”**

**MISSION STATEMENT OF
PORT TARANAKI LIMITED**



» HIGHLIGHTS

	2011	2010
Revenue (\$m)	39.28	37.83
Profit before interest and taxation (\$m)	7.63	6.71
Net profit after taxation (\$m)	3.12	(1.27)
Total shareholder's equity (\$m)	88.88	87.61
Interest bearing debt (\$m)	35.93	39.62
Shareholder's equity to total assets ratio	66.53%	64.35%
Net profit before tax to equity ratio	5.36%	4.16%
Interest bearing debt to equity ratio	40.43%	45.22%
Total dividends (\$m)	1.85	1.90
Dividends per share (¢ per share)	3.56	3.65
Number of employees at period end	121	127
Total trade (millions of freight tonnes)	3.89	3.59
Vessel arrivals (over 100 GRT)	783	717
Total gross registered tonnage (GRT)(millions)	6.94	6.78
Berth Occupancy:		
General berths	28%	16%
Tanker terminal berths	24%	22%
Service berths	31%	29%

We are pleased to present this twenty-third annual report on the affairs of Port Taranaki Limited to 30 June 2011.

Financial Performance

Revenue from operations increased 3.73% from \$37.81m in 2010 to \$39.22m in 2011 and operating profit increased 13.74% from \$6.71m to \$7.63m in 2011. The increase in revenue and profitability were on account of higher tonnages of shipped bulk trades. These bulk trades were logs, grains, and fertilisers.

Net finance expense decreased from \$3.06m in 2010 to \$2.87m in 2011 as average borrowing levels were lower during the year.

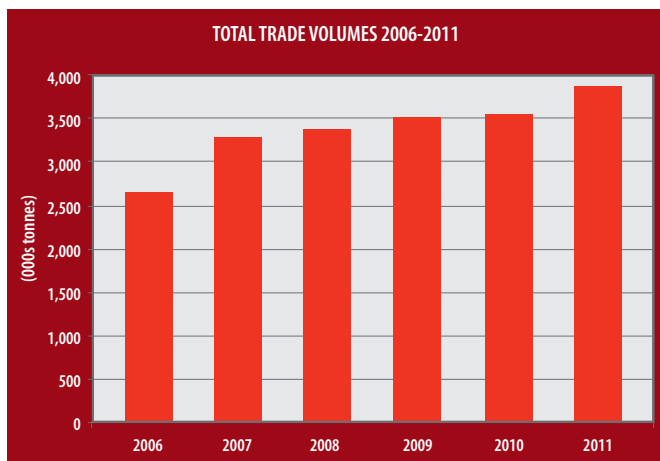
Net profit before tax rose from \$3.65m in 2010 to \$4.76m in 2011.

Income tax expense in 2011 was \$1.64m which was 34.4% of net profit before tax. This compared with an income tax expense of \$4.91m in 2010 which included a write-off of the future tax benefit forgone following the Government's decision in May 2010 to remove tax depreciation on buildings with a deemed useful life of 50 years or greater.

After deducting income tax expense from net profit before tax, a net profit from continuing operations of \$3.12m was recorded as opposed to a \$1.27m loss in 2010.

The shareholder's equity to total assets ratio continues to strengthen at 66.53% at 30 June 2011.

Cashflows from operations amounted to \$11.92m in 2011 which allowed for a net investment in fixed assets of \$3.75m, repayment of bank debt of \$3.86m, and the payment of two dividends to the shareholder totalling \$1.85m.



Offshore

The offshore industry maintained a steady presence throughout the period with the drill ship Noble Discoverer commencing the Ruru exploration well in March 2011. It was supported by the vessel Pacific Worker. The Noble Discoverer suffered damage during a severe gale in April and subsequently came into port. It will remain alongside until repairs are completed.

Launch Rawinia was busy during the year cementing a place in the industry as a fast intervention craft capable of providing remote operated vehicle (ROV), multi beam, and side scan sonar work. The launch successfully completed programmes for Shell New Zealand Limited, Shell Todd Oil Services Limited, Origin Energy Limited, and AWE New Zealand Pty Limited.

The lease of Blyde 3 berth to Shell Todd Oil Services Limited was renewed.

Marine Services

Tugs Rupe, Tuakana, and Kupe were well utilised throughout the year, not only for in port shipping but also in a number of out of port activities.

Tug Rupe was in regular attendance at the Tui field for Floating Production Storage and Offloading (FPSO) operations and also undertook a number of stores transfer operations for the offshore industry. She was employed on the towage of the coastal container vessel Spirit of Resolution from Auckland to Lyttelton after the vessel lost a rudder while crossing the Manukau bar in severe weather.

Tug Kupe undertook a comprehensive five year survey in Lyttelton dry dock at the time of the February earthquake but fortunately suffered no damage.

Launch Rawinia was employed, along with regular attendance at the Pohokura platform for STOS, as a survey vessel for the offshore industry.

The dredge Pelican successfully undertook a planned maintenance dredging programme in the early part of 2011.

The Dynamic Under Keel Clearance (DUKC) system continued to provide a critical service for the safe transit of deep draft vessels. The MetOcean forecast system also continued to provide very accurate long range forecasts of long wave activity within the port that can cause significant surge for vessels moored alongside.

In September 2010, the port became the first New Zealand port to pass Maritime New Zealand's Ports and Harbours Safety Code (PHSC) five year audit.

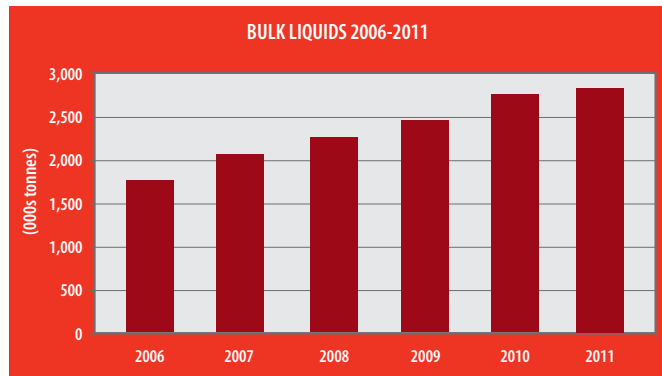


Petrochemicals

Most products transferred at the Newton King Tanker Terminal (NKTT) maintained their volumes compared to the previous year. Bulk liquid trade was approximately 92,000 freight tonnes or 3.35% above that of the 2009/2010 year. Methanol volumes were up 2.3%, crude oils up 5%, and LPG up 60%.

BP New Zealand Limited and Z Energy Limited stopped importing petrol by ship to the Taranaki region as part of their rationalisation of assets, choosing instead to truck the product from either Auckland or Wellington. This will result in a drop of about 50,000 freight tonnes of cargo annually through the NKTT. Diesel oil volumes remain unaffected.

Liquigas Limited's road tanker facility to load LPG into its port storage facility for export was under construction and due for completion shortly after year end.



Cargo and Logistics

Fonterra's previous decision to rail product from Whareroa to Auckland and Tauranga had a greater negative impact on the container throughput than expected with volumes dropping to 32,000TEU.

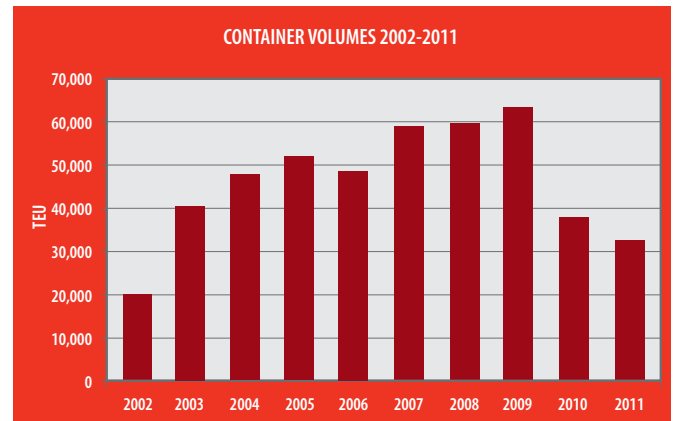
Material handling equipment and staffing levels were adjusted to reflect the lower container volumes at Blyde Container Terminal.

Maersk Line New Zealand (Maersk) made the decision at the end of the period to stop calling at New Plymouth and this will further reduce throughput. It is expected that many of the importers and exporters will switch from Maersk to Mediterranean Shipping Company with their Kiwi service. Since inception, this service has consistently increased import and export volumes through New Plymouth and further growth now seems assured.

Trade resulting from the opening of the Castlecliff railway line in Wanganui commenced towards the end of the dairy season. Volumes from Wanganui exporters are now being diverted from other ports to Port Taranaki.

Log throughput nearly tripled compared with the previous year and a third customer was acquired. Part of the Blyde Container Terminal was converted for log storage.

Grain and fertiliser imports were the highest ever at 527,000mt unloaded during the year. Growth in this area is expected to continue as farmers change their nutrition plans for livestock and take advantage of the high \$NZ/\$US cross rate.



Property

The site at 125-139 Breakwater Road leased from the Taranaki Regional Council was partly occupied by the port's carpenters and general hands during the year and there are plans to relocate other staff into the building in the next year.

Recreational areas continued to be popular with all groups.

There were three meetings of the Ngamotu Port Taranaki Liaison Group for the Port Areas of Mutual Interest (PAMI) during the year. These meetings are an effective vehicle for communication between representatives from the Port, New Plymouth District Council and Ngati Te Whiti Hapu Society Incorporated. The Memorandum of Understanding between the three parties was extended for a further four years.

Security

An environmental group staged a protest action by boarding a dry bulk carrier at anchor and a few of its members locked themselves in a crane cabin. Disruption to cargo operations was minimal.

The increase in bulk dry cargo increased vehicular traffic through the security gates to over 4,000 vehicles per week. Random inspections of vehicles were carried out as required under the Maritime Security Act 2004.

One of the Security Officers was appointed as Security Supervisor and Port Facility Security Officer (PFSO) in October 2010, under the Maritime Security Act.



Senior Management Team

*Standing from left to right: Neil Armitage (Manager, Offshore Contracts), Bill Edie (Infrastructure Manager), John Ireland (Marine Services Manager), Arun Chaudhari (Manager, Petrochemicals and Port Security) and Olaf Numssen (Commercial Manager, Cargo and Logistics).
Sitting left to right: Noel Henderson (Human Resource Manager), Bronwyn Clement (Corporate Support Manager), Roy Weaver (Chief Executive) and David Sharman (Chief Financial Officer).*

Personnel

After twelve months under the new management structure the company can look back and reflect on a successful transition despite difficult trading conditions.

The reduction in container throughput resulted in seven redundancies in cargo services, however, due to their flexibility and preparedness to learn new skills the company was able to utilise the services of three of those made redundant through casual and part-time work.

The offshore oil and gas industry continued to play an important part of the everyday activities of marine staff and crane operators. They have provided services for the production requirements of the three offshore production facilities, Pohokura, Tui, and Maari plus servicing the offshore drilling programmes, even though the latter has been intermittent over the past 12 months.

Permanent fulltime staff numbers reduced by 6 to 121.

During the year ten staff left the company and four staff were employed.

The company embarked on a series of workshops to develop its own set of company values. The enthusiasm shown by staff was great to see. The final three value statements chosen were:

- Pioneering spirit - the recognition of the creative spirit and courage of our forefathers in moulding the port and the need for the traditional 'pioneering spirit' to be continued by the generations to come.
- Job well done - to always work to the best of our ability and go home safely each night.
- In touch - to ensure that we communicate well, not only with our customers and community but also amongst ourselves.

The weekly staff newsletter 'PortTalk' continued to be a great communication tool within the port and its popularity remains. The Chief Executive ran two "State of the Nation" addresses over the 12 months to update all staff on the

company's performance, future developments, and other topics of significance and interest.

The National Ports Health & Safety Forum which meets quarterly continues to play an important role in raising the health and safety bar across all ports. Port Taranaki's Health and Safety Co-ordinator continues to attend these meetings. The forum is recognised by both OSH and Maritime New Zealand as the contact in relation to health and safety issues in all port operations.

The Port adopted the Zero Harm philosophy and this will be implemented over the coming twelve months. In a move to further strengthen safety at the port, a review of the Permit to Work system and redesign of the Permit room were completed. Over 1,000 site safety inductions were carried out over the year by NKTT staff.

A number of the company's employees continued to provide consultancy advice/service in the field of industrial relations, mooring systems, health & safety, marine accident investigation, and servicing requirements for the offshore oil and gas industry. For example, the Marine Services Manager was recently appointed as Harbourmaster for the Port of Taharoa, south of Kawhia, which is involved in the export of ironsands mined offshore by BlueScope Steel Limited. All involved are seasoned employees and it is pleasing to see that they are recognised as leaders in their field of expertise.

Governance

It is with regret that the company records the passing of John Young on 15 September 2010. John had been a valued member of the Board since July 2001 and Chairman since September 2004.

Peter Horton was re-elected as a Director of the company at the annual meeting on 23 September.

John Auld and Craig Norgate were elected as Chairman and Deputy Chairman respectively following the annual meeting.

The Board met on nine occasions during the year.

The Board's Audit committee comprised John Auld (Chairman), Peter Horton, Craig Norgate, and Roger Taylor to 23 September and Craig Norgate (Chairman), Peter Horton, and Roger Taylor for the remaining period. The committee met three times during the year.

The Board's Personnel committee met on two occasions. The committee comprised John Young (Chairman) to 15 September, and Trevor Johnston, David MacLeod, and Craig Norgate to 23 September. From that date the committee was John Auld (Chairman), Trevor Johnston, David MacLeod, and Craig Norgate.

As provided by section 42 of the company's constitution, John Auld and David MacLeod retire by rotation at the upcoming twenty-third annual meeting of the company and, being eligible, offer themselves for re-election.

In the New Year Honours list Roger Taylor was made a Member of the New Zealand Order of Merit for services to the arts. Roger has been Director of the company since October 2009.

Outlook

The short and medium term outlook for port activity and profitability is sound. Some promising growth signs are emerging for offshore exploration and development activity, particularly around the existing fields. The Maui joint venture has announced a renewed drilling campaign at Kapuni and from both Maui Platform A and Platform B.

The Noble Discoverer is expected to recommence drilling of the Ruru prospect later this year at which time another supply vessel will come to support it. There are some indications that it may drill further exploration wells in New Zealand once it has completed work for the Maui joint venture.

The summer of 2012/2013 is shaping up to be particularly busy as Anadarko has indicated that it will now be looking to drill in the summer of 2012/2013 as it has been unable to secure a deep water rig in time to be able to take full advantage of this coming summer.

FPSO offtakes are expected to remain at about the 16 per year level for the coming year.

The outlook for NKTT is expected to be steady at around three million tonnes per annum, however, there is potential for this to rise should Methanex New Zealand Limited recommission their Methanol 1 plant at Motunui.

The container trade is expected to settle at around 20,000 - 25,000 TEU for 2011/2012, focussed on the Trans-Tasman trade and feeding further afield across Australian ports.

Bulk dry import trades have shown considerable growth in recent years and further growth has been signalled by customers.

The log export trade has also shown strong growth of 300% over the past year, however, this is likely to now level off due to lower export prices and a high \$NZ/\$US cross rate. The medium term outlook is for continued growth for this sector of Port Taranaki's trade.

In conclusion, the port has bounced back from the decision by Fonterra to export the vast majority of its Taranaki production through the ports of Auckland and Tauranga. The strategy of positioning our port to expand its service



Board of Directors

From left to right: Craig Norgate, Roger Taylor, John Auld, Trevor Johnston, Peter Horton and David MacLeod.

to other customers, particularly the handling of a more diversified trade in bulk cargoes, has established a solid foundation which will support on-going trade through the port for many years to come. The ever changing world economic environment in which our many customers operate will continue to create new challenges both for their businesses and ours. Our well trained and dedicated staff have responded superbly to the change in focus and ensuring that our customers receive a reliable, safe, and cost effective service. The new senior managers have all proven to be sound appointments and are contributing to growing our port activity across a diverse range of trades for the benefit of the Taranaki region and beyond.



Roy Weaver Chief Executive



John Auld Chairman

Statutory Information

Comparison of Performance with Statement of Corporate Intent

As required under section 16 (4)(a) of the Port Companies Act 1998, a comparison of the performance targets in the Statement of Corporate Intent for the period 1 July 2010 to 30 June 2013 against the actuals is shown below:

	2010/2011 Target	Actual	Achieved
Financial:			
Return on average total assets (EBIT/ATA)	6.5%	5.7%	No
Return on average shareholder's funds (NPAT/ASF)	4.5%	3.5%	No
Non-financial:			
Wharf Utilisation			
Moturoa 1 and 2	30-45%	28.8%	No
Newton King	20-35%	24.0%	Yes
Blyde 1 and 2	20-35%	20.8%	Yes
Breakwater 1 and 2	20-35%	42.8%	Yes

Although trade volumes were higher over Moturoa 1 and 2 wharf utilisations did not meet the target. This target may have been overstated.

Breakwater 1 and 2 exceeded the target due to increased offshore activity.



ENVIRONMENTAL REPORT

Environmental Policy

Port Taranaki places a high value on the quality and long term sustainability of the environment in which it operates. Accordingly, Port Taranaki gives a commitment to its stakeholders ensuring that its activities are conducted in a manner that will avoid, remedy, or mitigate, to the most practical extent, any adverse effect on the environment.

Key Performance Indicators

(1) Non Compliance Notices for Port Taranaki's Activities

There were no non-compliance notices issued to Port Taranaki Limited during the year under review.

The following table sets out the environmental incidents during the current year compared to the previous year captured by the company's incident reporting procedure.

INCIDENT TYPE	INCIDENTS LAST YEAR	INCIDENTS THIS YEAR
DISCHARGE TO LAND	6	2
DISCHARGE TO WATER	1	0
DISCHARGE TO AIR	3	2
NOISE	1	3
OTHER	1	1
TOTAL	12	8

Most of the discharge incidents were minor and were readily controlled and cleaned up. One incident involved the loss of approximately 300 litres of methanol from containment that was accidentally punctured. The fluid was contained within the concrete floor building by the use of kitty litter and "sausages"

and allowed to evaporate overnight.

The two discharges to air related to dust from the works yard and odour from a port related operation experienced by a local resident.

The three noise incidents related to a variety of sources including helicopter noise, a ship's engine, and the release of pressure valves aboard a tanker.

(2) Ngamotu Beach Water Quality

DATE	TIME	CONDUCTIVITY M/S/M	E COLI /100ML	ENTEROCOCCI /100ML	FAECAL COLIFORMS /100ML	TEMPERATURE DEG.C
9 NOV 10	10:45	4560	<1	3	<1	18.9
16 NOV 10	10:25	4700	<1	3	<1	17.3
24 NOV 10	10:30	4750	<1	<1	<1	15.8
6 DEC 10	9:20	4780	1	8	1	19.0
6 JAN 11	10:30	4740	63	61	65	20.6
10 JAN 11	12:45	4760	<1	1	<1	22.0
3 FEB 11	9:35	4760	1	1	1	16.8
11 FEB 11	14:25	4720	1	4	1	21.1
18 FEB 11	9:15	4650	250	180	270	20.2
21 FEB 11	11:30	4690	29	73	37	22.8
10 MAR 11	12:05	4660	<1	1	<1	20.4
21 MAR 11	10:10	4780	19	9	20	19.0
25 MAR 11	13:00	4770	19	24	31	18.8
12 APR 11	15:25	4320	4	15	4	20.3



The Taranaki Regional Council (TRC) sampled the water quality at Ngamotu Beach on 14 occasions during the period from 1 November 2010 to 30 April 2011. The results are set out in the table above and demonstrate compliance with bathing water quality standards on all but one occasion, 18 February. This event was followed by further testing three days later that demonstrated a return to levels well within the bathing quality guidelines.

(3) Marine Pollution Incidents and Accidents

There were no marine pollution incidents or accidents during the year.

Compliance Monitoring and State of the Environment

The TRC continued its monitoring programme of harbour waters, stormwater discharges, and resource consent conditions throughout the year. The Council's monitoring involved the sampling from a number of stormwater discharges 14 times during the year. The results are presented below. On one

occasion, 18 May, the suspended solids content at the measuring site for Moturoa Wharf exceeded the resource consent limit of 100 mg/100 litres. This appeared to have been generated by recent rain flushing sediments into the harbour. Subsequent testing returned normal levels. Apart from this single event, the results showed compliance with resource consent conditions.

Other

A maintenance dredging campaign took place between 18 March and 12 May 2011. During this period the trailer suction hopper dredger Pelican deposited a total of 156,086 m³ (262 loads) in the inshore ground under the terms of Coastal Permit No. 5886-1. Since January 2004, when the first campaign using the inshore placement ground took place, a total of 977,456 m³ has been deposited in this permitted area over the five campaigns to date. Immediately following this year's campaign there was 361,858 m³ in the inshore ground which compares favourably with the permitted volume of 400,000 m³. The average annual loss from the inshore ground is estimated to be 114,000 m³/year and this material contributes to the littoral processes feeding New Plymouth's beaches.

STORMWATER DISCHARGE LOCATION	DATE	TIME	CONDUCTIVITY MS/M	HYDROCARBONS G/M ³	PH	SUSPENDED SOLIDS G/M ³	TEMPERATURE DEG C
MOTUROA WHARF	30 NOV 10	9:27	23.6	1.2	7.5	11	
MOTUROA WHARF	17 MAR 11	10:30	19.3	<0.5	6.7	40	21.2
MOTUROA WHARF	18 MAY 11	12:00	31.0	<0.5	6.9	260	12.8
MOTUROA WHARF	29 JUN 11	11:35	28.3	<0.5	7.9	<2	13.6
NEWTON KING TT	30 NOV 10	9:25	34.8	<0.5	7.6	6	
NEWTON KING TT	17 MAR 11	10:32	22.5	<0.5	7.0	46	20.3
NEWTON KING TT	18 MAY 11	11:55	39.2	<0.5	7.4	15	13.8
NEWTON KING TT	29 JUN 11	11:30	26.4	<0.5	7.6	3	13.9
ADJACENT BLYDE RD	17 MAR 11	11:00	16.8	<0.5	7.1	7	18.4
ADJACENT BLYDE RD	18 MAY 11	12:10	25.3	0.8	7.2	28	14.8
ADJACENT BLYDE RD	29 JUN 11	11:15	38.7	<0.5	7.1	47	14.8
BASIN BETWEEN NKTT AND BLYDE	30 NOV 10	9:20	36.4	2.2	7.6	110	
BASIN BETWEEN NKTT AND BLYDE	17 MAR 11	10:46	13.3	<0.5	6.8	13	19.6
BASIN BETWEEN NKTT AND BLYDE	18 MAY 11	11:50	799.0	0.6	7.4	27	15.2



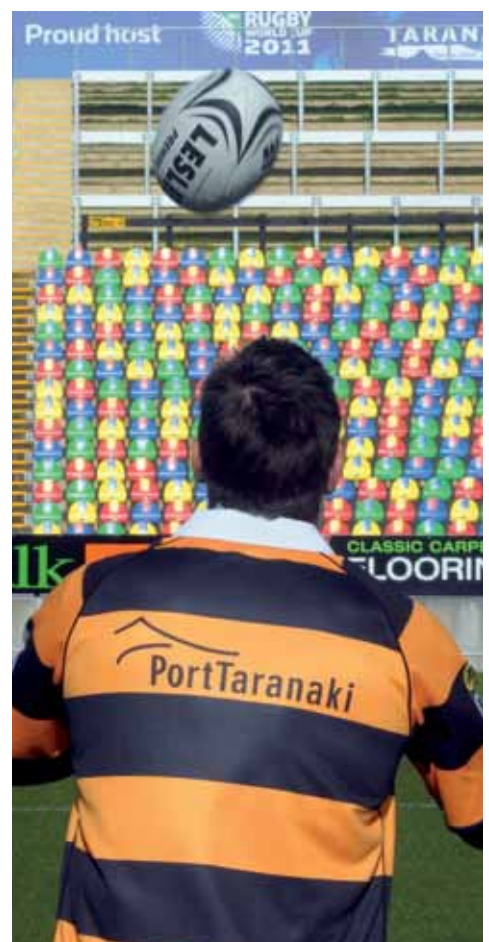
Over the past year Port Taranaki has continued to work with the community, its customers, and staff.

Community

- Paid dividend of \$1.85m to sole shareholder, Taranaki Regional Council.
- Continued to sponsor the Taranaki Volunteer Coastguard vessel Westgate Rescue.
- Continued to provide peppercorn lease rentals to New Plymouth District Council, Department of Conservation, and Taranaki Volunteer Coastguard.
- Continued to discount lease rentals to community organisations.
- Continued to provide lawn mowing services at Waitapu Cemetery, Bayly Road, for Waitapu Urupa Trustees.



- Continued to provide and maintain access to public areas including the boat ramp, jetties, and car/trailer parking at the Lee Breakwater for public enjoyment.
- Sponsored the following sporting activities: Taranaki Rugby Football Union, Port Taranaki Open Golf Tournament, Flannagan Cup Open Water Swim, Icebergs Swimming Club, New Plymouth Surfriders Club (juniors), New Plymouth Yacht Club (juniors), Taranaki Multisport & Triathlon Club, Taranaki Race Walking Club, Taranaki Secondary Schools' Rowing Regatta 2010, Taranaki Surf Life Saving organisations, and Taranaki Windsurfing Club national competition.
- Sponsored the Department of Conservation's "Seaweek", 1st Mikotahi Sea Scouts, and Taranaki Toastmasters' Convention.
- Continued to consult with the New Plymouth District Council and Ngati Te Whiti on the development and management of recreational areas in the vicinity of Ngamotu Beach.
- Facilitated a port stay for the sail training vessel Spirit of New Zealand.
- Provided the venue for community activities including beach volleyball, triathlons, and school events.
- Continued to provide the regular meeting venue for the Moturoa Toastmasters' Club.
- Conducted port tours and made presentations to various community groups including students from St Josephs, St Johns, St Pius X, and Westmount schools.
- Hosted four people aboard the tug Tuakana as part of a prize offered by the company through Puke Ariki.



Customers

- Continued to provide forums for discussion on port - related matters including environmental, health and safety, risk management, and security through the Port Taranaki Safety Advisory Group, Port Taranaki Security Committee, and the NKTT Users' Safety Group.
- Provided venue for port related meetings/forums.
- Continued to be an active member of the Taranaki Transport Network.
- Published three issues of the Port Taranaki magazine, 'PORTAL', with feature articles on customers.
- Chief Executive continued as a trustee of Venture Taranaki Economic Development Agency and was Vice President of the Chartered Institute of Logistics and Transport (CILT).
- Manager Petrochemicals and Security continued as Chairman of the Oil and Gas Specialist Technologies Group and a Board member of the Taranaki Chamber of Commerce. He was a judge for the Taranaki Chamber of Commerce Business Awards.
- Conducted port tours and made presentations to customers.
- Hosted Port Taranaki Limited Shippers' and Exporters' Golf Tournament and Taranaki ITM Cup rugby games.

- Provided sponsorships and donations including Chartered Institute of Logistics and Transport, Engineering Taranaki - Apprenticeship Awards, Maersk Annual Golf Tournament, Taranaki Chamber of Commerce, Taranaki Federated Farmers annual conference, and Wanganui Chamber of Commerce.



STAFF

- Published the weekly staff newsletter, 'PortTalk', and the quarterly health and safety newsletter.
- Chief Executive made two "State of the Nation" presentations to all available staff.
- Continued the availability of EAP Services Limited to staff and their families.
- Continued to offer flu injections to all staff.
- Continued opportunities for staff to join group medical insurance schemes, a subsidised superannuation scheme and Kiwisaver, and the "Westpac Employee Pac".
- Chief Financial Officer continued as trustee of the New Zealand Harbours Superannuation Plan.
- Social club organised a range of activities including mid and end of year functions and a children's Christmas disco.
- Provided social club facilities and an onsite gymnasium.
- One employee attended an Outward Bound Compass course at Anakiwa.
- Sponsored staff as members of Moturoa Toastmasters' Club and Port Taranaki Softball Team (NZ Masters Games).

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 NZ\$	2010 NZ\$
Continuing operations			
Revenue from operations	2	39,220,497	37,810,008
Operating expenses	2	(31,590,151)	(31,101,157)
Operating profit before finance income and expenses		7,630,346	6,708,851
Finance income	2	60,747	18,903
Finance expenses	2	(2,931,218)	(3,082,666)
Net finance expense		(2,870,471)	(3,063,763)
Profit Before Taxation		4,759,875	3,645,088
Income tax expense	3	(1,636,038)	(4,911,230)
Profit from continuing operations		3,123,837	(1,266,142)
Total comprehensive income for the period (attributable to owners of the company)		3,123,837	(1,266,142)
Earnings per share basic and diluted (cents per share)	6	6.01	(2.43)

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital NZ\$	Retained Earnings NZ\$	Revaluation Reserve NZ\$	Total Equity NZ\$
As at 1 July 2009	26,000,000	28,164,045	36,611,833	90,775,878
Changes in equity for 2010				
Profit and total comprehensive income for the period	-	(1,266,142)	-	(1,266,142)
Dividends	-	(1,900,000)	-	(1,900,000)
As at 30 June 2010	26,000,000	24,997,903	36,611,833	87,609,736
Changes in Equity for 2011				
Profit and total comprehensive income for the period	-	3,123,837	-	3,123,837
Dividends	-	(1,850,000)	-	(1,850,000)
As at 30 June 2011	26,000,000	26,271,740	36,611,833	88,883,573

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

Statement of Financial Position

AS AT 30 JUNE 2011

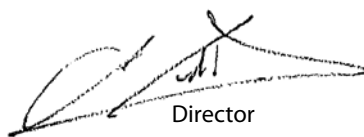
	NOTE	2011 NZ\$	2010 NZ\$
Current Assets			
Cash and cash equivalents	7	2,994,598	441,098
Trade and other receivables	8	4,468,470	5,206,160
Prepayments		74,320	98,839
Inventories	9	471,277	477,849
		8,008,665	6,223,946
Non Current Assets			
Other intangible assets	11	1,599,350	1,882,811
Property, plant and equipment	10	123,987,108	128,028,781
		125,586,458	129,911,592
Total Assets		133,595,123	136,135,538
Current Liabilities			
Trade and other payables	12	2,824,866	2,948,101
Provisions	13	1,382,757	1,239,978
Borrowings	14	489,624	1,219,645
Taxation payable	4	755,141	611,399
		5,452,388	6,019,124
Non Current Liabilities			
Deferred tax liability	5	2,059,040	2,250,458
Borrowings	14	35,445,122	38,401,220
Trade and other payables	12	924,000	1,082,000
Provisions	13	831,000	773,000
		39,259,162	42,506,678
Equity			
Issued capital	15	26,000,000	26,000,000
Asset revaluation reserve	16	36,611,833	36,611,833
Retained earnings	17	26,271,740	24,997,903
		88,883,573	87,609,736
Total Equity and Liabilities		133,595,123	136,135,538

For and on behalf of the Board

Director



Director



Dated 18 August 2011

The accompanying notes form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 NZ\$	2010 NZ\$
Cash Flows From Operating Activities			
Receipts from customers		45,502,639	41,499,415
Interest received		60,579	18,903
Income tax refund		-	77,924
		45,563,218	41,596,242
Payments to suppliers and employees		(29,193,399)	(28,628,897)
Interest paid		(2,761,239)	(3,132,098)
Income tax paid		(1,683,714)	(1,430,000)
		(33,638,353)	(33,190,995)
Net cash provided by operating activities	20	11,924,865	8,405,247
Cash Flows From Investing Activities			
Sale of property, plant and equipment and software (net of disposal costs)		88,036	477,007
		88,036	477,007
Purchase of property, plant and equipment and software		(3,753,303)	(5,319,912)
Capitalised interest on purchase of property, plant and equipment		-	(133,166)
		(3,753,303)	(5,453,078)
Net cash (used in)/provided by investing activities		(3,665,268)	(4,976,071)
Cash Flows From Financing Activities			
Repayment of borrowings		(3,856,098)	(1,256,098)
Interim dividend		(950,000)	(500,000)
Final dividend		(900,000)	(1,400,000)
Net cash (used in)/provided by financing activities		(5,706,098)	(3,156,098)
Net Increase/(Decrease) in Cash and Cash Equivalents		2,553,500	273,078
Cash and Cash Equivalents at the Beginning of Year		441,098	168,020
Cash and Cash Equivalents at the End of Year	7	2,994,598	441,098

The accompanying notes form part of these financial statements.

STATEMENT OF ACCOUNTING POLICIES

GENERAL ACCOUNTING POLICIES

Port Taranaki Limited (the "Company") is a sea port company incorporated under the Companies Act 1993 and domiciled in New Zealand.

The Company's parent and sole shareholder is The Taranaki Regional Council.

The Company's registered office is 2 - 8 Bayly Road, Moturoa, New Plymouth 4310.

The financial statements for the Company were authorised for issue by the directors on 18 August 2011.

The principal activities of the port are described in Note 1.

Statement of Compliance

These are the financial statements of the Company presented in accordance with the Port Companies Act 1988 and the Companies Act 1993, prepared in accordance with the Financial Reporting Act 1993, and in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards (IFRS) and other applicable Financial Reporting Standards. The Company is a profit oriented entity.

Basis of Preparation

The financial statements are presented in New Zealand dollars, which is the Company's functional and reporting currency, rounded to the nearest dollar.

They are prepared on the historical cost basis apart from certain assets which are stated at their fair value.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments. Bank overdrafts are shown within current liabilities in the balance sheet.

(b) Foreign Currency Monetary Balances

Transactions in foreign currencies are converted at the exchange rate ruling at the date of the transaction. At balance date all foreign currency monetary assets and liabilities are translated to New Zealand dollars using the prevailing spot rate of the day. Any gain or loss is recognised in the profit or loss in the reported financial period in which they arise.

(c) Financial Instruments

(c) (i) Derivatives

A derivative is a financial instrument or contract whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, credit index or other variable. It requires no or a nominal initial investment and is settled at a later date.

Derivative financial investments are initially recognised at fair value on the date a derivative contract is entered into

and are subsequently measured at their fair value at each balance sheet date. The gain or loss on remeasurement to fair value is recognised immediately in the profit or loss. The Company does not undertake hedge accounting in accordance with NZ IAS 39.

The Company may enter into foreign currency forward exchange contracts, to hedge foreign currency transactions when purchasing major fixed assets and when payment is denominated in foreign currency. Gains and losses on such contracts are recognised in the profit or loss each year at balance date or date of completion by restating the liability to fair value at balance date or at the time of settlement.

No derivative financial instruments were in place at year end. (2010: Nil)

(c) (ii) Financial Assets and Liabilities

Financial Assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the financial statements. Other financial assets are classified into the following specified categories: financial assets 'at fair value through the profit or loss', 'held to maturity investments', 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial Assets at Fair Value Through Profit or Loss

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

- a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its peak performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- c) it forms part of a contract containing one or more embedded derivatives and NZ IAS 39 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 19.

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets, objective evidence of impairment could include:

- a) significant financial difficulty of the issuer or counterparty; or
- b) default or delinquency in interest or principal payments; or
- c) it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the Company's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables and expected uncollectible items.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Other Financial Liabilities

Other financial liabilities, including borrowings, and trade and other payables are initially measured at market value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount of the financial liability.

(d) Inventories

Stocks of maintenance materials and supplies are valued at the lower of weighted average cost or net realisable value.

(e) Property, Plant and Equipment

Owned Assets

All items of property, plant and equipment except land are stated at cost less accumulated depreciation and impairment.

After recognition as an asset at date of transition to NZ IFRS an item of land whose fair value can be measured reliably is carried at a revalued amount, being its value at the date of the revaluation less any subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at balance date.

Any revaluation increase arising on the revaluation of land is credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land is charged as an expense in the profit or loss to the extent that it exceeds the balance, if any held in the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve, is transferred directly to retained earnings.

After recognition as an asset, an item of property, plant and equipment other than land shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Maintenance Dredging

The cost of maintenance dredging incurred is expensed over the period of benefit through to the commencement of the next dredging campaign. The value of the unexpired portion of maintenance dredging at balance date is reflected in property, plant and equipment.

STATEMENT OF ACCOUNTING POLICIES

Subsequent Costs

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

(f) Intangibles

Intangible assets acquired by the Company comprise computer software and are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(g) Impairment of Non Financial Assets

Assets are reviewed for impairment at each reporting date for events or changes in circumstances that indicate that the carrying amount may not be recoverable. An impairment loss is determined as the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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

(h) Employee Benefits

(h) (i) Long Term Benefits

The Company's net obligation in respect to future benefits that can extend up to the date of retirement for all existing employees are long term benefits. They

relate to benefits that employees have earned in return for their service in the current and prior periods, although they may or may not have vested at balance sheet date. The obligation is calculated using an actuarial method and is discounted to its present value. The discount rate the Company uses is the market yield on long term New Zealand Government bonds as at balance sheet date. The probability of the Company's obligation to pay the future benefit is then determined actuarially.

Long term employee benefits for the Company include: Long service leave, and retirement allowances.

Long Service Leave

The Company has long service milestones of 15, 25, 30 and 35 years of service. Leave entitlement accrued towards milestones not yet achieved are calculated in accordance with the long term benefits policy. No benefit is payable to an employee upon leaving the Company for any milestone worked towards but not achieved, however the probability of attaining vested status is determined and applied in calculating the expected liability amount.

Retirement Allowance

The Company has a retirement policy in place which provides for a retirement allowance. Actuarial calculations are made to assess both the amount projected to be paid (in accordance with the Company's policy) and the probability that the employee will qualify for the allowance.

(h) (ii) Post Employment Benefits

Defined Benefit Plans

The Company is a participating employer in the National Provident Fund Defined Benefit Plan Contributors Scheme ("the Scheme") which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the Scheme, the employer could be responsible for the entire deficit of the Scheme (see note 28). Similarly, if a number of employers ceased to participate in the Scheme, the employer could be responsible for an increased share of the deficit.

The Company treats payments as expenses when incurred, similar to the treatment for defined contribution schemes as sufficient information is not available to use defined benefit accounting.

(h) (iii) Short Term Benefits

Short term benefits represent the Company's net obligation with respect to benefits for services performed that are expected to be paid in the ensuing 12 months. These accruals are calculated based on existing remuneration rates expected to be in place when the benefits are paid.

Short term employee benefits for the Company include: vested leave, sick leave, long service leave and retirement allowance provision.

Vested Leave

Where an employee has rendered service to the Company and has attained the right to paid leave, the undiscounted amount expected to be paid, is recognised

as a current liability as all accumulated leave is expected to be used within 12 months of balance sheet date. The remuneration rates expected to be in place when the benefits are paid is applied to the time owed for entitlements to holiday pay earned, and alternate days owing where statutory days have been worked, and long service leave where the milestone has been achieved.

Sick Leave

The Company measures the amount of additional payments that are expected to arise solely from the fact that the benefit accumulates. The accrual is for the amount estimated it will cost the Company for any employee taking leave in excess of their annual entitlement. It is calculated based on the average expected daily rate of all employees, and the actual average number of sick days taken collectively by employees in excess of annual entitlement in the previous three years.

The current portion of the sick leave provision, the long service leave provision, vested annual leave and retiring allowance provision are presented as current employee benefit provisions.

(i) Provisions

A provision is recognised in the balance sheet when the Company 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(j) Trade and Other Payables

Trade and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Subsequent to initial recognition, trade payables and other accounts payable are recorded at amortised cost. Given the nature of these liabilities amortised cost equals their notional principal.

ACC

As a port operator, the Company is liable to pay residual claims levies to the ACC. As at balance date the ACC actuary advises that the residual claims fund is expected to be fully funded by 2019. An accrual is made at balance date reflecting the estimated amount payable through to 2019 based upon current residual levy rates. The assessed figure is discounted at the 10 year government bond rate to determine the final provision.

The current and non current portions of the ACC accrual is presented as trade and other payables.

(k) Interest Bearing Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs. Subsequent to the initial recognition, loans and borrowings are carried at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit and loss over the period of the

borrowing using the effective interest method, except that they are capitalised in accordance with (r) below.

All interest bearing borrowings are measured at amortised cost using the effective interest rate method which allocates the cost through the expected life of the borrowing. Amortised cost is calculated taking account of any establishment costs.

Borrowings are classified as current liabilities (either advances and deposits or current portion of term debt) unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(l) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items of other Comprehensive Income, in which case it is recognised in other Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the comprehensive balance sheet liability method, for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxation assets attributable to tax losses or deductible temporary differences are recognised when realisation is probable. Deferred taxation liabilities attributable to taxable temporary differences are amounts of income taxes payable in future periods. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Deferred tax assets and liabilities are calculated using the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted at balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised as an expense in the profit or loss except when it relates to items of other Comprehensive Income. Deferred taxation assets and liabilities can be offset when they relate to income taxes levied by the same taxation authority.

(m) Dividends

Provisions for dividends are recognised in the period in which they are authorised and approved.

(n) Goods and Services Tax (GST)

All items in the Statement of Financial Position are stated exclusive of GST with the exception of receivables and payables, which include GST. All items in the Statement of Comprehensive Income are stated exclusive of GST.

STATEMENT OF ACCOUNTING POLICIES

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

(o) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

The Company recognises revenue for the rendering of services when the amount can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the transaction can be measured reliably and the costs incurred or to be incurred can be measured reliably.

Interest Revenue

Interest revenue 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(p) Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit or loss when incurred. Expenditure on developing the application of any research findings will only be capitalised if able to demonstrate all of the following conditions: It is technically feasible to complete so it will be available for sale or use, intended to be completed, able to be used or sold, will generate probable future economic benefits, there are adequate technical, financial and other resources to complete the development to use or sell, and can be measured reliably during its development.

(q) Borrowing Costs

The Company recognises as an expense within the profit or loss all borrowing costs incurred, with the exception of interest costs incurred during construction/assembly of major capital projects, which are capitalised as part of the initial cost of the respective assets.

(r) Depreciation

Property, plant and equipment other than land are depreciated on a straight line basis over their estimated useful lives.

Depreciation periods are:

Buildings	5 to 45 years
Port installations	5 to 66 years
Plant, equipment and fittings	2.5 to 25 years
Floating plant	3 to 25 years
Maintenance dredging	2 years
Capital dredging	50 years

The residual values, and the useful lives of assets are reviewed at least annually and, if expectations differ from previous estimates, the change shall be accounted for as a change in accounting estimate in accordance with NZ IAS 8.

(s) Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful life of the intangible assets unless the estimated useful life is indefinite. There are no indefinite life intangible assets held at balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Computer software	2 to 5 years
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(t) Operating Leases

An operating lease is one where the lessor retains significant risks and rewards of ownership of the leased asset.

- i) Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.
- ii) Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(u) Statement of Cash Flows

Cash flows from operating activities are presented using the direct method.

Definitions of terms used in the Statement of Cash Flows:

- Cash means cash on deposit with banks, net of outstanding bank overdrafts.
- Investing activities comprise the purchase and sale of property, plant and equipment, investment properties and investments.
- Financing activities comprise the change in equity and debt capital structure of the Company and the payment of cash dividends.
- Operating activities include all transactions and events that are not investing or financing activities.

(v) Comparatives

During the year Port Taranaki reclassified the ACC residual claims levy portion from employee benefits to trade and other payables, accordingly a portion of the 2010 employee benefits had to also be reclassified to trade and other payables (current \$165,000 and non current \$1,082,000). The portion of residual claim levy (2010: \$4,000 current increase and \$35,000 decrease non current) have been removed from note 23 c) transactions with senior management personnel. During the year Port Taranaki reclassified other employee benefits from provisions to trade and other payables, accordingly a portion of the 2010 trade payables increased \$186,605 and employee provisions current decreased by the same amount. During the year Port Taranaki reclassified interest payable on borrowings from trade and other payables to borrowings, accordingly a portion of the 2010 trade payables decreased \$319,645 and current borrowings increased by the same amount. Refer to borrowings note 14 a) and b), the financial liabilities portion of financial instruments and risk management 19 b) and

the liquidity and interest risk tables - financial liabilities portion of financial instruments and risk management 19 f). None of the reclassifications have impacted the cash flow statement or statement of comprehensive income, however the increase/decrease in liabilities portion in note 20 reflect the changes from provisions to payables.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of NZ IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management have made judgments that relate to the estimated useful life of plant property and equipment, its fair value, and the value of receivables. The judgements are disclosed in Statement of Accounting Policies (s), and Notes to the Financial Statements, note 8 provision for impairment and note 10 carrying amount, revaluations and other disclosures.

If the estimated useful life of depreciable assets was 5% longer/shorter the operating profit for the year would have increased/decreased for the following classes by:

Buildings	41,532
Port installations	122,165
Plant, equipment and fittings	87,580
Floating plant	30,756
Maintenance dredging	59,817
Capital dredging	21,505

CHANGES IN ACCOUNTING ESTIMATES

From the start of the 2011 year, Port Taranaki Limited changed the estimated useful life of hardstand assets from 15 years to 5 years.

The current financial effect of this change increases depreciation by \$705,128 in 2011 and by \$605,066 in 2012, \$389,957 in 2013, \$40,902 in 2014, and decreases depreciation by \$144,947 in 2015.

This change has been made in 2011 as it better reflects management's view of the useful life of hardstand assets. This change will apply to the 2011 financial year and subsequent years.

Note that this change in estimate still remains within the range of depreciation periods for port installations from 5 to 66 years under the depreciation accounting policy (r).

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year the Company has adopted all of the Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and ASRB that are relevant to its operations and effective for the current reporting period.

Those with disclosure impact:

The impact of the adoption of the following Standards and Amendments will be to expand the disclosures provided in these financial statements:

At the date of authorisation of the financial report, the following Standards and Interpretations were on issue but not yet effective:

	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
- NZ IAS 12 - Income Taxes - Deferred Tax: Recovery of Underlying Assets - Amendments	1 January 2012	30 June 2013
- Amendments to Harmonise with Australia	1 July 2011	30 June 2012
- NZ IFRS - Financial Instruments - Improvements 2010 NZ IFRS 7, NZ IAS 1, NZ IAS 34 and NZ IFRIC 13	1 January 2011	30 June 2012
- NZ IFRS 7 - Financial Instruments: Disclosures	1 July 2011	30 June 2012
- NZ IFRS 7 - Amendments - Appendix E	1 April 2011	30 June 2012
- NZ IFRS 9 - Financial Instruments - Revised (2010) *	1 January 2013	30 June 2014
- NZ IFRS 13 - Fair Value Measurement	1 January 2013	30 June 2014
- NZ IAS 24 - Related Party Disclosures	1 January 2011	30 June 2012
- FRS 44 - New Zealand Additional Disclosures	1 July 2011	30 June 2012
- FRS 44 - New Zealand Additional Disclosures - Amendments	1 July 2011	30 June 2012
- IAS 1 - Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income	1 July 2012	30 June 2013
- IAS 19 - Employee Benefits	1 January 2013	30 June 2014

* The revised NZ IFRS 9 adds guidance on the classification and measurement of financial liabilities and derecognition of financial instruments. The effective date remains the same as the previous version of NZ IFRS 9, with earlier adoption permitted.

Application of the Standards, Amendments and Interpretations is not expected to have a material impact on the financial statement account balances of the Company but may require additional financial statement disclosures. All other Standards, Amendments and Interpretations are not applicable or expected to have a material effect.

NOTES TO THE FINANCIAL STATEMENTS

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

1 PRINCIPAL ACTIVITIES

The Company facilitates export and import activities through Port Taranaki.

2011
NZ\$

2010
NZ\$

2 PROFIT FROM OPERATIONS

(a) Revenue

Port operating revenue from sale of services	37,174,770	35,678,924
Lease and rental revenue	2,045,727	2,131,084
	39,220,497	37,810,008
Interest revenue	60,747	18,903
Total revenue	39,281,244	37,828,911

(b) Profit before taxation

Profit before tax for the year has been arrived at after charging the following:

Employee benefits	10,909,511	10,843,449
Employee benefits - termination	101,528	236,043
Defined contribution plans	649,393	649,393
Cost of services used	3,273,629	4,326,648
General expenses	2,980,584	3,247,122
Finance costs	2,931,218	3,082,666
Maintenance dredging - depreciation (note 11)	1,196,336	1,284,258
Maintenance dredging other costs	14,875	35,442
Repairs and maintenance	5,619,376	4,986,264
Depreciation and amortisation (refer notes 11 and 12) (excludes maintenance dredging)	6,849,438	5,785,157
Net loss on disposal of property, plant and equipment	(4,519)	(292,619)
	34,521,369	34,183,823

Included in General expenses were the following expenses:

Change in estimated doubtful debts	(2,000)	2,000
Bad debts written off	4,668	-
Translation adjustments comprising:		
Net loss on foreign currency bank balances	738	(60,551)
Net loss/(gain) on cash and cash equivalents	67	(148)
Payments to auditor		
Audit fees	60,218	58,628

Payments to directors

	Included with General Expenses 2011	Included with Employee Benefits 2011	Included with General Expenses 2010	Included with Employee Benefits 2010
J S Auld	-	38,469	-	26,500
P D Horton	-	21,000	-	21,000
T W Johnston	-	21,000	-	15,750
D N MacLeod	-	21,000	-	21,000
M C Norgate	-	24,789	-	21,000
R N Taylor	9,750	21,000	-	15,750
D E Walter	-	-	-	5,250
E J Young	-	9,250	-	35,000
Total	9,750	156,508	-	161,250

2011
NZ\$2010
NZ\$**3 INCOME TAX EXPENSE/(CREDIT)**

a) Income Tax recognised in the Profit and Loss

Current tax expense	1,827,456	1,538,436
Deferred tax on temporary differences	(191,418)	3,372,794
Income tax expense/(credit) per Profit and Loss	1,636,038	4,911,230

Income tax is calculated at an average effective tax rate of 30 (2010: 30) percent of the estimated assessable profit for the year.

b) Reconciliation of Accounting Profit before Tax and Income Tax Expense/(Credit)

Profit before taxation	4,759,875	3,645,088
Income tax expense calculated at 30%	1,427,963	1,093,526
Tax effect of non deductible expenses in profit before tax	17,518	139,241
Tax effect of building depreciation change on future tax benefits	-	3,600,148
Tax effect of rate change on future tax benefits	118,443	74,193
Tax effect of non assessable income in profit before tax	(47)	-
Prior period adjustments impacting income expense under/(over)	72,161	4,122
Income Tax Expense per Statement of Comprehensive Income	1,636,038	4,911,230

On 20 May 2010, the New Zealand Government announced in its annual budget that the corporate tax rate in New Zealand would be reduced from 30% to 28% with effect from 1 April 2011. For the Company the reduction in tax rate will occur from 1 July 2011. The effect of this change is a \$118,443 increase (2010: \$74,193 increase) in tax expense and deferred tax liability in the 2011 year. The budget also removed the tax depreciation of buildings with a estimated useful life of 50 years or greater from 1 April 2011. For the Company this change will occur from 1 July 2011. The effect of this change was a \$3,600,148 increase into tax expense and deferred tax liability in the 2010 year only.

NOTES TO THE FINANCIAL STATEMENTS

	2011 NZ\$	2010 NZ\$
4 TAXATION REFUNDABLE/(PAYABLE)		
Opening balance	(611,399)	(425,039)
Prior year tax paid/(refund)	683,559	352,076
Prior period adjustment	(72,161)	72,963
Current taxation payable	(1,755,295)	(1,611,399)
Provisional taxation paid	1,000,155	1,000,000
Taxation refundable/(payable)	(755,141)	(611,399)

	Depreciation/ Amortisation NZ\$	Provisions/ Payables NZ\$	Receivables/ Prepayments NZ\$	Total NZ\$
5 DEFERRED TAX ASSET/(LIABILITY)				
As at 1 July 2009	122,545	1,046,291	(46,500)	1,122,336
(Charged)/credited to Profit or Loss in the Statement of Comprehensive Income	(3,369,084)	19,390	(23,100)	(3,372,794)
As at 30 June 2010	(3,246,539)	1,065,681	(69,600)	(2,250,458)
(Charged)/credited to Profit or Loss in the Statement of Comprehensive Income	172,054	6,604	12,760	191,418
As at 30 June 2011	(3,074,486)	1,072,285	(56,840)	(2,059,040)

There are no income tax losses carried forward.

6 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares on issue during the period.

Diluted earnings per share is calculated by adjusting the profit for the period and the weighted average number of ordinary shares on issue during the period, for the effects of all dilutive instruments, of which there were none during the period.

Profit for the period	3,123,837	(1,266,142)
Weighted average number of shares on issue	52,000,000	52,000,000
Basic and diluted earnings per share (cents per share)	6.01	(2.43)

7 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	2,994,598	441,098
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The carrying amount for cash and cash equivalents equals fair value.

	2011 NZ\$	2010 NZ\$
8 TRADE AND OTHER RECEIVABLES		
a) Current		
Trade receivables	4,222,521	4,912,505
Provision for impairment	(8,000)	(10,000)
Net trade receivables	4,214,521	4,902,505
Other receivables	253,949	276,655
Related party receivables (note 23)	-	27,000
	4,468,470	5,206,160

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

The average credit period on sales of goods is 34 days (2010: 49 days). The Company reserves the right entirely at its discretion to apply an interest charge at 2.5% per month compounding on overdue accounts, as per 'Standard conditions of business' 4.5(c) issued by Port Taranaki Limited. If credit has been granted, then payment for services rendered is due by the 20th of the month following invoice. The Company has provided in full for any receivables over 90 days old which are considered potentially unrecoverable. All other debtors are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

Included in the Company's trade receivable balance are debtors with a carrying amount of \$320 thousand (2010: \$772 thousand) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the Company believes that the amounts are still considered recoverable. The Company does not hold any collateral over these balances. The average age of these receivables is 38 days (2010: 37 days).

Movement in the provision for impairment

Balance 1 July	10,000	8,000
Increase/(Decrease) in impairment provision recognised in profit or loss	(2,000)	2,000
Balance 30 June	8,000	10,000

In determining the recoverability of a trade receivable the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk lies in trade debtors where 30.43%, or 21 (2010: 27.59%, 24) by number of trade debtors, represent 87.95% (2010: 86.36%) of the total amount of trade debtors. 7.57% (2010: 15.65%) of trade receivables were overdue but not impaired at balance sheet date. 0.19% (2010: 0.20%) of trade receivables were considered impaired. No collateral, security or other credit enhancements are held by the Company. The directors believe that there is no further credit provision required in excess of the provision for impairment.

9 INVENTORIES

Maintenance consumables	471,277	477,849
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NOTES TO THE FINANCIAL STATEMENTS

	2011 NZ\$	2010 NZ\$
10 PROPERTY, PLANT AND EQUIPMENT		
Land		
Carrying amount at 1 July	46,976,670	46,976,670
Carrying amount at 30 June	46,976,670	46,976,670
Buildings		
As at 30 June previous year		
Cost	23,941,591	15,814,757
Accumulated depreciation	(9,446,458)	(9,098,718)
Net book value previous year	14,495,133	6,716,039
Carrying amount at 1 July	14,495,133	6,716,039
Additions	70,210	8,647,782
Disposals	-	(92,798)
Depreciation	(830,630)	(775,890)
Carrying amount at 30 June	13,734,713	14,495,133
Maintenance dredging		
As at 30 June previous year		
Cost	2,713,612	2,713,612
Accumulated depreciation	(1,744,415)	(460,157)
Net book value previous year	969,197	2,253,455
Carrying amount at 1 July	969,197	2,253,455
Additions	2,028,380	-
Depreciation	(1,196,336)	(1,284,258)
Carrying amount at 30 June	1,801,241	969,197
Port installations		
As at 30 June previous year		
Cost	41,022,314	39,700,231
Accumulated depreciation	(18,867,003)	(17,164,703)
Net book value previous year	22,155,311	22,535,528
Carrying amount at 1 July	22,155,311	22,535,528
Additions	318,888	1,325,693
Depreciation	(2,443,298)	(1,705,910)
Carrying amount at 30 June	20,030,901	22,155,311

	2011 NZ\$	2010 NZ\$
Plant, equipment and fittings		
As at 30 June previous year		
Cost	27,258,000	28,758,408
Accumulated depreciation	(14,033,021)	(14,964,557)
Net book value previous year	13,224,979	13,793,851
Carrying amount at 1 July	13,224,979	13,793,851
Additions	747,776	1,212,619
Disposals	(59,515)	(47,668)
Depreciation	(1,751,603)	(1,733,823)
Carrying amount at 30 June	12,161,637	13,224,979
Floating plant		
As at 30 June previous year		
Cost	14,227,758	14,460,901
Accumulated depreciation	(4,176,584)	(3,866,929)
Net book value previous year	10,051,174	10,593,972
Carrying amount at 1 July	10,051,174	10,593,972
Additions	107,581	75,479
Disposals	-	(5,152)
Depreciation	(615,110)	(613,125)
Carrying amount at 30 June	9,543,645	10,051,174
Capital dredging		
As at 30 June previous year		
Cost	21,505,193	21,505,193
Accumulated depreciation	(1,361,461)	(931,357)
Net book value previous year	20,143,732	20,573,836
Carrying amount at 1 July	20,143,732	20,573,836
Depreciation	(430,105)	(430,104)
Carrying amount at 30 June	19,713,627	20,143,732
Capital works in progress		
Carrying amount at 1 July	12,585	8,244,844
Additions	3,768,085	4,337,213
Transferred upon completion	(3,755,996)	(12,569,472)
Carrying amount at 30 June	24,674	12,585
Total plant, property and equipment	123,987,108	128,028,781

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2011	Cost	Accumulated depreciation	Carrying amount
Land (including revaluations)	46,976,670	-	46,976,670
Buildings	24,011,801	(10,277,088)	13,734,713
Maintenance dredging	2,186,096	(384,855)	1,801,241
Port installations	41,341,205	(21,310,304)	20,030,901
Plant, equipment and fittings	27,610,111	(15,448,474)	12,161,637
Floating plant	14,335,340	(4,791,695)	9,543,645
Capital dredging	21,505,192	(1,791,565)	19,713,627
Capital works in progress	24,674	-	24,674
Total plant, property and equipment	177,991,089	(54,003,981)	123,987,108

Revaluations

Land assets have been valued on their highest and best use taking into account the existing zoning, potential for utilisation and localised port market. All land holdings are used or held for port operational requirements and as such are valued under the requirements of NZ IAS 16 using fair value (market value).

Land was revalued at 30 June 2008 by Mr Ian Baker, a registered valuer with Telfer Young (Taranaki) Ltd, New Plymouth. Telfer Young have been contracted by Port Taranaki as independent valuers. The revalued amount of land used in this report amounts to \$46,976,670 using the Direct Sales Comparison Approach methodology.

The carrying amount of land had it been recognised under the cost model is as follows:

	2011 NZ\$	2010 NZ\$
	10,364,837	10,364,837

Other disclosures

(i) There are no items of property, plant or equipment which are not in current use.

(ii) There have been no impairment losses recognised or reversed in the current period.

(iii) There have been no borrowing costs (2010: \$133,166) capitalised during the period. The weighted average capitalisation rate on funds borrowed during the 2010 year was 7.66%.

(iv) There are no restrictions in titles relating to property, plant and equipment or items pledged as security for liabilities apart from those held by Westpac Banking Corporation. Refer to note 14.

11 OTHER INTANGIBLE ASSETS – Computer software

As at 30 June previous year			
Cost		3,772,080	2,886,642
Accumulated amortisation		(1,889,269)	(1,722,657)
Net book value previous year		1,882,811	1,163,985
Carrying amount at 1 July		1,882,811	1,163,985
Additions		495,243	1,307,900
Disposals		-	(62,769)
Amortisation		(778,704)	(526,305)
Carrying amount at 30 June		1,599,350	1,882,811
As at 30 June 2010	Cost	Accumulated depreciation	Carrying amount
Computer software	4,267,323	(2,667,973)	1,599,350

	2011 NZ\$	2010 NZ\$
12 TRADE AND OTHER PAYABLES		
a) Current liabilities		
Related parties payables and accruals	-	3,738
Employee benefits	535,629	286,537
Trade payables and accruals	2,289,237	2,657,827
	2,824,866	2,948,101

Terms of credit are payment on the 20th of the month following invoices unless other terms are specified by suppliers. The Company has financial risk management systems in place to ensure that all payables are paid within the credit timeframe.

b) Non current liabilities		
Trade payables and accruals	924,000	1,082,000
	3,748,866	4,030,101

13 PROVISIONS - EMPLOYEE BENEFITS

a) Current liabilities		
Sick leave	52,000	22,000
Retiring allowance	143,000	109,000
Annual leave	1,049,261	896,837
Long service leave	138,496	212,141
Closing balance	1,382,757	1,239,978
b) Non current liabilities		
Retiring allowance	623,000	576,000
Long service leave	208,000	197,000
Closing balance	831,000	773,000
	2,213,757	2,012,978

The provision is affected by a number of estimates including the expected employment period of employees and the timing of employees utilising the benefits. Benefits are recalculated annually, retiring allowance and long service leave by an actuary, and all non current portions are discounted using the 10 year bond rate applicable at balance sheet date. All movements are recorded in operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

	2011 NZ\$	2010 NZ\$
14 BORROWINGS		
a) Current liabilities		
Secured loans - Westpac	489,624	1,219,645
Weighted average interest rate	0.00%	4.20%
b) Non current liabilities		
Secured loans - Westpac	35,500,000	38,500,000
Less deferred loan facility fee	(54,878)	(98,780)
Secured loans - Westpac	35,445,122	38,401,220
Weighted average interest rate	5.55%	5.56%

Other disclosures

- i) The non current loans are due within 2 years.
- ii) The carrying amount for current and non current loans and their fair values are disclosed in note 19.
- iii) The carrying amount for current and non current loans is denominated in New Zealand dollars.
- iv) The secured loans are obtained under a \$50M (2010: \$50M) funding facility provided by Westpac Banking Corporation. As at 30 June \$14.5M (2010: \$10.6M) was undrawn. The borrowings in the statement of financial position include accrued interest.
- v) During the year there had not been any defaults or breaches of bank covenants.
- vi) The sole security interest, fixed charge and agreement to mortgage is to Westpac Banking Corporation for a priority amount of \$80M (2010: \$80M). The security interest is in Port Taranaki's Personal Property (present and after acquired) and the fixed charge and agreement to mortgage is granted over Other Property (present and future rights). Other Property is defined as any other land or assets not deemed Personal Property. Personal Property can be considered to be any property other than land.
- vii) The weighted average interest rate is based on the applicable fixed rates and floating rates as at balance date. The weighed average interest rate for the current liability in 2011 is zero as this is solely interest payable.

15 ISSUED CAPITAL

Balance 1 July	26,000,000	26,000,000
Balance 30 June	26,000,000	26,000,000

The total number of shares authorised, issued and fully paid at 30 June 2011 was 52,000,000 (30 June 2010 was 52,000,000). The shares have no par value.

All shares rank equally in terms of voting rights, rights to fixed dividends and rights to share in any surplus on wind up of the Company.

There is no right of redemption attached to these shares.

2011
NZ\$

2010
NZ\$

16 ASSET REVALUATION RESERVE

The asset revaluation reserve arises on the revaluation of land. Where revalued land is sold, that portion of the asset revaluation reserve which relates to that asset and is effectively realised, is transferred directly to retained earnings.

Balance 1 July	36,611,833	36,611,833
Revaluation increments/decrements	-	-
Balance 30 June	36,611,833	36,611,833

17 RETAINED EARNINGS

Balance 1 July	24,997,903	28,164,045
Profit for the period	3,123,837	(1,266,142)
Dividends (note 18)	(1,850,000)	(1,900,000)
Balance 30 June	26,271,740	24,997,903

18 DIVIDENDS PAID

	2011 cents per share	2010	2011 NZ\$	2010 NZ\$
Prior year dividend	1.731	2.692	900,000	1,400,000
Interim dividend	1.827	0.962	950,000	500,000
			1,850,000	1,900,000

All dividends were paid in cash and fully imputed.

19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Capital risk management

The Company manages its capital to ensure it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 14, and equity attributable to the shareholder, comprising issued capital, reserves and retained earnings as disclosed in notes 15, 16 and 17.

The Company's board of directors monitors and reviews the capital structure annually through the statement of corporate intent process and treasury policy review. Part of this review includes adherence to bank covenant requirements which have capital requirements in relation to debt to equity ratio. Through these two processes the Company seeks to balance the growth objectives of the Company with the Company's dividend policy objective. Due to the strength of the Company's balance sheet all new business ventures of the Company can currently be debt funded.

NOTES TO THE FINANCIAL STATEMENTS

b) Categories and fair value of financial instruments

The estimated fair values of financial instruments are as follows:

	2011 Carrying Amount NZ\$	2011 Fair Value NZ\$	2010 Carrying Amount NZ\$	2010 Fair Value NZ\$
Financial Assets				
Loans and receivables				
Foreign currency bank balances	10,377	10,377	12,408	12,408
Cash and cash equivalents	2,984,221	2,984,221	428,690	428,690
Receivables	4,468,470	4,468,470	5,206,160	5,206,160
Financial Liabilities				
At amortised cost				
Payables and accruals current	2,824,866	2,824,866	2,948,101	2,948,101
Payables and accruals non current	924,000	924,000	1,082,000	1,082,000
Provisions current	1,382,757	1,382,757	1,239,978	1,239,978
Provisions non current	831,000	831,000	773,000	773,000
Interest bearing loans - Westpac	35,934,746	36,600,832	39,620,865	39,852,692

At balance sheet date the Company had no financial assets or liabilities in the following categories:

- Held for trading
- Held to maturity investments
- Available for sale
- Derivatives designated as fair value hedging instruments
- Derivatives designated as cash flow hedging instruments
- Investments accounted for using the equity method

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents, foreign currency balances, receivables and short term payables long term liabilities and accruals:

The carrying value of these items is equivalent to the fair value.

Interest bearing loans

The fair value of the current loans and term loans are estimated based upon the market prices available for similar debt securities obtained from the lender at balance sheet date.

c) Financial risk management objectives

The finance department of the Company provides treasury services to the Company, monitoring and reviewing financial risk through internal management reporting. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Company seeks to minimise the effects of these risks by adhering to a treasury policy reviewed by the Company's board of directors. The treasury policy provides written guidelines on foreign exchange risk, interest rate risk and credit risk. Surplus funds are either applied against Company borrowings minimising surplus liquidity or invested short term until required.

The Company does not enter into, or trade financial instruments, including derivative financial instruments for speculative purposes.

d) Market risk

The Company's activities expose it to interest rate movement risk principally, and occasionally to foreign exchange risk when capital assets are purchased in foreign currency. These risks are minimised by adherence to the Company's treasury risk policy which endeavours to minimise risk by:

- i) Ensuring a minimum of 50% of the Company's interest bearing debt is fixed term or fixed by way of financial derivative.
- ii) Ensuring that any capital asset purchase of \$250,000 or greater sourced in foreign currency is fully hedged within two days of unconditional purchase.

There are no interest rate swaps or forward rate agreements that have been entered into at balance sheet date.

At balance sheet date the foreign currency exposure was limited to foreign currency bank balances listed in (b) above.

As at 30 June 2011, if interest rates at that date had been 100 basis points lower with all other variables held constant, post-tax profit for the year would have been \$4,500 (2010: \$5,500) higher, arising as a result of lower interest expense on average variable rate borrowings. If interest rates had been 100 basis points higher, with all other variables held constant post-tax profit would have been \$4,500 (2010: \$5,500) lower, arising as a result of higher interest expense on variable rate borrowings. Profit is equally sensitive to interest rate decreases as increases. The sensitivity is lower in 2011 than in 2010 due to lower average variable rate borrowings.

e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit worthiness of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

In the normal course of its business the Company incurs credit risk from trade debtors and financial institutions. The extent of concentration of credit risk lies in trade debtors. Refer to note 8.

Except, as currently provided for, the Company does not expect the non performance in respect of any outstanding obligations at balance date.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk without taking account of any collateral obtained.

No security is held on any of the above amounts.

f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and by monitoring working capital turnover. Included in note 14(iv) is a list of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS

Liquidity and interest risk tables - Financial liabilities

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet.

2011

Interest risk table financial liabilities

	Weighted average effective interest rate %	Less than 1 month NZ\$	1-3 months NZ\$	3 months to 1 year NZ\$	1-5 years NZ\$	5+ years NZ\$	Adjustment NZ\$	Total NZ\$
Trade and other payables	0	2,466,218	358,648	-	540,000	384,000	-	3,748,866
Provisions	0	98,980	243,376	1,040,401	100,000	731,000	-	2,213,757
Fixed interest rate instruments	5.550	190,139	299,485	-	37,758,358	-	(2,258,358)	35,989,624
		2,755,337	901,509	1,040,401	38,398,358	1,115,000	(2,258,358)	41,952,247

2010

Interest risk table financial liabilities

	Weighted average effective interest rate %	Less than 1 month NZ\$	1-3 months NZ\$	3 months to 1 year NZ\$	1-5 years NZ\$	5+ years NZ\$	Adjustment NZ\$	Total NZ\$
Trade and other payables	0	2,761,596	186,505	-	569,000	513,000	-	4,030,101
Provisions	0	92,414	185,978	961,586	100,000	673,000	-	2,012,978
Fixed interest rate instruments	5.542	190,139	129,403	-	43,944,221	-	(4,544,221)	39,719,542
Variable interest rate instruments	4.200	900,104	-	-	-	-	-	900,104
		3,944,253	501,886	961,586	44,613,221	1,186,000	(4,544,221)	46,662,724

Interest risk tables - financial assets

The following table details the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the balance sheet.

2011

Interest risk table financial assets

	Weighted average effective interest rate %	Less than 1 month NZ\$	1-3 months NZ\$	3 months to 1 year NZ\$	1-5 years NZ\$	5+ years NZ\$	Adjustment NZ\$	Total NZ\$
Cash and cash equivalents	variable	2,994,598	-	-	-	-	-	2,994,598
Trade and other receivables	0	4,468,470	-	-	-	-	-	4,468,470
		7,463,068	-	-	-	-	-	7,463,068

2010

Interest risk table financial assets

	Weighted average effective interest rate %	Less than 1 month NZ\$	1-3 months NZ\$	3 months to 1 year NZ\$	1-5 years NZ\$	5+ years NZ\$	Adjustment NZ\$	Total NZ\$
Cash and cash equivalents	variable	441,124	-	-	-	-	(26)	441,098
Trade and other receivables	0	5,304,999	-	-	-	-	-	5,304,999
		5,746,123	-	-	-	-	(26)	5,746,097

	2011 NZ\$	2010 NZ\$
20 RECONCILIATION OF PROFIT FOR THE PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after taxation	3,123,837	(1,266,142)
Plus/(less) non-cash items:		
Depreciation and amortisation	8,045,775	7,069,415
Decrease/(Increase) in deferred tax balances	(191,418)	3,372,794
Net loss on disposal of property, plant and equipment	(4,519)	(292,619)
	7,849,838	10,149,590
Changes in net assets and liabilities		
(Increase)/Decrease in assets:		
Trade and other receivables	737,691	(1,156,373)
Prepayments	24,519	311,371
Inventories	6,572	(252,798)
Increase/(Decrease) in liabilities:		
Provisions	200,779	(449,625)
Trade and other payables	(281,235)	(207,567)
Interest payable	169,979	(49,432)
Taxation payable	143,742	186,360
	1,002,046	(1,618,064)
Plus/(Less) items classified as investment activities:		
Movement in fixed asset debtors	(24,000)	24,000
Movement in fixed asset creditors	(26,856)	1,115,863
	(50,856)	1,139,863
Net cash provided by operating activities	11,924,865	8,405,247

21 OPERATING LEASES**a) Non Cancellable Operating Leases as Lessee**

Lease commitments due as follows:

Within 1 year	92,331	127,846
Between 1 to 5 years	53,250	74,550
Total	145,581	202,396

Lease payments under operating leases recognised as an expense during the year.

234,392	227,581
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Operating lease payments represent rentals payable by Port Taranaki Limited for the lease of land and buildings.

All operating lease contracts contain market review clauses in the event that Port Taranaki Limited exercises its option to renew. Port Taranaki Limited does not have an option to purchase any of the leased assets at the end of the lease periods.

NOTES TO THE FINANCIAL STATEMENTS

	2011 NZ\$	2010 NZ\$
b) Non-Cancellable Operating Leases as Lessor		
Future minimum lease payments under non-cancellable leases are as follows:		
Within 1 year	1,956,937	2,428,707
Between 1 to 5 years	3,515,030	3,258,065
Greater than 5 years	7,665,148	6,925,168
	13,137,115	12,611,940

Port Taranaki Limited leases a range of land and buildings to a number of customers. The majority of leases include rights of renewal for periods of up to seven years, with several land leases containing rights of renewal from 20 up to 50 years. There were no contingent rents recognised as income in the 2010 and 2011 years.

22 IMPUTATION CREDIT ACCOUNT

Balance 1 July	9,554,486	9,138,231
Imputation credits attached to dividends paid during the year	(792,857)	(935,821)
Income tax payments (net of refunds) during the year	1,683,714	1,352,076
Balance 30 June	10,445,343	9,554,486

23 RELATED PARTY TRANSACTIONS

The Company has a related party relationship with its parent, directors and executive officers.

a) Transactions with parent

Port Taranaki Limited was a 100% owned subsidiary of the Taranaki Regional Council (TRC) at all times during the year.

Apart from dividends (see note 18) the following transactions occurred between Port Taranaki Limited and TRC during the year.

i) Sale of goods and services to parent	37,268	44,010
ii) Purchase of goods and services from parent	34,366	26,932
iii) Current payables to parent at balance date	-	3,737
iv) Current receivables from parent at balance date	-	-
v) There are no guarantees or bad debts		
vi) There was no taxation grouping arrangement in 2010 or 2011.		

b) Transactions with subsidiaries

2011: Port Taranaki Limited had no subsidiaries.

2010: Port Taranaki Limited owned 100% of Greyport Terminals Company Limited (GTC) until 9 November 2009 when it was formally removed from the Companies register and had 75% effective ownership of West Coast Coal Company Limited (WCCC) through its direct holding in WCCC and via its 100% ownership of GTC until 28 August 2009 when it was formally removed from the Companies register.

No transactions occurred between the parent and subsidiaries during 2010.

As Port Taranaki had two non-trading subsidiaries, until their dissolution (refer note 24) the parent and group financial statements for the 2010 year were the same.

2011
NZ\$

2010
NZ\$

c) Transactions with key management personnel

i) The compensation of the directors and executives, being the key management personnel of the Company is set out below:

Short term employee benefits	2,115,409	2,107,651
Other long term benefits	4,000	5,000
Termination benefits	-	236,043
Post employment benefits	9,000	(155,000)
	2,128,409	2,193,694

The key management personnel of the Company for 2010 includes one manager who retired, one who was terminated during the year and five new managers whose remuneration is included for six months of the year.

ii) 2011: A fee of \$9,750 was paid to Mr R. N. Taylor a director of Port Taranaki Limited during the year for economic consulting services.

2010: Post employment, goods with a market value of \$27,000 were sold to a retired employee at market value.

24 BUSINESS COMBINATIONS

West Coast Coal Company Limited

2010: West Coast Coal Company Limited (WCCC) was formally dissolved on 28 August 2009.

Greyport Terminals Company Limited

2010: Greyport Terminals Ltd (GTC) was formally dissolved on 9 November 2009.

25 COMMITMENTS

Estimated capital expenditure contracted for at balance date but not provided, nil (2010: \$63,000 for restoration of land and lighting associated with the demolition of former administration buildings).

	-	63,000
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26 EVENTS SUBSEQUENT TO BALANCE DATE

2011: On the 21st July 2011 Maersk Sealand announced that it would cease its weekly call to Port Taranaki from 4th August 2011. The financial impact of this event is uncertain at this time.

2010: There have been no events subsequent to balance date.

27 CONTINGENT LIABILITIES

2010 and 2011: The Company is a participating employer in the NPF DBP Contributors scheme ("the Scheme") which is a multi-employer defined benefit scheme. If the other employers ceased to participate in the Scheme, the employer could be responsible for the entire deficit of the Scheme (see note 28). Similarly, if a number of employers ceased to participate in the Scheme, the Company could be responsible for an increased share of the deficit.

28 DEFINED BENEFIT PLAN

As at 30 June 2011 the multi-employer defined benefit plan with National Provident Fund (NPF) entitles one employee (2010: one employee at balance date) to retirement benefits. No other post retirement plans are provided by the Company. The total expenses recognised in the profit or loss of \$3,226 (2010: \$14,989) represents contributions paid to the plan. The Company has no other known liability in respect to the scheme.

NOTES TO THE FINANCIAL STATEMENTS

The Scheme's Actuary has advised that insufficient information is available to use defined benefit accounting or to allocate the plan across all participants on a meaningful basis.

As at 31 March 2010, the Scheme had a past service surplus of \$43.6M (2009:\$15.3M), 18.2% (2009: 5.7%) of the liabilities. This amount is exclusive of Employer Superannuation Contribution Withholding Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19.

The Actuary to the Scheme has recommended the employer contributions are suspended with effect from 1 April 2011. From 1 April 2008 to 31 March 2011, employers were required to make contributions at a rate of 1.0 times the contributors' contributions, inclusive of Employer Superannuation Contribution Withholding Tax.

29 OTHER ANNUAL REPORT DISCLOSURES

The shareholder has resolved not to require disclosure of the matters listed in section 211 (1), (e) and (g) of the Companies Act 1993.



TO THE READERS OF PORT TARANAKI LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The Auditor-General is the auditor of Port Taranaki Limited (the Company). The Auditor-General has appointed me, Graham Naylor, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the Company on her behalf.

We have audited the financial statements of the company on pages 14 to 39, that comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion on the financial statements

In our opinion the financial statements of the company on pages 14 to 39:

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

Opinion on other legal requirements

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

Our audit was completed on 18 August 2011. This is the date at which our opinion is expressed.

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

Basis of Opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation of the financial statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate

in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

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

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

Responsibilities of the Board of Directors

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

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

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

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

Responsibilities of the Auditor

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

Independence

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

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

Graham Naylor
Deloitte
On behalf of the Auditor-General
Hamilton, New Zealand

This audit report relates to the financial statements of Port Taranaki Limited for the year ended 30 June 2011 included on Port Taranaki's website. The Board of Directors is responsible for the maintenance and integrity of Port Taranaki's website. We have not been engaged to report on the integrity of Port Taranaki'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/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 18 August 2011 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

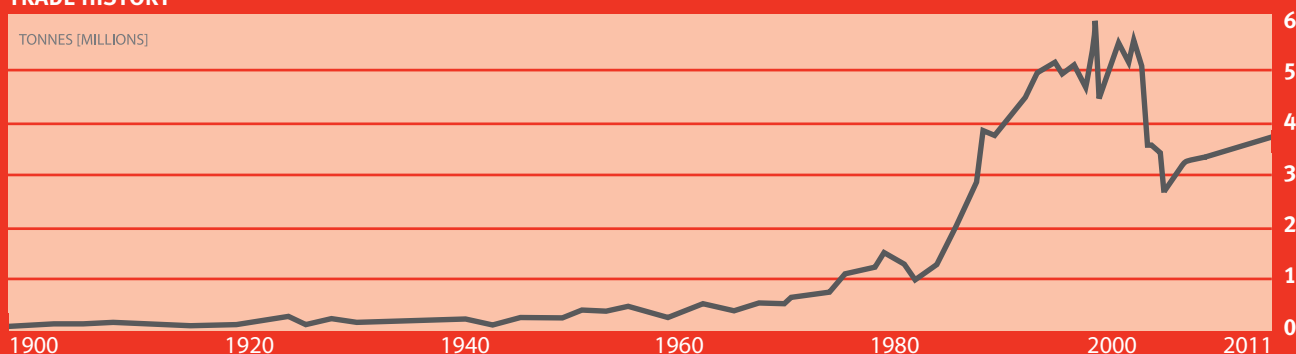
COMPARATIVE REVIEW

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Operations										
Trade (millions of freight tonnes)										
Imports	0.79	0.66	0.76	0.85	0.77	0.61	0.77	0.59	0.61	0.59
Exports	3.10	2.93	2.76	2.53	2.51	2.04	2.68	2.89	4.42	5.05
Total	3.89	3.59	3.52	3.38	3.28	2.65	3.45	3.48	5.03	5.64
Vessel arrivals (over 100 GRT)	783	717	695	927	897	677	562	612	688	618
Total gross registered tonnage (GRT)(millions)	6.94	6.78	6.39	7.20	7.06	6.29	6.32	6.98	7.21	6.43
Permanent employees	121	127	129	122	116	113	110	109	107	96
Financial (\$millions)										
Revenue	39.28	37.83	46.81	42.79	36.95	29.93	27.96	28.08	29.89	28.25
Total interest expense	2.93	3.08	2.72	3.31	1.55	1.57	1.48	1.39	1.48	1.31
Earnings before interest, subvention payments and taxation (EBIT)	7.63	6.71	10.87	11.28	8.96	3.65	3.68	5.12	8.39	8.32
Taxation	1.64	4.91	2.74	3.25	2.67	1.42	0.70	1.14	2.16	2.61
Net profit after taxation	3.12	(1.27)	5.42	4.76	4.78	2.23	1.45	2.52	4.65	4.40
Dividends	1.85	1.90	3.90	1.80	1.00	0.84	2.20	2.60	2.50	3.20
Capital expenditure and acquisitions	3.78	4.34	16.21	5.90	20.34	11.34	5.68	4.10	4.74	10.65
Equity	88.88	87.61	90.78	89.26	71.56	67.79	67.28	53.23	53.32	51.16
Interest bearing debt	35.93	39.62	40.56	35.30	37.30	26.00	21.30	21.60	21.80	25.00
Total tangible assets	132.00	134.25	137.66	131.16	114.66	99.08	92.68	77.73	78.61	79.77
Earnings per share (¢)	6.01	(2.43)	10.42	9.16	9.19	4.29	2.79	4.84	8.95	8.46
Ordinary dividends per share (¢)	3.56	3.65	7.50	3.46	1.92	1.62	4.23	5.00	4.81	6.15
Net assets per share (¢)	171	168	175	172	138	130	129	102	103	98
Equity (%)	66.53	64.35	65.39	67.97	62.30	68.23	72.59	68.49	67.83	64.14
Return on equity (%)	3.51	(1.45)	5.97	6.34	6.67	3.29	2.15	4.73	8.73	8.60
Return on assets (%)	2.36	(0.95)	3.94	3.63	4.16	2.25	1.56	3.24	5.92	5.52
Operating cashflow	11.92	8.41	14.41	9.21	10.57	6.15	7.42	6.67	9.88	9.00
Interest cover (times covered by net profit after taxation)	1.07	(0.39)	1.88	1.44	1.80	1.24	0.98	1.81	3.15	3.36

Port Taranaki adopted NZ IFRS for the year commencing 1 July 2006. The earliest year that has been restated under NZ IFRS for the comparatives above is 2006.

TRADE HISTORY

TONNES [MILLIONS]





ANNUAL REPORT 2011