



# 2010

ANNUAL REPORT



PORT **marlborough**  
NEW ZEALAND LTD



## Vision

To be the **preferred** maritime hub for the top of the South, delivering **value** to our customers through **flexible, responsive** partnerships.

## Mission

- **Excellent Customer Service.**
- **Sustainable return** to the Shareholder.

## Values

We are committed to:

- Demonstrating **integrity**, and employing very **high standards** of customer service and **communication** in all our endeavours.
- **Recognising employees** and their skill levels as valued assets.
- Adopting a **responsible** and proactive approach towards **safety, security** and **environmental management**.
- **Engaging with the communities** in which we operate.



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**PORT marlborough**  
NEW ZEALAND LTD



## Port Profile

Port Marlborough New Zealand operates port and marina facilities at the northern tip of the South Island.

The Company plays a key role in Marlborough's regional economy, facilitating the growth of some of the region's most significant and emerging industries, including tourism, agriculture, marine farming, viticulture and forestry.

Strategically located at the junction of New Zealand's major North/South road and rail routes with the coast, the port provides the South Island terminal for inter-island passenger and freight ferries at Picton. In Shakespeare Bay, adjacent to Picton harbour, we operate New Zealand's deepest export berth (Waimahara Wharf) which is accessible in all tides. With three marinas comprising in excess of 1,140 berths and more than 500 additional vessels in boat sheds and storage compounds, we are the second largest marina operator in New Zealand.

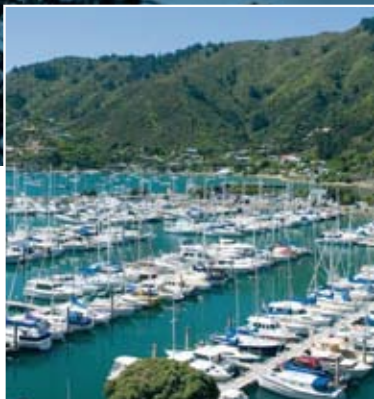
Operations span several different sites, and in each location the company has substantial property-holdings that offer development potential both in support of traditional port and marina activity and in new ventures.

## Facilities

### Picton

- Inter - island passenger ferry and cruise ship berths and terminals.
- Wharf facilities for commercial fishing and tourism operators.
- Export shipping berth (draft 15.7 metres) and adjacent quayside storage facility in Shakespeare Bay.
- Picton Marina, including facilities for super-yacht berths and vessels to 35m+.





## Waikawa

- Waikawa Marina.
- Commercial properties leased to marine industry tenants.

## Havelock

- Wharf facilities to support marine farming and barging operators throughout the Marlborough Sounds.
- Havelock Marina.
- An 8 ha reclamation which provides facilities for a range of marine related industries.

## Marlborough Sounds

- Wharf facilities in Elaine Bay and Port Underwood to support marine farming operators.

## Subsidiaries

Port Marlborough has three wholly-owned subsidiaries: Waikawa Marina Trustee Limited and PMNZ Marina Holdings Limited; both of which were established to facilitate the sale of long-term berth entitlements in the Waikawa Marina extension and Marlborough Sounds Maritime Pilots Limited which provides pilotage services.

## Ownership

Port Marlborough's sole shareholder is MDC Holdings Limited, a wholly-owned subsidiary of the Marlborough District Council. The Council is the Harbour Authority for Marlborough and employs a Harbourmaster and support staff to exercise the duties and powers required under the Local Government and Maritime Transport Acts.

*Note: Throughout this report Company and Parent refer to Port Marlborough New Zealand Limited. The Group comprises the Parent and subsidiaries (as above).*



## HIGHLIGHTS 2010

# 50% increase in log volumes

Exported through Shakespeare Bay.



# Rhapsody of the Seas

The largest cruise ship ever to visit Picton, successfully accommodated at Waimahara Wharf in Shakespeare Bay.



## SNAPSHOT ACROSS OUR BUSINESS THIS YEAR



# 3,771

Vessel visits (over 500GRT)



# 1,530

Vessels accommodated at marinas (berths, boatsheds, compounds)



# 406,238

 (TONNES)
 

Bulk Cargo



# 1,077,500

 (APPROX)

Passengers through port (ferry & cruise ship passengers)



# 2,265,058

 (LANE METRES)

Freight (rail and commercial vehicles)

## The 2010 Year in Summary

Results in Brief and Operational Summary

### Group Results

	2010	2009
Operating Surplus (Loss) before Non-Cash Revaluations, Tax and Subvention Payment	\$5.532m	\$6.324m
Valuation Adjustments Non-Cash		
- Property	(\$11.368m)	(\$13.521m)
- Financial Derivatives	\$0.176m	(\$0.970m)
Operating Surplus (Loss) before Tax and Subvention Payment	(\$5.660m)	(\$8.167m)
Provision for Tax and Subvention Payment	(\$3.699m)	(\$0.375m)
Operating Surplus / (Loss) After Tax	(\$9.359m)	(\$7.792m)
Return on Average Shareholder's Funds	(10.6%)	(7.3%)
Net Asset Backing per Share	\$5.72	\$7.29
Interim Dividends	61.5c*	26c*
Final Dividend – Recommended per Share	5.4c	7.2c
Dividend – Interim and Proposed Final	\$9.090m	\$4.511m

\* Includes 55.2 cents special dividend (2009: 18.4 cents special dividend)

# Redevelopment of Picton Marina Inner Basin

Completed on schedule and on budget.

# Preparation and lodgement of Private Plan Change 21

Waikawa Bay Mooring Management Areas and Marina Zone Extension.



## Contribution to Group Revenues

	2010 (\$000)	2009 (\$000)
Port Installations and Services	10,032	10,469
Investment Property (includes Marinas)	7,029	6,925
Marine Farm Facilities	662	730
Miscellaneous	80	115
<b>Total Group Revenue*</b>	<b>17,803</b>	<b>18,239</b>

\* Excludes non-cash revaluations

## Key Operational Performance Indicators

	2010	2009
<b>Number of Ship Visits</b>		
Log Ships	17	19
Cruise Ships	10	19
<b>Total Ships including Ferries</b>	<b>3,771</b>	<b>3,732</b>
<b>Non-Ferry Cargoes</b>		
Logs (JAS 000s)	378,104	242,701
Cement (Tonnes)	5,680	3,110
Fish (Tonnes)	8,014	10,245
Other (Tonnes)	14,440	155,044
<b>Total Cargo Tonnes</b>	<b>406,238</b>	<b>411,100</b>
<b>Marina Facilities - Berth occupancy (average %)</b>		
Havelock Marina (376 berths)	82.2%	87.7%
Waikawa Marina (600 berths)	96.0%	97.7%
Picton Marina (172 berths)	99.4%	93.2%
<b>Total Average Occupancy</b>	<b>92.5%</b>	<b>93.7%</b>



## 2009/10 Statement of Corporate Intent Performance Targets

The targets for financial and operational performance, as detailed in the 2009/10 Statement of Corporate Intent, are compared below with actual results achieved for the period 1 July 2009 to 30 June 2010.

	TARGET	RESULT
<b>FINANCIAL PERFORMANCE</b>		
Net Operating Profit after Tax (excluding non-cash revaluations)	\$3.129m	\$1.833m
Return on Shareholder's Funds (excluding non-cash revaluations)	4.3%	2.36%
Equity Ratio	73.5%	71.06%

### OPERATIONAL PERFORMANCE

Ferry freight movement (% volume movement to prior year)	(10%)	2.4%
Log volumes	250,000 JAS	378,104 JAS
Cruise ship visits	12	10
Marina berth occupancy	95%	92.5%
Marina boatshed occupancy	95%	93.3%

### HEALTH AND SAFETY

Lost time accidents frequency rate (per 100,000 work hours)	2	0.91
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## Chairman's Report

### Financial Performance

Port Marlborough's operational result for the year ended 30 June, 2010 was broadly in line with expectations but the financial result reflects the adverse impact of property revaluations and International Financial Reporting Standards (IFRS).

Total Group revenues eased 2.4% to \$17.8 million, down from \$18.239 million in the 2009 financial year. Adjusting for non-cash items, the Group achieved a pre-tax operating surplus of \$5.532 million, 12.5% down on the comparable 2009 result (\$6.324 million).

The Group net deficit after tax of \$9.359 million for the year was substantially influenced by the adverse impact of non-cash items that under new reporting standards must now be recorded in the Income Statement, including an \$11.368 million write down of asset values and a deferred tax liability of \$2.35 million. Property revaluations in the 2010 financial year included all land and buildings together with major wharf infrastructure. The deferred tax liability reflects the Government's recent Budget announcement and subsequent legislation change to remove the tax depreciation on buildings.

As anticipated, the fall in underlying earnings reflects both the continuing economic volatility in the Company's trading environment and the completion of Meridian Energy's wind farm project at Makara at the end of the 2009 financial year; bringing to a close the series of energy infrastructure projects that have boosted revenues for several years. Given these circumstances the Company has done well to achieve or exceed budget across all operational areas. Downward pressure on revenues was offset by a significant increase in log volumes, a second-half recovery in ferry freight, passenger and rail volumes, and continuing solid performance from marina operations and investment property.



## Financial Position

Group assets exceed \$109 million and at year-end the Group's equity ratio of 71.06% is a sound position that is considered to be satisfactory and appropriate for the Group's diversified business portfolio.

The ratio of current liabilities to current assets reflects the impact of the payment of a special dividend on 1 April 2010. In the opinion of the Directors the financial position of the company remains stable and is appropriate for its mix of commercial activities.

## Dividend

As signaled in the previous financial year, a special dividend of \$7.5 million was paid to our shareholder MDC Holdings Ltd on 1 April 2010, as the balance of the \$10 million special dividend committed for payment in the 2009/2010 financial years.

Since establishment in 1988 to date the Company has paid the shareholder (a wholly-owned subsidiary of the Marlborough District Council) dividends totalling \$51.8 million.

## Board of Directors

Directors Bob Penington and Peter Taylor retired from the Board by rotation in December 2009 and I take this opportunity to thank them for their valued contribution to our governance and long-service to the Company. New directors, Keith Taylor and Kerry Hitchcock took up their appointments to the Board early in the New Year bringing specialist financial and property expertise to the board table.

Governance overview and the ongoing relationships with the Company's Management, staff, community stakeholders and shareholders are important ingredients in the success of the Company's activities.

I would like to take this opportunity to thank my fellow directors for their contribution, support and constructive challenge to ensure we continue to steer a proper course.

## Management and Staff

Reconfiguration of management resources and a comprehensive strategic planning review undertaken at the outset of the financial year were both timely and effective, particularly given the challenging business conditions of the 2010 year are expected to continue for the immediate future.

The progress towards a range of strategic goals made this year has been underpinned by the focus, energy and commitment demonstrated by the entire Port Marlborough team. The Board wishes to acknowledge each and every individual's efforts and thank them for their contributions.

## Outlook

While there are indicators of a cautiously improving economy the trading environment within which the Company operates is still fragile, and the outlook for the coming year is substantially dependent on continued recovery in volumes.

Timely strategic planning coupled with realignment of internal resources has provided a sound platform on which to meet the challenges ahead. By working collaboratively with our customers, pursuing initiatives in line with strategic goals and maintaining tight control of costs and capital expenditure, we have confidence that the Company will continue to weather the economic uncertainty.

A handwritten signature in black ink, appearing to read 'Ed Johnson', written over a horizontal line.

E G (Ed) Johnson  
Chairman

# Chief Executive's Review

## Performance Overview

While property revaluations and the removal of tax depreciation on buildings significantly impacted the Company's bottom-line, key performance measures for the 2010 year reflect better than anticipated results across all operational areas. Notably, total bulk cargo volumes exceeded budget by 40% on the back of substantial gains in log exports. Given the challenging economic conditions an overall decrease of 2% in total Group revenues is a satisfactory result and I commend our staff for maintaining a steady course.

It is particularly pleasing to report progress in several areas of long-term significance to the company. A comprehensive strategic planning exercise undertaken early in the first half year coupled with the reconfiguration of management resources has integrated planning activities across the business and aligned resources to better service our customer base. Development projects have driven forward with sharper focus and momentum as a result.

## Port Operations

Port installations and services contributed \$10.03m to total Group revenues, down 4% on the previous year. This softening of revenues was anticipated given the impact on the port's trade volumes of the completion of Meridian Energy's wind farm project at the close of the previous financial year. It is therefore pleasing to report that performance targets were met or exceeded across all port operations.

## Log exports up 50%

Export log volumes through our Shakespeare Bay facilities climbed 50% to 378,104 JAS, contributing strongly to total bulk cargo volumes of 406,239 Tonnes for the 2010 year.

The increased forestry trade provided a welcome upturn in the recessionary business environment. We are encouraged by record log shipments post balance date that indicate Marlborough's log throughput continues to escalate in the current year - a trend that our facilities are well-equipped to accommodate. The Meridian Westwind project site at Shakespeare Bay was vacated in December 2009 enabling the sealing of a further 1.8 hectares of the log yard and extending total wharf-side log storage capacity to in excess of 70,000 JAS.

## Cook Strait ferry volumes recover in second-half year

Inter-island freight, passenger and vehicle movements also exceeded budget. After tracking below the 2009 volumes for the first six months, volumes in all trading segments recovered ground in the second half to end the year slightly ahead of the comparable 2009 figures.

Cook Strait passenger and cargo services play a vital role in the port's performance. Over the year Port Marlborough continued to work closely with key customers Bluebridge and Interislander to ensure that the port infrastructure facilitates their business growth.

We watch with considerable interest the implications for Interislander of the Government's July 1, 2009 purchase of KiwiRail. Earlier this year the Government announced an investment programme that aims to upgrade rail facilities, including extending the size of the *Aratere* to increase its passenger capacity from 350 to 600 and add 25-30% to freight capacity.



*The 78,491 ton Rhapsody of the Seas carrying 2,200 passengers was welcomed to Picton by Carmen Gimpl, Port Marlborough's General Manager Operations. Pictured at the welcoming ceremony (L to R) Captain Stein Bjorheim, Carmen Gimpl, and Tracy Johnstone (Destination Marlborough).*

## Record Cruise Ship visit

While total cruise ship visits to the port were down on the previous year, in late December 2009 Waimahara Wharf successfully accommodated the largest cruise ship ever to berth at Picton; the 278m *Rhapsody of the Seas*. Installation of the new shore bollard enabled Waimahara Wharf to serve as an alternative for the vessel, which exceeded the capacity of our traditional cruise ship berth at Waitohi Wharf.

Internationally, the cruise ship market is the fastest growing segment of the global tourism market and New Zealand ports are gaining an increasing share of this business. Port Marlborough's outlook for the coming cruise ship season is positive with 11 scheduled visits of vessels carrying some 15,500 passengers; double the number of passengers in the 2009/10 year and consistent with the evident trend towards larger vessels.

## Port pilotage services

Our subsidiary Marlborough Sounds Maritime Pilots (MSMP) provides the port's pilotage services. We congratulate MSMP contract pilots Captains John Clarke and John Henderson, who achieved Maritime New Zealand approval as unrestricted pilots for Queen Charlotte Sound during the year.



Photo courtesy of Geoff Pearson, Port Marlborough.

## Marina Operations

Marina operations continued to deliver consistent performance. In total we accommodated approximately 1,530 vessels in berths, boatsheds and compounds across our three marinas as well as meeting continuing strong demand for casual berths.

Given the prevailing economic climate the company made the decision to defer an increase in marina fees for the majority of our customers during the 2010 year. We continue to focus on the provision of excellent customer service and maintaining the high calibre of our facilities.

A significant and creditable achievement during the period was the redevelopment of Jetties 4, 5 and 6 in Picton's inner marina basin. Completed to a tight schedule and on budget, the project involved removal of the wooden fixed wharf structures on the western side of the marina, installation of floating concrete pontoons and substantial landscaping. A boardwalk has been constructed immediately adjacent to the new berths and an attractive public picnic area created under the Coathanger Bridge. All 41 new berths were swiftly taken up by customers and planning for redevelopment of the remainder of the inner marina basin has commenced.

Planning for the future development of Waikawa Marina also progressed significantly during the period with the preparation and lodgement of Private Plan Change 21 – Waikawa Bay Mooring Management Areas and Marina Zone Extension. The Plan Change proposal, which was lodged with the Marlborough District Council and publicly notified in mid-June, proposes extension of the Marina Zone to include a new area to the north of the existing Waikawa Marina Trust area, and creation of specific Moorings Management Areas to resolve the adjourned “bulk” swing mooring consent application for existing moorings within the inner part of Waikawa Bay. Development of the proposal was underpinned by extensive discussions with mooring applicants (represented by Marlborough Berth and Moorings Association) and other stakeholders.



*Redevelopment of the western side of Picton's inner marina basin commenced mid-2009 and was completed by year-end; receiving high praise from boaties and locals alike. In addition to replacing the older wooden berths with floating concrete pontoons, the redevelopment included construction of a boardwalk and creation of a public picnic area under the Coathanger Bridge.*



*The development of new premises for New Zealand King Salmon underlines Port Marlborough's partnership with this key customer. Pictured at the opening of the new building in Picton, L to R: Mayor Alister Sowman, Stewart Hawthorn ( General Manager – Aquaculture, NZKS) and Ian McNabb (Chief Executive, Port Marlborough).*

## Property Development and Planning

At the close of the 2009 year the development and management of Port Marlborough's property holdings was consolidated under Tony Osborne, Manager – Property. Lauren Hunter was subsequently appointed to the new role of Property Services Co-ordinator to focus on day-to-day property management issues and facilitate improved levels of customer service to our tenants.

The consolidation of property development and management activities has created substantial momentum for establishing long-term property concept plans across the company's entire property portfolio and realising the associated development opportunities in close collaboration with our customers.

We are strongly committed to forging partnerships with our commercial customers; identifying their needs and delivering the necessary resources and facilities to support and facilitate their growth. To this end, during the period Port Marlborough developed new premises for New Zealand King Salmon to meet their requirements as they expand their Marlborough Sounds salmon farming activities.

Similarly, property planning processes commenced for a range of premises for other commercial customers at the Havelock marine subdivision and at Waikawa Marina.

Development of the Waikawa Marine Centre is an integral component of the proposed extension of Waikawa Marina. Our intent is to develop facilities in partnership with commercial customers to provide an efficient, integrated marine support precinct that offers berth-holders an expanded and readily accessible range of maintenance services.

## Our People

Port Marlborough is fortunate to enjoy the support of a competent and committed team whose expertise and shared vision is instrumental to our success. During the period we continued to invest in our people, nurturing their leadership potential, creating a strong team ethic and encouraging an environment where staff are appreciated and valued.

As part of the reconfiguration and reallocation of resources at management and structural levels that commenced in the previous financial year, Carmen Gimpl was appointed to the new role of General Manager Operations and Rose Prendeville to the new role of Projects Manager. We welcomed Anouk Euzebey, who has taken up the role of Operations Business Analyst.

Many of Port Marlborough's staff are members of, and are represented by, the Rail and Maritime Transport Union. We acknowledge and appreciate the important contribution that the RMTU and its representatives make to our workplace.

### Total Staff (Measured as Fulltime Equivalents employed at year end)

2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
49	47	45	43	42

## Port Marlborough's community support activities include:

- Kaipupu Point Sounds Wildlife Sanctuary
- Havelock Mussel Festival
- Picton Maritime Festival
- Picton Longboat Regatta
- Picton Summer Concert
- Picton's New Year's Eve celebrations
- Marlborough Coastguard
- Picton and Havelock Volunteer Fire Brigades
- St John's
- Marlborough Marine Radio
- Life Flight Trust
- Picton Resource Centre
- Queen Charlotte College Aquaculture Academy
- Waikawa Marae

*Photo courtesy of Geoff Pearson, Port Marlborough.*

*New Year's Eve celebrations in Picton, jointly sponsored by Port Marlborough and Interislander, are a popular community event.*

## Health and Safety

The company remains committed to protecting the health and safety of our staff.

Membership of the New Zealand Port Industries Health and Safety Forum provides industry support and relevant staff development opportunities to ensure that we continue to operate high quality, relevant systems that do the best possible job in ensuring the safety and wellbeing of all staff and others involved in the company's operations.

### Accidents (Measured as Work Days Lost over the duration of the year)

2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
7	4	8.5	7.5	29.5

## Our Environment

Port Marlborough recognises that we have a responsibility to minimise our impact on the environment in which we operate. This is evidenced by our significant association with the Kaipupu Point Sounds Wildlife Sanctuary and ongoing commitment to the Clean Marinas programme amongst other initiatives.

We are extremely conscious of community concern regarding the use of methyl bromide for fumigation of bulk log exports to India. Until alternative technologies are available, we remain committed to striking a proper balance between robust management of the potential risk whilst providing an opportunity to maintain log export business through Shakespeare Bay.

During the year Port Marlborough contributed information to the Environmental Risk Management Authority's review of the use of methyl bromide. A decision regarding any change to the current requirements has yet to be announced. In the interim all personnel involved in the fumigation process abide by the rigorous operational protocols of the Port's code of practice, which require achievement of discharge-to-air standards many times more stringent than the current national (ERMA) requirements.

## Our Community

Port Marlborough is an important participant in the local community; contributing funding and other vital resources to a wide range of organisation and events and providing our people with opportunities to assist in community activities.

Our long-term partnership with the Kaipupu Point Sounds Wildlife Sanctuary remains a cornerstone of the company's sponsorship programme. As a foundation sponsor of this local community initiative we provide a wide range of in-kind support including administration services, engineering and materials, in addition to the land contributed for the sanctuary. For example, this year we assisted with the construction of the sea ends of the predator proof fence, a challenging but important phase of making Kaipupu into a true "mainland island."

During the period we were also pleased to continue our support for the Picton New Year's Eve Fireworks celebrations in conjunction with Interislander, as well as numerous other local events, sports clubs, schools and the community organisations that are of vital importance to the well-being and safety of our community.

## Looking Ahead

In a business economy that remains volatile our continuing focus is to deliver excellent customer service at all levels of the organisation. By partnering with our customers to support and facilitate their business growth we are creating a strong foundation on which to build as the economy recovers.

I take this opportunity to thank all staff for your commitment to meet the challenges and opportunities ahead.



I M McNABB  
Chief Executive



L to R: Jonathan Duffy, Tony Osborne, Carmen Gimpl, Ian McNabb (Chief Executive), Rose Prendeville, Dean Craighead.

## Senior Management Team

### Ian McNabb

Chief Executive  
Dip VFM MInstD MPINZ

Ian was appointed Chief Executive in April 2008. His extensive property development and management experience spans roles with Landcorp Property, Van Diemen's Land Company and Manager of Services and Rivers for the Marlborough District Council. In 1997 he was appointed Project Manager with Ngai Tahu Property Limited and from 2004 was General Manager Property Development.

Ian has a long history with the Company having been a member of the inaugural 1988 Board of Directors.

### Dean Craighead

Chief Financial Officer  
BCom CA

Dean returned to Port Marlborough in November 2005 after a three-year term in private practice. Prior to this he had headed Port Marlborough's accounting team since 1988. He is responsible for financial operations, financial and management reporting and information technology, and also heads the Company administration team.

Dean is a past committee member of the Nelson/ Marlborough Branch of the New Zealand Institute of Chartered Accountants, and currently serves on the Branch corporate sector committee.

### Jonathan Duffy

Engineering and Infrastructure Manager  
BE Civil (Hons) MIPENZ CPENg

Jonathan joined Port Marlborough in 2003 in the role of Engineer, with a background in project management for a wide variety of civil engineering projects. He was appointed to his current role in January 2006. Jonathan is responsible for the management of the Port's existing infrastructure and provision of new assets. He leads the engineering and workshop team.

### Carmen Gimpl

General Manager Operations  
BCom CA

Carmen has been with Port Marlborough since 2001 and has managed port operations and commercial activity in Picton and Shakespeare Bay since 2006. Her areas of responsibility expanded in October 2009 to also include general management of the Company's three marinas. Carmen leads the Port Services and Marinas teams.

### Tony Osborne

Property Manager  
Dip Bus

Tony joined Port Marlborough in January 2009 to take responsibility for management of the Company's property portfolio. He has extensive experience in all facets of project management, property management and property development with expertise that includes master-planning, RMA processes, leasing and tenancy arrangements, negotiating and administration of construction contracts, and financial reporting. Prior to taking up his current role Tony worked as a property developer in Auckland and Christchurch and he has been involved in a wide range of residential, commercial and industrial projects.

### Rose Prendeville

Projects Manager  
BTech (I.E), Dip.PM (NZIM)

Rose has a comprehensive business background spanning production and process engineering, production management, marketing, administration and project management, and has held general management roles in the engineering and construction materials sectors. Having initially joined Port Marlborough in 2003 she was appointed to the role of Projects Manager in 2009. Rose is tasked with providing specialist project management leadership and experience, implementation of best practice project management across the business and leadership of key strategic projects.



## The Board of Directors

### Ed Johnson

(Chairman)

BA (Hons) Finance and Accounting, MBA (Hons), FInstD

Ed Johnson was appointed to the Board in December 2007 and has been Chairman since December 2008. He is also Chairman of Fulton Hogan Ltd, Goldpine Industries Ltd, Indevin Ltd and Wine Export Partners (NZ) Ltd, and a director of several entities, including the Bank of New Zealand, and the National Institute of Water and Atmospheric Research Ltd. He retired as Chairman and Chief Financial Officer of Shell New Zealand in 2002 after having senior management roles in New Zealand, the US, and the UK. In 2001 Ed was appointed the inaugural Honorary Fellow of Massey University's Centre for Business and Sustainable Development. In 2003 he was made a Fellow of the Institute of Directors in New Zealand.



Seated L to R: Martin Fletcher, Ed Johnson (Chairman), David Brown. Standing L to R: David Wilkie, Keith Taylor, Kerry Hitchcock.

### David Brown

FNZIM

David Brown was appointed to the Board in December 2008. He is a former Managing Director of diversified public listed company Amuri Corporation Ltd and is currently a director of several New Zealand companies in the transport, consulting, technology and engineering sectors. David is also the current President of Coastguard Marlborough.

### Keith Taylor

BSc, BCA, FIA, AFInstD

Keith Taylor was appointed to the Board in December 2009. He is a professional director with extensive experience in senior management roles including Group Managing Director and Chief Executive of Tower Limited and General Manager Investment and Finance and Chief Actuary at Government Life. Accorded Fellowship status of the Institute of Directors in 2006, Keith's current directorships include: the Reserve Bank, the Earthquake Commission (Deputy Chairman), the New Zealand Qualifications Authority, Gough Holdings Ltd, and he is a member of the Takeovers Panel.

### Kerry Hitchcock

BCom, LLB, AREINZ, MInstD

Kerry Hitchcock was appointed to the Board in December 2009. He is a director and founding shareholder of property development and investment company Charta Limited and Charta Management Ltd; a residential and commercial property management company. He is also an independent director of the National Property Trust Limited.

### Martin Fletcher

CA

Martin Fletcher was appointed to the Board in August 2008. A qualified accountant, he has had extensive experience at a senior level at the Office of the Controller and Auditor General and Transit New Zealand (now part of the NZ Transport Agency). Martin is currently Manager Corporate Finance - CFO with the Marlborough District Council and is Council's representative on the Board of Directors.

### David Wilkie

BE (Civil) FIPENZ MICE

David Wilkie was appointed to the Board in December 2008. He was formerly an Executive Director with Beca Carter Hollings and Ferner Ltd, Consulting Engineers from which he retired in 1999. David has extensive experience in infrastructure development within New Zealand, Australia and Indonesia and has been a director of a number of other companies.

## Statutory Information

### Directors' Report

The Directors of Port Marlborough New Zealand Limited are pleased to present to the Shareholder their Annual Report and financial statements for the year ended 30 June 2010.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of Port Marlborough New Zealand Limited and its subsidiaries as at 30 June 2010 and the results of the Group's operations and cash flows for the year ended on that date.

### Auditors

Deloitte, acting as agent for the Office of the Auditor General, is the auditor of Port Marlborough New Zealand Limited and its subsidiaries for the year ended 30 June 2010.

### Employee Remuneration

The number of employees whose total remuneration received in their capacity as employees was within the specified bands as shown below. The details are identical for both the Parent and the Group.

Remuneration	Number of Employees	
	2009	2010
\$120,000 – 129,000	-	1
\$130,000 – 139,000	2	-
\$150,000 – 159,000	1	2
\$170,000 – 179,000	-	1
\$200,000 – 209,000	-	1
\$260,000 – 269,000	1	-
\$320,000 – 329,000	1	1

The figures include all benefits, retiring allowances and Fringe Benefit Tax.

### Interests Register

#### Directors' Remuneration and Benefits

The remuneration paid to non-executive Directors during the year ended 30 June 2010 was: E G Johnson \$55,000. Messrs D A H Brown, M F Fletcher and D R Wilkie \$27,500 each. Messrs K D Hitchcock, K B Taylor and P J M Taylor \$13,750 each. R C Penington \$11,458.

The fees relating to M F Fletcher were paid to Marlborough District Council.

#### Directors' and Officers' Liability Insurance

The Company has arranged Directors' and Officers' Liability Insurance with QBE Insurance International Limited. This cover insures Directors against liabilities to other parties that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

### Directors' Interests in Contracts

The following Directors have declared interests in the identified entities. The declaration serves as notice that the Director may have a commercial interest in or benefit from any transaction between the holding company or Group and the identified entities.

Members Interests:

#### Ed Johnson

Fulton Hogan Limited, Chairman  
Goldpine Group Ltd, Chairman  
Indevin Limited, Chairman  
Wine Export Partners Limited, Chairman  
Bank of New Zealand, Director  
Port Otago Limited, Director  
National Institute of Water and Atmospheric Research, Director  
Stone Farm Holdings Limited, Director  
E G and D M Johnson Family Trust, Trustee

#### David Brown

Aclipse Ltd, Chairman  
Ensigne Ltd, Chairman  
Gough Holdings Ltd, Director  
Maxnet Ltd, Director

#### Martin Fletcher

Marlborough District Council, Manager Corporate Finance CFO  
Calmar Cherries Ltd (currently not trading), Director/Shareholder

#### Kerry Hitchcock

Charta Limited, Director  
Kerry D Hitchcock Limited, Director  
Crescent Management Limited, Director  
Unicentre Limited, Director  
World Realty Limited, Director  
Tamaka Station Limited, Director  
Forte Management Limited, Director  
Tamaka Investment Trust Company Limited, Director  
Charta Management Holdings Limited, Director  
The National Property Trust Limited, Director  
Charta Funds Management Limited, Director  
K D Investment Trust Company Limited, Director  
Bay Investments Trust Company Limited, Director  
Charta Management Limited, Director  
Kauri Tamaka Limited, Director  
Kauri Property Fund Limited, Director

#### Keith Taylor

Earthquake Commission, Deputy Chairman  
Butlands Management Services Limited, Director  
Catalyst Risk Management Limited, Director  
Reserve Bank of New Zealand, Director  
Gough Holdings Ltd, Director  
Takeovers Panel, Panel Member  
New Zealand Qualifications Authority, Board Member  
Government Superannuation Fund, Board Member  
Carey Baptist Theological College, Board Member

#### David Wilkie

Smart Alliances, Director  
Wilkie Harris Family Trust, Trustee

### Directors' Loans

There were no loans by the Company to Directors.

### Use of Company Information

During the year, the Board did not receive any notices from Directors of the Company requesting the use of Company information, received in their capacity as Directors, which would not otherwise have been available to them.

### Statement of Responsibility

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group as at 30 June 2010, and their financial

performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Company and the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the statements with the Financial Reporting Act 1993.

The Directors consider they have taken adequate steps to safeguard the assets of the Company and the Group to prevent and detect fraud and other irregularities.

## Corporate Governance Statement

### Corporate Governance Statement

The Board of Directors is responsible for the corporate governance of the Company. Corporate governance encompasses the direction and control of the business by the Directors and the accountability of the Directors to the Shareholder, MDC Holdings Ltd, for the performance of the Company, and compliance by the Company with laws and standards. This summary provides an overview of the Company's main corporate governance policies, practices and processes adopted or followed by the Board.

### Role of the Board of Directors

The Board of Directors (the "Board") is appointed by the shareholders to supervise the management of the Company and its subsidiary companies (the "Group"). The Board establishes the Group's objectives, strategies for achieving objectives, and the overall policy framework within which the Group's business is conducted and monitors management's performance. The Board has delegated the day-to-day management of the Group to the Chief Executive.

The Board also ensures that appropriate procedures are in place to provide for effective internal control.

### Board Operations and Membership

The Board comprises six non-executive Directors: a Chairman and five Directors. Board members have an appropriate range of proficiencies, experience and skills to ensure that all governance responsibilities are completed to ensure the best possible management of resources. Directors' qualifications and details are set out on page 12 of this report.

Port Marlborough's constitution sets out policies and procedures on the operation of the Board, including the appointment and removal of Directors.

### Board Committees

The Board has an Audit Committee comprising the six non-executive Directors: a Chairman and five Directors. The Audit Committee is responsible for overseeing the financial, accounting and audit activities of the Group, including reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of the external auditors, reviewing the consolidated financial statements, and making recommendations on financial and accounting policies.

### Statement of Corporate Intent

In accordance with section 13 of the Port Companies Act 1988 the Board submits an annual Statement of Corporate Intent (SCI). The SCI sets out the Company's overall objectives, intentions, and financial and performance targets. The SCI is approved by the shareholder, MDC Holdings Limited which is wholly owned by the Marlborough District Council.

### Risk Management

The Board has overall responsibility for the Group's internal control systems. The Board has established policies and procedures that are designed to provide effective internal control. Annual budgets and longer-term strategic plans are prepared, and agreed by the Board. Financial statements and operational reports are prepared on a monthly basis and reviewed by the Board throughout the year to monitor performance against budget targets and objectives.

In addition, the Board reviews risk management strategies, including the segregation of duties, the employment of suitably qualified and experienced staff, and recommendations made by the external auditors.

### Directors' Approval of Financial Statements

For the Year Ended 30 June 2010.

### Approval by Directors

The Directors are pleased to present the Financial Statements of Port Marlborough New Zealand Limited for the year ended 30 June 2010 on pages 18 to 44.

### Authorisation for Issue

The Board of Directors authorised the issue of these Financial Statements on 17 September 2010.



**EG Johnson** Chairman      **MF Fletcher** Director  
For and on Behalf of the Board of Directors

## AUDIT REPORT TO THE READERS OF PORT MARLBOROUGH NEW ZEALAND LIMITED AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The Auditor-General is the auditor of Port Marlborough New Zealand Limited (the company) and group. The Auditor-General has appointed me, Paul Bryden, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the company and group, for the year ended 30 June 2010.

### Unqualified Opinion

In our opinion:

- The financial statements of the company and group on pages 18 to 44:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of:
    - the company and group's financial position as at 30 June 2010; and
    - the results of operations and cash flows for the year ended on that date.
- Based on our examination the company and group kept proper accounting records.

The audit was completed on 17 September 2010, and is the date at which our opinion is expressed.

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

### Basis of Opinion

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

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

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

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

Audit procedures generally include:

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

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

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

### Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the company and group as at 30 June 2010. They must also give a true and fair view of the results of operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Port Companies Act 1988 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 19 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 and the provision of certain advisory services, we have no relationship with or interests in the company or any of its subsidiaries.



**Paul Bryden**  
Deloitte  
On behalf of the Auditor-General  
Christchurch, New Zealand

**Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This audit report relates to the financial statements of Port Marlborough New Zealand Limited and group for the year ended 30 June 2010 included on Port Marlborough New Zealand Limited's web-site. Port Marlborough New Zealand Limited's Board of Directors is responsible for the maintenance and integrity of Port Marlborough New Zealand Limited's web site. We have not been engaged to report on the integrity of Port Marlborough New Zealand Limited's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 17 September 2010 to confirm the information included in the audited financial statements presented on this web site. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Income Statement

For the Financial Year Ended 30 June, 2010

	Notes	Group		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue	2(a)	17,742	18,209	17,546	17,990
Other income	2(b)	61	30	73	28
Investment Property Revaluation	9	(10,072)	(9,700)	(10,072)	(9,700)
Operations and Maintenance		(4,836)	(4,564)	(4,620)	(4,237)
Employee benefits expense	4	(4,254)	(4,094)	(4,254)	(4,095)
Depreciation, impairment and amortisation expense	2(b)	(3,320)	(5,947)	(3,307)	(6,055)
Finance costs	2(b)	(981)	(2,101)	(981)	(2,101)
Subvention Payments		(379)	(468)	(412)	(598)
<b>Profit/(Loss) before income tax (expense)/credit</b>		<b>(6,039)</b>	<b>(8,635)</b>	<b>(6,027)</b>	<b>(8,768)</b>
Income tax (expense)/credit	3(a)	(3,320)	843	(3,324)	846
<b>(Loss) for the year</b>		<b>(9,359)</b>	<b>(7,792)</b>	<b>(9,351)</b>	<b>(7,922)</b>

## Statement of Comprehensive Income

For the Financial Year Ended 30 June, 2010

	Notes	Group		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>(Loss) for the year</b>		<b>(9,359)</b>	<b>(7,792)</b>	<b>(9,351)</b>	<b>(7,922)</b>
<b>Other Comprehensive Income, net of tax</b>					
Revaluation of Property, plant and equipment		(2,606)	(2,797)	(2,606)	(2,797)
<b>Total Comprehensive Income for the Year, net of tax</b>		<b>(11,965)</b>	<b>(10,589)</b>	<b>(11,957)</b>	<b>(10,719)</b>
<b>Comprehensive Income attributable to Members of the parent entity</b>		<b>(11,965)</b>	<b>(10,589)</b>	<b>(11,957)</b>	<b>(10,719)</b>

## Statement of Changes in Equity

For the Financial Year Ended 30 June, 2010

	Notes	Group		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Equity at beginning of the year		99,097	113,980	99,073	114,086
Total Comprehensive Income for the Year, net of tax		(11,965)	(10,589)	(11,957)	(10,719)
Dividends	18	(9,335)	(4,294)	(9,335)	(4,294)
<b>Balance at end of the year</b>		<b>77,797</b>	<b>99,097</b>	<b>77,781</b>	<b>99,073</b>

Notes to the financial statements are included on pages 21 to 44

## Statement of Financial Position

As at 30 June, 2010

	Notes	Group		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Current assets</b>					
Cash and cash equivalents	24(a)	909	853	827	824
Trade and other receivables	6	1,492	1,489	1,483	1,532
Inventories	7	307	299	307	299
Current tax assets	3(c)	-	74	-	76
<b>Total current assets</b>		<b>2,708</b>	<b>2,715</b>	<b>2,617</b>	<b>2,731</b>
<b>Non-current assets</b>					
Investment in subsidiaries	21	-	-	100	850
Property, plant and equipment	8	56,093	60,725	56,068	60,698
Investment property	9	50,664	58,264	50,664	58,264
Other intangible assets	10	10	54	10	54
<b>Total non-current assets</b>		<b>106,767</b>	<b>119,043</b>	<b>106,842</b>	<b>119,866</b>
<b>Total assets</b>		<b>109,475</b>	<b>121,758</b>	<b>109,459</b>	<b>122,597</b>
<b>Current liabilities</b>					
Trade and other payables	11	2,409	2,773	2,409	2,871
Current tax liabilities	3(c)	44	-	44	-
Provisions	12	57	40	57	40
Inter-Group Loan	23	-	-	-	765
Other financial liabilities - Derivatives	13	38	310	38	310
<b>Total current liabilities</b>		<b>2,548</b>	<b>3,123</b>	<b>2,548</b>	<b>3,986</b>
<b>Non-current liabilities</b>					
Borrowings from MDC Holdings Ltd	14	21,650	14,150	21,650	14,150
Deferred tax liabilities	3(d)	6,790	4,793	6,790	4,793
Other financial liabilities - Derivatives	13	690	595	690	595
<b>Total non-current liabilities</b>		<b>29,130</b>	<b>19,538</b>	<b>29,130</b>	<b>19,538</b>
<b>Total liabilities</b>		<b>31,678</b>	<b>22,661</b>	<b>31,678</b>	<b>23,524</b>
<b>Net assets</b>		<b>77,797</b>	<b>99,097</b>	<b>77,781</b>	<b>99,073</b>
<b>Equity</b>					
Capital and other equity instruments	15	13,588	13,588	13,588	13,588
Capital reserve	16(a)	2,693	2,693	2,693	2,693
Revaluation reserve	16(b)	25,997	28,603	25,997	28,603
Retained earnings	17	35,519	54,213	35,503	54,189
Parent entity interest		77,797	99,097	77,781	99,073
<b>Total equity</b>		<b>77,797</b>	<b>99,097</b>	<b>77,781</b>	<b>99,073</b>

Notes to the financial statements are included on pages 21 to 44

## Cash Flow Statement

For the Financial Year Ended 30 June, 2010

	Notes	Group		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		17,394	19,766	17,186	18,425
Interest received		41	85	40	83
Dividends received		-	-	10	-
Payments to suppliers and employees		(8,834)	(9,571)	(8,616)	(9,207)
Interest and other costs of finance paid		(1,228)	(1,127)	(1,228)	(1,127)
Subvention payments		(468)	(565)	(603)	(659)
Income tax paid		(1,104)	(964)	(1,102)	(963)
Net cash provided by operating activities	24(e)	5,801	7,624	5,687	6,552
<b>Cash flows from investing activities</b>					
Payment for property, plant and equipment		(3,932)	(3,320)	(3,921)	(3,321)
Subsidiary windup		-	-	750	-
Proceeds from sale of property, plant and equipment		25	66	25	66
(Advances)/Repayments subsidiaries		-	-	(700)	330
Payment for intangible assets		(3)	(9)	(3)	(9)
Net cash used in investing activities		(3,910)	(3,263)	(3,849)	(2,934)
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		7,500	-	7,500	765
Dividends paid		(9,335)	(4,294)	(9,335)	(4,294)
Net cash used in financing activities		(1,835)	(4,294)	(1,835)	(3,529)
<b>Net increase in cash and cash equivalents</b>		<b>56</b>	<b>67</b>	<b>3</b>	<b>89</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>853</b>	<b>786</b>	<b>824</b>	<b>735</b>
<b>Cash and cash equivalents at the end of the financial year</b>	24(a)	<b>909</b>	<b>853</b>	<b>827</b>	<b>824</b>

Notes to the financial statements are included on pages 21 to 44

# Notes to the Financial Statements

For the Financial Year Ended 30 June, 2010

## 1. Summary of Accounting Policies

### Statement of Compliance

The Company and Group is a profit-oriented entity incorporated in New Zealand. Its principal products and services are the provision of port and marina facilities at the northern tip of the South Island of New Zealand. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act. The Company is a port company for the purposes of the Port Companies Act 1988 and its financial statements comply with that Act.

The parent entity is MDC Holdings Limited, which is a 100% owned subsidiary company of Marlborough District Council.

The financial statements have been prepared in accordance with General Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate for profit-orientated entities.

The consolidated and Parent financial statements also comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Directors on 17 September, 2010.

The financial statements comprise the activities of Port Marlborough New Zealand Limited and the other entities in which the Company has a significant interest.

The Group consists of:

- Waikawa Marina Trustee Limited.
- PMNZ Marina Holdings Limited.
- Marlborough Sounds Maritime Pilots Limited.
- Sounds Property Holdings Limited

### Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments as outlined below. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant judgements, estimates and assumptions made by Management in the preparation of these financial statements are outlined below:

- Asset revaluation (notes 8 and 9)
- Financial instruments valuation (note 25)
- Allowance for doubtful debts (note 6)
- Current provision estimates (note 12)
- Contingent liabilities (note 22)

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June, 2010, and the comparative information presented in these financial statements for the year ended 30 June, 2009.

The presentation currency is New Zealand Dollars (\$), and amounts are rounded to the nearest \$000.

### Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

All business combinations are accounted for by applying the purchase method.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess (deficiency) of the cost of acquisition over (below) the fair values of the identifiable net assets acquired is recognised as goodwill (Discount on Acquisition). If, after reassessment, the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the difference is credited to the Income Statement.

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

All significant intragroup transactions and balances between group enterprises are eliminated on consolidation.

### Investments in subsidiaries

Investments in subsidiaries are recorded in the Parent entity's financial statements at cost less any subsequent accumulated impairment losses.

### Revenue recognition

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at reporting date.

Sales of goods are recognised when the significant risks and rewards of ownership of the assets have been transferred to the buyer, which is usually when the goods are delivered and title has passed.

Interest income is accrued on an effective interest rate method, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised as revenue, net of imputation credits, when the shareholders' rights to receive payment have been established.

Other income is recognised as revenue when control over the assets is obtained.

### Interest & Dividends Paid

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The lessee does not have an option to purchase the property at expiry of the lease period.

#### *The Group as lessee*

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

### Finance Costs

Interest expense is accrued on a time basis using the effective interest method.

Borrowing costs:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such a time as the assets are substantially ready for their intended use or sale.

To the extent that floating rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and accumulated as a separate component of equity to profit or loss (as a reclassification adjustment) when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year.

Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company and Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset when Port Marlborough New Zealand Limited has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the Balance Sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or Discount on Acquisition) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised.

Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Property, Plant and Equipment, and Depreciation

The Company and Group has four classes of Property Plant and Equipment:

- Freehold Land
- Buildings, Wharves, Jetties and Pavings
- Leasehold Improvements
- Plant and Equipment

Freehold Land, and Buildings, Wharves, Jetties and Pavings are initially stated at cost, and subsequently revalued to fair value at the date of revaluation, as determined by an independent valuer and by reference to the assets highest and best use, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance date.

Additions between valuations are recorded at cost. Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service.

All other items of Property, Plant and Equipment are stated at cost or deemed cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses (if any).

Revaluation increments are credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the Income Statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset. On disposal, the attributable revaluation surplus remaining in the revaluation reserve, net of any related deferred taxes, is transferred directly to Retained Earnings.

### Land Improvements and Buildings

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at fair value.

### Infrastructural Assets

Infrastructural Assets, principally wharves and jetty facilities, are recorded at valuation established using depreciated replacement cost, plus additions at cost less accumulated depreciation and accumulated impairment losses (if any).

### Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment other than land, at rates which will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation on revalued assets is charged to the Income Statement.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- |  |                |
|--|----------------|
| • Buildings                                | 30 – 100 years |
| • Improvements                             | 20 – 50 years  |
| • Infrastructural                          | 10 – 50 years  |
| • Plant, Equipment, Furniture and Vehicles | 2 – 10 years   |

The useful lives and estimated residual values are reviewed at each balance date and amended if necessary.

## Investment Property

Investment property is property held primarily to earn rentals and/or for capital appreciation, and includes Port Marlborough's marinas, reclamation land and their supporting facilities.

Investment property is stated at its fair value at balance date. An external, independent valuation firm, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Gains or losses arising from changes in the fair value of investment property are included in the Income Statement for the period in which they arise.

## Non-current assets held for sale

Non-current assets (or disposal groups) classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Balance Sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Balance Sheet.

## Impairment

At each reporting date, the Company and Group reviews the carrying amounts of its tangible and finite life intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists and for indefinite life intangibles, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company and Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of market value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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.

For non-revalued assets, impairment losses are recognised as an expense immediately.

For revalued assets, other than investment property, the impairment loss is treated as a revaluation decrease to the extent it reverses previous accumulated revaluation increments for that asset class.

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, subject to the restriction 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 as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase to the extent that any impairment losses on the same asset had been previously charged to equity. Any impairment of goodwill is not subsequently reversed.

## Intangibles

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives between 1 and 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

## Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision has been made for obsolescence where applicable. Inventories are held for maintenance purposes only.

## Financial instruments

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

### Financial Assets

Financial assets are classified into the following specified categories: "fair value through profit or loss", "available for sale", "held to maturity" and "loans and receivables". The classification depends on the nature and purpose of the financial assets as determined at the time of initial recognition. Policies in respect of individual categories of financial assets are outlined as follows:-

#### - *Cash & Cash Equivalents*

Cash and cash equivalents are classified as 'loans and receivables' and comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### - *Trade & Other Receivables*

Trade and other receivables are classified as 'loans and receivables' and are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Income Statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### - *Derivative Financial Instruments*

The Company and Group enters into interest rate swaps to manage interest rate risk. Derivative financial instruments are classified as 'fair value through profit or loss'. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. Derivative instruments entered into by the Company and Group do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised in the Income Statement. The Group does not use derivative financial instruments for speculative purposes.

### Financial Liabilities

Financial liabilities are classified into the following specified categories: 'fair value through profit or loss' and 'other financial liabilities'. Policies in respect of individual categories of financial liabilities are outlined as follows:-

#### - *Trade and Other Payables*

Trade and other payables are classified as 'other financial liabilities', and are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

#### - *Borrowings*

Borrowings are classified as 'other financial liabilities' and are initially recognised at cost, being the fair value of the consideration received plus issue costs associated with the borrowing. After initial recognition, these loans and borrowings are subsequently measured at amortised cost using the effective interest rate method which allocates the cost through the expected life of the loan or borrowing. Amortised cost is calculated taking into account any issue costs, and any discount or premium on drawdown.

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

### Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Employee Entitlements

Provision is made in respect of the Company's and Group's liability for retiring gratuity allowances, annual and long service leave, and sick leave.

The retiring gratuity liability is assessed on an actuarial basis using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value.

Liabilities for accumulating short-term compensated absences (e.g. annual and sick leave) are measured as the additional amount of unused entitlement accumulated at balance date.

### Provisions

Provisions are recognised when the Company and Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at balance date, and are discounted to present value where the effect is material.

### Goods and Services Tax (GST)

These financial statements have been prepared exclusive of GST, except for receivables and payables, which are GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

### Statement of Cash Flows

**Operating activities** include cash received from all income sources of the Company and Group and record the cash payments made for the supply of goods and services.

**Investing activities** are those activities relating to the acquisition and disposal of non-current assets.

**Financing activities** comprise activities that change the equity and debt capital structure of the Company and Group.

### Changes in Accounting Policies

There have been no significant changes in accounting policies.

### Standards and Interpretations Effective in the Current Period

#### Those with disclosure impact:

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

Name	Impact
NZ IAS 1 Presentation of Financial Statements (revised 2007)	This has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
Amendments to NZ IFRS 7- <i>Financial Instruments: Disclosures</i>	The amendments to NZ IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.
NZ IAS 23 Borrow Costs (revised 2007)	The principal change to the standard was to eliminate the option to expense all borrowing costs when incurred. This change has led to no impact on these financial statements as all qualifying assets have been funded from working capital.
NZ IAS 23 Investment Property (revised 2008)	NZ IAS 40 has been amended to require that investment property work in progress is recorded within investment property at fair value; previously, this was recorded as property plant and equipment at cost until completion at which time it was transferred to investment property. Investment property work in progress is required to be measured at fair value unless fair value cannot be reliably measured, in which case cost is used until completion.

#### Those with no impact:

There have been a number of other Standards, Interpretations and Amendments adopted. These have not led to any changes in the Company's accounting policies with measurement or recognition impact on the periods presented in these financial statements.

#### Standard and Interpretations in Issue not yet Adopted

At the date of authorization of the financial statements, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial statements of the Group.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS 2 Share-based Payment: Group Cash Settled Share-based Payment Transactions	1 January 2010	30 June 2011
Amendments to NZ IAS 32 Financial Instruments: Presentation	1 February 2010	30 June 2011
IFRIC 19 Extinguishing Liabilities with Equity Instruments	1 July 2010	30 June 2012
NZ IAS 24 Related Party Disclosures (revised 2009)	1 January 2011	30 June 2012
Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement	1 January 2011	30 June 2012
NZ IFRS 9 Financial Instruments	1 January 2013	30 June 2014

Directors expect to adopt the above Standards and Interpretations in the period in which they become mandatory.

Notes	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>2. Loss From Operations</b>				
<b>(a) Revenue</b>				
Revenue from continuing operations consisted of the following items:				
Revenue from the rendering of services	10,672	11,198	10,477	10,982
Operating lease rental revenue:				
Investment properties	7,029	6,925	7,029	6,925
Interest revenue:				
Bank deposits / IRD use of money	41	86	40	83
	17,742	18,209	17,546	17,990
Attributable to:				
Continuing operations	17,742	18,209	17,546	17,990
<b>(b) Loss before income tax</b>				
Loss before income tax has been arrived at after crediting/(charging) the following gains and losses from continuing operations:				
(Loss)/gain on disposal of property, plant and equipment	(5)	(101)	(5)	(101)
Other	66	131	78	129
	61	30	73	28
Gains attributable to:				
Continuing operations	61	30	73	28
Loss before income tax has been arrived at after charging the following expenses attributable to continuing operations:				
Finance costs				
Interest on loans	1,157	1,131	1,157	1,131
Total interest expense	1,157	1,131	1,157	1,131
Other finance costs- losses/(gains) on Derivatives	(176)	970	(176)	970
	981	2,101	981	2,101
Direct operating expenses of investment properties:				
Properties generating rental income	2,265	2,092	2,265	2,092
Operating lease payments	22	31	22	31

	Notes	Group		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>2. Profit From Operations continued</b>					
Depreciation of non-current assets	8	1,977	1,942	1,964	1,930
Amortisation of non-current assets	10	47	64	47	64
Impairment of non-current assets	8	1,296	3,941	1,296	4,061
		<b>3,320</b>	<b>5,947</b>	<b>3,307</b>	<b>6,055</b>
Attributable to:					
Continuing operations		3,320	5,947	3,307	6,055
Donations / Sponsorship		42	57	42	57
Employer contribution to superannuation		164	129	164	129
<b>3. Income Taxes</b>					
<b>(a) Income tax recognised in profit or loss</b>					
<b>Tax expense/(credit) comprises:</b>					
Current tax expense/(credit)		1,244	1,427	1,248	1,424
Previous year		(26)	-	(26)	-
Deferred tax expense/(credit) relating to the origination and reversal of temporary differences		2,102	(2,270)	2,102	(2,270)
Total tax expense		3,320	(843)	3,324	(846)
Attributable to:					
Continuing operations		3,320	(843)	3,334	(846)
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:					
Profit/(Loss) from operations		(6,039)	(8,635)	(6,027)	(8,768)
Profit from operations		(6,039)	(8,635)	(6,027)	(8,768)
Income tax expense calculated at 30%		(1,812)	(2,591)	(1,808)	(2,630)
Non-deductible expenses		2,944	2,042	2,944	2,078
Group loss offsets		(265)	(328)	(265)	(328)
Effect on deferred tax balances due to building depreciation removal		2,518	-	2,518	-
Change in income tax rate from 30% to 28%, effective 1 April 2011		(39)	-	(39)	-
Other		-	34	-	34
		3,346	(843)	3,350	(846)
Over provision of income tax in previous year		(26)	-	(26)	-
		3,320	(843)	3,324	(846)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by New Zealand corporate entities on taxable profits under New Zealand tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

As a result of the Government of New Zealand's announcement in May 2010 that the corporate tax rate will change from 30% to 28% effective from the 2011 / 2012 income year, the deferred taxation account has been measured and recorded in the current year to account for estimated reversals of temporary differences accordingly. The Government also announced that the ability to claim depreciation on buildings would cease at the end of the 2010 tax year. This has resulted in an additional deferred tax liability (tax expense) of \$2.518m to reflect the fact these assets no longer have a tax base after 31 March 2012.

Notes	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>3. Income Taxes cont.</b>				
<b>(b) Income tax recognised in other comprehensive income</b>				
The following current and deferred amounts were charged directly in other comprehensive income:				
Deferred tax				
Property revaluations	(105)	183	(105)	183
	(105)	183	(105)	183
<b>(c) Current tax assets and liabilities</b>				
<b>Current tax assets:</b>				
Tax (payable) receivable	(44)	74	(44)	76
<b>(d) Deferred tax balances</b>				
<b>Deferred tax liabilities comprise:</b>				
Temporary differences	6,790	4,793	6,790	4,793

Taxable and deductible temporary differences arising from the following:

2010 Group				
	Opening balance \$'000	Charged to income \$'000	Charged to other comprehensive income \$'000	Closing balance \$'000
<b>Gross deferred tax liabilities:</b>				
Property, plant & equipment	4,016	561	(105)	4,472
Investment property	1,159	1,488	-	2,647
	5,175	2,049	(105)	7,119
<b>Gross deferred tax assets:</b>				
Hedging instruments	271	(67)	-	204
Provisions	111	14	-	125
	382	(53)	-	329
<b>Attributable to:</b>				
Continuing operations	4,793	2,102	(105)	6,790
2009 Group				
	Opening balance \$'000	Charge to income \$'000	Charged to other comprehensive income \$'000	Closing balance \$'000
<b>Gross deferred tax liabilities:</b>				
Property, plant & equipment	5,149	(1,316)	183	4,016
Investment property	1,815	(656)	-	1,159
	6,964	(1,972)	183	5,175
<b>Gross deferred tax assets:</b>				
Hedging instruments	(20)	291	-	271
Provisions	104	7	-	111
	84	298	-	382
<b>Attributable to:</b>				
Continuing operations	6,880	(2,270)	183	4,793

### 3. Income Taxes cont.

Taxable and deductible temporary differences arising from the following:

2010 Parent				
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
<b>Gross deferred tax liabilities:</b>				
Property, plant & equipment	4,016	561	(105)	4,472
Investment property	1,159	1,488	-	2,647
	5,175	2,049	(105)	7,119
<b>Gross deferred tax assets:</b>				
Hedging instruments	271	(67)	-	204
Provisions	111	14	-	125
	382	(53)	-	329
<b>Attributable to:</b>				
Continuing operations	4,793	2,102	(105)	6,790

2009 Parent				
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
<b>Gross deferred tax liabilities:</b>				
Property, plant & equipment	5,149	(1,316)	183	4,016
Investment property	1,815	(656)	-	1,159
	6,964	(1,972)	183	5,175
<b>Gross deferred tax assets:</b>				
Hedging instruments	(20)	291	-	271
Provisions	104	7	-	111
	84	298	-	382
<b>Attributable to:</b>				
Continuing operations	6,880	(2,270)	183	4,793

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>(e) Imputation credit account balances</b>				
Balance at beginning of the period	10,923	12,074	10,911	12,063
Taxation paid	1,203	1,501	1,200	1,500
Attached to dividends received	-	-	5	-
Income tax refund	(102)	(537)	(102)	(537)
Attached to dividends paid	(4,543)	(2,115)	(4,543)	(2,115)
Other	(2)	-	-	-
Balance at end of the period	7,479	10,923	7,471	10,911

(Available directly and indirectly to shareholders of the parent company, through Parent company)

### 4. Key Management Personnel Compensation

Included in the employee benefit expenses is the compensation of the Directors and Executives, being the key management personnel of the entity, which is set out below:

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Short-term employee benefits	807	877	807	877
Directors Fees	190	193	190	193
Post-employment benefits	-	93	-	93
	997	1,163	997	1,163

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>5. Remuneration of Auditors</b>				
<b>Auditor of the Parent entity</b>				
Audit of the financial statements	52	46	39	38
Other assurance services	2	2	2	2
	54	48	41	40

The approved auditor of Port Marlborough New Zealand Limited is Paul Bryden of Deloitte acting as agent for the Office of the Auditor-General.

## 6. Current Trade & Other Receivables

Trade and other receivables (i)	1,520	1,517	1,510	1,553
Allowance for doubtful debts	(32)	(32)	(32)	(32)
	1,488	1,485	1,478	1,521
Other – Related Party	4	4	5	11
	1,492	1,489	1,483	1,532

(i) The average credit period on sales of goods and services is 35 days (2009: 35 days). Interest may be charged on past due trade receivables depending on circumstances. An allowance has been made for estimated irrecoverable amounts from the sale of goods and services, determined by reference to past default experience. Any movement in the allowance for doubtful debts is recognised in the profit or loss for the current financial year. Further information is provided in Note 25. No trade and other receivables have been pledged as security (2009: Nil).

## 7. Current Inventories

<b>Goods held for maintenance</b>				
At cost	307	299	307	299

No inventories have been pledged as security for liabilities (2009: Nil)

## 8. Property, Plant & Equipment

Group	Freehold Land and Improvements at Fair Value \$'000	Buildings and Wharf Infrastructure at Fair Value \$'000	Plant, Equipment Furniture and Vehicles at Cost \$'000	Work in Progress at Cost \$'000	Total \$'000
<b>Gross carrying amount</b>					
<b>Balance at 30 June, 2008</b>	29,249	37,584	4,878	1,250	72,961
Additions	-	256	666	1,563	2,485
Disposals	-	-	(1,129)	-	(1,129)
Net revaluation increments/(decrements)	(3,655)	27	-	-	(3,628)
Transfers from Capital Works in Progress	12	66	35	(113)	-
Transfers to Investment Properties - Note 9	-	-	-	(1,368)	(1,368)
Transfers to Other Intangible Assets - Note 10	-	-	-	(3)	(3)
Transfer to the Income Statement - Note 2	-	-	-	(8)	(8)
Transfer - Other	-	-	-	(15)	(15)
<b>Balance at 30 June, 2009</b>	25,606	37,933	4,450	1,306	69,295
Additions	-	-	227	3,541	3,768
Disposals	-	-	(46)	-	(46)
Net revaluation increments/(decrements)	(4,781)	(6,568)	(7)	-	(11,356)
Transfers from Capital Works in Progress	599	162	4	(765)	-
Transfers to Investment Properties - Note 9	-	-	-	(2,396)	(2,396)
<b>Balance at 30 June, 2010</b>	21,424	31,527	4,628	1,686	59,265

**8. Property, Plant & Equipment continued**

Group	Freehold Land and Improvements at Fair Value \$'000	Buildings and Wharf Infrastructure at Fair Value \$'000	Plant, Equipment Furniture and Vehicles at Cost \$'000	Work in Progress at Cost \$'000	Total \$'000
<b>Accumulated depreciation/ amortisation and impairment</b>					
<b>Balance at 30 June, 2008</b>	225	1,273	3,241	-	4,739
Disposals	-	-	(1,030)	-	(1,030)
Net Adjustments from revaluation increments/(decrements)	(475)	(526)	(13)	-	(1,014)
Impairment - Note 2	3,829	104	-	-	3,933
Depreciation expense	250	1,257	435	-	1,942
<b>Balance at 30 June, 2009</b>	3,829	2,108	2,633	-	8,570
Disposals	-	-	(25)	-	(25)
Net Adjustments from revaluation increments/(decrements)	(4,932)	(3,709)	(5)	-	(8,646)
Impairment - Note 2	868	428	-	-	1,296
Depreciation expense	235	1,273	469	-	1,977
<b>Balance at 30 June, 2010</b>	0	100	3,072	-	3,172
<b>Net book value</b>					
As at 30 June, 2009	21,777	35,825	1,817	1,306	60,725
As at 30 June, 2010	21,424	31,427	1,556	1,686	56,093

Parent	Freehold Land and Improvements at Fair Value \$'000	Buildings and Wharf Infrastructure at Fair Value \$'000	Plant, Equipment Furniture and Vehicles at Cost \$'000	Work in Progress at Cost \$'000	Total \$'000
<b>Gross carrying amount</b>					
<b>Balance at 30 June, 2008</b>	29,249	37,584	4,814	1,250	72,897
Additions	-	256	669	1,563	2,488
Disposals	-	-	(1,126)	-	(1,126)
Net revaluation increments/(decrements)	(3,655)	27	-	-	(3,628)
Transfers from Capital Works in Progress	12	66	35	(113)	-
Transfers to Investment Properties - Note 9	-	-	-	(1,368)	(1,368)
Transfers to Other Intangible Assets - Note 10	-	-	-	(3)	(3)
Transfer to the Income Statement - Note 2	-	-	-	(8)	(8)
Transfer - Other	-	-	-	(15)	(15)
<b>Balance at 30 June, 2009</b>	25,606	37,933	4,392	1,306	69,237
Additions	-	-	216	3,541	3,757
Disposals	-	-	(46)	-	(46)
Net revaluation increments/(decrements)	(4,781)	(6,568)	(7)	-	(11,356)
Transfers from Capital Works in Progress	599	162	4	(765)	-
Transfers to Investment Properties - Note 9	-	-	-	(2,396)	(2,396)
<b>Balance at 30 June, 2010</b>	21,424	31,527	4,559	1,686	59,196

**8. Property, Plant & Equipment continued**

Parent	Freehold Land and Improvements at Fair Value \$'000	Buildings and Wharf Infrastructure at Fair Value \$'000	Plant, Equipment Furniture and Vehicles at Cost \$'000	Work in Progress at Cost \$'000	Total \$'000
<b>Accumulated depreciation/ amortisation and impairment</b>					
Balance at 30 June, 2008	225	1,273	3,218	-	4,716
Disposals	-	-	(1,026)	-	(1,026)
Net adjustments from revaluation increments/ (decrements)	(475)	(526)	(13)	-	(1,014)
Impairment - Note 2	3,829	104	-	-	3,933
Depreciation expense - Note 2	250	1,257	423	-	1,930
<b>Balance at 30 June, 2009</b>	<b>3,829</b>	<b>2,108</b>	<b>2,602</b>	<b>-</b>	<b>8,539</b>
Disposals	-	-	(25)	-	(25)
Net adjustments from revaluation increments/ (decrements)	(4,932)	(3,709)	(5)	-	(8,646)
Impairment - Note 2	868	428	-	-	1,296
Depreciation expense - Note 2	235	1,273	456	-	1,964
<b>Balance at 30 June, 2010</b>	<b>0</b>	<b>100</b>	<b>3,028</b>	<b>-</b>	<b>3,128</b>
<b>Net book value</b>					
As at 30 June, 2009	21,777	35,825	1,790	1,306	60,698
As at 30 June, 2010	21,424	31,427	1,531	1,686	56,068

**Wharves and Jetty Facilities and Freehold Land and Buildings Carried at Fair Value**

An independent valuation of the consolidated entity's wharves and jetty facilities and land and buildings is usually performed on a 3-yearly basis. The latest review is at balance date, 30 June 2010. The valuation was performed by Crighton Stone, registered independent valuers not related to the consolidated entity, to determine the fair value of the land, buildings and wharf infrastructure.

Under the Boards' rotation policy for valuers, Crighton Stone replaced DTZ. Prior year figures recorded in the accounts are based on valuation undertaken by DTZ.

In respect of wharf infrastructure valuations have been based on depreciated replacement cost. Land and buildings were valued using an investment approach based on market indicated yields.

Under the New Zealand Property Institute Practice Standard 1, which came into force from 1 May 2004, all valuations must be assessed as at the date of inspection of the property, except where the valuation instructions are to assess the value at a retrospective date.

The carrying amount of wharves and jetty facilities and land and buildings had they been recognised under the cost model are as follows:

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Wharves and Jetty Facilities	14,396	14,766	14,396	14,766
Freehold land and Improvements	12,488	12,165	12,488	12,165
Buildings	3,493	3,621	3,493	3,621

**9. Investment Property**

Balance at beginning of financial year	58,264	66,197	58,264	66,197
Additions from subsequent expenditure	86	466	86	466
Transfers from Capital Work in Progress - Note 8	2,396	1,368	2,396	1,368
Disposals	(10)	(67)	(10)	(67)
Net gain/(loss) from fair value adjustments	(10,072)	(9,700)	(10,072)	(9,700)
<b>Balance at end of financial year</b>	<b>50,664</b>	<b>58,264</b>	<b>50,664</b>	<b>58,264</b>

The fair value of the consolidated entity's investment property at 30 June, 2010 has been arrived at on the basis of a valuation carried out at that date by Crighton Stone, independent registered valuers not related to the consolidated entity. All investment properties were valued based on open market evidence including market rentals, land sales and yield information available to valuers.

Under the Boards' rotation policy for valuers, Crighton Stone replaced DTZ. Prior year figures recorded in the accounts are based on valuation undertaken by DTZ.

## 10. Other Intangible Assets

	Group Software \$'000	Parent Software \$'000
<b>Gross carrying amount</b>		
<b>Balance at 1 July, 2008</b>	306	306
Additions	6	6
Transfers from Capital Work in Progress - Note 8	3	3
<b>Balance at 30 June, 2009</b>	315	315
Additions	3	3
<b>Balance at 30 June, 2010</b>	318	318
<b>Accumulated amortisation &amp; impairment</b>		
<b>Balance at 1 July, 2008</b>	197	197
Amortisation (i)	64	64
<b>Balance at 30 June, 2009</b>	261	261
Amortisation (i)	47	47
<b>Balance at 30 June, 2010</b>	308	308
<b>Net book value</b>		
As at 30 June, 2009	54	54
As at 30 June, 2010	10	10

(i) Amortisation expense is included in the line item 'depreciation, impairment and amortisation expense' in the income statement.

## 11. Current Trade & Other Payables

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade creditors	872	957	843	925
Property, Plant and Equipment	126	171	126	171
Rentals received in advance	466	476	466	476
Employee entitlements	450	402	450	402
Other	7	108	7	108
Related Parties - Subvention payments	379	468	407	598
- Interest	72	142	72	142
- Other	37	49	38	49
	2,409	2,773	2,409	2,871

The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

## 12. Current Provisions

Movement in Provision, Employee Benefits				
Opening balance	40	36	40	36
Additional provision for the current period	17	4	17	4
Closing balance	57	40	57	40

## 13. Other Current Financial Assets & (Liabilities)

Current	(38)	(310)	(38)	(310)
Non-Current	(690)	(595)	(690)	(595)
<b>At fair value</b>				
Interest rate swaps	(728)	(905)	(728)	(905)

Information on basis of valuation is provided under Note 25 (iii) Financial Instruments.

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>14. Non-Current Borrowings</b>				
Secured				
<b>At amortised cost:</b>				
Loans from:				
Parent entity	21,650	14,150	21,650	14,150

#### Loan Maturities

Funds have been raised under a \$29.5 million (2009: \$20 million) multi-option facility agreement with MDC Holdings Limited and the Bank of New Zealand which runs through to December 2011. MDC Holdings have signalled through their Statement of Corporate Intent, their intention to meet the Company's long term funding requirements.

#### Interest and Security

Term loans incurred an interest expense of \$1,156,536 ((2009 \$1,130,795). Interest rates ranged between 3.11% and 8.72% (2009 5.6% and 8.72%). Term loans have been secured by way of first mortgage over Certificates of Title 4C/1465, 3B/322, 3B/323, 3B/324 and 5D/878 of the Marlborough Land Registry. In addition a Negative Pledge Deed has been entered into with MDC Holdings Limited.

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>15. Capital and Other Equity Instruments</b>				
13,587,650 fully paid ordinary shares (2009: 13,587,650)	13,588	13,588	13,588	13,588
	13,588	13,588	13,588	13,588

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>16. Reserves</b>				
<b>Capital (a)</b>	2,693	2,693	2,693	2,693
<b>Asset revaluation (b)</b>	25,997	28,603	25,997	28,603
	28,690	31,296	28,690	31,296
<b>(a) Capital reserve</b>				
Balance at beginning of financial year	2,693	2,693	2,693	2,693
Movements	-	-	-	-
Balance at end of financial year	2,693	2,693	2,693	2,693

The Capital reserve is used from time to time to transfer capital profits from retained profits. There is no policy of regular transfer.

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>(b) Asset revaluation reserve</b>				
Balance at beginning of financial year	28,603	31,400	28,603	31,400
Revaluation increments/(decrements)	(2,711)	(2,614)	(2,711)	(2,614)
Deferred tax - Property revaluations	105	(183)	105	(183)
Balance at end of financial year	25,997	28,603	25,997	28,603

The asset revaluation reserve arises on the revaluation of wharves and jetty facilities, land and buildings. Where a revalued wharf, jetty facility, land or building is sold etc, that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred to the "Statement of Comprehensive Income".

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of financial year	54,213	66,299	54,189	66,405
Net profit/(Loss) attributable to members of the Parent entity	(9,359)	(7,792)	(9,351)	(7,922)
Dividends paid (note 18)	(9,335)	(4,294)	(9,335)	(4,294)
Balance at end of financial year	35,519	54,213	35,503	54,189

	2010		2009	
	Cents per Share	Total \$'000	Cents per Share	Total \$'000
Recognised amounts				
Fully paid ordinary shares	68.70	9,335	31.60	4,294

In addition, the above cash distributions carried maximum imputation credits.

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>(a) Capital expenditure commitments</b>				
Property, Plant and Equipment	1,210	20	1,210	20
	1,210	20	1,210	20

#### (b) Lease commitments

Non-cancellable operating lease commitments are disclosed in note 20 to the financial statements. There are no finance lease liabilities.

## 20. Leases

### Operating leases as lessee

#### (a) Leasing arrangements

Operating leases relate to motor vehicles. All operating lease contracts contain market review clauses in the event that the Company/Group exercises its option to renew. The Company/Group does not have an option to purchase the leased asset at the expiry of the lease period.

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>(b) Non-cancellable operating lease payments</b>				
Not longer than 1 year	2	10	2	10
Longer than 1 year and not longer than 5 years	7	-	7	-
Longer than 5 years	-	-	-	-
	9	10	9	10

### Disclosures for lessors

#### (a) Leasing arrangements

Operating leases relate to rental property owned by the consolidated entity with lease terms of up to 30 years, with provision for renewal. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>(b) Non-cancellable operating lease receivables</b>				
Not longer than 1 year	3,092	3,952	3,092	3,952
Longer than 1 year and not longer than 5 years	9,380	8,694	9,380	8,694
Longer than 5 years	8,856	8,247	8,856	8,247
	21,328	20,893	21,328	20,893

## 21. Subsidiaries

	Country of Incorporation	Ownership Interest	
		2010 %	2009 %
<b>Parent entity</b>			
Port Marlborough New Zealand Limited	New Zealand		
<b>Subsidiaries</b>			
Waikawa Marina Trustee Limited	New Zealand	100	100
PMNZ Marina Holdings Limited	New Zealand	100	100
Marlborough Sounds Maritime Pilots Limited	New Zealand	100	100
Sounds Property Holdings Limited	New Zealand	100	100

- (i) Port Marlborough New Zealand Limited is the head entity within the consolidated Group.  
(ii) Sounds Property Holdings Limited is in the process of voluntary wind-up. It has repaid all its liabilities in full and distributed retained Earnings and Equity. This accounts for the \$750,000 reduction in "Investment in Subsidiaries," shown in Statement of Financial Position.

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
	-	-	-	-

## 22. Contingent Assets & Liabilities

### 2010 Group and Parent Contingent assets

There are no contingent assets (2009: Nil)

### 2010 Group and Parent Contingent liabilities

In the normal course of business the Company and Group are subject to potential loss contingencies arising from such matters as guarantees and contractual obligations by government and private parties. In the judgement of Directors no losses in respect of such matters are expected to be material to the Group's financial position.

## 23. Related Party Disclosures

### (a) Parent entities

The Parent entity in the consolidated entity is Port Marlborough New Zealand Limited, which is 100% owned by MDC Holdings Limited which is in turn 100% owned by the ultimate Parent entity, Marlborough District Council.

### (b) Equity interests in related parties

#### Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 21 to the financial statements.

### (c) Transactions with related parties

#### Transactions involving the Parent entity

Amounts receivable from and payable to related parties at balance date are disclosed in Notes 6, 11 and 14 of these financial statements.

During the financial year, Port Marlborough New Zealand Limited paid subvention payments of \$603,202 (2009: \$659,025) and provided for subvention payments of \$406,580 at balance date (2009: \$597,602).

During the current and previous financial year, Port Marlborough New Zealand Limited provided accounting and administration services to its subsidiaries for no consideration. (2009: Nil)

During the current and previous financial year, the Group received management services from the ultimate New Zealand Parent entity, Marlborough District Council, for no charge. (2009: Nil)

#### Terms/price under which related party transactions were entered into

Interest is charged on the outstanding inter-company loan balances and other related party loans at commercial interest rates. During the financial year Port Marlborough New Zealand Limited paid interest of \$1,156,536 (2009: \$1,130,765) on loans from its Parent.

Loans with subsidiaries are interest free and repayable on demand.

#### Transactions eliminated on consolidation

Intra-group related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the Group.

#### Guarantees provided or received

Nil

### (d) Directors

Mr EG Johnson is a director of BNZ, who are the company's bankers. In addition the company draws on a loan facility held by its parent with the BNZ. Mr Johnson is also a director of Fulton Hogan Limited who undertook construction work for the year totalling \$601,903 (2009: \$584,271). \$82,686 (2009: \$297,419) was payable to Fulton Hogan Limited as at 30 June.

### (e) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in Note 4 to the financial statements.

## 24. Notes to the Cash Flow Statement

### (a) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statements is reconciled to the related items in the statement of financial position as follows:

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash and cash equivalents	909	853	827	824
<b>(b) Business acquired/disposed</b>				
Sounds Property Holdings Limited. Refer note 21	-	-	-	-
<b>(c) Financing facilities</b>				
Secured bank loan facility with MDC Holdings Limited (Refer Note 14)				
• Amount used	21,650	14,150	21,650	14,150
• Amount unused	7,850	5,850	7,850	5,850
	29,500	20,000	29,500	20,000
<b>(d) Cash balances not available for use</b>				
Nil				
<b>(e) Reconciliation of profit for the period to net cash flows from operating activities</b>				
Profit/(loss) after tax for the period	(9,359)	(7,792)	(9,351)	(7,922)
(Gain)/loss on sale or disposal of non-current assets	5	101	5	101
(Gain)/loss on revaluation of investment property (Note 9)	10,072	9,700	10,072	9,700
Loss/(gain) on revaluation of fair value through profit or loss financial assets (Note 2b)	(176)	970	(176)	970
Depreciation, impairment and amortisation of non-current assets (Note 2b)	3,320	5,947	3,307	6,055
Increase/(decrease) in deferred tax balances (Note 3(d))	2,102	(2,270)	2,102	(2,270)
Changes in net assets and liabilities:				
(Increase)/decrease in assets:				
Current receivables	(3)	71	49	402
Current inventories	(8)	(134)	(8)	(134)
Current tax	-	463	-	461
Increase/(decrease) in liabilities:				
Current payables	(364)	177	(462)	(871)
Current tax	118	-	120	-
Current provisions	17	4	17	4
Deduct items reclassified as investing activities	77	387	12	56
Net cash from operating activities	5,801	7,624	5,687	6,552

## 25. Financial Instruments

### (i) Financial risk and Capital management

The Parent and Group's capital includes share capital, reserves, retained earnings and a secured bank loan facility. The objective of the Parent and Group's capital management is to ensure a strong credit rating to support business growth and maximise shareholder value.

The Parent and Group's capital is managed at Parent company level. The Parent and Group is not subject to externally imposed capital requirements for the twelve months ended 30 June 2010 and 30 June 2009.

The Parent and Group's capital structure is managed and adjustments are made, with Board approval, to the structure in light of economic conditions at the time. There were no changes to objectives, policies or processes during the year.

The Parent and Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated entity's policies approved by the Board of Directors, which provide written principles on the use of derivative financial instruments.

### (ii) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, and the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability, are included in the statement of accounting policies.

### (iii) Interest rate risk

Interest rate risk is the risk that the Parent and Group may be affected by changes in the general level of interest rates. The consolidated entity is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by the use of interest rate swap contracts.

#### Interest rate swap contracts

Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

Outstanding Fixed for Floating Contracts	Average Contract Fixed Interest rate		Notional Principal Amount		Fair Value	
	2010 %	2009 %	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Less than 1 year	6.81%	8.29%	2,000	3,500	(38)	(184)
1 to 2 years	6.78%	6.81%	3,250	2,000	(166)	(107)
2 to 5 years	5.48%	6.83%	16,400	8,650	(524)	(614)
	5.62%	6.96%	21,650	14,150	(728)	(905)

Details of the Company and Group's exposure to interest rate risk is included under section (vi) below.

### (iv) Credit risk

Credit risk is the risk that a counterparty will default on its obligations resulting in a financial loss to the Parent and Group. Financial assets, which potentially subject the Parent and Group to concentration of credit risk consist principally of cash, bank balances, trade and other receivables and advances to subsidiaries. The Group's cash equivalents are placed with high credit quality financial institutions.

The consolidated entity 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 consolidated entity exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually. The consolidated entity measures credit risk on a fair value basis.

Trade and Other Receivables consist of a large number of customers, spread across a range of industries that have operations in the northern half of the South Island and predominantly in Marlborough. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, guarantees or other arrangements with a similar effect are put in place.

Approximately 34% (2009:22%) of Trade and Other Receivables is due from three customers, with this exception the consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Total credit risk was comprised as follows:

**25. Financial Instruments continued**

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash and cash equivalents	909	853	827	824
Trade and other receivables	1,492	1,489	1,483	1,532
Other financial assets/(liabilities) – Derivatives	(728)	(905)	(728)	(905)
Current tax assets/(liability)	(44)	74	(44)	76
<b>Total credit risk</b>	<b>1,629</b>	<b>1,511</b>	<b>1,538</b>	<b>1,527</b>

**Collateral and other credit enhancements obtained**

The Parent and Group do not hold any collateral as security or other credit enhancements over trade and other receivables.

**Trade and other receivables that are either past due or impaired.**

The table below sets out information regarding the ageing of trade and other receivables which are past due, but which have not been assessed as impaired as management believes that these amounts will be fully recoverable.

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
30 – 60 Days	117	185	117	185
60 – 90 Days	17	17	17	17
Over 90 Days	69	35	69	35
<b>Total</b>	<b>203</b>	<b>237</b>	<b>203</b>	<b>237</b>

**Ageing of Impaired trade and other receivables**

Over 90 Days	32	32	32	32
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**Renegotiated trade and other receivables**

There are no significant amounts included within trade and other receivables whose terms have been renegotiated.

**(v) Liquidity Risk**

Liquidity risk is the risk that the Group and Parent will not be able to meet their financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Parent and Group's short, medium, and long-term funding and liquidity management requirements. The Parent and Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Parent and Group manages liquidity risk by maintaining adequate reserves, intra-group funding facilities, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**(vi) Liquidity and Interest rate profile**

The following tables detail the Parent and Group's exposure to liquidity risk and interest rate risk:

Group 2010	Weighted Average Interest Rate %	Less than 1 Year \$'000	Fixed Maturity Dates		Non Interest Bearing \$'000	Total \$'000
			1-2 Years \$'000	2-5 Years \$'000		
<b>Financial assets:</b>						
Cash and cash equivalents	2.61%	909	-	-	-	909
Trade and Other Receivables	-	-	-	-	1,492	1,492
<b>Financial liabilities:</b>						
Trade payables	-	909	-	-	1,492	2,409
Current Tax Liability	9.73%	44	-	-	-	44
Related party loans	5.62%	2,000	3,250	16,400	-	21,650
Employee benefits	-	-	-	-	57	57
Interest rate swaps	-	38	166	524	-	728
	-	2,082	3,416	16,924	2,466	24,888
Related Party Loans - Interest	-	42	439	3,210	-	3,691
	-	42	439	3,210	-	3,691

**25. Financial Instruments continued**

Group 2009	Weighted Average Interest Rate %	Less than 1 Year \$'000	Fixed Maturity Dates		Non Interest Bearing \$'000	Total \$'000
			1-2 Years	2-5 Years		
			\$'000	\$'000		
<b>Financial assets:</b>						
Cash and cash equivalents	2.61%	853	-	-	-	853
Trade and Other Receivables	-	-	-	-	1,489	1,489
Current Tax Assets	5.85%	74	-	-	-	74
		927	-	-	1,489	2,416
<b>Financial liabilities:</b>						
Trade payables	-	-	-	-	2,773	2,773
Related party loans	6.96%	3,500	2,000	8,650	-	14,150
Employee benefits	-	-	-	-	40	40
Interest rate swaps	-	184	107	614	-	905
		3,684	2,107	9,264	2,813	17,868
Related Party Loans - Interest	-	227	178	1,434	-	1,839
		277	178	1,434	-	1,839

Parent 2010	Weighted Average Interest Rate %	Less than 1 Year \$'000	Fixed Maturity Dates		Non Interest Bearing \$'000	Total \$'000
			1-2 Years	2-5 Years		
			\$'000	\$'000		
<b>Financial assets:</b>						
Cash and cash equivalents	2.61%	827	-	-	-	827
Trade and Other Receivables	-	-	-	-	1,483	1,483
		827	-	-	1,483	2,310
<b>Financial liabilities:</b>						
Trade payables	-	-	-	-	2,409	2,409
Current Tax Liability	9.73%	44	-	-	-	44
Related party loans	5.62%	2,000	3,250	16,400	-	21,650
Employee benefits	-	-	-	-	57	57
Interest rate swaps	-	38	166	524	-	728
		2,082	3,416	16,924	2,466	24,888
Related Party Loans - Interest	-	42	439	3,210	-	3,691
		42	439	3,210	-	3,691

Parent 2009	Weighted Average Interest Rate %	Less than 1 Year \$'000	Fixed Maturity Dates		Non Interest Bearing \$'000	Total \$'000
			1-2 Years	2-5 Years		
			\$'000	\$'000		
<b>Financial assets:</b>						
Cash and cash equivalents	2.61%	824	-	-	-	824
Trade and Other Receivables	-	-	-	-	1,532	1,532
Current Tax Assets	5.58%	76	-	-	-	76
		900	-	-	1,532	2,432
<b>Financial liabilities:</b>						
Trade payables	-	-	-	-	2,871	2,871
Related party loans	6.96%	4,265	2,000	8,650	-	14,915
Employee benefits	-	-	-	-	40	40
Interest rate swaps	-	184	107	614	-	905
		4,449	2,107	9,264	2,911	18,731
Related Party Loans - Interest	-	227	178	1,434	-	1,839
		227	178	1,434	-	1,839

**25. Financial Instruments continued**

**(vii) Categories of Financial Instruments**

Group – 2010	Loans and Receivables	Financial Assets/ Liabilities at Fair Value Through Profit or Loss	Financial Liabilities at Amortise Cost	Total
	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Cash and Cash Equivalents	909	-	-	909
Trade and Other Receivables	1,492	-	-	1,492
<i>Total Financial Assets</i>	<b>2,401</b>	-	-	<b>2,401</b>
<b>Liabilities</b>				
Trade and Other Payables	-	-	2,409	2,409
Current Tax Liability	44	-	-	44
Other Financial Assets/Liabilities – Derivatives	-	728	-	728
Borrowings	-	-	21,650	21,650
<i>Total Financial Liabilities</i>	<b>44</b>	<b>728</b>	<b>24,059</b>	<b>24,831</b>

Group – 2009	Loans and Receivables	Financial Assets at Fair Value Through Profit or Loss	Financial Liabilities at Amortise Cost	Total
	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Cash and Cash Equivalents	853	-	-	853
Trade and Other Receivables	1,489	-	-	1,489
Current Tax Assets	74	-	-	74
<i>Total Financial Assets</i>	<b>2,416</b>	-	-	<b>2,416</b>
<b>Liabilities</b>				
Trade and Other Payables	-	-	2,773	2,773
Other Financial Assets/Liabilities – Derivatives	-	905	-	905
Borrowings	-	-	14,150	14,150
<i>Total Financial Liabilities</i>	-	<b>905</b>	<b>16,923</b>	<b>17,828</b>

Parent – 2010	Loans and Receivables	Financial Assets/ Liabilities at Fair Value Through Profit or Loss	Financial Liabilities at Amortise Cost	Total
	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Cash and Cash Equivalents	827	-	-	827
Trade and Other Receivables	1,483	-	-	1,483
<i>Total Financial Assets</i>	<b>2,310</b>	-	-	<b>2,310</b>
<b>Liabilities</b>				
Trade and Other Payables	-	-	2,409	2,409
Current Tax Liability	44	-	-	44
Other Financial Assets/Liabilities – Derivatives	-	728	-	728
Borrowings	-	-	21,650	21,650
<i>Total Financial Liabilities</i>	<b>44</b>	<b>728</b>	<b>24,059</b>	<b>24,831</b>

**25. Financial Instruments continued**

Parent – 2009	Loans and Receivables	Financial Assets at Fair Value Through Profit or Loss	Financial Liabilities at Amortise Cost	Total
	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Cash and Cash Equivalents	824	-	-	824
Trade and Other Receivables	1,532	-	-	1,532
Current Tax Assets	76	-	-	76
<i>Total Financial Assets</i>	<b>2,432</b>	-	-	<b>2,432</b>
<b>Liabilities</b>				
Trade and Other Payables	-	-	2,871	2,871
Other Financial Assets/Liabilities – Derivatives	-	905	-	905
Borrowings	-	-	14,915	14,915
<i>Total Financial Liabilities</i>	-	<b>905</b>	<b>17,786</b>	<b>18,691</b>

**(viii) Fair value of financial instruments**

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair value of interest rate swaps is derived using inputs supplied by third parties that are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices). Therefore the Company has categorised these liabilities as Level 2 under the fair value hierarchy contained within the amendment to NZ IFRS 7.

**(ix) Sensitivity Analysis**

The Parent and Group have undertaken an analysis to determine the impact on the current year profit if there is a significant change in the general level of interest rates. This analysis showed the following:

	2010 \$000	2009 \$000
<b>50 basis point increase</b>		
Group net profit would increase by approximately	208	151
Parent net profit would increase by approximately	208	151
<b>50 basis point decrease</b>		
Group net profit would decrease by approximately	(212)	(154)
Parent net profit would decrease by approximately	(212)	(154)

A 50 basis point increase is deemed reasonable by management. The sensitivity analysis has been prepared taking into consideration all interest bearing assets and liabilities.

## Company Directory

### Board of Directors:

Ed G Johnson (Chairman)

David AH Brown

Martin F Fletcher

Kerry D Hitchcock

Keith B Taylor

David R Wilkie

BA (Hons) Finance and Accounting, MBA (Hons), FInstD

FNZIM

CA

BCom, LLB, AREINZ, MInstD

BSc, BCA, FIA, AFInst D

BE (Civil) FIPENZ MICE

### Executive Officers:

Ian McNabb Dip VFM, MInstD, MPINZ

Dean Craighead BCom, CA

Jonathan Duffy BE Civil (Hons) MIPENZ CPEng

Carmen Gimpl BCom, CA

Tony Osborne Dip.Bus

Rose Prendeville B.Tech (I.E), Dip.PM (NZIM)

Chief Executive

Chief Financial Officer

Engineering and Infrastructure Manager

General Manager Operations

Property Manager

Projects Manager

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Auditor

Legal Advisor

Banker

Deloitte for the Office of the Auditor General

Radich Law

Bank of New Zealand

*Thank you to Geoff Pearson (Port Marlborough) for supply of imagery including the cover image.*



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