

PORT



Marlborough

ANNUAL REPORT 2011



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

- **INTEGRITY**
Always adhering to professional principles, honesty and reliability; and employing very high standards of customer service and communication
- **RECOGNITION**
Recognising employees and their skill levels as valued assets
- **RESPONSIBILITY**
Adopting a responsible and proactive approach towards safety, security and environmental management
- **ENGAGEMENT**
Constructively engaging with the communities in which we operate





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Port Profile

PORT MARLBOROUGH NEW ZEALAND OPERATES PORT AND MARINA FACILITIES IN THE NORTH EAST 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, FORESTRY EXPORT AND MARINE FARMING.

Port Marlborough has three primary spheres of operation. 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, Waimahara Wharf provides New Zealand's deepest export berth. With three marinas comprising in excess of 1,140 berths and more than 500 additional vessels in boat sheds and storage compounds, Port Marlborough is the second largest marina operator in New Zealand.

Geographically, operations span several different sites. 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.

Interislander
ferry
terminal

New Zealand's
deepest
export berth

Second
largest
marina
operator in
New Zealand

In excess of
1,140
marina berths

Facilities

Picton

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



Waikawa

- Waikawa Marina, including land-based storage and launching facilities
- Waikawa Marine Centre, a cluster of marine service industry businesses associated with the Marina



Havelock

- Berth, wharf and land-side facilities to service marine farming, tourism, forestry and barging operators in Pelorus Sound
- Havelock Marina, providing berths for recreational vessels, land-side storage and boat launching facilities
- An 8 ha reclamation accommodating a range of marine related and value-added industries, with capacity for expansion and growth

Marlborough Sounds

- Wharf and port landing 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).

The 2011 Year in Summary

Results in Brief and Operational Summary

Group Results

	2011	2010 RESTATED
Operating Surplus (Loss) before Non-Cash Revaluations, Tax and Subvention Payment	\$5,922m	\$5.532m
Valuation Adjustments Non-Cash		
- Property	\$0.229m	(\$11.368m)
- Financial Derivatives	(\$0.143m)	\$0.176m
Operating Surplus (Loss) before Tax and Subvention Payment	\$6.008m	(\$5.660m)
Provision for Tax and Subvention Payment	(\$2,018m)	(\$3.273m)
Operating Surplus / (Loss) After Tax	\$3,990m	(\$7.633m)
Return on Average Shareholder's Funds	4.9%	(-8.5%)
Net Asset Backing per Share	\$6.04	\$5.85
Interim Dividends	5.3c	61.5c*
Final Dividend – Recommended per Share	7.4c	5.4c
Dividend – Interim and Proposed Final	\$1,726m	\$9.090m

* Includes 55.2 cents special dividend (\$7.5m).

Contribution to Group Revenues

	2011 (\$000)	2010 (\$000)
Port Installations and Services	11,921	10,032
Investment Property (includes Marinas)	7,099	7,029
Marine Farm Facilities	659	662
Miscellaneous	61	80
Total Group Revenue*	19,740	17,803

* Excludes non-cash revaluations

Operational Summary

Snapshot Across our Business this Year

Vessel visits
(over 500GRT)

3,656

Vessels accommodated at marinas
(berths, boatsheds, compounds)

1,530

Bulk cargo

692,889
Tonnes

Passengers through port

(ferry & cruise ship passengers)

1,046,570
pax

Freight

(rail and commercial vehicles)

2,528,638
lane metres

Key Operational Performance Indicators

	2011	2010	2009
Number of Ship Visits			
Log Ships	35	17	19
Cruise Ships	11	10	19
Total Ships including Ferries	3,656	3,771	3,732
Non-Ferry Cargoes			
Logs (JAS 000s)	624,241	378,104	242,701
Salt	30,927	-	-
Cement (Tonnes)	4,608	5,680	3,110
Fish (Tonnes)	8,205	8,014	10,245
Other (Tonnes)	24,908	14,440	155,044
Total Cargo Tonnes	692,889	406,238	411,100
Marina Facilities - Berth occupancy (average %)			
Havelock Marina (376 berths)	76%	82.2%	87.7%
Waikawa Marina (600 berths)	93%	96.0%	97.7%
Picton Marina (172 berths)	96%	99.4%	93.2%
Total Average Occupancy	87%	92.5%	93.7%

Highlights

65% increase
in log volumes exported
through Shakespeare Bay

70.5% increase
in total bulk cargoes

100% increase
in cruise ship passengers

Completion of
commercial developments
at both Waikawa and
Havelock Marinas



Chairman's Report

IN RECENT YEARS PORT MARLBOROUGH HAS COMMITTED SIGNIFICANT FOCUS TO STRATEGIC PLANNING AND ALIGNING RESOURCES TO MEET THE CHALLENGES OF OUR TRADING ENVIRONMENT. THAT INVESTMENT HAS PROVEN PARTICULARLY VALUABLE IN THE CLIMATE OF ECONOMIC UNCERTAINTY THAT PREVAILED THROUGHOUT THE 2011 FINANCIAL YEAR. THE COMPANY DELIVERED AN IMPROVED FINANCIAL PERFORMANCE AND PROGRESSED SEVERAL STRATEGIC INITIATIVES THAT ARE AN IMPORTANT FOUNDATION FOR FUTURE GROWTH.

2010/11 Statement of Corporate Intent Performance Targets

The targets for financial and operational performance, as detailed in the 2010/11 Statement of Corporate Intent, are compared below with actual results achieved for the period 1 July 2010 to 30 June 2011.

	TARGET	RESULT
FINANCIAL PERFORMANCE		
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) - excludes non cash revaluations	\$8.28m	\$9.11m
Return on Shareholder's Funds (excluding non-cash revaluations)	4%	4.9%
<i>Target exceeded</i>		
Equity Ratio	64.4%	71.8%
<i>Target exceeded</i>		
<hr/>		
OPERATIONAL PERFORMANCE		
Ferry freight movement (% volume movement to prior year)	12%	6.9%
Log volumes	400,000 JAS	624,241 JAS
Cruise ship visits	11	11
Marina berth occupancy	93%	87%
Marina boatshed occupancy	95%	90%
<hr/>		
HEALTH AND SAFETY		
Lost time accidents frequency rate (per 100,000 work hours)	0.5 hours	3.6 hours
Number of injury accidents	12	10

Financial Performance

Adjusting for non-cash items and subvention payment, the Group achieved a pre-tax operating surplus of \$5.922 million, a 7% improvement on the comparable 2010 result (\$5.532 million).

Last year's result was significantly influenced by non-cash adjustments, including an \$11.368m write down of property values and a deferred tax liability arising from the removal of tax depreciation on buildings of \$2.35 million. For the year ending June 30 2011 the Group net surplus after-tax of \$3.990 million includes a small positive movement in property revaluations of \$0.229 million.

Total Group revenues rose 10.8% to \$19.740 million, largely on the strength of an exceptional year for log exports. The booming forestry sector underpinned a record year for bulk cargo volumes and 18.8% increase in the revenue contribution from Port Installations and Services.

Slightly softened revenues from marina operations were consistent with the weakened domestic economy and development of the investment property associated with the marinas remains a focus for future growth.

Overall, the underlying earnings reflect solid performance across all areas of the Company's operations and are testament to the strength of a diverse portfolio in a recessionary trading environment.

Property planning and targeted development of port assets are strategic priorities for the Company. These activities contributed to increased expenditure over the period and this will continue as we build a strong platform for growth. In this regard the development, completion and tenanting of commercial properties at Waikawa and Havelock are notable achievements. Strategic developments that will come on stream in the 2012 year include the expanded Waikawa Marina hardstand area and the installation of a second bollard on Waimahara Wharf to accommodate larger cruise ships.

Financial Position

Total Group Assets now exceed \$114.357 million and at year end the Group's equity ratio of 71.8% 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 funding impact of the special dividend in the 2010 financial year.

In the opinion of the Directors the financial position of the company remains stable and is appropriate for its mix of commercial activities.

Dividend

Directors are proposing a final dividend of \$1.005 million, taking the final distribution for the year to \$1.726 million.

Since establishment in 1988 to date the Company has paid the shareholder (a wholly-owned subsidiary of the Marlborough District Council) dividends totalling \$54.102 million.

Governance

There were no changes to the composition of the Board during the year.

I extend my sincere thanks to all Directors for their valued contribution, support and constructive challenge to ensure we continue to steer a proper course.

Management and Staff

The progress made this year towards the achievement of our strategic goals is a tribute to the continuing focus, energy and commitment of the entire Port Marlborough team. The Board wishes to acknowledge each and every individual's efforts and thank them for their contributions.

Outlook

Port Marlborough has a clear strategy in place and has made good progress on building a solid platform for future growth. While we anticipate that the economic recovery will remain volatile over the coming year as already being evidenced in export log trade, these foundations now laid will serve the Company well and ensure that it is well positioned to benefit from emerging growth opportunities.



E G (Ed) Johnson
Chairman

Chief Executive's Review

Performance Overview

RECORD LOG EXPORT VOLUMES WERE THE STANDOUT RESULT OF A BUSY YEAR IN WHICH SOLID PROGRESS WAS ACHIEVED TOWARDS KEY STRATEGIC OBJECTIVES.

The escalating demand for export logs underpinned a 10.8% increase in total group revenues and a 70.5% increase in total volumes of bulk cargoes through the port. The year-end total cargo volume of 692,888 Tonnes is a record achievement for Port Marlborough. Revenues were also bolstered by solid performance from investment property and several key development projects were completed during the period. New buildings at Waikawa and Havelock marinas reflect our strategic focus on partnering customers to support and facilitate their business growth.

Despite the patchy economic recovery and prevailing uncertainty in our business environment, we have moved forward with strong momentum and a steady focus on our strategic objectives.

Record
achievement
for Port
Marlborough



Port Operations

Port installations and services contributed \$11.92m to total Group revenues, up 18.8% on the previous year. The increase is substantially due to a 65% increase in log volumes through the port's facilities at Shakespeare Bay. Export logs volumes climbed to a new record of 587,909 JAS – more than 50% higher than the previous record established in 2007, and a 61% increase on the 2010 year.

Log export predictions for the coming year are mixed. However we are budgeting similar volumes for the 2012 year. The port is well-equipped to accommodate the anticipated volumes, with capacity for 70,000 JAS of log product available in the seven hectare wharfside storage yard. Progressive sealing of this area has continued during the year and with nearly 50% of the yard now sealed, operational storage efficiencies continue to improve.

Also contributing to the year's total bulk cargo throughput was a 30,927 Tonne export shipment of salt produced by Dominion Salt at Lake Grassmere.

Subdued tourism activity coupled with the temporary removal of Interislander's vessel *Aratere* from service in the final quarter of the financial year saw a slight decrease in overall passenger and private vehicle movements across Cook Strait, with volumes falling 3.5% and 1.9% respectively. In contrast, commercial vehicles volumes continued to increase with commercial lane metres throughput recording 17% growth on the previous year.

The inter-island ferry service operators are key port customers and we work closely with Interislander and Strait Shipping in support of their business efficiency and growth. Improvements were made to the entrance foyer of the Interislander passenger terminal to improve the experience of Interislander customers. Berth-side, facilities have been reviewed to provide for Interislander's vessel *Aratere*, which in September will return to service following a 30m extension.

In readiness for the December introduction of Strait Shipping's new vessel *Straitsman*, Port Marlborough developed additional passenger vehicle marshalling space and a picnic seating area at the Bluebridge passenger terminal. The *Straitsman*, which replaced *Monte Stello*, has capacity to carry 400 passengers and 1248 lane metres of vehicles and freight.

On a less positive note, the Transport Minister announced in early May that the government has asked transport officials to investigate the use of Clifford Bay as an alternative sea freight terminal to link the North and South Islands. Deloitte were appointed to undertake this high level investigation, and this work has now been completed. At the time of writing we await the outcome of the investigation, and some expression of the government's intentions.

Predictably, the Minister's announcement has created uncertainty over Port Marlborough's long-term role as provider of South Island inter-island terminal facilities. We are witnessing flow-on of this uncertainty to related customers with the effect that some downstream decisions have been deferred or negatively influenced.

In the absence of any outcome from the Ministry's investigations we continue to work with both ferry operators in dealing with their day to day operational requirements; however the Company is wary of committing to any related works of a capital nature until the Government and KiwiRail plans are disclosed.

The number of cruise ship visitors to Marlborough is expected to more than double in the summer of 2011-12, injecting some \$5.3 million into the region, according to a study commissioned by Cruise New Zealand.

Eleven cruise ships visited the port during the 2011 year. Although representing a modest increase in vessel visits from the previous season, the evident trend towards larger cruise ships led to a 50% increase in passengers numbers.

The 2011/12 cruise ship season looks equally encouraging, with 20 ships carrying some 29,500 passengers booked to call at the port. The Christchurch earthquake has impacted on some cruise ship visits previously scheduled for Lyttelton, and an alternative destination at Akaroa has capacity constraints. Port Marlborough is well prepared to provide an alternative port of call for affected vessels if the opportunity arises.

Cruise Ship Visits and Passenger Numbers

	2011/2012 (Scheduled)	2010/2011	2009/2010
Cruise Vessel visits	20	11	9
Passenger numbers	29,500	15,500	7,650

During the year, pilotage limits for Queen Charlotte Sound were extended a further three miles into Cook Strait. This has required upgrade of the port's Pilot boat to ensure safe passage to the significantly more exposed pilot boarding areas. A second-hand 15 metre aluminium vessel purchased from Port of Tauranga is undergoing refurbishment and will be re-launched as Endeavour in October 2011.

Marina Operations

Marina operations continue to perform satisfactorily despite some localised impact from tighter economic conditions. Demand remains strong, particularly for the more popular berth sizes.

At Picton Marina, planning for the second stage of refurbishment of the inner basin progressed to resource consent notification and construction is scheduled for the coming year. Works will include demolition of old waterside boatsheds and a central jetty (all of which were constructed in the mid-1960's and have reached the end of their useful lives), minor expansion of the marina basin, realignment of internal roading and installation of three new floating concrete jetties.

The focus at Waikawa Marina has been on consolidation and formalisation of 'Waikawa Marine Centre'. The marina is home to a group of marine maintenance businesses which collectively provide a comprehensive range of high quality, efficient and cost-effective services to boat owners. 'Waikawa Marine Centre' is being further developed as an integrated service provision area, supported by these individual businesses. A directory of Marine Centre businesses is provided on the Marlborough Sounds Marinas website, and a consolidated image for physical presentation of Waikawa Marine Centre and the businesses within it will be progressively rolled out during the coming year.

Central to the concept of Waikawa Marine Centre is intended to be the independent provision of hardstand and haulout services by Port Marlborough. A first step has been upgrading of travel-lift roading capacity, development of a new portion of maintenance hardstand and installation of best practice environmental management systems. We anticipate that Port Marlborough will be providing haulout and hardstand services directly by the end of 2012 calendar year.

To ensure reliable fuel availability at Waikawa Marina, Port Marlborough took over ownership of the Waikawa fuel facilities previously operated by Caltex. The major fuel companies are progressively moving away from supplying marinas and we considered it prudent to take more direct control and so protect fuel supply to our marina customers. We have contracted with Nelson Petroleum Distributors (NPD) a locally owned and operated distributor of fuel in the upper South Island, for supply and servicing of our Waikawa fuel requirements.

At Havelock Marina a site-specific strategy has been developed to address a number of interconnected opportunities and challenges. The first priority has been a full physical survey of the approach channel which has enabled us to assist the Harbourmaster in undertaking a detailed review of channel marking, and placement of harbour leads. Localised dredging undertaken during the year addressed problem spots in the inner channel, and the long-term dredging plan is being updated. Also being reviewed are maintenance and haulout services (and associated environmental management) at Havelock.

Property Development and Planning

The integration of property management and planning activities across the company has assisted both focus and momentum for development activities.

During the 2011 financial year, commercial properties have been completed at both Waikawa and Havelock Marinas. Both projects reflect the realisation of development opportunities in close collaboration with customers.

In December 2010 a new 650 square metre commercial building was completed at Waikawa Marina to provide additional space for

marine trades. Developed in conjunction with our upgrade of the boat maintenance and service precinct at the marina, the building accommodates Richard Clausen Boatbuilders, an existing Port Marlborough tenant who needed more workshop and yard space, and Beach Road Marine, a new commercial tenant who now occupies a large showroom, workshop, offices and meeting room.

In March 2011 commercial premises for The Hairy Mussel Company were completed at Havelock Marina. The architecturally designed building houses a mussel packhouse and offices, and a retail outlet selling mussels, salmon and smoked seafood.

The Hairy Mussel Company is a new tenant for Port Marlborough and is a welcome addition to the marina's facilities.

Long term planning for additional marina space at Waikawa has continued with the hearing of Port Marlborough's Private Plan Change 21 occurring towards the end of 2010. The Plan Change seeks to zone an additional area adjacent to the existing Waikawa Marina for future marina development (subject to resource consents being achieved) and to introduce more efficient management and layout of swing moorings within Waikawa Bay.

The Council Commissioners' decision issued in the first quarter of 2011 generally supported rationalisation of moorings but rejected the proposal for additional Marina Zone space. Port Marlborough has appealed the decision to the Environment Court and a hearing of this matter is expected towards the end of the next financial year.

At a regional planning level, Port Marlborough has appreciated opportunities to input to important community and resource management planning. Our ability to engage with Marlborough District Council, specific stakeholders and the wider community through Council's Urban Growth Plan and the on-going review of the Regional Policy Statement and Resource Management Plans is pivotal in ensuring continued productive operation of the port within the context of environmental and community needs.

Our People

Port Marlborough's staff are fundamental to our business and we value them highly. We are fortunate to enjoy the support of a competent and committed team whose expertise and shared vision is instrumental to our success. We continue to work on building an environment where staff are appreciated and valued, where their skills are developed and where leadership capability is nurtured.

During the year we recognised the outstanding contribution of Robin Boyce who retired after 35 years' service to the company as an integral member of our engineering team.

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)				
2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
48	49	47	45	43

Health and Safety

The health and safety of our people remains a primary focus across the organisation. Membership of the New Zealand Port Industries Health and Safety Forum provides industry support and relevant staff development opportunities to ensure that high quality, relevant systems protect 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)				
2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
9.25	7	4	8.5	7.5

Our Environment

Port Marlborough is strongly aware of our responsibility to minimise the Company's impact on the environment. Over and above ensuring that our operations comply with relevant regulatory requirements, we strive to achieve best practice standards in all operational areas.

Port Marlborough's commitment to maintaining Clean Marinas accreditation is one such example. Two of our marinas were the first in New Zealand to be awarded Level 3 Clean Marina status. This industry-led programme encourages marina operators to protect coastal and inland water quality by engaging in environmentally sound best management practices such as proper waste disposal and reduction of discharges. Level 3 certification involves comprehensive assessment and bi-annual audit of marina practises and we are proud to maintain our environmental leadership within the New Zealand marinas industry.

During the 2011 year, work commenced on installation of a state-of-the-art stormwater treatment plant at Waikawa Marine Centre to ensure best practice environmental management of effluent and stormwater run-off from vessel maintenance hardstand areas. The plant will be fully commissioned by spring 2011.

Port Marlborough remains vigilant in respect of our standards for the use of methyl bromide to fumigate bulk log exports to India. Until alternative technologies are available, we are 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.

In the interim, all personnel involved in the fumigation process continue to abide by the rigorous operational protocols of the Port's code of practice. These require achievement of discharge-to-air standards consistent with the recently established ERMA standards.

Our Community

Port Marlborough is an active participant in the local community, contributing funding and other significant resources to a wide range of organisations and events, and providing our people with opportunities to assist in community activities.

Our treasured partnership with the Kaipupu Point Sounds Wildlife Sanctuary remains a cornerstone of the company's sponsorship programme. This 40 hectare 'Mainland Island' environmental initiative

was conceived in 2005 by Port Marlborough in association with the Department of Conservation and volunteers from the local community. As a foundation sponsor we continue our active involvement, providing a wide range of in-kind support such as administration services, engineering and materials, in addition to the long-term allocation of 16 hectares of Company land at the sanctuary site.

During the period we continued our support for the local New Year's Eve fireworks celebrations in conjunction with co-sponsors Interislander and the Marlborough District Council. In addition, Port Marlborough supported numerous other local events, sports clubs, schools and the community organisations that integral to the well-being and safety of our community.

Port Marlborough's community support activities include:

- Kaipupu Point Sounds Wildlife Sanctuary
- Havelock Mussel Festival
- Picton Maritime Festival
- Picton Longboat Regatta
- Picton Summer Concert
- Ignite Marlborough
- Coastguard Marlborough
- 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

Looking Ahead

We remain optimistic and focused on building upon the solid performance delivered this year. We have a clear sense of direction, a very able team and an excellent foundation on which to advance.

I take this opportunity to thank all staff for your commitment to meet the challenges and opportunities ahead and look forward to continuing to progress our business goals over the coming year.



I M McNABB

Chief Executive

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. Ed resides in Marlborough.



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 and resides in Picton.



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. He has property in the Marlborough Sounds. Keith's current directorships include: the Reserve Bank, the Earthquake Commission (Deputy Chairman), Gough Holdings Ltd, Government Superannuation Fund (Chair) and Southern Cross Healthcare.

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 has served on various regional committees of the Institute of Chartered Accountants of New Zealand.

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.



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 before retiring to Picton 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.

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.

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 2011.

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 2011 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 2011.

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	
	2010	2011
\$120,000 – 129,000	1	-
\$130,000 – 139,000	-	1
\$140,000 – 149,000	-	1
\$150,000 – 159,000	2	-
\$160,000 – 169,000	-	1
\$170,000 – 179,000	1	1
\$200,000 – 209,000	1	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 2011 was: E G Johnson \$55,000. Messrs D A H Brown, M F Fletcher, K D Hitchcock, K B Taylor and D R Wilkie \$27,500 each.

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
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
BT Gough Trust, Trustee
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
NPT Capital Limited, Director
Ocean Boulevard Shopping Centre Limited, Director
The National Property Trust No 2 Limited, Director
342 Lambton Quay Limited, Director
Eastgate Shopping Centre Limited, Director
The National Property Trust Investments Limited, Director
99 Albert Street Limited, Director
Hornby Mall Limited, Director
The National Property Trust No 1 Limited, Director
36 Sel Peacock Drive Limited, Director
NPT Management Team Limited, Director

Keith Taylor

Earthquake Commission, Deputy Chairman
Butlands Management Services Limited, Director
Southern Cross Medical Care Society, Healthcare Trust and Hospitals Limited, Director/Trustee
Reserve Bank of New Zealand, Director
Gough Holdings Ltd, Director
Takeovers Panel, Panel Member
New Zealand Qualifications Authority, Board Member
Government Superannuation Fund, Chairman
Carey Baptist Theological College, Board Member
Fire Service Superannuation Scheme, Trustee

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 2011, 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 pages 12 and 13 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 2011.

Approval by Directors

The Directors are pleased to present the Financial Statements of Port Marlborough New Zealand Limited for the year ended 30 June 2011 on pages 18 to 44.

Authorisation for Issue

The Board of Directors authorised the issue of these Financial Statements on 16 September 2011.



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 2011

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, on her behalf, for the year ended 30 June 2011.

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 2011; 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 23 September 2011, 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 the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the Company and group as at 30 June 2011 and the results of operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Port Companies Act 1988 and the Financial Reporting Act 1993.

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

Independence

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

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



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 for the year ended *30 June 2011* included on the Port Marlborough New Zealand Limited's website. The Port Marlborough New Zealand Limited's Board of Directors is responsible for the maintenance and integrity of the Port Marlborough New Zealand Limited's website. We have not been engaged to report on the integrity of the Port Marlborough New Zealand Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 23 September 2011 to confirm the information included in the audited financial statements presented on this website.

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

Income Statement

For the Financial Year Ended 30 June, 2011

Notes	Group			Parent			
	2011 \$'000	2010 \$'000 RESTATED	2010 \$'000 ORIGINAL	2011 \$'000	2010 \$'000 RESTATED	2010 \$'000 ORIGINAL	
Revenue	2(a)	19,679	17,742	17,742	19,330	17,546	17,546
Other income	2(b)	61	61	61	58	73	73
Investment Property Revaluation	9	229	(10,072)	(10,072)	229	(10,072)	(10,072)
Operations and Maintenance		(6,150)	(4,836)	(4,836)	(5,867)	(4,620)	(4,620)
Employee benefits expense	4	(4,476)	(4,254)	(4,254)	(4,476)	(4,254)	(4,254)
Depreciation, impairment and amortisation expense	2(b)	(1,774)	(3,320)	(3,320)	(1,758)	(3,307)	(3,307)
Finance costs	2(b)	(1,561)	(981)	(981)	(1,561)	(981)	(981)
Subvention Payments		(418)	(379)	(379)	(418)	(412)	(412)
Profit/(Loss) before income tax (expense)/credit		5,590	(6,039)	(6,039)	5,537	(6,027)	(6,027)
Income tax (expense)/credit	3(a)	(1,600)	(1,594)	(3,320)	(1,584)	(1,598)	(3,324)
Profit/(Loss) for the year		3,990	(7,633)	(9,359)	3,953	(7,625)	(9,351)

Statement of Comprehensive Income

For the Financial Year Ended 30 June, 2011

Notes	Group			Parent			
	2011 \$'000	2010 \$'000 RESTATED	2010 \$'000 ORIGINAL	2011 \$'000	2010 \$'000 RESTATED	2010 \$'000 ORIGINAL	
Profit/(Loss) for the year		3,990	(7,633)	(9,359)	3,953	(7,625)	(9,351)
Other Comprehensive Income, net of tax							
Revaluation of Property, plant and equipment		-	(2,606)	(2,606)	-	(2,606)	(2,606)
Total Comprehensive Income for the Year, net of tax		3,990	(10,239)	(11,965)	3,953	(10,231)	(11,957)
Comprehensive Income attributable to Members of the parent entity		3,990	(10,239)	(11,965)	3,953	(10,231)	(11,957)

Statement of Changes in Equity

For the Financial Year Ended 30 June, 2011

Notes	Group			Parent			
	2011 \$'000	2010 \$'000 RESTATED	2010 \$'000 ORIGINAL	2011 \$'000	2010 \$'000 RESTATED	2010 \$'000 ORIGINAL	
Equity at beginning of the year		79,523	99,097	99,097	79,507	99,073	99,073
Total Comprehensive Income for the Year, net of tax		3,990	(10,239)	(11,965)	3,953	(10,231)	(11,957)
Dividends	18	(1,453)	(9,335)	(9,335)	(1,453)	(9,335)	(9,335)
Balance at end of the year		82,060	79,523	77,797	82,007	79,507	77,781

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

Statement of Financial Position

As at 30 June, 2011

	Notes	Group			Parent		
		2011 \$'000	2010 \$'000 RESTATED	2010 \$'000 ORIGINAL	2011 \$'000	2010 \$'000 RESTATED	2010 \$'000 ORIGINAL
Current assets							
Cash and cash equivalents	24(a)	2,084	909	909	1,952	827	827
Trade and other receivables	6	2,003	1,492	1,492	1,994	1,483	1,483
Inventories	7	264	307	307	264	307	307
Inter-Group Loan	23	-	-	-	195	-	-
Total current assets		4,351	2,708	2,708	4,405	2,617	2,617
Non-current assets							
Investment in subsidiaries	21	-	-	-	100	100	100
Property, plant and equipment	8	56,893	56,093	56,093	56,417	56,068	56,068
Investment property	9	53,089	50,664	50,664	53,089	50,664	50,664
Other intangible assets	10	24	10	10	24	10	10
Total non-current assets		110,006	106,767	106,767	109,630	106,842	106,842
Total assets		114,357	109,475	109,475	114,035	109,459	109,459
Current liabilities							
Trade and other payables	11	3,055	2,409	2,409	2,801	2,409	2,409
Current tax liabilities	3(c)	242	44	44	227	44	44
Provisions	12	57	57	57	57	57	57
Other financial liabilities - Derivatives	13	125	38	38	125	38	38
Total current liabilities		3,479	2,548	2,548	3,210	2,548	2,548
Non-current liabilities							
Borrowings from MDC Holdings Ltd	14	22,650	21,650	21,650	22,650	21,650	21,650
Deferred tax liabilities	3(d)	5,421	5,064	6,790	5,421	5,064	6,790
Other financial liabilities - Derivatives	13	747	690	690	747	690	690
Total non-current liabilities		28,818	27,404	29,130	28,818	27,404	29,130
Total liabilities		32,297	29,952	31,678	32,028	29,952	31,678
Net assets		82,060	79,523	77,797	82,007	79,507	77,781
Equity							
Capital and other equity instruments	15	13,588	13,588	13,588	13,588	13,588	13,588
Capital reserve	16(a)	2,693	2,693	2,693	2,693	2,693	2,693
Revaluation reserve	16(b)	25,997	25,997	25,997	25,997	25,997	25,997
Retained earnings	17	39,782	37,245	35,519	39,729	37,229	35,503
Parent entity interest		82,060	79,523	77,797	82,007	79,507	77,781
Total equity		82,060	79,523	77,797	82,007	79,507	77,781

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

Cash Flow Statement

For the Financial Year Ended 30 June, 2011

Notes	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash flows from operating activities				
Receipts from customers	19,536	17,394	19,237	17,186
Interest received	50	41	49	40
Dividends received	-	-	-	10
Payments to suppliers and employees	(10,253)	(8,834)	(9,988)	(8,616)
Interest and other costs of finance paid	(1,427)	(1,228)	(1,427)	(1,228)
Subvention payments	(1,347)	(468)	(1,375)	(603)
Income tax paid (Net of refunds)	(74)	(1,104)	(74)	(1,102)
Net cash provided by operating activities	24(e) 6,485	5,801	6,422	5,687
Cash flows from investing activities				
Payment for property, plant and equipment	(4,828)	(3,932)	(4,569)	(3,921)
Subsidiary windup	-	-	-	750
Proceeds from sale of property, plant and equipment	3	25	3	25
(Advances)/Repayments subsidiaries	-	-	(246)	(700)
Payment for intangible assets	(32)	(3)	(32)	(3)
Net cash used in investing activities	(4,857)	(3,910)	(4,844)	(3,849)
Cash flows from financing activities				
Proceeds from borrowings	1,000	7,500	1,000	7,500
Dividends paid	(1,453)	(9,335)	(1,453)	(9,335)
Net cash used in financing activities	(453)	(1,835)	(453)	(1,835)
Net increase in cash and cash equivalents	1,175	56	1,125	3
Cash and cash equivalents at the beginning of the financial year	909	853	827	824
Cash and cash equivalents at the end of the financial year	24(a) 2,084	909	1,952	827

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

Notes to the Financial Statements

For the Financial Year Ended 30 June, 2011

1. Summary of Accounting Policies

Comparatives

These financial statements include an extra column, being restatement of prior year comparatives. The reason for this is outlined on page 26 under the heading "Standards and Interpretations Effective in the Current period."

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 16 September, 2011.

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:

- Port Marlborough New Zealand Limited.
- 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, 2011, and the comparative information presented in these financial statements for the year ended 30 June, 2010.

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

The amendments to NZ IAS 12 Income Taxes was early adopted in the current year. The adoption of this amendment to NZ IAS 12 Income Taxes has resulted in a change in the measurement of deferred tax on buildings classified as Investment Property.

The adoption of this amendment requires the retrospective application under NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and the change is therefore presented in these financial statements as a restatement of prior year comparatives as required by NZ IAS 1 Presentation of Financial Statements. The application of this amendment has resulted in a reduction of the deferred tax liability and tax expense of \$1.726m in the prior year comparatives.

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

Standards and Interpretations in Issue not yet Adopted

At the date of authorisation 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:

	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Amendments to NZ IAS 24 Related Party Disclosures	1 January 2011	30 June 2012
NZ IFRIC-9 Financial Instruments	1 January 2013	30 June 2014
<i>*Revised NZ IFRS 9 Financial Instruments</i>	1 January 2013	30 June 2014
Amendments to NZ IFRIC 14 Prepayments of a Minimum Funding Requirement	1 January 2011	30 June 2012
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2010 <i>Improvements to other standards</i>	1 January 2011	30 June 2012
Amendments to NZ IAS 26 <i>Accounting and Reporting by Retirement Benefit Plans</i>	1 April 2011	30 June 2012
Amendments to NZ IFRS 7 Financial Instruments: <i>Disclosures</i>	1 July 2011	30 June 2012
Amendments to NZ IFRS 7 – Appendix E	1 April 2011	30 June 2012

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

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

Notes	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
2. Profit/(Loss) From Operations				
(a) Revenue				
Revenue from continuing operations consisted of the following items:				
Revenue from the rendering of services	12,527	10,672	12,179	10,477
Operating lease rental revenue:				
Investment properties	7,102	7,029	7,102	7,029
Interest revenue:				
Bank deposits / IRD use of money	50	41	49	40
	19,679	17,742	19,330	17,546
Attributable to:				
Continuing operations	19,679	17,742	19,330	17,546
(b) Profit/(Loss) before income tax				
Profit/(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)	-	(5)
Other	61	66	58	78
	61	61	58	73
Gains attributable to:				
Continuing operations	61	61	58	73
Profit/(Loss) before income tax has been arrived at after charging the following expenses attributable to continuing operations:				
Finance costs				
Interest on loans	1,418	1,157	1,418	1,157
Total interest expense	1,418	1,157	1,418	1,157
Other finance costs- losses/(gains) on Derivatives	143	(176)	143	(176)
	1,561	981	1,561	981
Direct operating expenses of investment properties:				
Properties generating rental income	2,599	2,265	2,599	2,265
Operating lease payments	2	22	2	22
Bad and doubtful debts	33	4	33	4

	Notes	Group		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
2. Profit/(Loss) From Operations continued					
Depreciation of non-current assets	8	1,756	1,977	1,740	1,964
Amortisation of non-current assets	10	18	47	18	47
Impairment of non-current assets	8	-	1,296	-	1,296
		1,774	3,320	1,758	3,307
Attributable to:					
Continuing operations		1,774	3,320	1,758	3,307
Donations / Sponsorship		139	42	139	42
Employer contribution to superannuation		176	164	176	164

	Notes	Group			Parent		
		2011 \$'000	2010 \$'000 RESTATED	2010 \$'000 ORIGINAL	2011 \$'000	2010 \$'000 RESTATED	2010 \$'000 ORIGINAL
3. Income Taxes							
(a) Income tax recognised in profit or loss							
Tax expense/(credit) comprises:							
Current tax expense/(credit)		1,243	1,244	1,244	1,227	1,248	1,248
Prior year adjustment to current tax		-	(26)	(26)	-	(26)	(26)
Deferred tax expense/(credit) relating to the origination and reversal of temporary differences		357	376	2,102	357	376	2,102
Total tax expense		1,600	1,594	3,320	1,584	1,598	3,324
Attributable to:							
Continuing operations		1,600	1,594	3,320	1,584	1,598	3,324
The prima facie income tax expense on pre-tax accounting Profit/(Loss) from operations reconciles to the income tax expense in the financial statements as follows:							
Profit/(Loss) from operations		5,590	(6,039)	(6,039)	5,537	(6,027)	(6,027)
Profit/(Loss) from operations		5,590	(6,039)	(6,039)	5,537	(6,027)	(6,027)
Income tax expense/(credit) calculated at 30%		1,677	(1,812)	(1,812)	1,661	(1,808)	(1,808)
Non-deductible expenses		200	2,944	2,944	200	2,944	2,944
Group loss offsets		(293)	(265)	(265)	(293)	(265)	(265)
Effect on deferred tax balances due to building depreciation removal		42	792	2,518	42	792	2,518
Change in income tax rate from 30% to 28%, effective 1 April 2011		(26)	(39)	(39)	(26)	(39)	(39)
Other		-	-	-	-	-	-
		1,600	1,620	3,346	1,584	1,624	3,350
Over provision of income tax in previous year		-	(26)	(26)	-	(26)	(26)
		1,600	1,594	3,320	1,584	1,598	3,324

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.

Notes	Group			Parent		
	2011 \$'000	2010 \$'000 RESTATED	2010 \$'000 ORIGINAL	2011 \$'000	2010 \$'000 RESTATED	2010 \$'000 ORIGINAL
3. Income Taxes cont.						
(b) Income tax recognised in other comprehensive income						
The following current and deferred amounts were charged directly in other comprehensive income:						
Deferred tax	-	(105)	(105)	-	(105)	(105)
Property revaluations	-	(105)	(105)	-	(105)	(105)
(c) Current tax assets and liabilities						
Current tax assets:						
Tax (payable) receivable	(242)	(44)	(44)	(227)	(44)	(44)
(d) Deferred tax balances						
Deferred tax liabilities comprise:						
Temporary differences	5,421	5,064	6,790	5,421	5,064	6,790

Taxable and deductible temporary differences arising from the following:

2011 Group and Parent				
	Opening balance \$'000	Charged to income \$'000	Charged to other comprehensive income \$'000	Closing balance \$'000
Gross deferred tax liabilities:				
Property, plant & equipment	4,472	(77)	-	4,395
Investment property	921	496	-	1,417
	5,393	419	-	5,812
Gross deferred tax assets:				
Hedging instruments	204	40	-	244
Provisions	125	22	-	147
	329	62	-	391
Attributable to:				
Continuing operations	5,064	357	-	5,421

2010 Group and Parent (Restated)				
	Opening balance \$'000	Charge to income \$'000	Charged to other comprehensive income \$'000	Closing balance \$'000
Gross deferred tax liabilities:				
Property, plant & equipment	4,016	561	(105)	4,472
Investment property	1,159	(238)	-	921
	5,175	323	(105)	5,393
Gross deferred tax assets:				
Hedging instruments	271	(67)	-	204
Provisions	111	14	-	125
	382	(53)	-	329
Attributable to:				
Continuing operations	4,793	376	(105)	5,064

3. Income Taxes cont.

Taxable and deductible temporary differences arising from the following:

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

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(e) Imputation credit account balances				
Balance at beginning of the period	7,479	10,923	7,471	10,911
Taxation paid	1,145	1,203	1,144	1,200
Attached to dividends received	-	-	-	5
Income tax refund	(1,070)	(102)	(1,070)	(102)
Attached to dividends paid	(623)	(4,543)	(623)	(4,543)
Other	-	(2)	-	-
Balance at end of the period	6,931	7,479	6,922	7,471

(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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Short-term employee benefits	835	807	835	807
Directors Fees	192	190	192	190
Post-employment benefits	-	-	-	-
	1,027	997	1,027	997

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
5. Remuneration of Auditors				
Auditor of the Parent entity				
Audit of the financial statements	49	52	41	39
Other assurance services	-	2	-	2
	49	54	41	41

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)	1,688	1,520	1,628	1,510
Allowance for doubtful debts	(62)	(32)	(62)	(32)
	1,626	1,488	1,566	1,478
Other – Related Party	377	4	428	5
	2,003	1,492	1,994	1,483

(i) The average credit period on sales of goods and services is 30 days (2010: 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 (2010: Nil).

7. Current Inventories

Goods held for maintenance				
At cost	264	307	264	307

No inventories have been pledged as security for liabilities (2010: 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
Gross carrying amount					
Balance at 30 June, 2009	25,606	37,933	4,450	1,306	69,295
Additions	-	-	227	1,145	1,372
Disposals	-	-	(46)	-	(46)
Net revaluation increments/(decrements)	(4,781)	(6,568)	(7)	-	(11,356)
Transfers from Capital Works in Progress	599	162	4	(765)	-
Balance at 30 June, 2010	21,424	31,527	4,628	1,686	59,265
Additions	-	43	145	2,877	3,065
Disposals	-	-	(47)	-	(47)
Transfers from Capital Works in Progress	124	140	183	(447)	-
Work in progress write-off	-	-	-	(137)	(137)
Transfers to Trade and other Receivables	-	-	-	(372)	(372)
Balance at 30 June, 2011	21,548	31,710	4,909	3,607	61,774

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
Accumulated depreciation/ amortisation and impairment					
Balance at 30 June, 2009	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
Balance at 30 June, 2010	-	100	3,072	-	3,172
Disposals	-	-	(47)	-	(47)
Depreciation expense	222	1,114	420	-	1,756
Balance at 30 June, 2011	222	1,214	3,445	-	4,881
Net book value					
As at 30 June, 2010	21,424	31,427	1,556	1,686	56,093
As at 30 June, 2011	21,326	30,496	1,464	3,607	56,893

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
Gross carrying amount					
Balance at 30 June, 2009	25,606	37,933	4,392	1,306	69,237
Additions	-	-	216	1,145	1,361
Disposals	-	-	(46)	-	(46)
Net revaluation increments/(decrements)	(4,781)	(6,568)	(7)	-	(11,356)
Transfers from Capital Works in Progress	599	162	4	(765)	-
Balance at 30 June, 2010	21,424	31,527	4,559	1,686	59,196
Additions	-	43	141	2,414	2,598
Disposals	-	-	(46)	-	(46)
Transfers from Capital Works in Progress	124	140	183	(447)	-
Work in progress write-off	-	-	-	(137)	(137)
Transfers to Trade and other Receivables	-	-	-	(372)	(372)
Balance at 30 June, 2011	21,548	31,710	4,837	3,144	61,239

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
Accumulated depreciation/ amortisation and impairment					
Balance at 30 June, 2009	3,829	2,108	2,602	-	8,539
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
Balance at 30 June, 2010	-	100	3,028	-	3,128
Disposals	-	-	(46)	-	(46)
Depreciation expense - Note 2	222	1,114	404	-	1,740
Balance at 30 June, 2011	222	1,214	3,386	-	4,822
Net book value					
As at 30 June, 2010	21,424	31,427	1,531	1,686	56,068
As at 30 June, 2011	21,326	30,496	1,451	3,144	56,417

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 was at 30 June 2010. The valuation was performed by CrightonStone, registered independent valuers not related to the consolidated entity, to determine the fair value of the land, buildings and wharf infrastructure.

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Wharves and Jetty Facilities	13,932	14,396	13,932	14,396
Freehold land and Improvements	12,317	12,488	12,317	12,488
Buildings	3,514	3,493	3,514	3,493

9. Investment Property

Balance at beginning of financial year	50,664	58,264	50,664	58,264
Additions from subsequent expenditure	322	86	322	86
Capital Work in Progress	1,874	2,396	1,874	2,396
Disposals	-	(10)	-	(10)
Net gain/(loss) from fair value adjustments	229	(10,072)	229	(10,072)
Balance at end of financial year	53,089	50,664	53,089	50,664

The fair value of the consolidated entity's investment property at 30 June, 2011 has been arrived at on the basis of a valuation carried out at that date by CrightonAnderson, 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.

10. Other Intangible Assets

	Group Software \$'000	Parent Software \$'000
Gross carrying amount		
Balance at 1 July, 2009	315	315
Additions	3	3
Balance at 30 June, 2010	318	318
Additions	32	32
Balance at 30 June, 2011	350	350
Accumulated amortisation & impairment		
Balance at 1 July, 2009	261	261
Amortisation (i)	47	47
Balance at 30 June, 2010	308	308
Amortisation (i)	18	18
Balance at 30 June, 2011	326	326
Net book value		
As at 30 June, 2010	10	10
As at 30 June, 2011	24	24

(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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade creditors	990	872	893	843
Property, Plant and Equipment	529	126	321	126
Rentals received in advance	456	466	456	466
Employee entitlements	483	450	483	450
Other	8	7	8	7
Related Parties - Subvention payments	418	379	418	407
- Interest	63	72	63	72
- Other	108	37	159	38
	3,055	2,409	2,801	2,409

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	57	40	57	40
Additional provision for the current period	-	17	-	17
Closing balance	57	57	57	57

13. Other Current Financial Assets & (Liabilities)

Current	(125)	(38)	(125)	(38)
Non-Current	(747)	(690)	(747)	(690)
At fair value				
Interest rate swaps	(872)	(728)	(872)	(728)

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

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
14. Non-Current Borrowings				
Secured				
At amortised cost:				
Loans from:				
Parent entity	22,650	21,650	22,650	21,650

Loan Maturities

Funds have been raised under a \$29.5 million (2010: \$29.5 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 \$1,418,027 ((2010 \$1,156,536). Interest rates ranged between 3.06% and 7.23% (2010 3.11% 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
15. Capital and Other Equity Instruments				
13,587,650 fully paid ordinary shares (2010: 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
16. Reserves				
Capital (a)	2,693	2,693	2,693	2,693
Asset revaluation (b)	25,997	25,997	25,997	25,997
	28,690	28,690	28,690	28,690
(a) Capital reserve				
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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(b) Asset revaluation reserve				
Balance at beginning of financial year	25,977	28,603	25,997	28,603
Revaluation increments/(decrements)	-	(2,711)	-	(2,711)
Deferred tax - Property revaluations	-	105	-	105
Balance at end of financial year	25,977	25,977	25,997	25,977

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".

17. Retained Earnings

	Group			Parent		
	2011 \$'000	2010 \$'000 RESTATED	2010 \$'000 ORIGINAL	2011 \$'000	2010 \$'000 RESTATED	2010 \$'000 ORIGINAL
Balance at beginning of financial year	37,245	54,213	54,213	37,229	54,189	54,189
Net profit/(Loss) attributable to members of the Parent entity	3,990	(7,633)	(9,359)	3,953	(7,625)	(9,351)
Dividends paid (note 18)	(1,453)	(9,335)	(9,335)	(1,453)	(9,335)	(9,335)
Balance at end of financial year	39,782	37,245	35,519	39,729	37,229	35,503

18. Dividends

	2011		2010	
	Cents per Share	Total \$'000	Cents per Share	Total \$'000
Recognised amounts				
Fully paid ordinary shares	10.70	1,453	68.70	9,335

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

19. Commitments for Expenditure

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(a) Capital expenditure commitments				
Property, Plant and Equipment	886	1,210	886	1,210
	886	1,210	886	1,210

(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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(b) Non-cancellable operating lease payments				
Not longer than 1 year	2	2	2	2
Longer than 1 year and not longer than 5 years	5	7	5	7
Longer than 5 years	-	-	-	-
	7	9	7	9

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(b) Non-cancellable operating lease receivables				
Not longer than 1 year	4,569	3,092	4,569	3,092
Longer than 1 year and not longer than 5 years	13,896	9,380	13,896	9,380
Longer than 5 years	6,678	8,856	6,678	8,856
	25,143	21,328	25,143	21,328

21. Subsidiaries

	Country of Incorporation	Ownership Interest	
		2011 %	2010 %
Parent entity			
Port Marlborough New Zealand Limited	New Zealand		
Subsidiaries			
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
(i) Port Marlborough New Zealand Limited is the head entity within the consolidated Group.			

Group	Parent			
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
22. Contingent Assets & Liabilities	-	-	-	-

2011 Group and Parent Contingent assets

There are no contingent assets (2010: Nil)

2011 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 \$1,375,708 (2010: \$603,202) and provided for subvention payments of \$418,665 at balance date (2010: \$406,580).

During the current and previous financial year, Port Marlborough New Zealand Limited provided accounting and administration services to its subsidiaries for no consideration. (2010: 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 \$1,418,027 (2010: \$1,156,536) 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 \$1,682,329 (2010: \$601,903). \$62,654 (2010: \$82,686) 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:

Notes	Group			Parent		
	2011 \$'000	2010 \$'000 RESTATED	2010 \$'000 ORIGINAL	2011 \$'000	2010 \$'000 RESTATED	2010 \$'000 ORIGINAL
Cash and cash equivalents	2,084	909	909	1,952	827	827
(b) Business acquired/disposed						
No businesses were acquired or disposed of during the financial year	-	-	-	-	-	-
(c) Financing facilities						
Secured bank loan facility with MDC Holdings Limited (Refer Note 14)						
• Amount used	22,650	21,650	21,650	22,650	21,650	21,650
• Amount unused	6,850	7,850	7,850	6,850	7,850	7,850
	29,500	29,500	29,500	29,500	29,500	29,500
(d) Cash balances not available for use						
Nil						
(e) Reconciliation of profit for the period to net cash flows from operating activities						
Profit/(loss) after tax for the period	3,990	(7,633)	(9,359)	3,953	(7,625)	(9,351)
(Gain)/loss on sale or disposal of non-current assets	-	5	5	-	5	5
(Gain)/loss on revaluation of investment property (Note 9)	(229)	10,072	10,072	(229)	10,072	10,072
Loss/(gain) on revaluation of fair value through profit or loss financial assets (Note 2b)	143	(176)	(176)	143	(176)	(176)
Depreciation, impairment and amortisation of non-current assets (Note 2b)	1,774	3,320	3,320	1,758	3,307	3,307
Bad Debt provision	30	-	-	30	-	-
Increase/(decrease) in deferred tax balances (Note 3(d))	357	376	2,102	357	376	2,102
Changes in net assets						
(Increase)/decrease in assets:						
Current receivables	(511)	(3)	(3)	(511)	49	49
Current inventories	43	(8)	(8)	43	(8)	(8)
Increase/(decrease) in liabilities:						
Current payables	646	(364)	(364)	392	(462)	(462)
Current tax	198	118	118	183	120	
Current provisions	-	17	17	-	17	
Deduct items reclassified as investing activities	44	77	77	303	12	
Net cash from operating activities	6,485	5,801	5,801	6,422	5,687	5,687

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 2011 and 30 June 2010.

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	
	2011 %	2010 %	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Less than 1 year	6.78%	6.81%	3,250	2,000	(125)	(38)
1 to 2 years	6.80%	6.78%	5,400	3,250	(300)	(166)
2 to 6 years	5.17%	5.48%	26,500	16,400	(447)	(524)
	5.36%	5.62%	35,150	21,650	(872)	(728)

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 45% (2010:34%) of Trade and Other Receivables is due from four 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash and cash equivalents	2,084	909	1,952	827
Trade and other receivables	2,003	1,492	1,994	1,483
Other financial assets/(liabilities) – Derivatives	(872)	(728)	(872)	(728)
Current tax assets/(liability)	(242)	(44)	(227)	(44)
Total credit risk	2,973	1,629	2,847	1,538

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
30 – 60 Days	145	117	135	117
60 – 90 Days	22	17	22	17
Over 90 Days	79	69	79	69
Total	246	203	236	203

Ageing of Impaired trade and other receivables

Over 90 Days	62	32	62	32
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The provision for impaired trade receivables has been increased to cover all funds owing by a customer in liquidation.

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 2011	Weighted Average Interest Rate %	Less than 1 Year \$'000	Fixed Maturity Dates		Non Interest Bearing \$'000	Total \$'000
			1-2 Years \$'000	2-6 Years \$'000		
Financial assets:						
Cash and cash equivalents	2.68%	2,084	-	-	-	2,084
Trade and Other Receivables	-	-	-	-	2,003	2,003
Financial liabilities:						
	-	2,084	-	-	2,003	4,087
Trade payables	-	-	-	-	3,055	3,055
Current Tax Liability	8.89%	242	-	-	-	242
Related party loans	5.44%	6,250	5,400	11,000	-	22,650
Employee benefits	-	-	-	-	57	57
Interest rate swaps	-	125	300	447	-	872
	-	6,617	5,700	11,447	3,122	26,876
Related Party Loans - Interest	-	220	483	4,400	-	5,103
	-	6,837	6,183	15,847	3,062	31,979

25. Financial Instruments continued

Group 2010	Weighted Average Interest Rate %	Less than 1 Year \$'000	Fixed Maturity Dates		Non Interest Bearing \$'000	Total \$'000
			1-2 Years	2-6 Years		
			\$'000	\$'000		
Financial assets:						
Cash and cash equivalents	2.61%	909	-	-	-	909
Trade and Other Receivables	-	-	-	-	1,492	1,492
Financial liabilities:						
	-	909	-	-	1,492	2,401
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
	-	2,124	3,835	20,134	2,466	28,579

Parent 2011	Weighted Average Interest Rate %	Less than 1 Year \$'000	Fixed Maturity Dates		Non Interest Bearing \$'000	Total \$'000
			1-2 Years	2-6 Years		
			\$'000	\$'000		
Financial assets:						
Cash and cash equivalents	2.68%	1,952	-	-	-	1,952
Trade and Other Receivables	-	-	-	-	1,994	1,994
	-	1,952	-	-	1,994	3,946
Financial liabilities:						
Trade payables	-	-	-	-	2,801	2,801
Current Tax Liability	8.89%	227	-	-	-	227
Related party loans	5.44%	6,250	5,400	11,000	-	22,650
Employee benefits	-	-	-	-	57	57
Interest rate swaps	-	125	300	447	-	872
	-	6,602	5,700	11,447	2,858	26,607
Related Party Loans - Interest	-	220	483	4,400	-	5,103
	-	6,822	6,183	15,847	2,858	31,710

Parent 2010	Weighted Average Interest Rate %	Less than 1 Year \$'000	Fixed Maturity Dates		Non Interest Bearing \$'000	Total \$'000
			1-2 Years	2-6 Years		
			\$'000	\$'000		
Financial assets:						
Cash and cash equivalents	2.61%	827	-	-	-	827
Trade and Other Receivables	-	-	-	-	1,483	1,483
	-	827	-	-	1,483	2,310
Financial liabilities:						
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
	-	2,124	3,855	20,134	2,466	28,579

25. Financial Instruments continued

(vii) Categories of Financial Instruments

Group – 2011	Loans and Receivables	Financial Assets/ Liabilities at Fair Value Through Profit or Loss	Financial Liabilities at Amortised Cost	Total
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and Cash Equivalents	2,084	-	-	2,084
Trade and Other Receivables	2,003	-	-	2,003
<i>Total Financial Assets</i>	4,087	-	-	4,087
Liabilities				
Trade and Other Payables	-	-	3,055	3,055
Current Tax Liability	242	-	-	242
Other Financial Assets/Liabilities – Derivatives	-	872	-	872
Borrowings	-	-	22,650	22,650
<i>Total Financial Liabilities</i>	242	872	25,705	26,819

Group – 2010	Loans and Receivables	Financial Assets at Fair Value Through Profit or Loss	Financial Liabilities at Amortised Cost	Total
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and Cash Equivalents	909	-	-	909
Trade and Other Receivables	1,492	-	-	1,492
<i>Total Financial Assets</i>	2,401	-	-	2,401
Liabilities				
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>	44	728	24,059	24,831

Parent – 2011	Loans and Receivables	Financial Assets/ Liabilities at Fair Value Through Profit or Loss	Financial Liabilities at Amortised Cost	Total
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and Cash Equivalents	1,952	-	-	1,952
Trade and Other Receivables	1,994	-	-	1,994
Inter-Group Loan	195	-	-	195
<i>Total Financial Assets</i>	4,141	-	-	4,141
Liabilities				
Trade and Other Payables	-	-	2,801	2,801
Current Tax Liability	227	-	-	227
Other Financial Assets/Liabilities – Derivatives	-	872	-	872
Borrowings	-	-	22,650	22,650
<i>Total Financial Liabilities</i>	227	872	25,451	26,550

25. Financial Instruments continued

Parent – 2010	Loans and Receivables	Financial Assets at Fair Value Through Profit or Loss	Financial Liabilities at Amortised Cost	Total
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and Cash Equivalents	827	-	-	827
Trade and Other Receivables	1,483	-	-	1,483
<i>Total Financial Assets</i>	2,310	-	-	2,310
Liabilities				
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>	44	728	24,059	24,831

(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:

	2011 \$000	2010 \$000
50 basis point increase		
Group net profit would decrease by approximately	381	208
Parent net profit would decrease by approximately	381	208
50 basis point decrease		
Group net profit would increase by approximately	(392)	(212)
Parent net profit would increase by approximately	(392)	(212)

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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Legal Advisor

Banker

Deloitte for the Office of the Auditor General

Radich Law

Bank of New Zealand



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