Independent Auditor's Report

TO THE READERS OF THE PORT OF TAURANGA LIMITED AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The Auditor-General is the auditor of Port of Tauranga Limited (the Company) and Group. The Auditor-General has appointed me, Glenn Keaney, using the staff and resources of KPMG, to carry out the audit of the financial statements of the Company and Group on her behalf.

We have audited the financial statements of the Company and Group on pages 42 to 97, that comprise the statement of financial position as at 30 June 2012, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

Financial statements

In our opinion the financial statements of the Company and Group on pages 42 to 97:

- 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 2012; and
  - financial performance and cash flows for the year ended on that date.

Other legal requirements

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

Our audit was completed on 29 August 2012. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Company and Group's financial statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control.

An audit also involves evaluating:

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

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

Responsibilities of the Board of Directors

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

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

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

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

Responsibilities of the Auditor

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

Independence

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

In addition to the audit we have carried out assignments in relation to an internal control review project, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Company or any of its subsidiaries.

Glenn Keaney
KPMG
On behalf of the Auditor-General
Tauranga, New Zealand

Financial Statements 2012

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

		GROUP		PARENT COMPANY	
	NOTE	2012 NZ$000	2011 NZ$000	2012 NZ$000	2011 NZ$000
Revenue	6	226,193	185,374	203,530	163,905
Other income	6	1,049	0	8,387	8,539
Operating income		227,242	185,374	211,917	172,444
Contracted services for port operations		(46,449)	(33,885)	(46,449)	(33,885)
Contracted services for transport operations		(5,824)	(5,760)	0	0
Employee benefit expenses	7	(28,388)	(25,294)	(21,006)	(18,928)
Direct fuel and power expenses		(8,631)	(6,432)	(7,405)	(5,436)
Maintenance of property, plant and equipment		(9,880)	(8,117)	(8,203)	(6,099)
Other expenses	8	(13,751)	(10,853)	(10,045)	(7,624)
Operating expenses		(112,923)	(90,341)	(93,108)	(71,972)
Results from operating activities		114,319	95,033	118,809	100,472
Depreciation and amortisation		(17,100)	(17,142)	(15,830)	(15,902)
Impairment of property, plant and equipment on revaluation		(1,305)	0	(1,305)	0
Impairment of property, plant and equipment		0	(155)	0	(155)
		(18,405)	(17,297)	(17,135)	(16,057)
Operating profit before finance costs and taxation		95,914	77,736	101,674	84,415
Finance income	9	2,856	3,605	2,844	3,597
Finance expenses	9	(13,769)	(14,208)	(13,701)	(14,087)
Net finance costs		(10,913)	(10,603)	(10,857)	(10,490)
Share of profit from associates	15	12,280	10,790	0	0
Profit before income tax		97,281	77,923	90,817	73,925
Income tax expense	10	(23,812)	(19,525)	(23,265)	(18,946)
Profit for the period		73,469	58,398	67,552	54,979
Attributable to:					
Owners of the Parent Company		73,554	58,425	67,552	54,979
Non controlling interest		(85)	(27)	0	0
Profit for the period		73,469	58,398	67,552	54,979
Basic and diluted earnings per share attributable to ordinary equity holders of the Parent Company (cents)	20	54.8	43.6		

These statements are to be read in conjunction with the notes on pages 49 to 97.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Profit after tax attributable to owners of the Parent Company	**73,469**	58,398	**67,552**	54,979
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges, net of tax	**(11,109)**	(3,557)	**(11,109)**	(3,557)
Change in fair value of cash flow hedges transferred to income statement, net of tax	**3,076**	2,540	**3,076**	2,540
Changes in cash flow hedges transferred to property, plant and equipment, net of tax	**252**	70	**252**	70
Net change in share of associates' cash flow hedge reserves (refer note 15)	**33**	104	**0**	0
Net change in share of associates' revaluation reserves (refer note 15)	**689**	14,236	**0**	0
Asset revaluation, net of tax	**11,483**	0	**11,483**	0
Total comprehensive income	**77,893**	71,791	**71,254**	54,032
Attributable to:				
Owners of the Parent Company	**77,978**	71,818	**71,254**	54,032
Non controlling interest	**(85)**	(27)	**0**	0
Total comprehensive income	**77,893**	71,791	**71,254**	54,032

These statements are to be read in conjunction with the notes on pages 49 to 97.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

GROUP	Share Capital 2012 NZ$000	Share Capital 2011 NZ$000	Share Based Payment Reserve 2012 NZ$000	Share Based Payment Reserve 2011 NZ$000	Hedging Reserve 2012 NZ$000	Hedging Reserve 2011 NZ$000	Revaluation Reserve 2012 NZ$000	Revaluation Reserve 2011 NZ$000	Retained Earnings 2012 NZ$000	Retained Earnings 2011 NZ$000	Non Controlling Interest 2012 NZ$000	Non Controlling Interest 2011 NZ$000	Total 2012 NZ$000	Total 2011 NZ$000
Balance at 1 July	**68,224**	68,217	**210**	0	**(8,723)**	(7,880)	**585,375**	571,166	**55,193**	36,965	**(27)**	0	**700,252**	668,468
Profit for the period	**0**	0	**0**	0	**0**	0	**0**	0	**73,554**	58,425	**(85)**	(27)	**73,469**	58,398
Other comprehensive income	**0**	0	**0**	0	**(7,748)**	(843)	**12,172**	14,236	**0**	0	**0**	0	**4,424**	13,393
Transfer to retained earnings on disposal	**0**	0	**0**	0	**0**	0	**0**	(27)	**0**	27	**0**	0	**0**	0
Total comprehensive income	**0**	0	**0**	0	**(7,748)**	(843)	**12,172**	14,209	**73,554**	58,452	**(85)**	(27)	**77,893**	71,791
Bonus share issue to employees	**0**	0	**(210)**	210	**0**	0	**0**	0	**0**	0	**0**	0	**(210)**	210
Increase in share capital	**197**	7	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	**197**	7
Dividends paid during the year (refer note 19(b))	**0**	0	**0**	0	**0**	0	**0**	0	**(44,258)**	(40,224)	**0**	0	**(44,258)**	(40,224)
Total transactions with owners in their capacity as owners	**197**	7	**(210)**	210	**0**	0	**0**	0	**(44,258)**	(40,224)	**0**	0	**(44,271)**	(40,007)
Total movements in equity	**197**	7	**(210)**	210	**(7,748)**	(843)	**12,172**	14,209	**29,296**	18,228	**(85)**	(27)	**33,622**	31,784
Balance at 30 June	**68,421**	68,224	**0**	210	**(16,471)**	(8,723)	**597,547**	585,375	**84,489**	55,193	**(112)**	(27)	**733,874**	700,252

PARENT COMPANY	Share Capital 2012 NZ$000	Share Capital 2011 NZ$000	Share Based Payment Reserve 2012 NZ$000	Share Based Payment Reserve 2011 NZ$000	Hedging Reserve 2012 NZ$000	Hedging Reserve 2011 NZ$000	Revaluation Reserve 2012 NZ$000	Revaluation Reserve 2011 NZ$000	Retained Earnings 2012 NZ$000	Retained Earnings 2011 NZ$000	Total 2012 NZ$000	Total 2011 NZ$000
Balance at 1 July	**68,651**	68,529	**210**	0	**(8,191)**	(7,244)	**571,139**	571,166	**44,038**	29,256	**675,847**	661,707
Profit for the period	**0**	0	**0**	0	**0**	0	**0**	0	**67,552**	54,979	**67,552**	54,979
Other comprehensive income	**0**	0	**0**	0	**(7,781)**	(947)	**11,483**	0	**0**	0	**3,702**	(947)
Transfer to retained earnings on disposal	**0**	0	**0**	0	**0**	0	**0**	(27)	**0**	27	**0**	0
Total comprehensive income	**0**	0	**0**	0	**(7,781)**	(947)	**11,483**	(27)	**67,552**	55,006	**71,254**	54,032
Bonus share issue to employees	**0**	0	**(210)**	210	**0**	0	**0**	0	**0**	0	**(210)**	210
Increase in share capital	**190**	122	**0**	0	**0**	0	**0**	0	**0**	0	**190**	122
Dividends paid during the year (refer note 19(b))	**0**	0	**0**	0	**0**	0	**0**	0	**(44,258)**	(40,224)	**(44,258)**	(40,224)
Total transactions with owners in their capacity as owners	**190**	122	**(210)**	210	**0**	0	**0**	0	**(44,258)**	(40,224)	**(44,278)**	(39,892)
Total movements in equity	**190**	122	**(210)**	210	**(7,781)**	(947)	**11,483**	(27)	**23,294**	14,782	**26,976**	14,140
Balance at 30 June	**68,841**	68,651	**0**	210	**(15,972)**	(8,191)	**582,622**	571,139	**67,332**	44,038	**702,823**	675,847

These statements are to be read in conjunction with the notes on pages 49 to 97.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2012 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

	NOTE	GROUP 2012 NZ$000	GROUP 2011 NZ$000	PARENT COMPANY 2012 NZ$000	PARENT COMPANY 2011 NZ$000
Assets					
Property, plant and equipment	11	**889,036**	852,378	**885,455**	850,420
Intangible assets	12	**16,897**	17,720	**2,212**	2,646
Advances and receivables	13	**21,943**	24,990	**21,943**	25,127
Investments in subsidiaries	14	**0**	0	**12,447**	12,447
Investments in associates	15	**61,993**	56,329	**32,936**	32,936
Total non current assets		**989,869**	951,417	**954,993**	923,576
Cash and cash equivalents		**9,244**	12,266	**8,853**	11,268
Receivables and prepayments	17	**34,256**	26,359	**34,571**	26,497
Inventories	18	**509**	426	**486**	401
Total current assets		**44,009**	39,051	**43,910**	38,166
Total assets		**1,033,878**	990,468	**998,903**	961,742
Equity					
Share capital	19(a)	**68,421**	68,224	**68,841**	68,651
Share based payment reserve	19(c)	**0**	210	**0**	210
Hedging reserve	19(d)	**(16,471)**	(8,723)	**(15,972)**	(8,191)
Revaluation reserve	19(e)	**597,547**	585,375	**582,622**	571,139
Retained earnings		**84,489**	55,193	**67,332**	44,038
Total equity attributable to owners of the Parent Company		**733,986**	700,279	**702,823**	675,847
Non controlling interest	19(f)	**(112)**	(27)	**0**	0
Total equity		**733,874**	700,252	**702,823**	675,847
Liabilities					
Loans and borrowings	21	**195,077**	197,847	**195,000**	197,500
Deferred consideration	22	**1,000**	1,000	**1,000**	1,000
Derivative financial instruments	16	**20,827**	11,384	**20,827**	11,384
Provisions	23	**2,487**	4,523	**2,152**	3,311
Deferred tax liabilities	24	**45,533**	46,692	**45,075**	46,784
Total non current liabilities		**264,924**	261,446	**264,054**	259,979
Loans and borrowings	21	**961**	529	**0**	0
Deferred consideration	22	**0**	2,000	**0**	2,000
Derivative financial instruments	16	**1,421**	77	**1,421**	77
Trade and other payables	25	**19,750**	14,819	**17,480**	12,779
Provisions	23	**3,992**	3,345	**3,839**	3,224
Income tax payable		**8,956**	8,000	**9,286**	7,836
Total current liabilities		**35,080**	28,770	**32,026**	25,916
Total liabilities		**300,004**	290,216	**296,080**	285,895
Total equity and liabilities		**1,033,878**	990,468	**998,903**	961,742

For and on behalf of the Board of Directors who authorised these financial statements for issue on 29 August 2012.

Chairman

Director

These statements are to be read in conjunction with the notes on pages 49 to 97.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers	**221,969**	183,639	**196,292**	162,446
Interest received	**1,229**	1,555	**1,217**	1,547
Dividends received	**0**	0	**7,338**	8,539
	223,198	185,194	**204,847**	172,532
Cash was applied to:				
Payments to suppliers and employees	**(111,259)**	(88,364)	**(87,426)**	(71,746)
Taxes paid	**(23,968)**	(19,943)	**(23,477)**	(19,543)
Interest paid	**(13,467)**	(15,135)	**(13,467)**	(15,120)
	(148,694)	(123,442)	**(124,370)**	(106,409)
Net cash inflow from operating activities	**74,504**	61,752	**80,477**	66,123
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of property, plant and equipment	**10**	210	**10**	210
Proceeds from insurance	**1,046**	0	**1,046**	0
Proceeds from disposal of associate	**0**	4	**0**	0
Finance lease payments received	**4,342**	4,342	**4,342**	4,342
Receipts from subsidiary companies	**0**	0	**547**	2,000
Dividends from associate companies	**7,338**	8,539	**0**	0
	12,736	13,095	**5,945**	6,552
Cash was applied to:				
Cash outflow for property, plant and equipment	**(38,699)**	(21,914)	**(36,672)**	(21,246)
Cash outflow for intangibles	**(89)**	(146)	**(77)**	(136)
Interest capitalised on property, plant and equipment	**(305)**	(165)	**(305)**	(165)
Payments under finance leases	**(714)**	(588)	**0**	0
Advances to subsidiaries	**0**	0	**(800)**	(148)
Advances to associate	**0**	0	**(225)**	0
Payment of deferred and contingent consideration	**(4,000)**	0	**(4,000)**	0
	(43,807)	(22,813)	**(42,079)**	(21,695)
Net cash used in investing activities	**(31,071)**	(9,718)	**(36,134)**	(15,143)

These statements are to be read in conjunction with the notes on pages 49 to 97.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Cash flows from financing activities				
Cash was provided from:				
Increase in borrowings	**296**	214	**0**	0
Proceeds from issue of new shares	**7**	7	**0**	122
	303	221	**0**	122
Cash was applied to:				
Dividends paid	**(44,258)**	(40,224)	**(44,258)**	(40,224)
Repayment of borrowings	**(2,500)**	(1,178)	**(2,500)**	(1,000)
	(46,758)	(41,402)	**(46,758)**	(41,224)
Net cash used in financing activities	**(46,455)**	(41,181)	**(46,758)**	(41,102)
Net (decrease)/increase in cash held	**(3,022)**	10,853	**(2,415)**	9,878
Add opening cash brought forward	**12,266**	1,413	**11,268**	1,390
Ending cash carried forward	**9,244**	12,266	**8,853**	11,268
Cash balances in statement of financial position				
Cash and cash equivalents	**9,244**	12,266	**8,853**	11,268
Ending cash carried forward	**9,244**	12,266	**8,853**	11,268

These statements are to be read in conjunction with the notes on pages 49 to 97.

RECONCILIATION OF SURPLUS AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

FOR THE YEAR ENDED 30 JUNE 2012 : PORT OF TAURANGA LIMITED AND SUBSIDIARIES

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Reported surplus after taxation	**73,469**	58,398	**67,552**	54,979
Items classified as investing/financing activities:				
Finance lease interest revenue	**(1,627)**	(1,970)	**(1,627)**	(1,970)
Finance lease interest expense	**68**	106	**0**	0
Loss on disposal of associate	**0**	4	**0**	0
Insurance proceeds	**(1,046)**	0	**(1,046)**	0
Loss on sale of property, plant and equipment	**336**	151	**336**	151
	(2,269)	(1,709)	**(2,337)**	(1,819)
Add/(less) non cash items and non operating items:				
Depreciation	**16,164**	16,029	**15,295**	15,237
Amortisation expense	**936**	1,113	**535**	665
Decrease in deferred taxation expense	**(1,111)**	(2,335)	**(1,661)**	(2,418)
Ineffective portion of change in fair value of cash flow hedge	**15**	(80)	**15**	(80)
Additional provisions net of reversals	**448**	827	**1,293**	(107)
Share of surpluses retained by associates	**(12,280)**	(10,790)	**0**	0
Impairment of property, plant and equipment	**0**	155	**0**	155
Impairment of property, plant and equipment on revaluation	**1,305**	0	**1,305**	0
Interest on contingent consideration	**163**	245	**163**	245
(Decrease)/increase in impairment of trade receivables	**(2)**	10	**(10)**	10
Bonus share issue	**0**	210	**0**	210
	5,638	5,384	**16,935**	13,917
Add/(less) movements in working capital:				
Change in receivables and prepayments	**(7,563)**	(2,310)	**(7,117)**	(2,430)
Change in inventories	**(83)**	(167)	**(85)**	(188)
Change in income tax payable	**956**	1,909	**1,450**	1,814
Change in trade and other payables	**4,356**	247	**4,079**	(150)
	(2,334)	(321)	**(1,673)**	(954)
Net cash flows from operating activities	**74,504**	61,752	**80,477**	66,123

These statements are to be read in conjunction with the notes on pages 49 to 97.

1 REPORTING ENTITY

Port of Tauranga Limited (the "Parent Company") is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). The Parent Company is an issuer in terms of the Financial Reporting Act 1993.

The financial statements for the Port of Tauranga Limited comprise the Port of Tauranga Limited and its subsidiaries and the Group's interest in associates (referred to as the "Group").

2 BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRSs), and other applicable financial reporting standards as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS), the Companies Act 1993, the Port Companies Act 1988 and the Financial Reporting Act 1993.

The financial statements were approved by the Board of Directors on 29 August 2012.

(b) Basis of Measurement

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, land, buildings, harbour improvements, and wharves and hardstanding.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and Presentation Currency

These financial statements are presented in New Zealand Dollars ($), which is the Group's functional currency. All financial information presented in New Zealand Dollars has been rounded to the nearest thousand.

(d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amount recognised in the financial statements, are detailed below:

- valuation of land, buildings, harbour improvements, and wharves and hardstanding (refer notes 4(a) and 11);
- valuation of financial instruments (refer notes 4(c) and 4(d));
- contingent consideration (refer note 23(b));
- intangible assets (refer note 12);
- lease classification and accounting for arrangements containing a lease (refer notes 13 and 21); and
- provisions (refer note 23).

3 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable, are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non Controlling Interest

The share of the net assets of controlled entities attributable to non controlling interests is disclosed separately on the statement of financial position. In the income statement, the profit or loss of the Group is allocated between profit or loss attributable to non controlling interest and profit or loss attributable to owners of the Parent entity.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and not tested for impairment separately.

(iii) Transactions Eliminated on Consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Business Combinations

The Group applies the acquisition method for all business combinations. The consideration transferred in an acquisition includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and the fair value of contingent consideration. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at acquisition date, irrespective of the extent of non controlling interest. The Group measures goodwill as the fair value of consideration transferred, less the fair value of the net identifiable assets and liabilities assumed at acquisition date. If the cost of the acquisition is less than the fair value of the net identifiable assets transferred, the difference is recognised directly in the income statement. Transaction costs that the Group incurs in connection with a business combination, such as legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

(c) Foreign Currency

Transactions in foreign currencies are translated into the functional currency of Group entities at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial Instruments

(i) Non Derivative Financial Instruments

Non derivative financial instruments comprise investments in equity and debt securities, receivables, cash and cash equivalents, borrowings, deferred consideration and payables.

Non derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining substantially all risks and rewards of the asset. Ordinary purchases and sales of financial assets are accounted for at trade date, the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations as specified in the contract expire or are discharged or cancelled.

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

Accounting for finance income and expense is discussed in note 3(n).

Held-to-Maturity Investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses. Held to maturity investments include capital notes held by the Group.

Loans and Receivables and Other Liabilities

Subsequent to initial recognition, other non derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables and other liabilities comprise: advances and receivables; cash and cash equivalents; trade and other receivables; loans and borrowings; deferred consideration and trade and other payables.

Investments in Equity Securities

Investments in equity securities of subsidiaries and associates are measured at cost in the separate financial statements of the Parent Company.

(ii) Derivative Financial Instruments and Hedging Activities

The Group uses derivative financial instruments to hedge its exposure to foreign exchange, commodity and interest rate risks arising from operational, financing and investment activities. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments qualifying for hedge accounting are classified as non current if the maturity of the instrument is greater than 12 months from reporting date and current if the instrument matures within 12 months from reporting date. Derivatives accounted for as trading instruments are classified as current.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship (see below).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Flow Hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in the cash flow hedge reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the hedging reserve remains there until the highly probable forecast transaction, upon which the hedging was based, occurs. When the hedged item is a non financial asset, the amount recognised in the hedging reserve is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in the hedging reserve is transferred to the income statement in the same period that the hedged item affects the income statement.

Fair Value Hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(e) Property, Plant and Equipment

(i) Recognition and Measurement

The Group has five classes of property, plant and equipment:

- freehold land
- freehold buildings
- harbour improvements
- wharves and hardstanding
- plant and equipment

Land, buildings, harbour improvements, and wharves and hardstanding are measured at fair value, based on periodic valuations by external independent valuers. Revaluations are performed with sufficient regularity to ensure that the carrying value of an asset does not differ materially from its fair value.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revalued assets are credited to the revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the income statement. Decreases that reverse previous increases of the same asset, are first charged against the revaluation reserve attributable to the asset, all other decreases are charged to the income statement.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being disposed or derecognised is transferred to retained earnings.

Capital and maintenance dredging are held as harbour improvements within property, plant and equipment. Capital dredging has an indefinite useful life and is not depreciated. Maintenance dredging is depreciated over three years.

Plant and equipment are stated at historical cost less depreciation and impairment losses.

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. Cost also includes transfers from the hedging reserve of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of assets constructed by the Group includes the cost of all materials used in construction, associated borrowing costs, direct labour on the project and an appropriate proportion of variable and fixed overheads. The Group capitalises borrowing costs where they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is deemed as having expenditure exceeding $500,000 and takes a substantial period, greater than six months, to complete and prepare the asset for its intended use. Costs cease to be capitalised as soon as the asset is ready for productive use.

Land and buildings held by Port of Tauranga Limited to provide a port facility to facilitate trade and commerce will be accounted for as property, plant and equipment, notwithstanding that certain land and buildings are leased to port customers and operators.

Land and buildings that are not integral or associated with port operations and are leased with the principal objective of earning rentals and/or for capital appreciation are accounted for as investment properties.

(ii) Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured.

All repairs and maintenance costs attributable to property, plant and equipment, are charged to the income statement during the financial period in which they are incurred.

(iii) Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment, other than freehold land and capital dredging (included within harbour improvements), at rates calculated to allocate the assets' cost or valuation less estimated residual value, over their estimated useful lives.

Major useful lives are:

Freehold Buildings				
Freehold buildings	33	to	100	years
Harbour Improvements				
Maintenance dredging			3	years
Wharves and Hardstanding				
Wharves	10	to	60	years
Wharf rocks	150	to	200	years
Wharf piles	60	to	130	years
Basecourse			50	years
Asphalt			15	years
Plant and Equipment				
Gantry cranes	10	to	40	years
Floating plant	10	to	25	years
Other plant and equipment	5	to	25	years
Electronic equipment	3	to	5	years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(f) Dividend Income

Dividend income is recognised on the date that the Group's right to receive payment is established.

(g) Intangible Assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill is measured at cost less accumulated impairment losses.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Other Intangible Assets

Other intangible assets acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

(iv) Amortisation

Amortisation is recognised in the income statement on a straight line basis over the useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Rail services agreement	10	to	15	years
Computer software	1	to	10	years

(h) Leased Assets

(i) Where the Group is the Lessee

Leases, in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

(ii) Where the Group is the Lessor

When assets are leased under a finance lease, where the lessee effectively receives substantially all the risks and benefits of ownership of the leased items, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Assets leased under operating leases are included in property, plant and equipment, in the statement of financial position, as appropriate.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is determined on a first-in first-out basis, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(j) Impairment of Assets

The carrying amounts of the Group's property, plant and equipment, intangibles and investments in associates and receivables, are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

With respect to goodwill, it is tested for impairment at least annually.

Property, Plant and Equipment, Intangibles and Investments in Associates

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment of individual assets for which it is not possible to estimate the recoverable amount, these assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the cash generating unit on a pro-rata basis.

Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement, unless the asset is carried at a revalued amount in which case it is treated as a revaluation decrease and recognised in equity. An impairment loss in respect of goodwill is not reversed.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advances and Receivables

The recoverable amount of advances and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Advances and receivables with a short duration are not discounted.

(k) Employee Benefits

(i) Long Term Employee Benefits

The Group grants employees certain one-off annual leave entitlements upon reaching certain long service targets. The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to reporting date, using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on New Zealand Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(ii) Short Term Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(m) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of GST, rebates and discounts. Revenue is recognised as follows:

(i) Port Services

Port services revenue is recognised when the related service is performed. If at reporting date, the service is in progress, then the portion performed is recognised in the current year.

(ii) Rental Income

Rental income from property leased under operating lease is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives provided are recognised as an integral part of the total lease income, over the term of the lease.

(iii) Transport Operations

Transport operations revenue is recognised when the service is performed. If at reporting date, the service is in progress, then the portion performed is recognised in the current year.

(iv) Freight Handling

Freight handling revenue is recognised when the service is performed. If at reporting date, the service is in progress, then the portion performed is recognised in the current year.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Finance Income and Expense

Finance income comprises interest income on funds invested, finance lease interest, foreign currency gains, and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method. Finance lease interest is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Finance expenses comprise interest expense on borrowings, finance lease interest expense, unwinding of the discount of provisions, foreign currency losses, impairment losses recognised on financial assets (except for trade receivables), and losses on hedging instruments that are recognised in the income statement. Except as described in note 3(e)(i), all borrowing costs are recognised in the income statement using the effective interest method.

(o) Lease Payments

Payments made under finance leases are allocated between the liability and finance charges, using the effective interest method, so as to achieve a constant periodic rate of interest on the finance balance outstanding. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

(p) Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or equity.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit; and differences relating to investments in subsidiaries and jointly controlled entities, to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

(r) Operating Segments

The Group determines and presents operating segments based on the information that is internally provided to the Chief Executive, who is the Group's Chief Operating Decision Maker (CODM), as defined by NZ IFRS 8 Operating Segments.

The Group operates in three main reportable segments, being:

- Port Operations – consists of providing and managing port services, and cargo handling facilities through the Port of Tauranga. The Port's terminal and bulk operations have been aggregated together within the Port Operations segment, due to the similarities in economic characteristics, customers, nature of products and processes, and risks.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Property Services – consists of managing and maintaining the Port's property assets.
- Transport Services – consists of the road transport and freight handling activities, of Tapper Transport Limited, Tapper SIP Limited and MetroPack Limited.

The three main business segments are managed separately as they provide different services to customers and have their own operational and marketing requirements.

The remaining activities of the Group are included in Other and primarily relate to Port head office functions.

The Group operates in one geographical area, that being New Zealand.

(s) Group Financial Guarantees

Where the Parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Parent Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Parent Company treats the guarantee contract as a contingent liability, until such time as it becomes probable that the Parent Company will be required to make a payment under guarantee.

(t) New Standards Adopted and Pronouncements Not Yet Adopted

The following new standards are mandatory for the first time for the financial year beginning 1 July 2011:

- *NZ IAS 24 Related Parties Revised*

  Further clarifies the definition of a related party which may result in other related parties being identified. The Group has reviewed the proposed clarification and this has not resulted in further related parties being identified for the Group. The adoption of this standard has not had a material impact on the financial statements.

- *NZ IAS 1 (Revised) Presentation of Financial Statements*

  The required presentation of the statements of changes in equity has been revised to reconcile movements in classes of equity on the face of this statement. This has not affected the measurement of any of the items recognised in the statements of financial position or statements of comprehensive income in the current year.

- *FRS 44 Harmonisation Amendments*

  This standard prescribes the New Zealand specific disclosures which are required in addition to those required under NZ IFRS. This standard amends various NZ IFRS's for the purpose of harmonising with the source IFRS's and Australian Accounting Standards. The significant amendment was the revision of imputation credit account disclosures to report imputation credits available for use in subsequent reporting periods.

  No other amendments or revisions to NZ IFRS have had a material impact on these financial statements.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Land, Buildings, Harbour Improvements, and Wharves and Hardstanding

All land, buildings, harbour improvements, and wharves and hardstanding, were revalued at fair value, being market value, for non specialised assets and depreciated replacement cost for specialised assets. The latest valuation was carried out by independent valuers at 30 June 2012, who have appropriate recognised professional qualifications and recent experience in the location and category of assets being valued (refer note 11).

(b) Trade Receivables and Payables

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

(c) Derivatives

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in active markets (for example over-the-counter derivatives) are determined by using market accepted valuation techniques incorporating observable market data about conditions existing at each reporting date.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using quoted forward exchange rates at the reporting date. The fair value of fuel swaps is calculated as the present value of estimated future cash flows, based on forward commodity prices and forward exchange rates at the reporting date.

(d) Non Derivative Financial Assets and Liabilities (Including Capital Notes, Deferred Consideration, Finance Lease Assets and Finance Lease Liabilities)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, and discounted at the market rate of interest at reporting date.

5 SEGMENTAL REPORTING

Due to the significant shared cost base of the Port, operating costs, measures of profitability, assets and liabilities, are aggregated and are not reported to the CODM at a segment level, but rather at a port level, as all business decisions are made at a "whole port level".

The Group segment results are as follows:

2012	Port Operations NZ$000	Property Services NZ$000	Other NZ$000	Unallocated *(1)* NZ$000	Transport Services NZ$000	Group NZ$000
Total segment revenue (external)	184,709	18,800	0	0	22,684	226,193
Share of profit from associates	0	0	0	12,280	0	12,280
Interest income	0	0	2,844	0	12	2,856
Other income	0	0	1,049	0	0	1,049
Interest expense	0	0	0	(13,552)	(68)	(13,620)
Depreciation and amortisation expense	0	0	0	(15,830)	(1,270)	(17,100)
Other unallocated expenditure	0	0	0	(94,540)	(19,837)	(114,377)
Income tax expense	0	0	0	(23,265)	(547)	(23,812)
Total segment result	**184,709**	**18,800**	**3,893**	**(134,907)**	**974**	**73,469**

1 *Operating costs are not allocated to individual business segments within the Parent Company.*

2011	Port Operations NZ$000	Property Services NZ$000	Other NZ$000	Unallocated *(1)* NZ$000	Transport Services NZ$000	Group NZ$000
Total segment revenue (external)	146,111	17,778	0	0	21,485	185,374
Share of profit from associates	0	0	0	10,790	0	10,790
Interest income	0	0	3,517	0	8	3,525
Other finance income	0	0	80	0	0	80
Other income	0	0	0	0	0	0
Interest expense	0	0	0	(14,087)	(121)	(14,208)
Depreciation and amortisation expense	0	0	0	(15,902)	(1,240)	(17,142)
Other unallocated expenditure	0	0	0	(72,127)	(18,369)	(90,496)
Income tax expense	0	0	0	(18,946)	(579)	(19,525)
Total segment result	**146,111**	**17,778**	**3,597**	**(110,272)**	**1,184**	**58,398**

1 *Operating costs are not allocated to individual business segments within the Parent Company.*

Revenue derived from major customers, and the relevant operating segments is disclosed in note 31(c).

6 OPERATING INCOME

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Revenue				
Port services income	**184,709**	146,111	**184,730**	146,127
Rental income	**18,800**	17,778	**18,800**	17,778
Transport services income	**22,684**	21,485	**0**	0
Total revenue	**226,193**	185,374	**203,530**	163,905
Other income				
Dividend income from associates (refer note 15)	**0**	0	**7,338**	8,539
Bad debts recovered	**3**	0	**3**	0
Insurance proceeds	**1,046**	0	**1,046**	0
Total other income	**1,049**	0	**8,387**	8,539
Operating income	**227,242**	185,374	**211,917**	172,444

7 EMPLOYEE BENEFIT EXPENSES

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Wages and salaries	**27,028**	23,590	**19,824**	17,456
Bonus share issue	**0**	210	**0**	210
ACC levy	**436**	659	**337**	479
Kiwisaver contribution	**769**	725	**707**	680
Medical subsidy	**155**	110	**138**	103
Total	**28,388**	25,294	**21,006**	18,928

8 OTHER EXPENSES

The following items of expenditure are included in other expenses:

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Operating lease payments	**3,520**	2,751	**1,056**	1,040
Directors' fees	**448**	387	**448**	387
(Decrease)/increase in provision for impairment of trade receivables	**(2)**	10	**(10)**	10
Bad debts written off	**7**	10	**7**	10
Auditors fees:				
Audit fees paid to principal auditor	**173**	158	**144**	133
Fees paid for other services provided by the principal auditor:				
Internal control review project	**21**	18	**21**	18
Taxation and accounting advice	**2**	3	**2**	3
Loss on disposal of associate company	**0**	4	**0**	0
Loss on sale of property, plant and equipment	**336**	151	**336**	151

8 OTHER EXPENSES (CONTINUED)

Other services provided by the principal auditor during the reporting period consist of advisory services in relation to the accounting treatment of changes in use of property, plant and equipment, and a review of internal IT Disaster Recovery procedures. During the year ended 30 June 2011, other services provided by the principal auditor related to a review of internal controls over accounts payable function and advisory services in relation to changes in treatment for depreciation on buildings.

9 FINANCIAL INCOME AND EXPENSE

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Interest income on capital notes	**1,115**	1,425	**1,115**	1,425
Interest on finance lease	**1,627**	1,970	**1,627**	1,970
Interest income on bank deposits	**114**	130	**102**	122
Ineffective portion of changes in fair value of cash flow hedges	**0**	80	**0**	80
Finance income	**2,856**	3,605	**2,844**	3,597
Interest expense on borrowings	**(13,517)**	(13,813)	**(13,517)**	(13,798)
Less:				
Interest capitalised to property, plant and equipment	**305**	165	**305**	165
	(13,212)	(13,648)	**(13,212)**	(13,633)
Interest on finance leases	**(68)**	(106)	**0**	0
Interest on deferred consideration	**(177)**	(209)	**(177)**	(209)
Interest on contingent consideration	**(163)**	(245)	**(163)**	(245)
Currency option expense	**(134)**	0	**(134)**	0
Ineffective portion of changes in fair value of cash flow hedges	**(15)**	0	**(15)**	0
Finance expense	**(13,769)**	(14,208)	**(13,701)**	(14,087)
Net finance costs	**(10,913)**	(10,603)	**(10,857)**	(10,490)

The average weighted interest rate for interest capitalised to property, plant and equipment was 5.67% for the current period (2011: 5.82%).

10 INCOME TAX

Components of Tax Expense

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Profit before income tax for the period	**97,281**	77,923	**90,817**	73,925
Income tax on the surplus for the period at 28.0 cents (2011: 30.0 cents)	**27,239**	23,377	**25,429**	22,178
Tax effect of amounts which are non deductible/(taxable) in calculating taxable income:				
Prior period adjustment	**38**	36	**38**	34
Share of associates after tax income	**(3,438)**	(3,237)	**0**	0
Benefit of imputation credits received	**0**	0	**(2,263)**	(2,561)
Tax effect of change to depreciation rate of buildings from 1 April 2011	**0**	(873)	**0**	(873)
Tax rate change adjustment from 1 April 2011	**0**	(26)	**0**	(26)
Other	**(27)**	248	**61**	194
Income tax expense	**23,812**	19,525	**23,265**	18,946

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
The income tax expense is represented by:				
Current tax expense				
Tax payable in respect of the current period	**24,981**	21,725	**24,984**	21,231
Adjustment for prior period	**(58)**	135	**(58)**	133
Total current tax expense	**24,923**	21,860	**24,926**	21,364
Deferred tax expense				
Adjustment for prior period	**96**	(99)	**96**	(99)
Origination/reversal of temporary differences	**(1,207)**	(1,337)	**(1,757)**	(1,420)
Tax effect of change to depreciation rate of buildings from 1 April 2011	**0**	(873)	**0**	(873)
Tax rate change adjustment from 1 April 2011	**0**	(26)	**0**	(26)
Total deferred tax expense (refer note 24)	**(1,111)**	(2,335)	**(1,661)**	(2,418)
Income tax expense	**23,812**	19,525	**23,265**	18,946

10 INCOME TAX (CONTINUED)

On 20 May 2010, the New Zealand Government announced its 2010 budget. This legislation was substantively enacted on 21 May 2010 and received Royal Assent on 27 May 2010, reducing the company tax rate from 30% to 28% from the start of the 2011/2012 reporting period. The effect of this tax rate change in the previous period was a reduction in tax expense and a corresponding movement in deferred tax of $26,000.

In addition, the ability to claim tax depreciation deductions on buildings with an estimated useful life of 50 years or more was removed from the start of the 2011/2012 income tax year.

The effect of this depreciation change resulted in a decrease in tax expense and a corresponding movement in deferred tax of $873,000 in the Parent Company and the Group in the previous period.

Income tax recognised in other comprehensive income:

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Revaluation of property, plant and equipment	**2,978**	0	**2,978**	0
Cash flow hedges	**(3,026)**	(364)	**(3,026)**	(364)
Tax effect of changes to tax rate from 1 April 2011	**0**	97	**0**	97
Total (refer note 24)	**(48)**	(267)	**(48)**	(267)

Imputation Credit Account

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Imputation credits available for use in subsequent reporting periods	**44,875**	35,777	**44,311**	35,211

11 PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold Land NZ$000	Freehold Buildings NZ$000	Wharves and Hardstanding NZ$000	Harbour Improvements NZ$000	Plant and Equipment NZ$000	Work in Progress NZ$000	**Total NZ$000**
Gross carrying amount:							
Balance at 1 July 2010	441,009	68,958	162,609	108,048	107,848	3,779	**892,251**
Additions	0	120	0	0	921	23,135	**24,176**
Disposals	0	(74)	0	0	(890)	0	**(964)**
Transfers from work in progress	4,945	9,055	2,224	8	3,431	(19,663)	**0**
Transferred to intangible assets	0	0	0	0	0	(77)	**(77)**
Balance at 30 June 2011	**445,954**	**78,059**	**164,833**	**108,056**	**111,310**	**7,174**	**915,386**
Balance at 1 July 2011	445,954	78,059	164,833	108,056	111,310	7,174	**915,386**
Additions	0	5	0	0	2,778	37,254	**40,037**
Disposals	0	(5)	0	0	(1,406)	0	**(1,411)**
Transfers from work in progress	0	449	9,076	2,396	11,620	(23,541)	**0**
Transferred to intangible assets	0	0	0	0	0	(24)	**(24)**
Transfers between classes	0	(65)	0	0	65	0	**0**
Revaluation	(3,456)	(11,501)	1,595	5,507	0	0	**(7,855)**
Balance at 30 June 2012	**442,498**	**66,942**	**175,504**	**115,959**	**124,367**	**20,863**	**946,133**
Accumulated depreciation and impairment:							
Balance at 1 July 2010	0	0	0	0	(47,426)	0	**(47,426)**
Depreciation expense	0	(2,712)	(6,741)	(1,035)	(5,541)	0	**(16,029)**
Disposals	0	1	0	0	601	0	**602**
Impairment	0	0	0	0	(155)	0	**(155)**
Balance at 30 June 2011	**0**	**(2,711)**	**(6,741)**	**(1,035)**	**(52,521)**	**0**	**(63,008)**
Balance at 1 July 2011	0	(2,711)	(6,741)	(1,035)	(52,521)	0	**(63,008)**
Depreciation expense	0	(2,456)	(6,910)	(1,157)	(5,641)	0	**(16,164)**
Disposals	0	0	0	0	1,065	0	**1,065**
Revaluation	0	5,167	13,651	2,192	0	0	**21,010**
Balance at 30 June 2012	**0**	**0**	**0**	**0**	**(57,097)**	**0**	**(57,097)**
Carrying amounts:							
Net book value as at 30 June 2011	**445,954**	**75,348**	**158,092**	**107,021**	**58,789**	**7,174**	**852,378**
Net book value as at 30 June 2012	**442,498**	**66,942**	**175,504**	**115,959**	**67,270**	**20,863**	**889,036**

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

PARENT COMPANY	Freehold Land NZ$000	Freehold Buildings NZ$000	Wharves and Hardstanding NZ$000	Harbour Improvements NZ$000	Plant and Equipment NZ$000	Work in Progress NZ$000	**Total NZ$000**
Gross carrying amount:							
Balance at 1 July 2010	441,009	68,958	162,609	108,048	105,722	3,779	**890,125**
Additions	0	120	0	0	252	22,965	**23,337**
Disposals	0	(74)	0	0	(890)	0	**(964)**
Transfers from work in progress	4,945	9,055	2,224	8	3,431	(19,663)	**0**
Transfer to intangible assets	0	0	0	0	0	(77)	**(77)**
Balance at 30 June 2011	**445,954**	**78,059**	**164,833**	**108,056**	**108,515**	**7,004**	**912,421**
Balance at 1 July 2011	445,954	78,059	164,833	108,056	108,515	7,004	**912,421**
Additions	0	5	0	0	286	37,254	**37,545**
Disposals	0	(5)	0	0	(1,189)	0	**(1,194)**
Transfers from work in progress	0	449	9,076	2,396	11,450	(23,371)	**0**
Transfer to intangible assets	0	0	0	0	0	(24)	**(24)**
Transfers between classes	0	(65)	0	0	65	0	**0**
Revaluation	(3,456)	(11,501)	1,595	5,507	0	0	**(7,855)**
Balance at 30 June 2012	**442,498**	**66,942**	**175,504**	**115,959**	**119,127**	**20,863**	**940,893**
Accumulated depreciation and impairment:							
Balance at 1 July 2010	0	0	0	0	(47,211)	0	**(47,211)**
Depreciation expense	0	(2,712)	(6,741)	(1,035)	(4,749)	0	**(15,237)**
Disposals	0	1	0	0	601	0	**602**
Impairment	0	0	0	0	(155)	0	**(155)**
Balance at 30 June 2011	**0**	**(2,711)**	**(6,741)**	**(1,035)**	**(51,514)**	**0**	**(62,001)**
Balance at 1 July 2011	0	(2,711)	(6,741)	(1,035)	(51,514)	0	**(62,001)**
Depreciation expense	0	(2,456)	(6,910)	(1,157)	(4,772)	0	**(15,295)**
Disposals	0	0	0	0	848	0	**848**
Revaluation	0	5,167	13,651	2,192	0	0	**21,010**
Balance at 30 June 2012	**0**	**0**	**0**	**0**	**(55,438)**	**0**	**(55,438)**
Carrying amounts:							
Net book value as at 30 June 2011	**445,954**	**75,348**	**158,092**	**107,021**	**57,001**	**7,004**	**850,420**
Net book value as at 30 June 2012	**442,498**	**66,942**	**175,504**	**115,959**	**63,689**	**20,863**	**885,455**

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuation Information

All land, buildings, harbour improvements, and wharves and hardstanding have been revalued to fair value, being market value, for non specialised assets and depreciated replacement cost (DRC) for specialised assets. The valuation was carried out as at 30 June 2012 and increased the value of property, plant and equipment, by $13.155 million for both the Group and the Parent Company in the current reporting period.

Wharves, hardstanding and harbour improvements assets owned by Port of Tauranga Limited are classified as specialised assets and have accordingly been valued on a depreciated replacement cost basis. The significant assumptions applied in the valuation of these assets are:

- Replacement unit cost: replacement unit costs were calculated taking into account:
    - Port of Tauranga Limited's historic cost data including any recent competitively tendered construction works.
    - Published cost information.
    - The Opus construction cost database.
    - Long run price trends.
    - Historic costs adjusted for changes in price levels.
    - An allowance of between 16 – 18% has been included for costs directly attributable to bringing assets into working condition.
    - An allowance of between 1% and 2% has been included for Port of Tauranga Limited's management costs.
    - An allowance of between 0.3 – 1.5% has been included for the financing cost of capital held over construction period.
- Depreciation: the calculated remaining lives of assets were reviewed, taking into account:
    - Observed and reported condition, performance and utilisation of the asset.
    - Future use of the asset (Port of Tauranga Limited's development strategy).
    - Planned replacement programme (forward maintenance plans).
    - Expected changes in technology.
    - Consideration of current use, age and operational demand.
    - Residual values.

The significant assumptions applied in the valuation of land and buildings are:

- Highest and best use of land: this has been determined by reference to zoning by the Tauranga City Council District Plan. Most of the land owned by Port of Tauranga Limited is zoned port business with a small portion of land at Mount Maunganui and Sulphur Point having industrial business zoning.
- Current market expectations: this is based on yield and recent local sales.
- Market value of buildings: this is made on a depreciated replacement cost basis with that assessment compared against actual or likely market rental capitalised at an appropriate rate of return between 5% and 10%.
- Current occupancy rates of premises.
- The impact of major building relocation and demolition planned by Port of Tauranga Limited to facilitate better utilisation of the wharf areas, including the prospect of increased berthage at Sulphur Point.
- No restriction of title: valuation is made on the assumption that having no legal title to the Tauranga harbour foreshore does not impact on the value of Port of Tauranga assets.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For each revalued class of property, plant and equipment, the notional carrying amount that would have been recognised, had the assets been carried under the cost model, would be:

	GROUP		PARENT COMPANY	
	2012 Notional Carrying Amount NZ$000	2011 Notional Carrying Amount NZ$000	**2012 Notional Carrying Amount NZ$000**	2011 Notional Carrying Amount NZ$000
Freehold land	**69,322**	69,322	**69,322**	69,322
Freehold buildings	**46,193**	47,701	**46,193**	47,701
Wharves and hardstanding	**55,521**	51,990	**55,521**	51,990
Harbour improvements	**24,692**	23,377	**24,692**	23,377
Total	**195,728**	192,390	**195,728**	192,390

Restriction on Title

An area of 8,000 square metres of land located between the Sulphur Point wharves and the Parliamentary approved reclamation does not have formal title. Actions are being taken to resolve the issue and obtain title. The resolution lies with the Government.

Occupation of Foreshore

Port of Tauranga holds consent to occupy areas of the Coastal Marine Area to enable the Parent Company to manage and operate port related commercial undertakings that it acquired under the Port Companies Act 1988. The consented area includes a 10 metre radius around navigation aids and a strip from 30 to 60 metres wide along the extent of the wharf areas at both Sulphur Point and Mount Maunganui.

Operating Leases

Included in the financial statements are land, buildings, and plant and equipment, leased to customers under operating leases.

GROUP	**2012 Cost/ Valuation NZ$000**	**2012 Accumulated Depreciation NZ$000**	2011 Cost/ Valuation NZ$000	2011 Accumulated Depreciation NZ$000
Land	**193,876**	**0**	188,740	0
Buildings	**49,500**	**0**	56,314	(1,953)
Plant and equipment	**622**	**(462)**	742	(522)
Total	**243,998**	**(462)**	245,796	(2,475)

PARENT COMPANY	**2012 Cost/ Valuation NZ$000**	**2012 Accumulated Depreciation NZ$000**	2011 Cost/ Valuation NZ$000	2011 Accumulated Depreciation NZ$000
Land	**193,876**	**0**	188,740	0
Buildings	**49,500**	**0**	56,314	(1,953)
Total	**243,376**	**0**	245,054	(1,953)

12 INTANGIBLE ASSETS

GROUP	Goodwill NZ$000	Computer Software NZ$000	Rail Services Agreement NZ$000	**Total NZ$000**
Cost:				
Balance at 1 July 2010	11,554	7,879	10,000	**29,433**
Additions	0	147	0	**147**
Transferred from fixed assets work in progress	0	77	0	**77**
Balance at 30 June 2011	**11,554**	**8,103**	**10,000**	**29,657**
Balance at 1 July 2011	11,554	8,103	10,000	**29,657**
Additions	0	89	0	**89**
Disposals	0	(664)	0	**(664)**
Transferred from fixed assets work in progress	0	24	0	**24**
Balance at 30 June 2012	**11,554**	**7,552**	**10,000**	**29,106**
Accumulated amortisation and impairment:				
Balance at 1 July 2010	0	(3,497)	(7,327)	**(10,824)**
Amortisation expense	0	(774)	(339)	**(1,113)**
Balance at 30 June 2011	**0**	**(4,271)**	**(7,666)**	**(11,937)**
Balance at 1 July 2011	0	(4,271)	(7,666)	**(11,937)**
Amortisation expense	0	(597)	(339)	**(936)**
Disposals	0	664	0	**664**
Balance at 30 June 2012	**0**	**(4,204)**	**(8,005)**	**(12,209)**
Carrying amounts:				
Net book value 30 June 2011	**11,554**	**3,832**	**2,334**	**17,720**
Net book value 30 June 2012	**11,554**	**3,348**	**1,995**	**16,897**

12 INTANGIBLE ASSETS (CONTINUED)

PARENT COMPANY	Computer Software NZ$000	Rail Services Agreement NZ$000	**Total NZ$000**
Cost:			
Balance at 1 July 2010	3,813	10,000	**13,813**
Additions	137	0	**137**
Transferred from fixed assets work in progress	77	0	**77**
Balance at 30 June 2011	**4,027**	**10,000**	**14,027**
Balance at 1 July 2011	4,027	10,000	**14,027**
Additions	77	0	**77**
Transferred from fixed assets work in progress	24	0	**24**
Balance at 30 June 2012	**4,128**	**10,000**	**14,128**
Accumulated amortisation and impairment:			
Balance at 1 July 2010	(3,389)	(7,327)	**(10,716)**
Amortisation expense	(326)	(339)	**(665)**
Balance at 30 June 2011	**(3,715)**	**(7,666)**	**(11,381)**
Balance at 1 July 2011	(3,715)	(7,666)	**(11,381)**
Amortisation expense	(196)	(339)	**(535)**
Balance at 30 June 2012	**(3,911)**	**(8,005)**	**(11,916)**
Carrying amounts:			
Net book value 30 June 2011	**312**	**2,334**	**2,646**
Net book value 30 June 2012	**217**	**1,995**	**2,212**

Computer Software

Computer software assets are stated at cost, less accumulated amortisation and impairment.

Rail Services Agreement

Port of Tauranga Limited has paid $10,000,000 to KiwiRail for expanded services and obligations over a 10 year period, relating to a seven-day-a-week rail link to MetroPort Auckland. The term of this agreement expires in 2018.

Goodwill

Goodwill relates to goodwill arising on the acquisition of subsidiaries and the transport services cash generating unit.

Goodwill was tested for impairment as at 30 June 2012, based upon the value in use of cash generating units to which the goodwill relates. Value in use was determined by discounting five year future cash flows, generated from the continuing use of the units. The calculation of value in use was based upon the following key assumptions:

- Cash flows were projected using management forecasts and are consistent with past experience.
- The anticipated annual profit growth included in the cash flow projections for the years 2013 to 2017 have been based upon expected growth levels and forecasted business activities. In the first year, a 20% increase in profit was projected based on expected volumes over the next twelve months which reflect current trading conditions. In year two, a 5% growth rate was applied, which is the assumed growth rate out to year five.
- Terminal cash flows were estimated using a constant growth rate of 2% after year five.
- A pre-tax discount rate of 12% was applied in determining the recoverable amount of the units. The discount rate was estimated based on past experience and the weighted average cost of capital of the Parent Company.

The values assigned to the key assumptions represent management's assessment of future trends in the transport industry and are based on both external sources and internal sources (historical data).

13 ADVANCES AND RECEIVABLES

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Advances to subsidiary (refer note 27)	**0**	0	**0**	137
Capital notes (refer note 13(a))	**16,599**	16,599	**16,599**	16,599
Finance lease – gross receivable (refer note 13(b))	**6,374**	10,654	**6,374**	10,654
Finance lease – unearned finance income (refer note 13(b))	**(1,030)**	(2,263)	**(1,030)**	(2,263)
Total	**21,943**	24,990	**21,943**	25,127

(a) Capital Notes

C3 Limited, an associate, have issued 16,599,000 $1.00 capital notes to both the Parent Company and Asciano Limited. The notes are unsecured and carry no voting rights. Interest is receivable at the rate of 6.718% (2011: 6.718%). The notes can be converted into ordinary shares of C3 Limited on 14 December 2013 (unless earlier redemption is agreed by both parties or rolled for another three years). All or part of the notes can be converted, however, they must be equal amounts converted for each party unless a lesser amount is agreed to by the lesser party.

(b) Finance Lease Receivable

In August 2003 Port of Tauranga Limited entered into an agreement with Genesis Power for the importation of coal for the Huntly power station. As part of this agreement, a coal conveyor system was constructed by the Port and Genesis Power agreed to lease this conveyor system for a 15 year period. Genesis Power were also granted an option to extend the lease for an additional 15 year period, for a nominal rental of $1. As Genesis Power effectively receives substantially all the risks and benefits of ownership of the conveyor system, the lease is treated as a finance lease by Port of Tauranga Limited. The effective interest rate on the finance lease receivable is 14.32% (2011: 14.32%).

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Gross receivables from finance lease				
Current portion				
Not later than one year (refer note 17)	**4,280**	4,342	**4,280**	4,342
Non current portion				
Later than one year and not later than five years	**6,374**	10,654	**6,374**	10,654
Total gross receivables from finance lease	**10,654**	14,996	**10,654**	14,996
Unearned finance income				
Current portion				
Not later than one year (refer note 17)	**(1,233)**	(1,627)	**(1,233)**	(1,627)
Non current portion				
Later than one year and not later than five years	**(1,030)**	(2,263)	**(1,030)**	(2,263)
Total unearned finance income	**(2,263)**	(3,890)	**(2,263)**	(3,890)

13 ADVANCES AND RECEIVABLES (CONTINUED)

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Present value of minimum lease receipts				
Not later than one year	**3,047**	2,715	**3,047**	2,715
Later than one year and not later than five years	**5,344**	8,391	**5,344**	8,391
Total present value of minimum lease receipts	**8,391**	11,106	**8,391**	11,106

14 INVESTMENTS IN SUBSIDIARIES

Investments in Subsidiaries Comprises:

	GROUP		PARENT COMPANY		
Name of Entity	**2012 %**	2011 %	**2012 %**	2011 %	Balance Date
Port of Tauranga Trustee Company Limited	**100.00**	100.00	**100.00**	100.00	30 June
Tapper Transport Limited	**100.00**	100.00	**100.00**	100.00	30 June
Tapper SIP Limited	**100.00**	100.00	**100.00**	100.00	30 June
MetroPack Limited	**83.50**	83.50	**34.00**	34.00	30 June

The principal activity of Port of Tauranga Trustee Company Limited is to hold shares in trust for employees. The company has no trading activities and the issued and paid up capital is $2. The company is incorporated in New Zealand.

The principal activity of Tapper Transport Limited is to operate an Auckland-based road transport and logistics company. The company was acquired on 1 April 2010 and is incorporated in New Zealand.

The principal activity of Tapper SIP Limited is to operate an Auckland-based inland freight centre. The company was acquired on 1 April 2010 and is incorporated in New Zealand.

The principal activity of MetroPack Limited is to operate as a freight operator providing container packing, unpacking and freight transport services. The company was incorporated, in New Zealand, in December 2010 and the issued and paid up capital is $100. Port of Tauranga Limited has a 34% shareholding in MetroPack Limited, alongside C3 Limited and Tapper Transport Limited, who both hold 33% shareholdings. At the Group level, MetroPack Limited is treated as a subsidiary due to control through other shareholdings.

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Investment at cost	**0**	0	**12,447**	12,447

15 INVESTMENTS IN ASSOCIATES

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Investments in associates				
Ordinary shares at cost	**0**	0	**32,936**	32,936
	0	0	**32,936**	32,936
Balance at beginning of period	**56,329**	39,746	**0**	0
Share of after tax surplus	**12,280**	10,790	**0**	0
Share of hedging reserve	**33**	104	**0**	0
Share of revaluation reserve	**689**	14,236	**0**	0
Disposals	**0**	(8)	**0**	0
Dividends from associates	**(7,338)**	(8,539)	**0**	0
	61,993	56,329	**0**	0
Balance at end of period	**61,993**	56,329	**32,936**	32,936

Included within the carrying value is:

	GROUP	
	2012 NZ$000	2011 NZ$000
Goodwill	**14,003**	14,003

Summary financial information for associate companies, not adjusted for the percentage ownership of the Group is:

	Total 2012 NZ$000	Total 2011 NZ$000
Current assets	**35,185**	27,653
Non current assets	**178,054**	174,051
Total assets	**213,239**	201,704
Current liabilities	**(18,346)**	(17,484)
Non current liabilities	**(72,859)**	(72,964)
Total liabilities	**(91,205)**	(90,448)
Revenues	**156,672**	145,076
Expenses	**(132,112)**	(123,496)
Profit/(loss)	**24,560**	21,580

All associate companies are incorporated in New Zealand.

C3 Limited

Port of Tauranga Limited has a 50% shareholding in C3 Limited (2011: 50%), with Asciano Limited holding the remaining 50%. C3 Limited operates marshalling and stevedoring operations in thirteen New Zealand ports.

15 INVESTMENTS IN ASSOCIATES (CONTINUED)

Northport Limited

Port of Tauranga Limited has a 50% shareholding in the port at Marsden Point which trades as Northport Limited (2011: 50%), with Northland Port Corporation (NZ) Limited (NPC) holding the remaining 50%.

Northport Limited also has a 50% shareholding in North Tugz Limited (2011: 50%), with Ports of Auckland Limited holding the remaining 50%. North Tugz Limited has been established to undertake the marine services within the Whangarei Harbour including Marsden Point.

MetroBox Auckland Limited

Port of Tauranga Limited has a 50% shareholding in MetroBox Auckland Limited (MetroBox) (2011: 50%), with KiwiRail holding the remaining 50%.

MetroBox is located alongside MetroPort and fits with the Group's strategic objective of developing a "freight village" in South Auckland, with MetroPort giving customers the ability to select from a range of container handling services.

Cubic Transport Services Limited

Port of Tauranga Limited has a 37.5% shareholding in Cubic Transport Services Limited (Cubic), with Quadrant Pacific Limited holding 37.5% and PGB Trustee Limited holding the remaining 25%.

Cubic is a domestic transport operator and involved in managing and distributing cargo throughout New Zealand using road, rail and coastal shipping (on behalf of freight forwarders).

16 DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Current liabilities				
Foreign currency derivatives – cash flow hedges	**(939)**	(22)	**(939)**	(22)
Foreign currency derivatives – no longer meeting the criteria for hedge accounting	**0**	(14)	**0**	(14)
Interest rate derivatives – cash flow hedges	**(482)**	(41)	**(482)**	(41)
	(1,421)	(77)	**(1,421)**	(77)
Non current liabilities				
Foreign currency derivatives – cash flow hedges	**(28)**	0	**(28)**	0
Interest rate derivatives – cash flow hedges	**(20,799)**	(11,384)	**(20,799)**	(11,384)
	(20,827)	(11,384)	**(20,827)**	(11,384)
Total liabilities	**(22,248)**	(11,461)	**(22,248)**	(11,461)

For additional information about the Group's use of derivatives refer to note 31.

17 RECEIVABLES AND PREPAYMENTS

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Trade receivables	**27,979**	20,354	**25,219**	17,855
Less:				
Provision for impairment of trade receivables	**(15)**	(17)	**0**	(10)
Receivables from associates, subsidiaries and related parties	**414**	157	**151**	251
	28,378	20,494	**25,370**	18,096
Advances to associates (refer note 27)	**1,785**	1,785	**2,110**	1,885
Advances to subsidiaries (refer note 27)	**0**	0	**3,022**	2,632
Prepayments and sundry receivables	**1,046**	1,365	**1,022**	1,169
Finance lease – gross receivable (refer note 13)	**4,280**	4,342	**4,280**	4,342
Finance lease – unearned finance income (refer note 13)	**(1,233)**	(1,627)	**(1,233)**	(1,627)
Total	**34,256**	26,359	**34,571**	26,497

Current trade and other receivables are non interest-bearing and receipt is normally on 30 day terms, therefore the carrying value of debtors and other receivables approximate their fair value.

The ageing of trade receivables at reporting date was:

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Not past due	**21,961**	17,834	**20,272**	16,009
Past due 0 – 30 days	**5,410**	2,481	**4,563**	1,841
Past due 30 – 60 days	**481**	26	**379**	3
Past due 60 – 90 days	**124**	13	**2**	2
More than 90 days	**3**	0	**3**	0
Total	**27,979**	20,354	**25,219**	17,855

Impairment for trade receivables is calculated as a percentage of individual overdue debts which, based on historical performance and individual investigation, are unlikely to be collected.

Movements in the provision for impairment of receivables were as follows:

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Opening balance	**17**	7	**10**	0
Additional provision	**8**	10	**0**	10
Reversed during the period	**(10)**	0	**(10)**	0
Balance as at 30 June	**15**	17	**0**	10

18 INVENTORIES

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Inventory of parts and consumables	**509**	426	**486**	401

Included in inventories at 30 June 2012 was $344,000 of straddle parts (2011: $285,000) purchased for planned maintenance of machinery in the following financial year.

19 CAPITAL AND RESERVES

(a) Share Capital

	GROUP		PARENT COMPANY	
	2012	2011	**2012**	2011
Ordinary shares issued				
Balance as at 1 July	**134,030,756**	134,029,616	**134,095,196**	134,079,596
Shares issued during year	**22,160**	1,140	**21,050**	15,600
Balance as at 30 June	**134,052,916**	134,030,756	**134,116,246**	134,095,196

All shares are fully paid and have no par value. All shares rank equally with one vote attached to each fully paid ordinary share.

During the year 1,110 shares at $6.25 per share were issued to employees from the Port of Tauranga Trustee Company Limited (2011: 400 shares at $5.85 per share and 740 shares at $6.25 per share). During the year 21,050 shares were issued to staff at $9.04 per share as part of a Staff Bonus Scheme (2011: nil).

During the year no shares were issued to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2011: 15,600 shares at $7.80 per share).

Refer to note 30 for additional information on the Employee Share Ownership Plan.

(b) Dividends

The following dividends were declared and paid during the period:

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Final 2011 dividend paid 21.0 cents per share (2010: 20.0 cps)	**28,164**	26,816	**28,164**	26,816
Interim 2012 dividend paid 12.0 cents per share (2011: 10.0 cps)	**16,094**	13,408	**16,094**	13,408
Total	**44,258**	40,224	**44,258**	40,224

The dividends are fully imputed. Supplementary dividends of $316,677 (2011: $458,585) were paid to shareholders not tax resident in New Zealand, for which the Group received a foreign tax credit entitlement.

A final dividend of 27 cents (2011: 21 cents) per share $36,211,386 (2011: $28,146,459) has been approved subsequent to the reporting date. The final dividend was not approved until after year end, therefore it has not been accrued in the current year financial statements.

(c) Share Based Payment Reserve

The share based payment reserve relates to the bonus issue of shares to employees.

19 CAPITAL AND RESERVES (CONTINUED)

(d) Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred.

(e) Revaluation Reserve

The revaluation reserve relates to the revaluation of land, buildings, wharves and hardstanding, and harbour improvements.

(f) Non Controlling Interest

Non controlling interest in the equity of the Group is as follows:

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Share capital	**0**	0	**0**	0
Retained earnings	**(112)**	(27)	**0**	0
Balance as at 30 June	**(112)**	(27)	**0**	0

Non controlling interest arises from the consolidation of MetroPack Limited as the Group holds 83.5% of the share capital of the company.

20 BASIC AND DILUTED EARNINGS PER SHARE

Group

The calculation of basic earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of $73,554,000 (2011: $58,425,000) and a weighted average number of ordinary shares outstanding of 134,105,721 (2011: 134,087,396).

There are no dilutive potential ordinary shares (2011: nil).

21 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For additional information about the Group's exposure and sensitivity to interest rate risk, refer note 31.

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Non current liabilities				
Commercial papers (refer note 21(a))	**140,000**	105,000	**140,000**	105,000
Standby revolving cash advance facility (refer note 21(b))	**55,000**	92,500	**55,000**	92,500
Advances from employees (refer note 21(e))	**0**	165	**0**	0
Finance lease liabilities (refer note 21(g))	**77**	182	**0**	0
	195,077	197,847	**195,000**	197,500
Current liabilities				
Advances from employees (refer note 21(e))	**286**	0	**0**	0
Advance from associate (refer note 21(f))	**325**	150	**0**	0
Finance lease liabilities (refer note 21(g))	**350**	379	**0**	0
	961	529	**0**	0
Total	**196,038**	198,376	**195,000**	197,500

21 LOANS AND BORROWINGS (CONTINUED)

(a) Commercial Papers

Commercial papers are secured, short term discounted debt instruments issued by the Parent Company for funding requirements. Commercial papers have been classified as non current liabilities as they are an integral component of the Parent Company's standby revolving cash advance facility, in that they are interchangeable with bank borrowings.

(b) Standby Revolving Cash Advance Facility Agreement

The Parent Company has a $260 million (2011: $260 million) financing arrangement with ANZ Banking Group (New Zealand) Limited, Bank of New Zealand Limited and the Commonwealth Bank of Australia, New Zealand branch. The facility, which is secured, provides for both direct borrowings and support for issuance of Commercial Papers.

The standby revolving cash advance facility comprises of two tranches, tranche 1, a $130 million (2011: $130 million) facility maturing 31 December 2013 (2011: 31 December 2013), and tranche 2, a $130 million (2011: $130 million) facility maturing 31 December 2015 (2011: 31 December 2015). These facilities are secured by way of a ships' mortgage over certain floating plant assets, mortgages over the land and building assets and by a general security agreement over the assets of the port.

(c) Overdraft Facility

Tapper Transport Limited has a $900,000 overdraft facility with the Bank of New Zealand Limited, which is primarily used for short term working capital requirements. This facility has no fixed duration and is secured via a general security agreement over all assets of the company. At 30 June 2012 this facility was undrawn (2011: nil).

(d) Multi Option Facility Agreement

The Parent Company has a $5 million (2011: $5 million) multi option financing facility with the Bank of New Zealand Limited, which is primarily used for short term working capital requirements. At 30 June 2012 this facility was undrawn (2011: nil). This facility expires on 31 December 2012. The Parent Company has the option to roll-over this facility for the period of one year, by giving notice to the Bank of New Zealand prior to the expiry of the facility. This facility is secured by way of a ships' mortgage over certain floating plant assets and by a general security agreement over the land and building assets of the port.

(e) Advances From Employees

Advances from employees are contributions by employees to the Employee Share Ownership Plan (ESOP), refer to note 30.

(f) Advance From Associate

Shareholder advances to MetroPack Limited by C3 Limited at 30 June 2012 amounted to $325,000 (2011: $150,000). These advances are interest free and repayable on demand.

21 LOANS AND BORROWINGS (CONTINUED)

(g) Finance Lease Liabilities

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Gross payables under finance leases				
Current portion				
Not later than one year	**370**	403	**0**	0
Non current portion				
Later than one year and not later than five years	**88**	213	**0**	0
Total gross payables under finance leases	**458**	616	**0**	0
Future finance charges on finance leases				
Current portion				
Not later than one year	**(20)**	(24)	**0**	0
Non current portion				
Later than one year and not later than five years	**(11)**	(31)	**0**	0
Total future finance charges on finance leases	**(31)**	(55)	**0**	0

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Present value of minimum lease payments				
Not later than one year	**350**	379	**0**	0
Later than one year and not later than five years	**77**	182	**0**	0
Total present value of minimum lease payments	**427**	561	**0**	0

The weighted average effective interest rate implicit in the leases is 11.66% (2011: 10.72%).

Finance lease liabilities relate to leases over certain items of operating plant and equipment by Tapper Transport Limited.

(h) Fair Values of Loans and Borrowings

The amortised cost of loans and borrowings is assumed to closely approximate fair value as debt facilities are repriced every 90 days.

21 LOANS AND BORROWINGS (CONTINUED)

(i) Terms and Debt Repayment Schedule

Terms and conditions of outstanding interest bearing loans are as follows:

		GROUP		PARENT COMPANY	
	Year of Maturity	**2012 NZ$000**	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Standby revolving cash advance facility – tranche 1	2013	**55,000**	85,000	**55,000**	85,000
Standby revolving cash advance facility – tranche 2	2015	**0**	7,500	**0**	7,500
Commercial papers	2013	**10,000**	0	**10,000**	0
Commercial papers	2015	**130,000**	105,000	**130,000**	105,000
Total		**195,000**	197,500	**195,000**	197,500

The average weighted interest rate of interest bearing loans was 3.97% at 30 June 2012 (2011: 4.02%).

22 DEFERRED CONSIDERATION – TAPPER TRANSPORT LIMITED

An amount of $1,000,000 (2011: $3,000,000) has been retained by the Group as a "Warranty Retention Fund" to satisfy any potential claims that may arise subsequent to acquisition, which could have a material impact on the value of the investment purchased by the Group. An amount of $2,000,000 was held for a period of two years from the date of settlement and was paid out during the current period, and $1,000,000 shall be held for a period of four years from the date of settlement. While any Warranty Retention Fund remains owing to the vendors, interest shall be paid on the amount owing at a rate of 7% per annum.

23 PROVISIONS

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
(a) Non current liabilities				
Employee benefits – long service leave provision				
Balance at beginning of period	**966**	938	**966**	938
Additional provision	**186**	227	**186**	227
Unused amounts reversed	**(61)**	(119)	**(61)**	(119)
Utilised during the period	**(109)**	(80)	**(109)**	(80)
Balance at end of period	**982**	966	**982**	966
Employee benefits – Management Long Term Incentive (LTI)				
Balance at beginning of period	**508**	0	**508**	0
Additional provision	**662**	508	**662**	508
Balance at end of period	**1,170**	508	**1,170**	508
Contingent consideration				
Balance at beginning of period	**1,837**	3,558	**1,837**	3,558
Unwind of discount	**0**	245	**0**	245
Transferred to current (refer note 23(b))	**(1,837)**	(1,966)	**(1,837)**	(1,966)
Balance at end of period	**0**	1,837	**0**	1,837
Site restoration – provision of hardstanding repairs				
Balance at beginning of period	**940**	394	**0**	0
Utilised during the period	**(940)**	0	**0**	0
Additional provision	**0**	546	**0**	0
Balance at end of period	**0**	940	**0**	0
Unearned lease incentive income				
Balance at beginning of period	**272**	0	**0**	0
Additional provision	**184**	393	**0**	0
Transferred to current (refer note 23(b))	**(121)**	(121)	**0**	0
Balance at end of period	**335**	272	**0**	0
Total non current provisions	**2,487**	4,523	**2,152**	3,311

23 PROVISIONS (CONTINUED)

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
(b) Current liabilities				
Employee benefits – profit sharing and bonuses				
Balance at beginning of period	**1,258**	1,906	**1,258**	1,901
Additional provision	**1,905**	1,258	**1,873**	1,258
Utilised during the period	**(1,258)**	(1,906)	**(1,258)**	(1,901)
Balance at end of period	**1,905**	1,258	**1,873**	1,258
Contingent consideration				
Balance at beginning of period	**1,966**	0	**1,966**	0
Utilised during the period	**(2,000)**	0	**(2,000)**	0
Transferred from non current (refer note 23(a))	**1,837**	1,966	**1,837**	1,966
Unwind of discount	**163**	0	**163**	0
Balance at end of period	**1,966**	1,966	**1,966**	1,966
Unearned lease incentive income				
Balance at beginning of period	**121**	0	**0**	0
Additional provision	**0**	121	**0**	0
Transferred from non current (refer note 23(a))	**121**	121	**0**	0
Utilised during the period	**(121)**	(121)	**0**	0
Balance at end of period	**121**	121	**0**	0
Total current provisions	**3,992**	3,345	**3,839**	3,224

Long Service Leave Provision

Uncertainties for provisions relate to the probabilities of employees reaching the required vesting period to qualify for long service leave. Probability factors for reaching long service leave entitlements are based on historic employee retention information.

Contingent Consideration

In relation to the acquisition of the Tapper Group, the Group has agreed to pay the vendors of Tapper Group additional payments of up to $4,000,000, including an interest component of $505,000, contingent upon the realisation of certain profit forecasts over a two year earn-out period. In 2010, upon acquisition, 100% of this contingent consideration was recognised, as the full payment was considered to be highly probable based on projected earnings. Nothing has changed in the current period which would change the expected consideration payable. This contingent payment has been discounted using a 7% interest rate in line with the interest rate agreed on deferred consideration. During the current period, $2,000,000 of contingent consideration, including an interest component of $193,000, was paid on the realisation of profit forecasts.

Management Long Term Incentive

The Management Long Term Incentive Scheme rewards Senior Management based on a combination of total shareholder return versus an index and earnings per share growth, both over a three year period. The incentive only vests on completion of three years' service.

Site Restoration – Provision of Hardstanding Repairs

During the current period $940,000 was paid by the Group to rectify damage caused to leased hardstanding on leased land.

Unearned Lease Incentive Income

Unearned lease incentive income relates to operating lease agreements for the lease of properties at Southdown, Auckland as a lessee. The lease incentive is recognised over the contractual term of the lease against rental expense in the income statement.

24 DEFERRED TAXATION

	Assets		Liabilities		Net	
GROUP	**2012 NZ$000**	2011 NZ$000	**2012 NZ$000**	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Deferred tax (asset)/liability						
Property, plant and equipment	**0**	0	**50,157**	47,878	**50,157**	47,878
Intangible assets	**0**	0	**771**	447	**771**	447
Finance lease receivables	**0**	0	**2,350**	3,110	**2,350**	3,110
Derivatives	**(6,211)**	(3,185)	**0**	0	**(6,211)**	(3,185)
Provisions and accruals	**(1,435)**	(1,448)	**0**	0	**(1,435)**	(1,448)
Finance lease payables	**(99)**	(110)	**0**	0	**(99)**	(110)
Total	**(7,745)**	(4,743)	**53,278**	51,435	**45,533**	46,692

	Recognised in the Income Statement		Recognised in Equity	
GROUP	**2012 NZ$000**	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Property, plant and equipment	**(699)**	(1,416)	**2,978**	0
Intangible assets	**324**	276	**0**	0
Finance lease receivables	**(760)**	(711)	**0**	0
Derivatives	**0**	0	**(3,026)**	(267)
Provisions and accruals	**13**	(341)	**0**	0
Finance lease payables	**11**	(143)	**0**	0
Total	**(1,111)**	(2,335)	**(48)**	(267)

	Assets		Liabilities		Net	
PARENT COMPANY	**2012 NZ$000**	2011 NZ$000	**2012 NZ$000**	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Deferred tax (asset)/liability						
Property, plant and equipment	**0**	0	**50,153**	47,846	**50,153**	47,846
Intangible assets	**0**	0	**10**	30	**10**	30
Finance lease receivables	**0**	0	**2,350**	3,110	**2,350**	3,110
Derivatives	**(6,211)**	(3,185)	**0**	0	**(6,211)**	(3,185)
Provisions and accruals	**(1,227)**	(1,017)	**0**	0	**(1,227)**	(1,017)
Total	**(7,438)**	(4,202)	**52,513**	50,986	**45,075**	46,784

	Recognised in the Income Statement		Recognised in Equity	
PARENT COMPANY	**2012 NZ$000**	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Property, plant and equipment	**(671)**	(1,463)	**2,978**	0
Intangible assets	**(20)**	(49)	**0**	0
Finance lease receivables	**(760)**	(711)	**0**	0
Derivatives	**0**	0	**(3,026)**	(267)
Provisions and accruals	**(210)**	(195)	**0**	0
Total	**(1,661)**	(2,418)	**(48)**	(267)

25 TRADE AND OTHER PAYABLES

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Accounts payable	**3,114**	4,470	**2,288**	3,127
Accruals	**14,644**	8,994	**13,214**	8,357
Payables due to associates and related parties	**1,992**	1,355	**1,978**	1,295
Total	**19,750**	14,819	**17,480**	12,779

Payables denominated in currencies other than the functional currency comprise trade payables denominated in USD 39,000 (2011: EUR 213,000).

Trade and other payables are non interest-bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximates their fair value.

26 OPERATING LEASE OBLIGATIONS

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Obligations payable after reporting date on non cancellable operating leases are as follows:				
Within one year	**2,410**	2,857	**547**	1,044
One year to two years	**2,179**	2,122	**531**	521
Two years to five years	**4,865**	5,647	**1,462**	1,471
Greater than five years	**3,378**	4,338	**1,056**	1,523
Total	**12,832**	14,964	**3,596**	4,559

The Group leases a number of properties and various items of equipment under operating leases. All properties and plant are leased at market rentals and reviewed at regular intervals. It has been determined that substantially all the risks and rewards of the leased assets remain with the lessor, and therefore the Group classifies the leases as operating leases.

27 RELATED PARTY TRANSACTIONS

Related party transactions with subsidiaries and associates:

	2012 NZ$000	2011 NZ$000
C3 Limited		
Services provided to Port of Tauranga Limited	**14,802**	10,676
Services provided by Port of Tauranga Limited	**1,400**	1,399
Accounts receivable by Port of Tauranga Limited (capital notes)	**16,599**	16,599
Accounts receivable by Port of Tauranga Limited	**99**	62
Accounts payable by Port of Tauranga Limited	**1,972**	1,200
Northport Limited		
Services provided by Port of Tauranga Limited	**17**	19
Accounts receivable by Port of Tauranga Limited	**2**	0
MetroBox Auckland Limited		
Advances by Port of Tauranga Limited	**1,785**	1,785
Services provided to Tapper Transport Limited	**32**	3
Services provided by Tapper Transport Limited	**0**	2
Accounts receivable by Tapper Transport Limited	**0**	3
Port of Tauranga Trustee Company Limited		
Advances to Port of Tauranga Trustee Company Limited for employees in share ownership plan by Port of Tauranga Limited	**122**	269
Tapper Transport Limited		
Services provided by Port of Tauranga Limited	**21**	16
Advances by Port of Tauranga Limited	**2,900**	2,500
Accounts receivable by Port of Tauranga Limited	**2**	12
Services provided to Port of Tauranga Limited	**5**	0
Accounts payable by Port of Tauranga Limited	**6**	0
Cubic Transport Services Limited		
Services provided to Tapper Transport Limited	**8**	27
Services provided by Tapper Transport Limited	**858**	921
Accounts receivable by Tapper Transport Limited	**99**	78
Interport Logistics Limited		
Services provided by Tapper Transport Limited	**0**	5
MetroPack Limited		
Advances by Port of Tauranga Limited	**325**	100
Advances by C3 Limited	**325**	150
Advances by Tapper Transport Limited	**325**	150
Services provided by Port of Tauranga Limited	**221**	154
Accounts receivable by Port of Tauranga Limited	**48**	154
Services provided by Tapper Transport Limited	**798**	249
Accounts receivable by Tapper Transport Limited	**170**	61
Services provided to Tapper Transport Limited	**60**	0
Accounts payable by Tapper Transport Limited	**50**	0
Services provided by Cubic Transport Services Limited	**6**	15
Accounts receivable by Cubic Transport Services Limited	**0**	7
Services provided to C3 Limited	**45**	7
Services provided by C3 Limited	**49**	65
Accounts receivable by C3 Limited	**17**	47
Accounts payable by C3 Limited	**4**	7

27 RELATED PARTY TRANSACTIONS (CONTINUED)

During the year, the Group entered into transactions with companies in which Group Directors hold directorships. These transactions have occurred on normal commercial terms.

No interest is charged on advances to associates and subsidiaries and is repayable on demand.

No related party debts have been written off or forgiven during the year.

Controlling Entity

Quayside Securities Limited owns 54.95% of the ordinary shares in Port of Tauranga Limited.

Quayside Securities Limited is beneficially owned by Bay of Plenty Regional Council.

Transactions with Key Management Personnel

The Group does not provide any non cash benefits to Directors and executive officers in addition to their Directors' fees or salaries.

	GROUP		PARENT COMPANY	
	2012 NZ$000	**2011 NZ$000**	**2012 NZ$000**	**2011 NZ$000**
Short term employee benefits				
Directors' fees	**448**	**387**	**448**	**387**
Executive salaries and other short term employee benefits	**2,829**	**2,634**	**2,829**	**2,634**

28 COMMITMENTS

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Capital commitments for property, plant and equipment				
Estimated capital commitments for the Group contracted for at balance date but not provided for	**37,504**	1,397	**36,975**	408

Major capital commitments at 30 June 2012 relate to the purchase of two container cranes, six straddle carriers and the Sulphur Point wharf extension. Major capital commitments at 30 June 2011 relate to the upgrade of coldstore facilities and the purchase of truck and trailer assets.

29 CONTINGENT ASSETS AND LIABILITIES

At 30 June 2012 for the Group and Parent Company there were no contingent liabilities (30 June 2011: nil).

At 30 June 2011 the Group and Parent Company had a contingent asset relating to an insurance claim for extensive damage to a straddle carrier that occurred in April 2011. The quantum of subsequent insurance proceeds received in the current period amounted to $1.046 million. An impairment charge of $0.155 million was recognised in the prior period against this asset.

30 EMPLOYEE SHARE OWNERSHIP PLAN

The Parent Company has an Employee Share Ownership Plan (ESOP), in terms of section DC12 of the Income Tax Act 2007. At the reporting date the ESOP held 0.05% of the Parent Company's share capital in ordinary shares (2011: 0.05%).

To finance the plan the ESOP borrows from the Parent Company interest free, repayable over three years. The ESOP has no external funding. The ESOP has a non beneficial interest in all shares allocated to employees, and a beneficial interest in shares which have not been allocated.

Neither the Parent Company nor its related parties have rights to acquire shares held by the plan.

Employees are able to subscribe for shares up to a value of $2,340 once every three years.

The value of shares issued is set at 90% of the average market price of the share on the day of issue.

At reporting date the Group held 63,330 shares under the ESOP (2011: 64,440 shares), and of these, 59,100 (2011: 62,590 shares) were allocated to employees and have been paid up to $286,380 (2011: $164,690), and $105,781 (2011: $262,240) remains to be paid. This is to be repaid over a three year term. No shares are subject to options.

The Trustees of the ESOP are appointed by the Directors of the Parent Company.

The shares held by the ESOP carry the same voting rights as other issued ordinary shares. Voting rights attaching to the shares held by Trustees are to be exercised by the Trustees at their discretion in the case of a vote on a poll, or on any particular resolution.

31 FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and commodity risk).

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework. The Audit Committee is responsible for developing and monitoring the Group's financial risk management policies, and reports regularly to the Board of Directors on its activities.

The Group's financial risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group.

31 FINANCIAL INSTRUMENTS (CONTINUED)

The Group held the following financial instruments at reporting date:

GROUP 2012	Designated at Fair Value NZ$000	Loans and Receivables NZ$000	Held to Maturity NZ$000	Other Amortised Cost NZ$000	Total Carrying Amount NZ$000	Fair Value NZ$000
Assets						
Advances and receivables, including capital notes	0	5,344	16,599	0	21,943	22,571
Total non current assets	0	5,344	16,599	0	21,943	22,571
Cash and cash equivalents	0	9,244	0	0	9,244	9,244
Trade and other receivables	0	34,256	0	0	34,256	35,310
Total current assets	0	43,500	0	0	43,500	44,554
Total assets	**0**	**48,844**	**16,599**	**0**	**65,443**	**67,125**
Liabilities						
Loans and borrowings	0	0	0	195,077	195,077	195,083
Deferred consideration	0	0	0	1,000	1,000	1,054
Derivative financial instruments	20,827	0	0	0	20,827	20,827
Total non current liabilities	20,827	0	0	196,077	216,904	216,964
Loans and borrowings	0	0	0	961	961	971
Derivative financial instruments	1,421	0	0	0	1,421	1,421
Trade and other payables	0	0	0	19,750	19,750	19,750
Total current liabilities	1,421	0	0	20,711	22,132	22,142
Total liabilities	**22,248**	**0**	**0**	**216,788**	**239,036**	**239,106**

31 FINANCIAL INSTRUMENTS (CONTINUED)

GROUP 2011	Designated at Fair Value NZ$000	Assets Held for Trading Through the Income Statement NZ$000	Loans and Receivables NZ$000	Held to Maturity NZ$000	Other Amortised Cost NZ$000	Total Carrying Amount NZ$000	Fair Value NZ$000
Assets							
Advances and receivables, including capital notes	0	0	8,391	16,599	0	24,990	25,728
Total non current assets	0	0	8,391	16,599	0	24,990	25,728
Cash and cash equivalents	0	0	12,266	0	0	12,266	12,266
Trade and other receivables	0	0	26,359	0	0	26,359	27,769
Total current assets	0	0	38,625	0	0	38,625	40,035
Total assets	**0**	**0**	**47,016**	**16,599**	**0**	**63,615**	**65,763**
Liabilities							
Loans and borrowings	0	0	0	0	197,847	197,847	197,850
Deferred consideration	0	0	0	0	1,000	1,000	1,052
Derivative financial instruments	11,384	0	0	0	0	11,384	11,384
Total non current liabilities	11,384	0	0	0	198,847	210,231	210,286
Loans and borrowings	0	0	0	0	529	529	530
Deferred consideration	0	0	0	0	2,000	2,000	2,044
Derivative financial instruments	63	14	0	0	0	77	77
Trade and other payables	0	0	0	0	14,819	14,819	14,819
Total current liabilities	63	14	0	0	17,348	17,425	17,470
Total liabilities	**11,447**	**14**	**0**	**0**	**216,195**	**227,656**	**227,756**

31 FINANCIAL INSTRUMENTS (CONTINUED)

PARENT COMPANY 2012	Designated at Fair Value NZ$000	Loans and Receivables NZ$000	Held to Maturity NZ$000	Other Amortised Cost NZ$000	Total Carrying Amount NZ$000	Fair Value NZ$000
Assets						
Advances and receivables, including capital notes	0	5,344	16,599	0	21,943	22,571
Total non current assets	0	5,344	16,599	0	21,943	22,571
Cash and cash equivalents	0	8,853	0	0	8,853	8,853
Receivables and prepayments	0	34,571	0	0	34,571	35,625
Total current assets	0	43,424	0	0	43,424	44,478
Total assets	0	48,768	16,599	0	65,367	67,049
Liabilities						
Loans and borrowings	0	0	0	195,000	195,000	195,000
Deferred consideration	0	0	0	1,000	1,000	1,054
Derivative financial instruments	20,827	0	0	0	20,827	20,827
Total non current liabilities	20,827	0	0	196,000	216,827	216,881
Derivative financial instruments	1,421	0	0	0	1,421	1,421
Trade and other payables	0	0	0	17,480	17,480	17,480
Total current liabilities	1,421	0	0	17,480	18,901	18,901
Total liabilities	22,248	0	0	213,480	235,728	235,782

31 FINANCIAL INSTRUMENTS (CONTINUED)

PARENT COMPANY 2011	Designated at Fair Value NZ$000	Assets Held for Trading Through the Income Statement NZ$000	Loans and Receivables NZ$000	Held to Maturity NZ$000	Other Amortised Cost NZ$000	Total Carrying Amount NZ$000	Fair Value NZ$000
Assets							
Advances and receivables, including capital notes	0	0	8,528	16,599	0	25,127	25,865
Total non current assets	0	0	8,528	16,599	0	25,127	25,865
Cash and cash equivalents	0	0	11,268	0	0	11,268	11,268
Receivables and prepayments	0	0	26,497	0	0	26,497	27,907
Total current assets	0	0	37,765	0	0	37,765	39,175
Total assets	**0**	**0**	**46,293**	**16,599**	**0**	**62,892**	**65,040**
Liabilities							
Loans and borrowings	0	0	0	0	197,500	197,500	197,500
Deferred consideration	0	0	0	0	1,000	1,000	1,052
Derivative financial instruments	11,384	0	0	0	0	11,384	11,384
Total non current liabilities	11,384	0	0	0	198,500	209,884	209,936
Derivative financial instruments	63	14	0	0	0	77	77
Deferred consideration	0	0	0	0	2,000	2,000	2,044
Trade and other payables	0	0	0	0	12,779	12,779	12,779
Total current liabilities	63	14	0	0	14,779	14,856	14,900
Total liabilities	**11,447**	**14**	**0**	**0**	**213,279**	**224,740**	**224,836**

(a) Fair Value Estimation

The fair value of finance lease receivables, finance lease payables and capital notes, are based upon the net present value of interest and capital payments over their term. The applicable discount rates used in determining the fair value of finance lease receivables, finance lease payables and capital notes, were 5.85% (2011: 7.07%), 5.70% (2011: 6.20%) and 5.65% (2011: 6.54%), respectively.

The fair value of deferred consideration is based upon the net present value of the anticipated future cash outflows. The applicable discount rate used in determining the fair value of deferred consideration was 3.98% (2011: 4.77%).

Further information on the basis for determining fair values is disclosed in note 4.

(b) Fair Value Hierarchy

The following table analyses financial instruments classified as either designated at fair value or held for trading through the income statement, by valuation method. The different levels have been defined as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices), or indirectly (ie as derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable outputs).

31 FINANCIAL INSTRUMENTS (CONTINUED)

GROUP AND PARENT COMPANY 2012	Level 1 NZ$000	Level 2 NZ$000	Level 3 NZ$000	Total NZ$000
Liabilities per the statement of financial position				
Derivative financial instrument liabilities	0	22,248	0	**22,248**
Total liabilities	**0**	**22,248**	**0**	**22,248**

GROUP AND PARENT COMPANY 2011	Level 1 NZ$000	Level 2 NZ$000	Level 3 NZ$000	Total NZ$000
Liabilities per the statement of financial position				
Derivative financial instrument liabilities	0	11,461	0	**11,461**
Total liabilities	**0**	**11,461**	**0**	**11,461**

There were no transfers between fair value hierarchies during 2012 (2011: nil).

(c) Credit Risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty failing to meet its contractual obligations. Financial instruments which potentially subject the Group to credit risk, principally consist of bank balances, trade receivables, advances to associates, finance lease receivables and derivative instruments.

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at reporting date was:

	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Advances and receivables	**21,943**	24,990	**21,943**	25,127
Receivables and prepayments	**34,256**	26,359	**34,571**	26,497
Cash and cash equivalents	**9,244**	12,266	**8,853**	11,268
Total	**65,443**	63,615	**65,367**	62,892

The only significant concentration of credit risk at reporting date relates to the finance lease receivables for the Genesis equipment lease and capital notes issued by an associate company, C3 Limited. Management are satisfied with the credit quality of both these debtors and does not anticipate any non performance.

The Group only transacts in treasury activity (including investment, borrowing and derivative transactions) with Board approved counterparties. Unless otherwise approved by the Board, counterparties are required to be New Zealand registered banks with a Standard & Poor's credit rating of A+ or above. The Group continuously monitors the credit quality of the financial institutions that are counterparties and does not anticipate any non performance.

The Group adheres to a credit policy that requires each new customer is analysed individually for credit worthiness before the Group's standard payment terms and conditions are offered. Customer payment performance is constantly monitored with customers not meeting creditworthiness being required to transact with the Group on cash terms. The Group generally does not require collateral.

The nature of the Group's business means that the top ten customers account for 51.7% of total Group revenue (2011: 44.8%).

In the current period there were no sales transactions with single customers which amounted to 10% or more of the Group's revenues.

31 FINANCIAL INSTRUMENTS (CONTINUED)

The following table sets out prior period revenue, attributable to sales transactions with single customers amounting to 10% or more of the Group's revenues, and the operating segments that this revenue is attributed to:

GROUP 2011	Port Operations NZ$000	Property Services NZ$000	**Total NZ$000**	%
Customer 1	19,958	0	**19,958**	10.8
Customer 2	19,206	11	**19,217**	10.4
Total	**39,164**	**11**	**39,175**	**21.2**

The Group is satisfied with the credit quality of these debtors and does not anticipate any non performance.

(d) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient cash and borrowing facilities available to meet its liabilities when due, under both normal and adverse conditions. The Group's cash flow requirements and the utilisation of borrowing facilities are continuously monitored, and it is required that committed bank facilities are maintained at a minimum of 10% above maximum forecast usage.

Funding risk is the risk that arises when either the size of borrowing facilities or the pricing thereof is not able to be replaced on similar terms, at the time of review with the Parent Company's banks. To minimise funding risk it is Board policy to spread the facilities' renewal dates and the maturity of individual loans. Where this is not possible, extensions to, or the replacement of, borrowing facilities are required to be arranged at least six months prior to each facility's expiry.

The following table sets out the contractual cash outflows for all financial liabilities (including estimated interest payments) and derivatives:

GROUP 2012	Statement of Financial Position NZ$000	Contractual Cash Flows NZ$000	6 Months or Less NZ$000	6 – 12 Months NZ$000	1 – 2 Years NZ$000	2 – 5 Years NZ$000	More Than 5 Years NZ$000
Non derivative financial liabilities							
Loans and borrowings	196,038	222,358	9,714	3,996	61,053	147,595	0
Deferred consideration	1,000	1,128	35	35	1,058	0	0
Trade and other payables	19,750	19,750	19,750	0	0	0	0
	216,788	243,236	29,499	4,031	62,111	147,595	0
Derivatives							
Interest rate derivatives outflow	21,281	23,325	2,742	2,838	5,994	10,722	1,029
Foreign currency derivatives							
Outflow	967	20,637	11,291	5,875	3,471	0	0
Inflow	0	(19,659)	(10,575)	(5,642)	(3,442)	0	0
	22,248	24,303	3,458	3,071	6,023	10,722	1,029
Total	**239,036**	**267,539**	**32,957**	**7,102**	**68,134**	**158,317**	**1,029**

31 FINANCIAL INSTRUMENTS (CONTINUED)

GROUP 2011	Statement of Financial Position NZ$000	Contractual Cash Flows NZ$000	6 Months or Less NZ$000	6 – 12 Months NZ$000	1 – 2 Years NZ$000	2 – 5 Years NZ$000	More Than 5 Years NZ$000
Non derivative financial liabilities							
Loans and borrowings	198,376	231,464	4,410	4,110	8,270	214,674	0
Deferred consideration	3,000	3,306	106	2,072	70	1,058	0
Trade and other payables	14,819	14,819	14,819	0	0	0	0
	216,195	249,589	19,335	6,182	8,340	215,732	0
Derivatives							
Interest rate derivatives outflow	11,425	13,484	2,582	2,382	3,539	4,564	417
Foreign currency derivatives							
Outflow	36	573	573	0	0	0	0
Inflow	0	(537)	(537)	0	0	0	0
	11,461	13,520	2,618	2,382	3,539	4,564	417
Total	**227,656**	**263,109**	**21,953**	**8,564**	**11,879**	**220,296**	**417**

PARENT COMPANY 2012	Statement of Financial Position NZ$000	Contractual Cash Flows NZ$000	6 Months or Less NZ$000	6 – 12 Months NZ$000	1 – 2 Years NZ$000	2 – 5 Years NZ$000	More Than 5 Years NZ$000
Non derivative financial liabilities							
Loans and borrowings	195,000	221,289	8,906	3,823	60,965	147,595	0
Deferred consideration	1,000	1,128	35	35	1,058	0	0
Trade and other payables	17,480	17,480	17,480	0	0	0	0
	213,480	239,897	26,421	3,858	62,023	147,595	0
Derivatives							
Interest rate derivatives outflow	21,281	23,325	2,742	2,838	5,994	10,722	1,029
Foreign currency derivatives							
Outflow	967	20,637	11,291	5,875	3,471	0	0
Inflow	0	(19,659)	(10,575)	(5,642)	(3,442)	0	0
	22,248	24,303	3,458	3,071	6,023	10,722	1,029
Total	**235,728**	**264,200**	**29,879**	**6,929**	**68,046**	**158,317**	**1,029**

31 FINANCIAL INSTRUMENTS (CONTINUED)

PARENT COMPANY 2011	Statement of Financial Position NZ$000	Contractual Cash Flows NZ$000	6 Months or Less NZ$000	6 – 12 Months NZ$000	1 – 2 Years NZ$000	2 – 5 Years NZ$000	More Than 5 Years NZ$000
Non derivative financial liabilities							
Loans and borrowings	197,500	230,533	4,005	3,962	7,945	214,621	0
Deferred consideration	3,000	3,306	106	2,072	70	1,058	0
Trade and other payables	12,779	12,779	12,779	0	0	0	0
	213,279	246,618	16,890	6,034	8,015	215,679	0
Derivatives							
Interest rate derivatives outflow	11,425	13,484	2,582	2,382	3,539	4,564	417
Foreign currency derivatives							
Outflow	36	573	573	0	0	0	0
Inflow	0	(537)	(537)	0	0	0	0
	11,461	13,520	2,618	2,382	3,539	4,564	417
Total	**224,740**	**260,138**	**19,508**	**8,416**	**11,554**	**220,243**	**417**

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and also impact on the income statement:

GROUP AND PARENT COMPANY 2012	Statement of Financial Position NZ$000	Contractual Cash Flows NZ$000	6 Months or Less NZ$000	6 – 12 Months NZ$000	1 – 2 Years NZ$000	2 – 5 Years NZ$000	More Than 5 Years NZ$000
Interest rate swaps							
Liabilities	21,281	23,325	2,742	2,838	5,994	10,722	1,029
Foreign currency derivatives							
Outflow	967	20,637	11,291	5,875	3,471	0	0
Inflow	0	(19,659)	(10,575)	(5,642)	(3,442)	0	0
Total	**22,248**	**24,303**	**3,458**	**3,071**	**6,023**	**10,722**	**1,029**

GROUP AND PARENT COMPANY 2011	Statement of Financial Position NZ$000	Contractual Cash Flows NZ$000	6 Months or Less NZ$000	6 – 12 Months NZ$000	1 – 2 Years NZ$000	2 – 5 Years NZ$000	More Than 5 Years NZ$000
Interest rate swaps							
Liabilities	(11,425)	(12,601)	(2,582)	(2,382)	(3,539)	(4,379)	281
Foreign currency derivatives							
Outflow	(22)	(186)	(186)	0	0	0	0
Inflow	0	164	164	0	0	0	0
Total	**(11,447)**	**(12,623)**	**(2,604)**	**(2,382)**	**(3,539)**	**(4,379)**	**281**

31 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group uses derivative financial instruments such as interest rate swaps and foreign currency options to hedge certain risk exposures. All derivative transactions are carried out within the guidelines set out in the Group's Treasury Policy which have been approved by the Board of Directors. Generally the Group seeks to apply hedge accounting in order to manage volatility in the income statement.

(i) *Interest Rate Risk*

Interest rate risk is the risk of financial loss, or impairment to cash flows in current or future periods, due to adverse movements in interest rates on borrowings or investments. The Group uses interest rate derivatives to manage its exposure to variable interest rate risk by converting variable rate debt to fixed rate debt.

At reporting date, the interest rate profile of the Group and Parent Company's interest-bearing financial assets/(liabilities) were:

	Carrying Amount			
	GROUP		PARENT COMPANY	
	2012 NZ$000	2011 NZ$000	**2012 NZ$000**	2011 NZ$000
Fixed rate instruments				
Finance lease receivables	**8,391**	11,106	**8,391**	11,106
Capital notes	**16,599**	16,599	**16,599**	16,599
Finance lease payables	**(427)**	(561)	**0**	0
Deferred consideration	**(1,000)**	(3,000)	**(1,000)**	(3,000)
Interest rate derivatives	**(21,281)**	(11,425)	**(21,281)**	(11,425)
Total	**2,282**	12,719	**2,709**	13,280
Variable rate instruments				
Commercial papers	**(140,000)**	(105,000)	**(140,000)**	(105,000)
Standby revolving cash advance facility	**(55,000)**	(92,500)	**(55,000)**	(92,500)
Cash balances	**9,244**	12,226	**8,853**	11,268
Total	**(185,756)**	(185,274)	**(186,147)**	(186,232)

31 FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity Analysis

If, at reporting date, bank interest rates had been 100 basis points higher/lower, with all other variables held constant, the result would increase/(decrease) post tax profit or loss and the hedging reserve by the amounts shown below. The analysis is performed on the same basis for 2011.

	Profit or Loss		Cash Flow Hedge Reserve	
GROUP	100 bp Increase NZ$000	100 bp Decrease NZ$000	100 bp Increase NZ$000	100 bp Decrease NZ$000
Variable rate instruments	(1,272)	1,290	0	0
Interest rate swaps	1,246	(1,246)	7,503	(8,008)
30 June 2012	**(26)**	**44**	**7,503**	**(8,008)**
Variable rate instruments	(1,249)	1,263	0	0
Interest rate swaps	1,022	(1,022)	5,417	(5,784)
30 June 2011	**(227)**	**241**	**5,417**	**(5,784)**

	Profit or Loss		Cash Flow Hedge Reserve	
PARENT COMPANY	100 bp Increase NZ$000	100 bp Decrease NZ$000	100 bp Increase NZ$000	100 bp Decrease NZ$000
Variable rate instruments	(1,275)	1,293	0	0
Interest rate swaps	1,246	(1,246)	7,503	(8,008)
30 June 2012	**(29)**	**47**	**7,503**	**(8,008)**
Variable rate instruments	(1,256)	1,269	0	0
Interest rate swaps	1,022	(1,022)	5,417	(5,784)
30 June 2011	**(234)**	**247**	**5,417**	**(5,784)**

(ii) *Currency Risk*

Foreign currency risk is the risk arising from the variability of the NZD currency values of the Group's assets, liabilities and operating cash flows, caused by changes to foreign exchange rates.

The Group does not have any material exposure to currency risk except for the one-off purchases of assets (eg plant and machinery) denominated in foreign currencies. It is Group policy that foreign exchange exposures on imported goods must be hedged by way of foreign exchange forward contracts or options to a minimum of 50% at the time the exposure is known with certainty on all transactions in excess of NZ$200,000.

At 30 June 2012, the Group had entered into forward contracts to purchase EUR 12.226 million (2011: EUR 0.213 million) and USD nil (2011: USD 0.135 million) for capital commitments.

Sensitivity Analysis

If, at reporting date, a 10% strengthening/weakening of the above currencies against the New Zealand dollar occurred with all other variables held constant, it would increase/(decrease) post tax profit or loss and the cash flow hedges serve by the amounts shown below. The analysis is performed in the same basis for 2011.

31 FINANCIAL INSTRUMENTS (CONTINUED)

GROUP AND PARENT COMPANY	Profit or Loss 10% Increase NZ$000	Profit or Loss 10% Decrease NZ$000	Cash Flow Hedge Reserve 10% Increase NZ$000	Cash Flow Hedge Reserve 10% Decrease NZ$000
Foreign currency forward exchange contracts 30 June 2012	**0**	**0**	**(1,265)**	**1,546**
Foreign currency forward exchange contracts 30 June 2011	**(24)**	**30**	**(11)**	**13**

(iii) *Commodity Price Risk*

The Group manages commodity price risks through the use of negotiated supply contracts and commodity derivatives. The negotiated supply contracts are for the purpose of receipt in accordance with the Group's expected usage requirements only and are not accounted for as financial instruments.

The Group uses commodity derivatives and fuel swap agreements, to reduce the impact of price changes on fuel costs in accordance with Group policy. Up to 75% of the next twelve months' operating fuel costs may be hedged via commodity derivatives. At 30 June 2012, the Group had no commodity derivative contracts outstanding (2011: nil).

(f) Capital Management

The Board's policy is to maintain a strong capital base, which the Group defines as total shareholders' equity, so as to maintain investor, creditor and market confidence, and to sustain the future business development of the Group. The Board endeavours to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group has established policies in capital management, including the specific requirements that interest cover is to be maintained at a minimum of three times and that the [debt/(debt + equity)] ratio is to be maintained at a 40% maximum. It is also Group policy that the dividend payout is maintained between a level of between 70% and 100% of surplus after tax.

The Group and Parent Company are required to comply with certain financial covenants in respect of external borrowings namely that: interest cover is to be maintained at a minimum of 2.5 times; shareholders' funds as a percentage of total tangible assets must exceed 45% at all times; and total tangible assets and earnings before interest and taxes (EBIT) for the Parent Company must at all times exceed 85% of total tangible assets and EBIT respectively for the Group.

There have been no changes in the Group's approach to capital management during the year.

The Port of Tauranga Limited has complied with all capital management policies and covenants during the reporting periods as follows:

	GROUP 2012	2011
Port of Tauranga Group policies		
Interest cover (times)	**8.2**	6.6
Debt ratio (percentage)	**21**	22
Dividend payout ratio *(excluding special dividends and the impact of tax changes as a percentage of net profit after tax)* (percentage)	**71**	72
Bank covenants		
Interest cover (times)	**8.2**	6.6
Shareholders funds as a percentage of tangible assets (percentage)	**72**	72
Parent Company EBIT as percentage of Group EBIT (percentage)	**94**	95
Parent Company tangible assets as a percentage of Group tangible assets (percentage)	**98**	99

Statutory Information

AS AT 29 AUGUST 2012

SHAREHOLDER INFORMATION

The ordinary shares of Port of Tauranga Limited are listed on NZX. The information in the disclosures below has been taken from the Company's registers as at 29 August 2012.

TWENTY LARGEST ORDINARY EQUITY HOLDERS

Holder	Number Held	% of Issued Equity
Quayside Securities Limited	73,687,536	54.94
New Zealand Central Securities Depository Limited	13,815,793	10.30
Custodial Services Limited (3 a/c)	4,270,081	3.19
Custodial Services Limited (2 a/c)	1,867,390	1.39
Custodial Services Limited (18 a/c)	1,339,711	1.00
FNZ Custodians Limited	1,315,546	0.98
Custodial Services Limited (4 a/c)	1,034,933	0.77
Custodial Services Limited (1 a/c)	574,295	0.43
Masfen Securities Limited	545,000	0.41
Investment Custodial Services Limited (C a/c)	500,258	0.37
Custodial Services Limited (16 a/c)	377,157	0.28
Guy Perry & D A Thompson Trustee Limited	350,000	0.26
New Zealand Depository Nominee Limited (1 a/c)	334,615	0.25
Lloyd James Christie	307,000	0.23
Karen Maureen Pensabene (Keep a/c)	260,000	0.19
Investment Custodial Services Limited (R a/c)	257,940	0.19
Forsyth Barr Custodians Limited (1-33 a/c)	242,646	0.18
J B Were (NZ) Nominees Limited (44631 a/c)	216,591	0.16
Fraser Grant McKenzie & Dorothy Ann McKenzie	200,306	0.15
Custodial Services Limited (6 a/c)	174,976	0.13
Total	**101,671,774**	**75.80**

DISTRIBUTION OF EQUITY SECURITIES

Range of Equity Holdings	Number of Holders	Number of Shares Held	% of Issued Equity
1 - 5,000	7,840	13,660,568	10.20
5,001 - 10,000	970	7,146,378	5.32
10,001 - 50,000	499	9,334,900	6.96
50,001 - 100,000	18	1,341,159	1.00
100,001 and over	27	102,633,241	76.52
Total	**9,354**	**134,116,246**	**100.00**

Statutory Information Continued

AS AT 29 AUGUST 2012

SUBSTANTIAL SECURITY HOLDERS

The following information is given in accordance with section 26 of the Securities Amendment Act 1988. According to notices received, the following persons were substantial security holders in the Company as at 29 August 2012.

Holder	Number of Shares Held	%
Quayside Securities Limited	73,687,536	54.95

The total number of issued voting securities of the Company as at 29 August 2012 was 134,116,246.

DIRECTORS' SECURITY HOLDINGS

	Beneficially Held		Held by Associated Persons	
	30.06.12	30.06.11	**30.06.12**	30.06.11
J S Parker	**25,500**	25,500	**52,950**	42,950
A W Baylis	**0**	0	**10,000**	10,000
J M Cronin	**0**	0	**2,500**	2,500
D A Pilkington	**0**	0	**0**	0
M J Smith	**0**	0	**22,370**	40,000
Sir Dryden Spring	**32,000**	32,000	**4,500**	1,500
K Tempest	**0**	0	**0**	0

Financial and Operational Five Year Summary

AS AT 30 JUNE 2012

FINANCIAL

	Year 2012 $000	Year 2011 $000	Year 2010 $000	Year 2009 $000	Year 2008 $000
Operating income	**227,242**	185,374	148,076	143,619	148,808
EBITDa*	**128,898**	108,868	**93,516	89,277	87,885
Surplus after taxation – reported	**73,469**	58,398	38,016	45,185	42,117
Surplus after taxation – underlying	**73,469**	57,922	49,403	45,185	42,117
Dividends paid related to earnings	**44,258**	40,224	36,193	33,509	44,231
Total equity	**733,874**	700,252	668,468	643,057	639,210
Net interest bearing debt	**187,183**	188,795	198,528	207,484	200,717
Total assets	**1,033,878**	990,468	956,273	910,654	895,426
Interest cover (times)	**8.2**	6.6	6.3	5.4	5.1
Shareholders' equity (%)	**71.0**	70.7	69.9	70.6	71.4
Return on average equity (%)	**10.2**	8.5	7.5	7.0	6.6
Share price ($)	**11.08**	8.85	6.65	6.15	6.55
Market capitalisation ($)	**1,486,008**	1,186,742	891,629	824,314	877,928
Net asset backing per share ($)	**5.47**	5.22	4.99	4.80	4.77
Underlying earnings per share (cents per share)	**54.8**	43.6	36.9	33.7	31.4

The Board approved a final dividend of 27.0 cents per share ($36.2 million) after year end payable on 5 October 2012.

* EBITDa is Group profit before income tax plus interest expense, depreciation, amortisation and impairment.

** Includes $2.352 million negative revaluation movement.

OPERATIONAL

	Year 2012	Year 2011	Year 2010	Year 2009	Year 2008
Cargo throughput (000 tonnes)	**18,452**	15,390	13,748	13,458	13,525
Containers (TEUs)	**796,024**	590,506	511,343	546,521	582,072
Net crane rate (container moves per hour)*	**30.6**	35.0	35.1	33.8	30.8
Ship departures	**1,501**	1,329	1,225	1,233	1,279
Berth occupancy (%)	**40**	34	30	29	28
Total cargo ship days in port	**2,189**	1,839	1,661	1,534	1,563
Turn-around time per cargo ship (days)	**1.4**	1.4	1.4	1.3	1.3
Cargo tonnes per ship	**12,123**	11,606	11,223	10,906	10,558
Average cargo ship gross tonnage (GT)	**22,435**	21,491	20,675	21,051	19,747
Average cargo ship length overall (metres)	**179**	177	174	176	172
Number of employees – Port of Tauranga Limited	**169**	158	155	156	154
Lost time injuries (LTI – frequency)**	**5.9**	6.2	18.6	3.1	12.6

* As measured by the Australian Productivity Commission.

** Number of lost time claims per million hours worked.

Company Directory

DIRECTORS

J S Parker
Chairman

A W Baylis
J M Cronin
D A Pilkington
M J Smith
Sir Dryden Spring
K Tempest

EXECUTIVE

M C Cairns
Chief Executive

S G Gray
Chief Financial Officer

S M Lunam
Corporate Services Manager

G J Marshall
Commercial Manager

A P Reynish
Property Manager

REGISTERED OFFICE

Salisbury Avenue
Mount Maunganui
Private Bag 12504
Tauranga Mail Centre
Tauranga 3143
New Zealand

Telephone...07 572 8899
Facsimile....07 572 8800
Internet......www.port-tauranga.co.nz
Email............marketing@port-tauranga.co.nz

AUDITORS

Glenn Keaney
KPMG Tauranga
On behalf of the Auditor-General

SOLICITORS

Holland Beckett
Tauranga

BANKERS

ANZ National Bank Limited
Bank of New Zealand
Commonwealth Bank

SHARE REGISTRY

For enquiries about share transactions, change of address or dividend payments contact:

Link Market Services Limited
PO Box 91976
Victoria Street West
Auckland 1142

Telephone ..09 375 5998
Facsimile 09 375 5990
Email............Lmsenquiries@linkmarketservices.com

FINANCIAL CALENDAR

5 October 2012............Final dividend payment
25 October 2012 ....Annual Meeting
21 February 2013 ....Half year results announcement
March 2013....................Interim Report published
15 March 2013..............Interim dividend payment
30 June 2013.................Financial year end
22 August 2013............Annual results announcement
September 2013 ....Annual Report published