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OPUNAKE, TARANAKI

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Photographs supplied courtesy of Fonterra Co-operative Group Ltd

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ANNUAL REPORT FROM THE CHAIRMAN AND CHIEF EXECUTIVE

FINANCIAL POSITION

The Port of Napier achieved a tax paid profit of \$10.86 million for the year. This result was a significant improvement on the previous year's normalised result following adjustments for tax changes in building depreciation deductibility rules. The increased profit was achieved from revenue of \$54 million which was 11% up on last year due to the record cargo tonnage of 3.643 million tonnes, including 188,081 TEUs (Twenty Foot Equivalent Units).

Earnings before Interest and Tax (EBIT) of \$18.8 million were up 24% on last year, highlighting the impact of increased volumes through fixed infrastructure, and tighter control of costs. In addition, an increase in investment property values of \$494,000 in 2011 reversed the reduction in values reported in 2010.

Financing costs increased from the previous period due to the full year impact of the completed inner harbour redevelopment project. Net operating cash flows increased from \$14 million to \$15.7 million in 2011, reflecting the strong underlying earnings of the Port's core business.

The Port's balance sheet remains robust with net debt to debt plus equity ratio remaining at 35% following payment of \$7.086 million in dividends and capital expenditure of \$10.7 million during the year. Core bank debt of \$55.2 million increased by \$1.6 million during the year, due largely to the completion of the Port's new tug 'Te Mata'.



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PAN PAC PULP BEING READIED FOR EXPORT

OVERVIEW

The key aspect in delivering further throughput records has been our operational flexibility in quickly adapting to changing cargo and shipping trends.

This year's success is due to the Port's "can do" approach along with the Port's ethos to strongly pursue all growth opportunities. Likewise the other part of the Port's progress is due to turning opportunity into physical reality.

On the basis that international ports are gateways for physically handling exports and imports, the Port of Napier has stamped itself as the leading international port in central New Zealand. Our East Coast location close to New Zealand's main international shipping lane together with excellent road, rail and coastal transport links enables the most efficient pathway to market for an increasing range of exports in an expanded central New Zealand catchment.

2011 marked a period when operating capabilities were enhanced by a series of key investments – some delivered, others set in motion – which are building blocks and future foundations for the pivotal port in central New Zealand.



Photographs supplied courtesy of Pan Pac Forest Products

THROUGHPUT

Prolonged global economic difficulties have strongly influenced the trading patterns of many New Zealand companies during 2011 and earlier, including many importers and exporters using the Port of Napier.

When one considers the Port's key trade groups, some have struggled to maintain previous volumes/tonnages. In effect virtually all import or export sectors experience cyclical trade patterns over time and 2011 was no exception. An expanding cargo base however can mitigate against cyclical downturn in any given financial year.

A key characteristic in Napier's endeavours is the prominence of food and fibre exports. Throughout the prolonged global financial crisis these core export goods have initially weathered the storm and more latterly begun to prosper. The future looks bright especially for primary sector exports, shipped directly from Napier to the wider Asian region. New Zealand's proximity to Asia means an increasing portion of containerised exports (and imports) are moved directly from or to Napier without the need for intermediate transshipment ports.

The results achieved in 2011 prove that Napier's strategic approach is working as we are pleased to report a 6.6% rise in total throughput to reach a record 3.643 million tonnes.

The highlight is 9.4% growth in exports, reaching 2.865 million tonnes.

There was however a slight 2.5% dip in imports as at year end. The major import trades of oil and fertiliser were affected, however, their relative significance was overshadowed by strong gains in imports of foodstuffs, paper/kraft, chemical products and general cargo. Notably most import gains were in containerised form.

Export success stories abound although not universally. The cyclical impact led some export trade groups to a softer outcome in 2011. Often classified as commodities, wool, woodpulp, timber, recycling materials, tallow, meat and bonemeal fell beneath the levels reported last year. This reflects their vulnerability to the NZ/US dollar cross rate in particular and their non-perishable nature giving more flexibility around ultimate shipment.

The most prominent export growth was recorded for logs which rose 11.7%, breaking through the annual million tonne mark for the first time to reach 1.038 million tonnes. Apples rose 19.0% to nudge close to the 216,000 tonne record set in 2009. Frozen and canned foodstuffs, wine and other beverages all performed at or near to double digit growth rates.

The import/export percentage split of volumes at 39:61 is the same balance as was reported last year.

Container throughput again continues to prosper reaching a record year end total of 188,018 TEUs.

Refrigerated container volumes fared very well, rising by 10.1%. This is appreciated by our container shipping line customers as is the underlying growth in full volumes, up 6.0% for the year. Full imports and exports rose 14.7% and 4.2% respectively on the same basis.

Underlying growth in the full container volume shipped excluding transshipment is ultimately the best measure of a regional economy and its drivers, and is perhaps the most telling statistic of all reported this year. It also explains the continued support of major container shipping lines by direct calls. It underpins Napier's expanding role in central New Zealand, particularly handling products on direct container line calls to and from the critical Asian region.

All indications are for an even better year in 2012 based on predicted export growth and rising imports due to Napier now serving wider central New Zealand as a consequence of calls to some ports being discontinued.





EXPANDING CAPABILITY

Investment and improvement in road and rail infrastructure networks in tandem with shipping trends to call at fewer larger ports, directly influences on-port cargo handling requirements.

In response to infrastructure network upgrades and Port initiatives, Napier has experienced further growth in rail volumes. Currently more than 25% of containers are now being transported by rail. In addition, investment by the Port has led to growth in log volumes moved by rail from a wider catchment.

Rail use to and from the Port of Napier has more than trebled in the last five years or so. We expect continued growth through the further investment of capital and management resources. A major upgrade of on-port rail lines is currently underway in order to turn trains around more quickly and allow longer train rakes to be built and moved efficiently.

The gradual increase in ship size has continued unabated and in July we were pleased to welcome our new tug 'Te Mata'. In combination with six year old 'Ahuriri', Napier now owns two of the most powerful harbour tugs in New Zealand. These will future proof us against the gradually increasing ship profile serving Napier and New Zealand.

During the year, the Board of Directors approved further investment in additional capital dredging to provide an improved operating window of 90% on all tides, for the vast majority of current vessels. This will also provide the potential to handle larger container and bulk vessels should the need arise in the future.

Further investment in container handling capacity occurred with two new forklifts purchased which are due for delivery in January 2012.

Ultimately, success for the Port of Napier is linked to its operational capabilities and the Port is striving to deliver further productivity gains and operating efficiencies for customers, as we position ourselves for the future.

SHIPPING

Shipping for the year featured stable, direct international container line services with 266 vessel calls reported versus 268 in the year prior. On this basis the average ship exchange increased from 680 TEUs to 702 TEUs.

Charter (bulk non-container) vessels handled during 2011 increased to 273 vessels, a rise of 20 vessels during the trading year.

Log and cruise vessels led the uplift in charter vessels, overshadowing minor changes up and down for other bulk trades.

The aggregate of all shipping calls was 570 compared to 580 in the prior year, with the notable difference being the fall in New Zealand coastal, Chatham and Pacific Island services, down 28 calls in the 12 months.

Growth in cruise vessels will continue in 2011/12, however, it appears that projected activity thereafter may be at similar levels to the current season – in excess of 70 vessels, 100,000 passengers and 45,000 crew.

The composition of vessels is perhaps the best indicator of future cruise growth. If the trend towards larger vessels continues, the increase in passenger and crew numbers is more important than any absolute change in vessel calls to Napier.

This is due to the rise in direct economic benefit to the region with the cruise sector projected to contribute circa \$27 million in direct spend by passengers and crew throughout Hawke's Bay over the 2011/12 season. The Ministry of Tourism estimates that total direct overnight and day visitor spend in the Hawke's Bay region last year amounted to \$355 million. Accordingly the impact of cruise vessels is increasing significantly.

Based on cruise passenger feedback surveys supplied by Cruise New Zealand, Napier is rated as the number one seaport in New Zealand (and second overall to cruising the waters of Milford Sound). The Port takes the business of cruise seriously and was delighted to recently receive the 'Spirit of Napier Award' for its commitment and dedication to the cruise industry in Hawke's Bay and Napier in particular.



NEW TUG 'TE MATA' ASSISTING CRUISE VESSEL M.V. VOLENDAM





Photographs courtesy of Brownrigg Agriculture

SUSTAINABILITY

The Port completed a comprehensive Sustainability Report and Plan, with the assistance of MWH New Zealand Ltd. The report highlights the progress made in numerous areas which include; continued reduction in carbon footprint, on-going reductions in resource and energy use per TEU and a significant increase in recycling volumes. A key aspect of the report is the development of benchmarking measures against other Australasian ports. This will enable Napier to gain valuable insights in best practice within the ports sector.

This approach has also been adopted through involvement in various industry forums including; health and safety, engineering, plant, security, marine and operations. These forums, in conjunction with our close relationship with regional and government agencies, have enabled the Port to gain valuable experience and share ideas and initiatives from other sectors.

The Port Noise Liaison Committee was established and met as required by the City of Napier District Plan. Membership includes representatives from Seascape environmental group, residents, Port users, Napier City and Hawke's Bay Regional Councils as well as the Port. The sophisticated nature of the noise monitoring equipment installed in early 2011 enables the Port to provide a range of real-time reports. These demonstrate that the Port is minimising its noise footprint and managing noise within the allowable limits set out in the New Zealand Port Noise Standard and the City of Napier District Plan.

The Wellness programme launched two years ago as part of our staff sustainability has flourished in 2011. Initiatives this year included; melanoma and medical checks for all staff, as well as dietary advice, a healthy eating programme and flu injections. The onsite gym continues to be utilised by a large percentage of staff on a regular basis.

Of special mention is firstly the fundraising efforts of 44 staff and family members who participated in the Specsaver's Hastings half marathon and Timu ITM 10 km walk to raise funds for the Port of Lyttleton Staff Welfare Fund. A cheque of \$10,000 was presented to the Lyttleton CEO along with the Port's earlier donation of \$50,000 to the Christchurch Red Cross Appeal following the devastating Canterbury earthquakes.

The second highlight was the 'pedometer' challenge with nine teams of seven staff participating in the Global Corporate Challenge (more than a third of the Port Company's workforce). Teams comprised a full cross section of colleagues from the Port's different work departments and included the full executive team. The results were outstanding. Of the 30 companies entered in Hawke's Bay, the Port was recognised as the second most active, whilst also gaining the special recognition of being the fourth most active company in New Zealand. Of the 61 who participated, 48 of our colleagues reported an increase in their overall health and wellbeing. An added benefit was the positive contribution to teamwork in the workplace and general support from all areas in the business.





HEALTH & SAFETY

The Port continues to actively participate in the Business Leaders' Forum focusing on Zero Harm in the Workplace. This forum provides a good foundation for our own 'Just Safety Culture' initiative. As part of the introduction of a 'Just Safety Culture' we have focused on the training and development of a pool of internal 'investigators'. Thirty colleagues have now been trained in accident investigation techniques and practices, providing them with the skills to thoroughly review hazards and incidents to determine root causes. Investigators are organised into small teams dependent on the investigation taking place, interviewing colleagues to determine underlying causes and identifying opportunities for improvement. The development of this wider team has enabled the Port to be proactive in reviewing processes and procedures rather than responding to incidents when they occur.

Our 'Zero Harm' initiative is having a significant impact on our safety performance statistics. Last year we were pleased to report a reduction in the accident frequency rate from 1.77 accidents per 100,000 man-hours worked to 1.39. For the year ending 30 September 2011 we have achieved 0.82 per 100,000 man-hours worked. Equally last year we were able to report a significant decrease in the accident severity rate from 35.80 lost time days per 100,000 man-hours worked to 9.01. This year we achieved an accident severity rate of 1.63 lost time days per 100,000 man-hours worked. Our benchmarking with other ports and industry highlights the need to continually work together to achieve and provide the culture, environment, and work practices that every colleague expects and deserves at the Port of Napier. All staff who have suffered an injury, virtually all of which are associated with outside activities such as sporting endeavours, undertake a comprehensive return to work programme which has had considerable success in rehabilitating colleagues.

CULTURE DEVELOPMENT

Culture development has been increasingly recognised as fundamental to the Port's strategic and growth ambitions for the future.

An extensive initial cultural development interview process conducted earlier in the year with over 40 staff provided a wide perspective of both the barriers and potential of the Port's workforce and helped establish priorities for culture development. It further clarified that culture development was about bringing together important corporate initiatives such as the Port's corporate values, continuous improvement, Zero Harm and Just Culture.

During the year, this programme also enabled a more structured approach to management of change, recruitment and training including:

- A focus on raising standards around recruitment and a focus on training and NZQA qualifications within Operations.
- The opportunity to promote capable colleagues who are a close fit with the Port's core values and aspirations.
- Confirm the Port as a career employer to those colleagues with high potential.
- Bringing in external expertise to refresh capability where necessary.
- Redevelopment of change machinery through a refresh of decision and communication forums and project methodologies.

An 'Ideas for Improvement' Forum was introduced in March as part of that wider programme.

The Company is providing access to computers for all employees as a foundation for improved learning outcomes.

Photographs supplied courtesy of Sacred Hill Wines Ltd



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MARLBOROUGH, SOUTH ISLAND

EXPORTED FROM NAPIER

READY FOR CONSUMPTION WORLDWIDE

Photographs supplied courtesy of Heinz Wattie's Ltd

STAFF

Once again, the staff's contribution to the final outcome is to be applauded. It is their commitment and dedication to perform at their best, that ensures both shippers and shipping lines continue to see Napier as a critical part of their supply chain solution for the central New Zealand region.

To reinforce those endeavours, the Company is also continuing to invest and re-invest to position the Company with quality resources, plant, equipment and facilities to ensure our staff have the tools available to meet the challenges ahead with confidence.

The Directors and senior executives would like to extend their appreciation and thanks to all colleagues for their efforts over the last 12 months. Likewise, with the targets of the performance incentive scheme being met, the Board is pleased to share those benefits with the wider staff. This scheme more than any other, highlights the collective will and desire to achieve superior outcomes and that as the Company succeeds so does its staff. The targets aim to build positively on the progress made through the continuous improvement programme for the year ahead.



HAWKE'S BA

OUTLOOK

The Directors and Management remain optimistic about the prospects for 2012 and beyond, despite the current uncertainty and risks that surround some global economies.

Regrettably the Port is facing significant expenditure pressures including a 35% increase in its electricity and lines charges along with a \$1.2 million or 400% increase in its earthquake and tsunami insurance premiums. This latter issue reflects the dramatic change in the New Zealand insurance market over the past 12 months as a consequence of the Christchurch and Japanese tragedies.

Due to the core strength of food and forestry product exports to the expanding Asian region, Port volumes are continuing to grow with 200,000 TEUs now forecast for the 2012 financial year.

Our confidence in the future rests on further manufacturing and distribution expansion by a range of Hawke's Bay businesses including Etika Dairies, Heinz Wattie's, McCain Foods, Ravensdown and Pan Pac Forest Products in particular. Their collective investment in the current period amounts to well in excess of \$100 million.

In February, McCain boosted its vegetable processing capacity with a \$19 million factory development which will underpin further exports to Australia, Japan and the Asia-Pacific region.

In May, Heinz Wattie's announced that it was moving production of sauces, beetroot and some canned meal products from three plants in Australia to its facilities in Hastings. The change, decided after a review of trans-Tasman manufacturing, should be fully implemented by mid-2012.

In June, Ravensdown announced they were investing \$14.5 million to refurbish their acid plant and committing to new onsite bulk storage facilities.

Etika Dairies New Zealand opened a new \$10 million plant in September which is the first in the world to produce UHT Liquid infant formula in a patented teat cap polyethylene terephthalate (PET) bottle. Most of the initial capacity was pre-sold and will add to containerised exports to the Asian region, in particular.

Late in September, Pan Pac confirmed a \$70 million investment to upgrade its pulp processing capabilities. The impact of the investment will allow Pan Pac to pursue new export markets also in Asia for its pulp use in higher quality carton board.

Further growth in exports of food products in the longer term is also likely as a consequence of a large scale water harvesting project being investigated by Hawke's Bay Regional Council. Most recent results from the Ruataniwha water storage project have identified a single dam site as the best route forward. The focus of feasibility studies now moves to the Makaroro River dam site, west of Tikokino in Central Hawke's Bay.

Considerable work still remains to prove the viability of the project, however, if successful, it will lead to material changes in land use and with it a major lift in production most likely for containerised export markets.

To add weight to regional economic development, the Port committed to becoming a major supporter of Business Hawke's Bay. This new private sector focused organisation - spearheaded by the Chamber of Commerce - is tasked with enabling business attraction to the region as well as assisting growth by existing businesses. The Port is obviously keen to assist whenever there are prospects of increased throughput.

As ever bigger ships require larger cargo exchanges to justify calling, the Port has its eye firmly focused on expanding Hawke's Bay capabilities and attracting new cargo. The positioning of the Port as the strategic gateway to central New Zealand will further assist those initiatives. It also reinforces the key role the Port of Napier will play in the future by providing the vital link for exporters and importers international supply and logistics chains to global markets. Given the level of new and proposed investment in the region, the Port continues to look ahead positively and is endeavouring to deliver improved services and choices for all its customers, bulk and container alike, as it positions itself for the future.





Garth Cowie Chief Executive



EXPORTED FROM NAPIER

PURCHASED IN THE WORLD'S SUPERMARKETS

CORPORATE GOVERNANCE

PRINCIPLES

Consistent with the Port Companies Act, the Port of Napier's principal objective is to operate as a successful business. This principal objective underpins the activities of the Company.

The Directors recognise good governance is core to ensuring the creation, protection and enhancement of shareholder value.

The Board supports the governance principles embodied in the New Zealand Institute of Directors Code of Practice for New Zealand Directors.

The Directors recognise good governance is not merely a matter of achieving legislative compliance but ensuring that exemplary standards and behaviour are sustained. This involves the establishment and maintenance of a culture at Board and senior management level and throughout the Company to ensure that the Directors and employees deal fairly with others, with transparency and protects the interest of the shareholder and looks after the rights of stakeholders.

It is the objective of the Directors to ensure that all issues within the Company are dealt with in a manner, which will reinforce or enhance the reputation of the Company and those involved.

The Board will ensure that the Company is governed within the broader framework of corporate responsibility and regulatory oversight.

ROLE OF DIRECTORS

The Directors are responsible to the Shareholder for the setting of strategies and objectives in accordance with key targets and policies adopted in the Company's annual Statement of Corporate Intent. It is their ongoing responsibility to monitor management's operation of the business. They will direct management to develop appropriate structures, processes and plans necessary to achieve agreed objectives, and delegate to them the day to day operations in order that the plans are executed.



Photographs supplied courtesy of Turners & Growers

RISK MANAGEMENT

The Directors recognise their key responsibility of ensuring that management has appropriate systems and controls in place to regularly review and assess risks and adjust mitigation plans accordingly. The Board review the Company risk profile annually.

As part of risk management the Company has a comprehensive treasury policy that sets out procedures to minimise financial market risk.

BOARD OPERATION

Operation of the Board is governed by the Constitution of the Company, and the rules, procedures and guidelines adopted by the Board.

The Board oversees the development of annual and long term plans. It meets most months to receive reports from management on progress against such plans, and reviews and approves changes to strategies where necessary.

Where more detailed or technical supervision is necessary the Board has delegated responsibilities to committees. The Remuneration and Audit and Risk Management committees met three times during the past 12 months. In addition, a Tug Project Committee was put in place for the duration of the Te Mata project.

The Chairman meets regularly with the Shareholder to report on achievement of corporate objectives and discuss matters relating to the operation of the Company.

CONFLICTS OF INTEREST

Directors and senior managers are required to identify any potential conflicts of interest they may have in dealing with the Company's affairs. Where a material conflict arises, a Director may still attend a Board meeting but may not take part in the debate or vote on any resolution in which they are interested.



MANAGEMENT TEAM

FROM LEFT VIV BULL, CHRIS BAIN, GARTH COWIE, BRUCE LOCHHEAD AND JOHN MATHESON





BOARD OF DIRECTORS

BRUCE BEATON, PAUL HARPER, STEVE REINDLER, JON NICHOLS, JIM SCOTLAND AND JOHN LOUGHLIN



DIRECTORS' REPORT

The Directors take pleasure in presenting their Report and Financial Statements of the Port of Napier Limited for the year ended 30 September 2011.

PRINCIPAL ACTIVITIES

The Company's principal activities remain the commercial operation of the Port of Napier. There has been no significant change in the nature of the Company's business during the year.

FINANCIAL RESULTS

The Financial Statements attached to this report form part of and should be read in conjunction with this report. The Directors consider there are no unusual or other matters, which warrant their comment other than those discussed, and the Company's situation is clearly stated by the Financial Statements.

The surplus of Port of Napier Limited for the year, after deduction of taxation was \$10,864,000.

DIVIDENDS

During the year the 2010 final dividend of \$4,258,800 and the 2011 interim dividend of \$2,827,500 were paid totalling \$7,086,300.

DIRECTORS

In accordance with the Company's Constitution, Mr P Harper retires by rotation and being eligible, offers himself for re-election.

Mr B Beaton retires on 13 December 2011.

REMUNERATION OF DIRECTORS

Remuneration paid to Directors during the year was as follows:

J Scotland (Chairman)	\$64,000
S Reindler	\$34,500
P Harper	\$43,500
B Beaton	\$33,500
J Nichols	\$37,000
J Loughlin	\$34,500

REMUNERATION OF EMPLOYEES

The number of employees, whose total annual remuneration was in the specified bands, is as follows:

13
5
1
4
2
2
2
1
1
1
1
1

DIRECTORS' INSURANCE

The Company has arranged policies of Directors' Liability Insurance, which together with a Deed of Indemnity ensures that as far as possible, Directors will not personally incur any monetary loss as a result of actions undertaken by them as Directors. The insurance does not cover liabilities arising from criminal actions.

DIRECTORS' INTERESTS

The following notices have been received from Directors disclosing their interests in other companies.

Mr JA Scotland

Seeka Kiwifruit Industries Ltd	Director
Scotland Services Ltd	Director/ Shareholder
Ahuriri Properties Ltd	Director
3 R Group Ltd	Chairman
Landmac Holdings Ltd	Director
The Crown Hotel (2006) Ltd	Director
Hawke's Bay Airport Ltd	Director
The NZ Institute for Plant & Food Research Ltd	Director

Photographs supplied courtesy of Ravensdown



APPLIED HERE

GROWING GRASS FOR EXPORT PRODUCTS, SOUTHERN NORTH ISLAND



HARVESTED HERE SOUTHERN HAWKE'S BAY

Photograph supplied courtesy of McCain Foods (NZ) Ltd

Mr S Reindler

Transfield Services NZ Ltd	Independent Advisor
Glidepath Ltd	Director (Advisory Board)
Meridian Energy Ltd	Director
Institution of Professional Engineers New Zealand	President
Stevenson Group Ltd	Director
Reindler Co Ltd	Director/ Shareholder

Mr P Harper

Lodestar Enterprises Ltd	Director
Pacific Link Ltd	Director
Health Benefits Ltd	Director
Northgate Holdings Ltd	Director
Health Alliance Ltd (appointed 1 May 2011)	Director

Mr BM Beaton

Beaton Group Ltd and Subsidiaries	Director
Foodstuffs (Wgtn) Co-operative Society Ltd	Director
Greenfields Horticulture Ltd	Director
Kiwi Crunch Marketing Ltd and Subsidiaries	Director
Apollo Pac Holdings Ltd and Subsidiaries	Director
Tannery Road Investments Ltd	Director
BIR Investments Ltd	Director

Mr JE Nichols

Nichols Consulting Ltd	Director/ Shareholder
Mid Central Zone Rugby League	Director
Centralines Limited (appointed 26 July 2011)	Director
Palmerston North Airport Ltd (appointed 26 September 2011)	Director

Mr JJ Loughlin

Zespri Group Ltd	Chairman
Metlifecare Ltd	Director
Kermadec Property Fund Ltd	Director
Taupo Motorsport Park Ltd (resigned 29 September 2011)	Director
Tru-Test Corporation Ltd	Chairman
Askerne Estate Winery Ltd	Chairman/ Shareholder
Loughlin Viticulture and Consulting Ltd	Chairman/ Shareholder
Firstlight Foods NZ Ltd	Director
Ag Research	Director
Centralines Limited (resigned 26 July 2011)	Director

USE OF COMPANY INFORMATION

During the year the Board received no notices from Directors of the Company requesting to use Company information received in their capacity as Directors, which would not otherwise have been available to them.

AUDIT FEES AND OTHER SERVICES

Under Section 19 of the Port Companies Act 1988, the Auditor-General is the Auditor of the Company. The Auditor-General has appointed Ernst & Young to undertake the audit on its behalf, pursuant to Section 15 of the Public Audit Act 2001.

Fees paid to the Auditors are disclosed in the Financial Statements.

PERFORMANCE INDICATORS

As required under Section 16 of the Port Companies Act 1988, performance indicators in the Statement of Corporate Intent are given below:

Comparison with Statement of Corporate Intent	Target	Actual 2011
Net Debt to Net Debt plus Equity	20-40%	35.4%
Earnings before Interest and Tax to Interest Expense	>3 Times	4.3 Times
Earnings before Depreciation, Interest and Tax to Total Non-Current Assets	13.0%	14.8%
Operating Surplus after Tax to Shareholders' Funds	8.0%	10.7%

Earnings and Operating Surplus exclude the net surplus on the sale of assets.

Total Non-Current Assets and Shareholders' Funds are the average of the opening and closing amounts and interest expense includes interest capitalised.



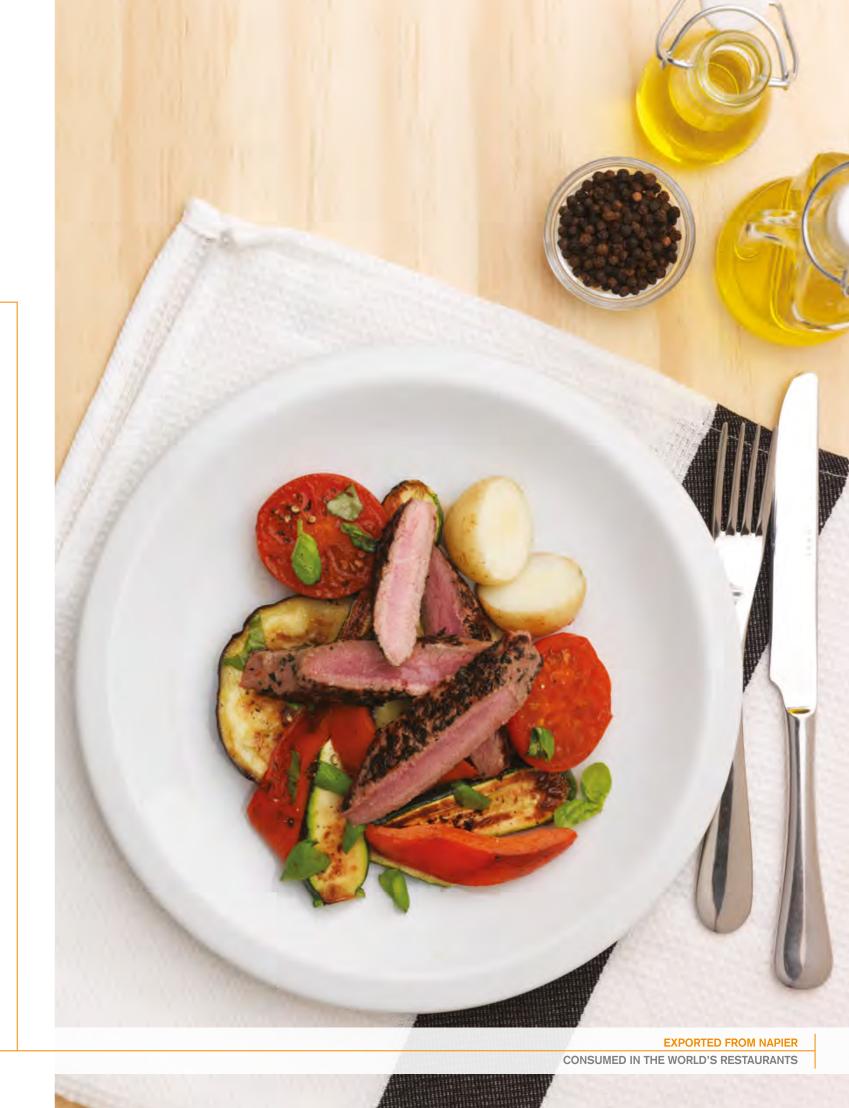


EXPORTED FROM NAPIER

CONSUMED IN AUSTRALIA AND OTHER WORLD MARKETS







Photographs supplied courtesy of Silver Fern Farms Ltd

INCOME STATEMENT

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

		2011	2010
	Notes	\$000	\$000
Revenue from Port Operations		54,053	48,654
Revenue Other		78	107
Operating Income	4	54,131	48,761
Employee Benefit Expenses		14,100	13,160
Maintenance Expenses		6,186	5,860
Depreciation & Amortisation Expenses	14,15	5,783	5,357
Other Operating Expenses	5	9,291	9,289
Operating Expenses		35,360	33,666
Operating Profit Before Net Financing Costs		18,771	15,095
Finance Income	6	(6)	(22)
Finance Expenses	6	3,636	2,933
Net Finance Costs		3,630	2,911
Profit Before Taxation		15,141	12,184
Income Tax Expense	7	4,405	3,493
Tax on change in building deductibility rules		(128)	1,644
Total Tax Expense		4,277	5,137
Profit for the Period Attributable to the Shareholder of the Company		10,864	7,047

STATEMENT OF COMPREHENSIVE INCOME

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

	2011	2010
Notes	\$000	\$000
Profit after Tax Attributable to the Shareholder of the Company	10,864	7,047
Other Comprehensive Income		
Net change in fair value of cash flow hedges transferred to the income statement	-	129
Net effective portion of changes in fair value of cash flow hedges	(307)	(1,703)
Total Comprehensive Income	10,557	5,473

STATEMENT OF CHANGES IN EQUITY

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

			\$00	00	
	Notes	Share Capital	Hedging Reserve	Retained Earnings	Total Equity
Balance as at 1 October 2010		21,000	(1,771)	80,258	99,487
Profit after Tax Attributable to Shareholder of the Company		-	-	10,864	10,864
Net effective portion of changes in fair value of cash flow hedges		-	(307)	-	(307)
Total Comprehensive Income		-	(307)	10,864	10,557
Dividends		-	-	(7,086)	(7,086)
Total transactions with the owner in their capacity as owner		-	-	(7,086)	(7,086)
Total movement in equity		-	(307)	3,778	3,471
Balance as at 30 September 2011	10	21,000	(2,078)	84,036	102,958
			\$00	00	
	Notes	Share Capital	Hedging Reserve	Retained Earnings	Total Equity
Balance as at 1 October 2009		21,000	(197)	79,051	99,854
Profit after Tax attributable to Shareholders of the Company		-	-	7,047	7,047

Net effective portion of changes in fair value of cash flow hedges	-	(1,703)	-	(1,703)
Total Comprehensive Income	-	(1,574)	7,047	5,473
Dividends	-	-	(5,840)	(5,840)
Total transactions with owners in their capacity as owners	-	-	(5,840)	(5,840)
Total movement in equity	-	(1,574)	1,207	(367)
Balance as at 30 September 2010	21,000	(1,771)	80,258	99,487

129

129

Net change in fair value of cash flow hedges transferred to the income

STATEMENT OF FINANCIAL POSITION

PORT OF NAPIER LIMITED

As at 30 September 2011

		2011	2010
	Notes	\$000	\$000
Equity			
Share Capital	10	21,000	21,000
Reserves	10	(2,078)	(1,771)
Retained Earnings		84,036	80,258
		102,958	99,487
Non Current Liabilities			
Loan - Westpac Banking Corporation	20	55,200	53,600
Deferred Tax Liability	7	6,104	6,015
Derivative Financial Instruments	20	1,815	1,550
Provisions for Employee Entitlements	13	279	293
		63,398	61,458
Current Liabilities			
Cash and Cash Equivalents	17,20	199	72
Taxation Payable		1,389	1,277
Derivative Financial Instruments	20	1,364	1,073
Trade and Other Payables	12	6,066	5,254
		9,018	7,676
		175,374	168,621
Non Current Assets			
Property, Plant & Equipment	15	160,360	156,313
Intangible Assets	14	682	811
Investment Properties	16	6,285	6,741
		167,327	163,865
Current Assets			
Cash and Cash Equivalents	17,20	1	1
Trade and Other Receivables	11	6,118	4,265
Inventories		411	490
Non Current Asset Held For Sale	15	1,500	-
Derivative Financial Instruments	20	17	-
		8,047	4,756
		175,374	168,621

On behalf of the Board of Directors, who authorised the issue of these Financial Statements on 14 November 2011

on Michols Director

STATEMENT OF CASH FLOWS

The accompanying notes form an integral part of these financial statements.

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

2010	2011	
\$000	\$000	Notes
		Cash Flows from Operating Activities
		Cash was provided from:
51,726	55,694	Receipts from Customers
869	9	GST Received (Net)
22	6	Interest Received
52,617	55,709	
		Cash was applied to:
(33,273)	(32,466)	Payments to Suppliers & Employees
(2,161)	(3,501)	Interest Paid
-	-	GST Paid (Net)
(3,143)	(4,076)	Taxes Paid
(38,577)	(40,043)	
14,040	15,666	Net Cash Flows from Operating Activities
		Cash Flows from Investing Activities
		Cash was provided from:
237	1,181	Sale of Assets
237	1,181	
		Cash was applied to:
(1,074)	(740)	Capitalised Interest
(15,554)	(10,748)	Purchase of Assets
(16,628)	(11,488)	
(16,391)	(10,307)	Net Cash Flows Used in Investing Activities
		Cash Flows From Financing Activities
		Cash was provided from:
8,100	1,600	Proceeds from Loan
8,100	1,600	
		Cash was applied to:
(5,840)	(7,086)	Dividends Paid
(5,840)	(7,086)	
2,260	(5,486)	Net Cash Flows Used in Financing Activities
(91)	(127)	Total Movements in Cash Balances
		Cash and Cash Equivalents at Beginning of Year
1	1	Cash Balances
19	(72)	Bank Balance
20	(71)	
		Cash and Cash Equivalents at End of Year
1	1	Cash Balances
(72)	(199)	Bank Balance
(71)	(198)	17
	(199)	Cash and Cash Equivalents at End of Year Cash Balances Bank Balance 17

RECONCILIATION OF SURPLUS AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

	2011	2010
	\$000	\$000
Reconciliation of Surplus after Taxation to Cash Flows from Operating Activities		
Surplus after Taxation	10,864	7,047
Add non-cash items:		
Fair Value (Gains)/Losses	(264)	1,207
Depreciation and Amortisation	5,783	5,358
Deferred Tax	89	1,434
	5,608	7,999
(Deduct)/Add Other Adjustments:		
Net Loss/(Profit) on Sale of Property, Plant & Equipment	55	44
(Decrease)/Increase in Non-Current Provisions	(14)	19
	41	63
Movements in Working Capital:		
Increase/(Decrease) in Accounts Payable	927	(719)
(Increase)/Decrease in Receivables	(1,853)	(482)
(Increase)/Decrease in Inventories	79	132
	(847)	(1,069)
Net Cash Inflow from Operating Activities	15,666	14,040

NOTES TO THE FINANCIAL STATEMENTS

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

1. Reporting Entity

Port of Napier Limited ("the Company" or "the Port") was incorporated in accordance with the Port Companies Act 1988 and is domiciled in New Zealand.

Port of Napier Limited is involved in providing and managing port services and cargo handling facilities.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards, and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements comply with International Financial Reporting Standards.

Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for investment properties and derivative financial instruments, which are measured at fair value.

Functional and Presentation Currency

The financial statements are presented in New Zealand Dollars (NZD) and all values are rounded to the nearest thousand dollars (\$'000).

Use of Judgements and Estimates

In the application of NZ IFRS management is required 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.

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

- Valuation of investment property (Note 16)
- Valuation of financial instruments (Note 20)
- Provisions (Note 13)
- Estimation of useful lives (policy on depreciation)

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Property, Plant and Equipment

Tugs, cranes and cargo and administration buildings are stated at deemed cost based on valuations performed as at 30 September 2005 and subsequent additions at cost, less subsequent accumulated depreciation. All other assets are accounted for at the historical cost of purchased Property, Plant and Equipment less accumulated depreciation. This is the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of assets constructed by the Company includes the cost of all materials used in construction, associated borrowing costs, direct labour on the project and an appropriate amount of directly attributable costs. Costs cease to be capitalised as soon as the asset is ready for productive use.

The Company has ten classes of Property, Plant & Equipment:

- Port Land
- Vehicles, Plant & Equipment
- Hard Dredging
- Soft Dredging
- Site Improvements
- Wharves & Jetties
- Other BuildingsTugs
- Cranes
- Cargo & Administration Buildings

Subsequent Costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company. All other costs are recognised in the Income Statement as an expense as incurred.

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

Depreciation

Depreciation is provided on a straight line basis on all tangible property, plant and equipment other than freehold land and hard dredging, at rates calculated to allocate the assets' cost less estimated residual value, over their estimated useful lives.

Major useful lives are:	Years
Site Improvements	10-40
Vehicles, Plant & Equipment	3-25
Other Buildings	10-25
Soft Dredging	8
Wharves & Jetties	10-80
Cargo & Administration Buildings	10-60
Tugs	30
Cranes	20

Land and Hard Dredging are not depreciated as they are considered to have indefinite useful lives.

Impairment of Assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment losses directly reduce the carrying amount of assets and would be recognised in the Income Statement.

Leased Assets

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement conveys a right to use the asset.

Company as a lessee: Lease payments made under an operating lease are charged to the Income Statement on a straight line basis over the period of the lease.

Company as a lessor: Leases in which the Company retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Lease revenue received under an operating lease is recognised in the Income Statement on a straight line basis over the period of the lease.

Investment Properties

Investment Properties comprise industrial land and buildings owned outside the Port. The properties are valued at fair value without any deduction for transaction costs that may be incurred on sale or other disposal and are re-valued annually by an independent registered valuer. Depreciation is not charged on the buildings. Any gain or loss arising from a change in the fair value of the investment properties is recognised in the Income Statement as part of other income for the period in which it arises.

Intangible Assets

Computer Software

Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and it is probable they will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Major useful lives are:	Years
Computer Software	3-10

Receivables

Trade Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, after providing against debts where collection is no longer probable. Bad debts are written off when identified.

Inventories

Inventories are stated at the lower of cost or net realisable value. (The cost of maintenance spares is determined on a weighted average basis. The carrying amount of inventory includes an appropriate allowance for obsolescence and deterioration.)

NOTES TO THE FINANCIAL STATEMENTS

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

Payables

Payables are initially recorded at fair value and subsequently at amortised cost. (However, due to their short term nature they are not discounted.) The balance represents liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid.

Employee Entitlements

Employee entitlements consist of salaries, wages and performance payments, annual leave, long service leave and other benefits. Liabilities for wages, salaries and performance payments, including annual leave, expected to be settled within 12 months of the reporting date are recognised in respect of employee services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

The Board of Directors have approved the establishment of performance incentive schemes for staff and senior executives. The purpose of these schemes is to create additional shareholder wealth by focusing all staff on safety, business growth and improved target earnings. Payments are only made if the Board of Directors' approved non-financial and EBIT targets are achieved.

The liability for long service leave is recognised and measured at the present value of the expected future entitlements to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service.

Term Debt

On initial recognition all borrowings are recognised at the fair value of consideration received less directly attributed transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of the loan facility are amortised over the term of the loan.

Income Tax and Other Taxes

The income tax expense charged to the Income Statement includes both current and deferred tax and is calculated after allowing for non-assessable income and non-deductible costs.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or payable to the IRD based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for where the initial recognition of assets or liabilities does not affect either accounting or taxable profit. The amount of deferred tax provided is based on using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax liability is settled. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Other taxes

Revenue, expenses, assets and liabilities are recognised net of the amount of GST, except receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the Statement of Financial Position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the IRD.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the Cash Flow Statement.

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

Cash Flow Statement

The following definitions have been used for the preparation of the Cash Flow Statement:

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

Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that economic benefits will flow to the Company and the revenue can be reliably measured.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Rental revenue is accounted for on a straight line basis over the period of the lease term.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required. Provisions are measured at the present value or management's best estimate of the amount required to settle the obligation.

Dividends

Provision is made for dividends only where they have been approved by the Board of Directors, but are unpaid at balance date.

Derivative Financial Instruments and Hedging

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Where the Company determines it will hedge a transaction the Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

The Company also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity through the Hedging Reserve. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecasted transaction occurs. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the Income Statement.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge
accounting and changes in the fair value of these instruments
are recognised immediately in the Income Statement.

Foreign Currencies

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of transaction. At balance date, foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these are included in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

Financial Risk Management

The Company's activities expose it to a variety of financial risks, including foreign currency risk, liquidity risk, credit risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures.

The Company enters into foreign currency forward exchange contracts to hedge foreign currency transactions, when purchasing major property, plant, and equipment and when payment is denominated in foreign currency.

Interest rate swaps are entered into to manage interest rate exposure.

The Company has no significant concentrations of credit risk. It has policies in place to ensure that services are provided to customers with an appropriate credit history.

Collateral or other security is not required for financial instruments subject to credit risk.

Refer also to Note 20 Financial Instruments.

New Standards Adopted and Pronouncements Not Yet Adopted

No new standards or amendments to standards have been adopted for the financial year commencing 1 October 2010.

There are a number of new standards, amendments to standards and interpretations, which have been issued but are not effective until after 1 October 2011, and have not been applied in preparing these financial statements. None of these is expected to have any significant effect on the financial statements of the Company, except for:

NZ IFRS 9 Financial Instruments will supersede in part NZ IAS 39 and specifies how an entity should classify and measure financial assets. The standard is effective for the year ended 30 September 2014. The Company has not yet determined the potential impact of this standard.

Changes in Accounting Policies

All policies have been applied on a consistent basis with the previous year.

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

		2011	2010
	Notes	\$000	\$000
4. Revenue			
Port Operations		54,053	48,654
Property Operations	16	78	107
Operating Income		54,131	48,761

5. Other Expenses

Items included within Other Operating Expenses

Auditors' Fees	93	92
Directors' Fees	247	256
Operating Leases	163	300
Bad Debts	7	2
Fair Value (Gain)/Loss on Investment Property 16	(494)	439
Net Loss/(Profit) on Sale of Property, Plant and Equipment	55	44

6. Financial Income and Expenses

Interest Income		(6)	(22)
Finance Income		(6)	(22)
Interest Expense on borrowings		4,278	3,822
Less: Interest capitalised to property, plant and equipment	15	(704)	(1,074)
		3,538	2,748
Fair Value Loss on Interest Rate Swaps		98	185
Finance Expenses		3,636	2,933
Net Finance Costs		3,630	2,911

NOTES TO THE FINANCIAL STATEMENTS

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

	2011	2010
	\$000	\$000
7. Taxation		
Income Tax on the Surplus for the Year at 30.0 cents (2010: 30.0 cents)	4,542	3,655
Adjustment to Prior Year Taxation	3	3
Deferred Tax Adjustment Due to Tax Rate Changes from 30 cents to 28 cents	(10)	(312)
Deferred Tax Adjustment for Removal of Building Tax Depreciation	(128)	1,644
Taxation Effect of Non-deductible Items	(130)	147
Income Tax Expense	4,277	5,137
The Taxation charge is represented by:		
Current Taxation	4,010	3,415
Deferred Taxation	402	390
Deferred Tax Adjustment for Removal of Building Tax Depreciation	(128)	1,644
Deferred Tax Adjustment Due to Tax Rate Changes from 30 cents to 28 cents	(7)	(312)
Income Tax Expense Reported in the Income Statement	4,277	5,137
Balance 1 October	(6,015)	(4,582)
Balance 1 October	(6,015)	(4,582)
Adjustment to Prior Year Provision	43	(386)
Deferred Portion of Current Year Tax Expense	(402)	(390)
Amounts Charged or Credited Direct to Equity	132	675
Deferred Tax Adjustment for Removal of Building Tax Depreciation	128	(1,644)
Deferred Tax Relating to Changes in Tax Rates from 30 cents to 28 cents	10	312
Balance 30 September	(6,104)	(6,015)
Deferred Taxation is represented by:		
Accelerated Tax Depreciation	(7,587)	(7,267)
Fair Value Gains/(Losses) on Derivatives	831	708
Other	652	544
	(6,104)	(6,015)
Imputation Credit Account		
Balance 1 October	13,268	12,741
Imputation Credits Attaching to Dividends	(3,037)	(2,503)
Income Tax Payments	3,778	3,030
Balance 30 September	14,009	13,268



PORT OF NAPIER LIMITED

For the year ended 30 September 2011

	2011	2010
	\$000	\$000
8. Operating Leases		
Leases as a lessee		
At balance date the Company had the following Operating Lease Commitments		
Payable within one year	119	106
Between one and two years	58	72
Between two and five years	-	29
Over five years	-	-
	177	207

9. Dividends

	7,086	5,840
2010 Final Dividend Paid - 20.28 cents per share (2009: 17.66 cps)	4,259	3,709
2011 Interim Dividend Paid - 13.46 cents per share (2010: 10.5 cps)	2,827	2,131

10. Capital and Reserves

Share Capital		
Issued and Paid Up		
21,000,000 ordinary shares (2010 21,000,000 shares)	21,000	21,000
All Ordinary Shares have equal voting rights and share equally in dividends and surplus on winding up.		
Hedge 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.	(2,078)	(1,771)

11. Trade and Other Receivables

The frage and other reconstances		
Trade Receivables	4,774	3,717
Accruals and Prepayments	1,344	548
	6,118	4,265
The ageing of trade receivables at reporting dates is set out below:		
Not past due	4,191	3,501
Past due 0 - 30 days	538	164
Past due 30 - 60 days	30	25
Past due > 60 days	15	27
The receivables carrying value is equivalent to the current fair value given their short term nature. No receivables past due are considered impaired.	4,774	3,717

NOTES TO THE FINANCIAL STATEMENTS

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

	2011	2010
	\$000	\$000
12. Trade and Other Payables		
Trade Accounts	1,429	1,345
Trade Accruals	1,623	1,429
Employee Entitlement Accruals	3,014	2,480
	6,066	5,254

The Accounts Payable carrying value is equivalent to the current fair value.

Employee Entitlement Accruals also include staff performance incentive and senior management long term incentive scheme payments due.

13. Provisions for Employee Entitlements

Non-Current		
Provision for Employee Entitlements	279	293
	279	293
Provision for Non-Current Employee Entitlements		
Balance at beginning of year	293	274
Additional provision made	61	42
Amount utilised	(75)	(23)
Balance at end of year:		
Current	-	-
Non-current	279	293

The provision for employee entitlements relates to employee benefits such as gratuities and long service leave. The provision is affected by a number of estimates, including the expected length of service of employees, the timing of benefits being taken and also the expected increase in remuneration and inflation effects. Most of the liability is expected to be incurred over the next 2-3 years.

14. Intangible Assets

2010									
2010	Opening Cost \$000	Additions \$000	Transfer/ Disposals \$000	Closing Cost \$000	Opening Accum Amortisation \$000	Current Year Amortisation \$000	Transfer/ Disposals \$000	Closing Accum Amortisation \$000	Book Value \$000
Computer Software	3,140	246	(70)	3,316	2,329	375	(70)	2,634	682
2011	Opening Cost \$000	Additions \$000	Transfer/ Disposals \$000	Closing Cost \$000	Opening Accum Amortisation \$000	Current Year Amortisation \$000	Transfer/ Disposals \$000	Closing Accum Amortisation \$000	Book Value \$000

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

15. Property, Plant and Equipment

2011	Opening Cost \$000	Additions \$000	Transfer/ Disposals \$000	Closing Cost \$000	Opening Accum Depreciation \$000	Current Year Depreciation \$000	Transfer/ Disposals \$000	Closing Accum Depreciation \$000	Book Value \$000
Port Land	29,943	-	-	29,943	-	-	_	-	29,943
Cargo & Administration Buildings	13,629	1	-	13,630	3,767	579	-	4,346	9,284
Tugs	9,973	15,908	(1,783)	24,098	1,136	166	(282)	1,020	23,078
Site Improvements	41,682	4,129	-	45,811	10,965	1,155	-	12,120	33,691
Hard Dredging	2,600	-	-	2,600	-	-	-	-	2,600
Soft Dredging	2,352	-	-	2,352	1,166	305	-	1,471	881
Other Buildings	3,490	47	-	3,537	1,372	119	-	1,491	2,046
Wharves & Jetties	42,338	115	-	42,453	4,737	557	-	5,294	37,159
Cranes	12,903	312	-	13,215	4,750	762	-	5,512	7,703
Vehicles, Plant & Equipment	24,808	2,686	(1,416)	26,078	12,087	1,765	(1,132)	12,720	13,358
Work in Progress	12,575	11,488	(23,446)	617	-	-	-	-	617
	196,293	34,686	(26,645)	204,334	39,980	5,408	(1,414)	43,974	160,360
2010	Opening Cost \$000	Additions \$000	Transfer/ Disposals \$000	Closing Cost \$000	Opening Accum Depreciation \$000	Current Year Depreciation \$000	Transfer/ Disposals \$000	Closing Accum Depreciation \$000	Book Value \$000
2010 Port Land	Cost		Disposals	Cost	Accum Depreciation	Depreciation	Disposals	Accum Depreciation	
	Cost \$000		Disposals	Cost \$000	Accum Depreciation	Depreciation	Disposals	Accum Depreciation	\$000
Port Land Cargo & Administration	Cost \$000 29,943	\$000 -	Disposals \$000	Cost \$000 29,943	Accum Depreciation \$000	Depreciation \$000	Disposals \$000	Accum Depreciation \$000	\$000 29,943
Port Land Cargo & Administration Buildings	Cost \$000 29,943 12,531	\$000 -	Disposals \$000 -	Cost \$000 29,943 13,629	Accum Depreciation \$000 - 3,155	Depreciation \$000 -	Disposals \$000	Accum Depreciation \$000	\$000 29,943 9,862
Port Land Cargo & Administration Buildings Tugs	Cost \$000 29,943 12,531 9,973	\$000 - 1,098	Disposals \$000	Cost \$000 29,943 13,629 9,973	Accum Depreciation \$000 - 3,155	Depreciation \$000 - 612 155	Disposals \$000 - -	Accum Depreciation \$000 - 3,767 1,136	\$000 29,943 9,862 8,837
Port Land Cargo & Administration Buildings Tugs Site Improvements	Cost \$000 29,943 12,531 9,973 22,718	\$000 - 1,098 - 18,972	Disposals \$000 - - - (8)	Cost \$000 29,943 13,629 9,973 41,682	Accum Depreciation \$000 - 3,155 981 9,914	Depreciation \$000 - 612 155 1,059	Disposals \$000 (8)	Accum Depreciation \$000 - 3,767 1,136 10,965	\$000 29,943 9,862 8,837 30,717
Port Land Cargo & Administration Buildings Tugs Site Improvements Hard Dredging	Cost \$000 29,943 12,531 9,973 22,718 1,805	\$000 - 1,098 - 18,972 795	Disposals \$000 - - - (8)	Cost \$000 29,943 13,629 9,973 41,682 2,600	Accum Depreciation \$000 3,155 981 9,914	Depreciation \$000 612 155 1,059	Disposals \$000	Accum Depreciation \$000 - 3,767 1,136 10,965	\$000 29,943 9,862 8,837 30,717 2,600
Port Land Cargo & Administration Buildings Tugs Site Improvements Hard Dredging Soft Dredging	Cost \$000 29,943 12,531 9,973 22,718 1,805 2,897	\$000 - 1,098 - 18,972 795 716	Disposals \$000 - - (8) - (1,261)	Cost \$000 29,943 13,629 9,973 41,682 2,600 2,352	Accum Depreciation \$000 - 3,155 981 9,914 - 2,172	Depreciation \$000 - 612 155 1,059 - 255	Disposals \$000 - - - (8) - (1,261)	Accum Depreciation \$000 - 3,767 1,136 10,965	\$000 29,943 9,862 8,837 30,717 2,600 1,186
Port Land Cargo & Administration Buildings Tugs Site Improvements Hard Dredging Soft Dredging Other Buildings	Cost \$000 29,943 12,531 9,973 22,718 1,805 2,897 3,575	\$000 - 1,098 - 18,972 795 716 43	Disposals \$000 (8) - (1,261) (128)	Cost \$000 29,943 13,629 9,973 41,682 2,600 2,352 3,490	Accum Depreciation \$000 - 3,155 981 9,914 - 2,172 1,347	Depreciation \$000 612 155 1,059 255 119	Disposals \$000 (8) - (1,261) (94)	Accum Depreciation \$000 - 3,767 1,136 10,965 - 1,166 1,372	\$000 29,943 9,862 8,837 30,717 2,600 1,186 2,118
Port Land Cargo & Administration Buildings Tugs Site Improvements Hard Dredging Soft Dredging Other Buildings Wharves & Jetties	Cost \$000 29,943 12,531 9,973 22,718 1,805 2,897 3,575 16,269	\$000 - 1,098 - 18,972 795 716 43 26,234	Disposals \$000 (8) - (1,261) (128) (165)	Cost \$000 29,943 13,629 9,973 41,682 2,600 2,352 3,490 42,338	Accum Depreciation \$000 - 3,155 981 9,914 - 2,172 1,347 4,412	Depreciation \$000 612 155 1,059 255 119 469	Disposals \$000 (8) - (1,261) (94) (144)	Accum Depreciation \$000 3,767 1,136 10,965 1,166 1,372 4,737	\$000 29,943 9,862 8,837 30,717 2,600 1,186 2,118 37,607
Port Land Cargo & Administration Buildings Tugs Site Improvements Hard Dredging Soft Dredging Other Buildings Wharves & Jetties Cranes Vehicles, Plant &	Cost \$000 29,943 12,531 9,973 22,718 1,805 2,897 3,575 16,269 12,903	\$000 - 1,098 - 18,972 795 716 43 26,234	Disposals \$000 (8) - (1,261) (128) (165)	Cost \$000 29,943 13,629 9,973 41,682 2,600 2,352 3,490 42,338 12,903	Accum Depreciation \$000 - 3,155 981 9,914 - 2,172 1,347 4,412 3,993	Depreciation \$000 612 155 1,059 255 119 469 757	Disposals \$000 (8) - (1,261) (94) (144)	Accum Depreciation \$0000 - 3,767 1,136 10,965 - 1,166 1,372 4,737 4,750	\$000 29,943 9,862 8,837 30,717 2,600 1,186 2,118 37,607 8,153

During the year the Company borrowed funds for the acquisition of new Property, Plant and Equipment. Interest incurred during the acquisition period totalled \$739,973 at a rate of 5.96% (2010: \$1,073,797 at 3.63% to 6.18%) has been capitalised.

The reduction in Work in Progress has arisen from the transfer of the completed tug build and various other capital projects to the appropriate asset classification.

An older tug has been presented as Non Current Asset Intended For Sale following the company determining that, with the arrival of the new tug from Vietnam, it is surplus to requirements and a conditional sale contract has been entered into for its disposal.

NOTES TO THE FINANCIAL STATEMENTS

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

	2011	2010
	\$000	\$000
16. Investment Properties		
Land and Building	6,285	6,741
Balance at beginning of year	6,741	7,180
Disposals	(950)	-
Net Gain/(Loss) From Fair Value Adjustments	494	(439)
Balance at end of year	6,285	6,741

As at 30 September 2011 the Port's interest in investment properties was valued at \$6,285,000, resulting in a net increase of \$494,000. This valuation was undertaken by Frank Spencer a registered valuer with Logan Stone Limited using the fair value basis under the highest and best use scenario. Mr Spencer is a member of the New Zealand Institute of Valuers.

The following amounts have been recognised in the Income Statement:		
Rental Income	78	107
Direct operating expenses arising from investment properties that generate rental income	(68)	(90)

17. Cash and Cash Equivalents

Reconciled to Cash Flow Statement	(198)	(71)
Bank overdraft	(199)	(72)
Cash	1	1

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

2011 \$000

2010

\$000

18. Related Party Transactions

Transactions

During the year the Company paid amounts to a related party.

The Directors believe these transactions were on normal commercial terms.

Related Party	Nature of Transactions	Value of Tra	nsactions
Hawke's Bay Regional Council	Dividends	7,086	5,531
	Rates & Resource Consents	5	13
	Subvention Payment	167	113

The Company is a wholly owned subsidiary of the Hawke's Bay Regional Council. The amounts owing to the related party are paid in accordance with the Company's normal commercial terms of trade. No related party debts have been written off or forgiven during the year.

Certain Directors of the Company are also directors of other companies with whom the Company transacts. All such transactions are on normal commercial terms.

Key Management Compensation

Compensation of the Directors and executives, being the key management personnel is as follows:		
Short term employee benefits	1,715	1,286
	1,715	1,286

19. Capital Expenditure Commitments & Contingencies

Capital Expenditure Commitments:

At balance date there were commitments in respect of contracts for capital expenditure of \$1,391,000 (2010 \$2,807,000).

Contingent Liabilities:

There were no material contingent liabilities at balance date (2010 Nil).

NOTES TO THE FINANCIAL STATEMENTS

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

20. Financial Instruments

Credit Risk

In the normal course of its business the Company incurs credit risk from accounts receivable, bank balances and interest rate swap agreements. There is no significant concentration of credit risk and the Company has a policy of assessing the credit risk of significant new customers and monitors the credit quality of existing customers. Counterparties to cash and derivative financial assets are major banks, approved by the Directors. The Company's maximum credit risk exposure are as disclosed elsewhere in the Statement of Financial Position and there is no collateral held.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when they fall due. The Company's approach to managing liquidity 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 Company's cash flow requirements and the utilisation of borrowing facilities are continuously monitored.

The following table sets out the contractual cash flows for all financial liabilities and derivatives:

Contractual Maturity Analysis

2011	Carrying Amount \$000	Cash Flows to Maturity \$000	Less than 1 Year \$000	1-2 Years \$000	2-5 Years \$000	
Trade and Other Payables	1,429	1,429	1,429	-	-	-
Bank Borrowings	55,200	57,331	2,131	55,220	-	-
Interest Rate Swaps	3,179	3,388	1,383	798	1,021	186
Forward Exchange Contracts	(17)	1,242	1,242	-	-	_
	59,791	63,390	6,185	55,998	1,021	186

2010	Carrying Amount \$000	Cash Flows to Maturity \$000	Less than 1 Year \$000	1-2 Years \$000	2-5 Years \$000	More than 5 Years \$000
Trade and Other Payables	1,345	1,345	1,345	-	-	-
Bank Borrowings	53,600	56,948	2,232	54,716	-	-
Interest Rate Swaps	2,561	2,650	1,514	764	433	(61)
Forward Exchange Contracts	62	954	954	-	-	_
	57,568	61,897	6,045	55,480	433	(61)

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

20. Financial Instruments Continued

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company'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.

Interest Rate Risk

The interest rates on the loans as at 30 September 2011 with the Westpac Banking Corporation ranged from 3.5% to 3.97% (2010 4.0% to 4.23%). The interest rate on the bank overdraft with the Westpac Banking Corporation as at 30 September 2011 was set at 8.45%.

The Company from time to time utilises interest rate caps and swaps to manage interest rate exposures for future periods and as at 30 September 2011 the notional principal amounts (including forward starting swaps), and periods of expiry of the contracts, are as follows:

	2011	2010
	\$000	\$000
Less than 1 Year	30,000	-
1-2 Years	-	30,000
2-3 Years	5,500	-
Greater than 3 Years	50,000	35,500
	85,500	65,500

Interest Rate Swaps are recognised in the balance sheet at their fair value, which includes any accrued interest at that date. The effective portion of the changes in the fair value of an interest rate swap is initially recognised in the Hedging Reserve, and subsequently transferred to the Income Statement at the point at which time the swap is settled. Any ineffective portion of an interest rate swap is recognised immediately in the Income Statement.

Interest Rate Sensitivity Analysis

At reporting date, if bank interest rates had been 100 basis points higher/lower with all other variables held constant, it would increase/(decrease) post tax profit or loss and other comprehensive income by the amounts shown below.

		or Loss	Equity		
late and Date	100bp Increase	100bp Decrease	100bp Increase	100bp Decrease	
Interest Rate	\$000	\$000	\$000	\$000	
Interest Rate Swaps	152	(158)	1,970	(2,266)	
30 September 2011	152	(158)	1,970	(2,266)	
	×.				
Interest Rate Swaps	190	(199)	1,908	(2,035)	
30 September 2010	190	(199)	1,908	(2,035)	

NOTES TO THE FINANCIAL STATEMENTS

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

20. Financial Instruments Continued

Currency Risk

The Company undertakes transactions denominated in foreign currencies from time to time and exposure in foreign currencies arise resulting from these activities. It is the Company's policy to hedge foreign currency risks as they arise. The Company uses forward and spot foreign exchange contracts to manage their exposures.

Foreign exchange contracts are recognised in the balance sheet at their fair value. The effective portion of the changes in the fair value of foreign exchange contracts is initially recognised in the Hedging Reserve, and subsequently transferred to the Income Statement at the point at which the purchase and associated creditor are recorded. Any ineffective portion of foreign exchange contracts is recognised immediately in the Income Statement.

The summary of foreign exchange instruments outstanding at balance date and the contracted terms are as follows:

Foreign Exchange Contracts Maturity Analysis

2011	NZD Amount \$000	Currency Amount \$000	Less than1 Year \$000	1-2 Years \$000	2-5 Years \$000
USD	-	-	-	-	_
EUR	-	-	-	-	-
AUD	1,242	999	999	-	-
SGD	-	-	-	-	-
	4.040				
	1,242				
2010	NZD Amount	Currency Amount	Less than1 Year	1-2 Years	2-5 Years
2010	NZD Amount \$000	\$000	\$000	1-2 Years \$000	2-5 Years \$000
2010 USD	NZD Amount	-		i i	
	NZD Amount \$000	\$000	\$000	\$000	
USD	NZD Amount \$000 954	\$000 650	\$000 650	\$000	
USD EUR	NZD Amount \$000 954	\$000 650	\$000 650 -	\$000	

Foreign Exchange Sensitivity Analysis

At reporting date, a 10% strengthening or weakening of the New Zealand dollar against the USD with all other variables held constant, would increase/ (decrease) other comprensive income by the amounts shown below. There would be no material changes to profit and loss values.

	Profit or Loss		Equity		
Foreign Currency	10% NZD Increase \$000	10% NZD Decrease \$000	10% NZD Increase \$000	10% NZD Decrease \$000	
30 September 2011	-	-	(113)	138	
30 September 2010	-	-	(81)	99	





PORT OF NAPIER LIMITED

For the year ended 30 September 2011

	2011	2010
	\$000	\$000
20. Financial Instruments Continued		
Credit Facilities		
At balance date the Company had total bank facilities of:		
Overdraft	1,000	1,000
Multi Option Credit Facilities	80,000	80,000
Total	81,000	81,000
At balance date the Company usage of the bank facilities was:		
Overdraft	199	72
Multi Option Credit Facilities	55,200	53,600
Total	55,399	53,672

The Company has 2 Multi Option Credit facilities with Westpac, one for \$20 million and the other for \$60 million with both facilities expiring 1 October 2012. The facility gives the Company the option to raise money on the money market, through wholesale advances or a fixed rate advance for all or any part of the commitment expiring on a date no later than the termination date. Security is by way of a negative pledge over the assets of the Company in respect of both sale of such assets and other security interests.

Financial Assets and Liabilities

Financial Assets		
Financial Assets at Fair Value - Cash Flow Hedges		
Interest Rate Swaps	-	-
Forward Foreign Exchange Contracts	17	-
	17	-
Loans and Receivables		
Cash	1	1
Receivables	4,774	3,717
	4,775	3,718
Total Financial Assets	4,792	3,718
Financial Liabilities		
Financial Liabilities at Fair Value - Cash Flow Hedges		***************************************
Forward Foreign Exchange Contracts	-	62
Interest Rate Swaps	3,179	2,561
	3,179	2,623
Financial Liabilities at Amortised Cost		
Overdraft	199	72
Trade Payables	1,429	1,345
Loan	55,200	53,600
	56,828	55,017
Total Financial Liabilities	60,007	57,640

The fair value of all derivatives are based on indicative market valuations provided by the Company's bankers. The carrying value of all Financial Assets and Liabilities is equal to the Fair Value.

NOTES TO THE FINANCIAL STATEMENTS

PORT OF NAPIER LIMITED

For the year ended 30 September 2011

20. Financial Instruments Continued

Estimation of fair value of financial instruments

The fair value of financial instruments is determined on a hierarchical basis that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements recognised in the Statement of Financial Position

All financial instruments recognised on the Company's Statement of Financial Position at fair value sit within Level 2.

Capital Management

The Board's policy is to maintain a strong capital base, which the Company defines as total shareholders equity, so as to maintain shareholder and banker confidence, and to sustain the future business development of the Company. The Company has established policies in capital management, including the specific requirements that interest cover is to be maintained at a minimum of three times, that the debt to debt plus equity ratio is to be maintained within a range of 20% to 40% and total committed funding to maximum debt over the next 12 months should not fall below a minimum of 110 percent.

The Company is required to comply with certain financial covenants in respect of external borrowings namely that interest cover is to be maintained at a minimum of three times shareholders' funds as a percentage of total tangible assets must exceed 45% at all times and debt must not exceed 3.5 times Earnings before interest, tax, depreciation and amortisation (EBITDA). The Company has met all the covenants throughout the current reporting period.

21. Events Subsequent to Balance Date

There have been no other events subsequent to 30 September 2011 which materially affect these financial statements (2010: Nii).



AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF PORT OF NAPIER LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2011

The Auditor-General is the auditor of Port of Napier Limited (the company). The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the company on her behalf

We have audited the financial statements of the company on pages 5 to 24, that comprise the statement of financial position as at 30 September 2011, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- The financial statements of the company on pages 26 to 47:
- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; andgive a true and fair view of the company's:
- financial position as at 30 September 2011; and
- financial performance and cash flows for the year ended on that date.

OPINION ON OTHER LEGAL REQUIREMENTS

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

Our audit was completed on 14 November 2011. This is the date at which our opinion is expressed.

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

BASIS OF OPINION

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

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

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

An audit also includes evaluating:

- the appropriateness of accounting polices 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

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

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

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

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

RESPONSIBILITIES OF THE AUDITOR

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

INDEPENDENCE

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

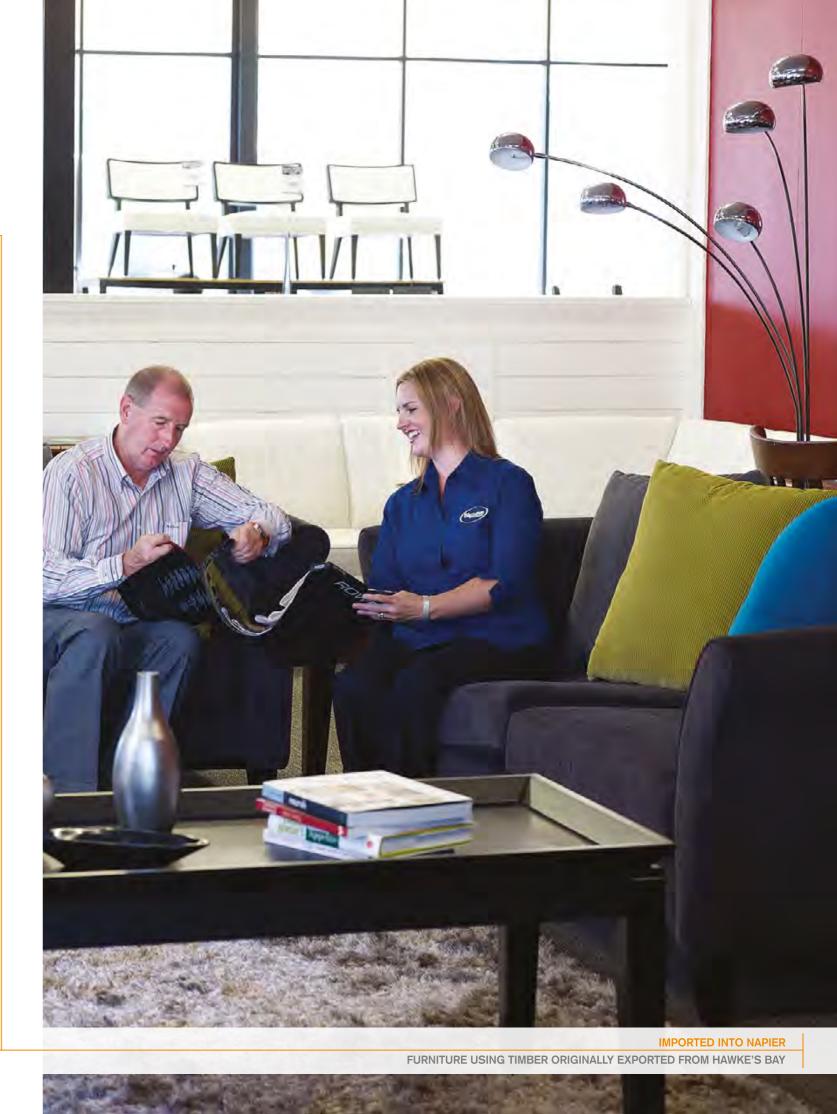
Other than the audit, we have no relationship with or interests in the company.

Stuart Mutch

Ernst & Young On behalf of the Auditor-General Wellington, New Zealand







Photograph supplied courtesy of Big Save Furniture

