PORTS AUTHORITY

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

PORTS AUTHORITY

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

CONTENTS

COOK ISLANDS GOVERNMENT

COOK ISLANDS AUDIT OFFICE

P.O. Box 659
Avarua, Rarotonga
Cook Islands

Phone: (682) 21-231
Fax: (682) 25-231
Email: perca@auditoffice.gov.ck
http://www.auditoffice.gov.ck/

AUDIT REPORT

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE PORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2011

We have audited the financial statements on pages 5 to 18. The financial statements provide information about the past financial performance of the Ports Authority and its financial position as at 30 June 2011. This information is stated in accordance with the accounting policies set out on pages 10 to 12.

Director's Responsibilities

The Directors are responsible for the preparation of the financial statements which fairly present the financial position, borrowings and commitments of the Ports Authority as at 30 June 2011, and the results of its operations and cash flows for the year ended 30 June 2011.

Auditor's Responsibilities

Section 28(4) of the Ministry of Finance and Economic Management Act 1995-96 requires the Cook Islands Audit Office to audit the financial statements presented by the Ports Authority. It is the responsibility of the Cook Islands Audit Office to express an independent opinion on the financial statements and report its opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgments made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Ports Authority's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor, we have no relationship with or interests in the Ports Authority.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Ports Authority:

- comply with generally accepted accounting practice in New Zealand; and
- fairly present in all material respects, the financial position, borrowings and commitments of the Ports Authority as at 30 June 2011 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 30 September 2011 and our unqualified opinion is expressed as at that date.

Paul R S Allsworth
Director of Audit
Cook Islands Audit Office
Rarotonga, Cook Islands

PORTS AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE - AITUTAKI

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011	2010
AITUTAKI REVENUE	2	449,022	369,401
AITUTAKI EXPENSES			
Bank charges		387	1,597
Barge expenses		1,190	9,859
Crane expenses		13,863	6,094
Communications		4,183	4,360
Consultants fees		3,797	400
Depreciation	2	177,231	129,773
Directors' fees and expenses		-	800
Electricity		1,696	2,096
Forklift expenses		24,427	5,830
Fuel		47,741	47,108
Loss on disposal of property, plant & equipment		28,006	230
Printing & stationery		386	440
Payroll expenses		139,955	138,928
Repairs & maintenance		3,510	3,031
Social costs		34,247	7,032
Staff training & expenses		450	3,263
Travel expenses		5,105	1,328
Other operating expenses		2,190	1,755
TOTAL EXPENSES		488,364	363,924
AITUTAKI OPERATING SURPLUS / (DEFICIT) FOR THE YEAR		($39,342)	$5,477

PORTS AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE - RAROTONGA

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011	2010
RAROTONGA REVENUE	2	2,082,240	1,811,417
RAROTONGA EXPENSES			
Audit fees		13,000	13,000
Bank charges		721	950
Communications		17,060	15,201
Consultants fees		29,757	10,423
Depreciation	2	489,719	504,428
Directors' fees and expenses		50,118	31,682
Electricity		36,765	48,333
Entertainment		124	1,077
Forklift costs		33,025	37,043
Fuel		35,617	31,455
General office expenses		3,648	3,362
Insurance & compensation		68,864	69,193
Interest		47	20,634
Loss on disposal of property, plant & equipment		12,149	3,453
Management & accounting fees		8,204	9,240
Printing & stationery		2,657	1,975
Provision for doubtful debts		12,963	-
Repairs and maintenance		25,772	10,945
Payroll expenses		490,824	491,252
Social costs		165,454	32,136
Staff training & expenses		20,794	9,491
Travel expenses		15,071	21,147
Vehicle expenses		7,363	5,640
Other operating expenses		6,835	16,505
TOTAL EXPENSES		1,546,551	1,388,565
RAROTONGA OPERATING SURPLUS		535,689	422,852
AITUTAKI OPERATING SURPLUS / (DEFICIT)		(39,342)	5,477
TOTAL OPERATING SURPLUS BEFORE TAX		496,347	428,329
INCOME TAX EXPENSE	5	(45,242)	(33,895)
Unrealised gain on foreign exchange		174,447	-
NET SURPLUS AFTER TAX		$625,552	$394,434

These Financial Statements should be read in conjunction with the Notes to the Financial Statements.

PORTS AUTHORITY

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011	2010
Retained Earnings as at 1 July		6,500,725	5,742,002
Surplus for the year		625,552	394,434
Revaluation adjustments	12	(194,406)	564,289
Prior year adjustment	11	15,453	-
Dividend paid		(200,000)	(200,000)
EQUITY AS AT 30 JUNE		$6,747,324	$6,500,725

These Financial Statements should be read in conjunction with the Notes to the Financial Statements

PORTS AUTHORITY

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Notes		2011	2010
TOTAL EQUITY			$6,747,324	$6,500,725
REPRESENTED BY :				
Assets				
Current Assets				
Cash on hand & Bank	6	509,736		79,455
Trade receivables	3, 6	238,967		196,032
Provision for tax	5	5,452		4,643
VAT receivables		614,671		56,812
Inventory		702		5,988
Sundry debtors and prepayments		90,457		71,518
			1,459,985	414,448
Investments				
Term deposits			1,315,686	1,590,659
Non-Current Assets				
Property, plant and equipment	11	5,361,178		5,593,154
Infrastructure	11	2,097,355		2,617,247
Capital Work in progress	11	8,069,282		557,229
			15,527,815	8,767,630
Total Assets			18,303,486	10,772,737
Less: Liabilities				
Current Liabilities				
Payables	4, 6	5,311,047		367,955
Deferred revenue - current	14	209,929		209,929
Finance lease creditor - current	6, 15	-		6,918
			5,520,976	584,802
Non current Liabilities				
Asian Development Bank loans		2,827,276		240,156
Deferred taxation		177,183		206,399
Deferred revenue - non current	14	3,030,727		3,240,655
			6,035,186	3,687,210
Total Liabilities			11,556,162	4,272,012
NET ASSETS			$6,747,324	$6,500,725

Chairman of Board - Michael Henry

Date ~~5/10/11~~ 30/09/11

General Manager - Nooroa Bim Tou

Date 30/09/11

These Financial Statements should be read in conjunction with the Notes to the Financial Statements.

PORTS AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Notes		2011	2010
Cash Flow From Operating Activities				
Cash was provided from:				
Receipts from customers		2.333,352		1,995,089
Interest received		94,101		41,807
			2,427,453	2,036,896
Cash was applied to:				
Payments to employees		(630,819)		(642,554)
Payments to suppliers		(1,705,426)		(436,501)
Payment of income tax		(75,267)		(67,562)
			(2,411,512)	(1,146,617)
Net cash inflow from operating activities	10		15,941	890,279
Cash Flow From Investing Activities				
Cash was provided from:				
Increase in investments			274,973	-
Cash was applied to:				
Purchase of property, plant and equipment		(2,240,836)		(757,806)
Decrease in investments		-		(188,804)
			(2,240,836)	(946,610)
Net cash outflow from investing activities			(1,965,863)	(946,610)
Cash Flow From Financing Activities				
Cash was provided by:				
Loan proceeds			2,587,121	240,156
Cash was applied to:				
Payment of dividend		(200,000)		(200,000)
Loan repayments		(6,918)		(77,080)
			(206,918)	(277,080)
Net cash inflow / (outflow) from financing activities			2,380,203	(36,924)
Net increase / (decrease) in Cash Held			430,281	(93,255)
Add Opening cash brought forward			79,455	172,710
Closing Cash Carried Forward			$509,736	$79,455
Represented by :				
Cash on hand			400	400
Westpac Banking Corp			363,399	52,779
ANZ Banking Group			145,822	23,539
Bank of the Cook Islands			115	2,737
			$509,736	$79,455

These Financial Statements should be read in conjunction with the Notes to the Financial Statements.

PORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

1 STATEMENT OF ACCOUNTING POLICIES

The reporting entity is the Ports Authority which was created by the Ports Authority Act 1994-5 on 1 July 1995. The effect of this Act was to create a separate legal entity, the Ports Authority, which took over all operations assets, liabilities and other obligations of the Waterfront Commission The legal transfer of the assets and liabilities as set out in the Ports Authority Act 1994-5 has yet to be completed.

Under the Cook Islands Investment Corporation Act 1998 the Ports Authority is now a subsidiary of the Cook Islands Investment Corporation
The financial statements were prepared in accordance with the Ports Authority Act 1994-5.

General Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting practice in New Zealand. In the case of accounting for grants and government assistance, International Accounting Standard 20 - Accounting for Government Grants and Disclosure of Government Assistance is followed.

The measurement base adopted is that of historical cost except for property, plant and equipment which have been revalued. The Financial Statements have been prepared using accrual accounting and are presented in New Zealand dollars rounded to the nearest dollar. Reliance is placed on the fact that the entity is a going concern.

Particular Accounting Policies

The following particular accounting policies, which significantly affect the measurement of financial performance, financial position and cash flows, have been applied:

Revenue

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

Government Grants

The government grants are recognised in the statement of financial position as deferred revenue when there is reasonable assurance that it will be received and that the company will comply with the conditions attaching to it. Once the asset is in use, deferred revenue is recognised in the statement of financial performance on a systematic basis over the useful life of the asset

Depreciation

Depreciation on property, plant and equipment has been calculated by applying the straight line method over the estimated life of the assets. The rates used are:

Building and wharf structure	-	5 - 10%
Furniture & fittings	-	20%
General plant & equipment	-	10 - 25%
Stevedoring equipment	-	20%
Forklifts	-	20%
Canteen	-	20%
Vehicles	-	20% - 25%
Office furniture	-	20 - 25%
Office plant & equipment	-	20 - 30%
Boats & barges	-	20%
Wharf fixtures	-	15% - 20%

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Taxation
The Ports Authority adopts tax-effect accounting using the liability method on a comprehensive basis

Income tax expense is recognised on the operating profit before tax, adjusted for permanent differences between taxable and accounting income. The tax effect of all timing differences are recognised as either a Deferred Tax Asset or Deferred Tax Liability. Deferred Tax Assets are not recognised unless realisation of the asset is virtually certain of recovery in future periods.

Trade Receivables
Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment

Property, plant and equipment
Property, plant and equipment are stated at cost or revaluation, less accumulated depreciation Purchases of assets since valuation are recorded at cost Property, plant and equipment revalued are stated at valuation as determined every five years by an independent valuer. The valuation has been performed on an existing use basis.

Additions
The cost of an item or property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Ports Authority and the cost of the item can be measured reliably.
Work in progress is recognised at cost less impairment and is not depreciated.
Property, plant and equipment are recognised at its cost Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition

Disposals
Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses and disposals are reported net in the statement of financial performance. When revalued assets are sold, the amount included in asset revaluation reserves in respect of those assets are transferred to taxpayers funds

Inventories
The amount shown at cost as inventories relates to departure tax coupons held for resale by the Ports Authority. These are stated at the lower of cost and net realisable value, determined on a first in first out basis

Investments
Short term cash investments are purchased with the intention to hold until maturity and are recorded at cost Interest income is recognised on an accrual basis.

Provisions
Employee Entitlements
A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date. Employee benefits include salaries, time in lieu, wages, and annual leave. Where the services that gave rise to the employee benefits are expected to be paid for within twelve months of balance date, the provision is the estimated amount expected to be paid by the company.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Other provisions
Other provisions are recognised in the statement of financial position when the company has a legal or contractive obligation as a result of past event and it is probable that an outflow of economic benefit will be required to settle the obligation.

Finance lease
Finance leases, which effectively transfer to the lessee substantially all of the risks and benefits incident to ownership of the leased items, have been capitalised in property, plant and equipment and the creditor recognised in the statement of financial position.

Creditors
Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method

Foreign currencies
Foreign currency transactions are recorded at the exchange rates in effect at the date of the transaction. Monetary assets and liabilities arising from trading transactions are translated at closing rates. Gains and losses (both realised and unrealised) due to currency fluctuations on these items are included in the Statement of Financial Performance.

Borrowings
The Asian Development Bank (ADB) approved two loans on 20 November 2008 for the funding of the Avatiu Port Development Project. The ADB signed the loan agreements for these two loans with the Government of the Cook Islands on 5 May 2009 and the Government on-lent to the Ports Authority by way of a subsidiary loan agreement signed on 31 July 2009

The borrowings were drawn down through the Cook Islands Government and were drawn down in USD. The interest rates for Loan 2472 and Loan 2473 which were offered to the Cook Islands Government are the same rates in the subsidiary loan agreement between Government and the Ports. The interest rate for Loan 2472 is aligned to the London Interbank Offered Rate (LIBOR) and Loan 2473 is 1% per annum for the 5 year grace period and 1 5% per annum thereafter.
The Ports Authority is responsible for any changes in the amount payable due to exchange rate fluctuations. Accordingly, all exchange rate risk is carried by the Ports Authortiy.
The borrowings are recorded in NZD at the exchange rate at the date of the draw down and are restated using the closing rate at balance date. Any difference in exchange rate fluctuations are recorded in the Statement of Financial Performance. The first draw down was made on 25 May 2010.

Loan 2472 of USD$8.6 million is fixed for a period of 20 years including a 5 year interest grace period with repayments commencing on 15 May 2014. Loan 2473 of SDR$4 5 million is fixed for a period of 24 years including a 8 year interest grace period with repayments commencing on 15 May 2017.

Changes in Accounting Policy
There have been no changes in accounting policies from those used in previous years

2 OPERATING REVENUE & EXPENSES

(i) Revenue consists of the following:

Aitutaki	2011	2010
Ship services	444,402	365,514
Interest Income	4,620	3,887
	$449,022	**$369,401**

Rarotonga		
Berthage	151,607	149,365
Cargo dues	100,242	84,699
Forklift hire	297,384	296,445
Marine services	216,968	187,080
Marshalling	248,780	227,011
Realised gain on foreign exchange	10,505	-
Rental income	98,069	82,688
Ship services	52,988	44,144
Wharfage	398,332	316,711
Interest income	89,481	73,817
Aid revenue recognised	209,929	209,929
Other services	207,955	139,528
	$2,082,240	**$1,811,417**

Other services include berthage, cargo dues, devanning, harbour dues and storage.

(ii) Depreciation consists of the following:

Aitutaki	2011	2010
Barges & boats	49,269	60,759
Buildings	5,573	6,335
Forklifts	24,208	5,374
Office plant & equipment	1,232	853
General plant & equipment	4,130	17,338
Canteen	111	-
Stevedoring Equipment	474	-
Vehicles	63,003	1,932
Wharf structure	29,231	37,182
	$177,231	**$129,773**

Rarotonga		
Buildings	51,746	65,027
Wharf Structure	241,151	343,642
Furniture & fittings	1,462	214
Office plant & equipment	12,427	7,107
General plant & equipment	8,919	5,553
Stevedoring equipment	2,865	2,100
Forklifts	113,074	59,078
Vehicles	42,504	5,406
Wharf fixtures and fittings	15,571	16,301
	$489,719	**$504,428**

		2011	2010
3	TRADE RECEIVABLES		
	Trade debtors	253,551	196,032
	Less: Provision for doubtful debts	(14,584)	-
		$238,967	**$196,032**
4	CREDITORS		
	Trade creditors	5,256,788	298,173
	Employee entitlements	20,588	20,803
	Bonds	130	9,519
	Other payables and accruals	19,758	26,563
	Due to related parties	13,783	12,897
		$5,311,047	**$367,955**
5	TAXATION		
(a)	Operating surplus / (deficit) before tax	496,347	428,329
	Income tax @20%	99,269	85,666
	Tax Effect of:-		
	Non deductible depreciation on revaluation	27,958	30,215
	Dividend paid	(40,000)	(40,000)
	Deferred income	(41,986)	(41,986)
	Income tax expense	**$45,242**	**$33,895**
(b)	Income tax expense	45,242	33,895
	Plus provisional tax balance	(4,643)	(27,698)
	Plus / (less) deferred tax expenses	29,216	56,722
	Less income tax paid this year	(75,267)	(67,562)
	Provision for tax	($5,452)	($4,643)

(c) The Authority is subject to taxation rate of 20% (2010 : 20%). The Authority has income tax payable of $69,440 for the current year. (2010 . Tax payable $90,617).

6 RELATED PARTIES

Included in revenue and expenses and both debtors and creditors are various balances with related parties including: Revenue Management Division (MFEM), Te Aponga Uira, Telecom Cook Islands, various ministries and Cook Islands Government. There are no material amounts outstanding and all transactions with related parties have been provided in accordance with normal commercial terms

Value Added Tax receivable at 30 June 2011 is $608,142 (2010. Value Added Tax receivable $56,812)

Included in Bank are current bank accounts of $115 and term deposits of $313,224 with the Bank of the Cook Islands, which is owned by the shareholders of Ports Authority These are at usual commercial terms. The Cook Islands Investment Corporation (CIIC) is the 100% owner of the Ports Authority. CIIC is ultimately owned by Cook Islands Government .

7 CONTINGENT LIABILITIES

There are no contingent liabilities as at the year end (2010: nil)

8 COMMITMENTS

On 18 December 2009 the Ports Authority entered into a contractual agreement with Beca International Consultants Ltd ("Beca") for the management of the Avatiu Port Development Project ("Project"). Beca is responsible for the designing and construction supervision of the Project which is planned to be completed by March 2013 The consideration for Beca's services is estimated to cost about $2.2 million and will be funded through the Asian Development Bank loans. At 30 June 2011 total payments of $982,894 had been made to Beca

On 25 February 2011 the Ports Authority signed a contract with McConnell Dowell Constructors Ltd for the construction part of the Project. The cost is estimated to be about $22 2 million and will be funded through the Asian Development Bank loans.
At 30 June 2011 total payments of $1.9 million had been made to McConnell Dowell and $4.5 million was paid after balance date and is recorded in the accounts as an accrual.

9 SUBSEQUENT EVENTS

There were no significant events occuring subsequent to year end which require restatement in the financial statements.

10 RECONCILIATION OF NET CASH FLOWS FROM OPERATIONS TO NET SURPLUS FOR THE YEAR

		2011	2010
Net Surplus for the year		625,552	394,434
Adjust for non cash items:			
Depreciation	666,950		634,201
Decrease in employee entitlements	(1,555)		(12,374)
Loss on sale of property, plant & equipment	40,155		3,683
Provision for doubtful debts	14,583		-
Revalued assets written off	(194,406)		-
Prior period adjustment	15,453		-
Income tax	45,242		33,895
		586,422	659,405
Movement in Working Capital:			
(Increase) / decrease in accounts receivable	(57,519)		76,978
(Increase) / decrease in sundry debtors	(2,614)		-
(Increase) / decrease in VAT receivable	(557,859)		24,926
Increase in interest receivable	(13,481)		(35,897)
Increase in prepayments	(2,741)		(6,601)
(Increase) / decrease in inventory	5,286		(1,803)
Increase / (decrease) in accounts payable	(270,940)		43,260
Increase / (decrease) in Inter-Ministry payable	(80)		9,929
Increase / (decrease) in accruals	(10,889)		3,139
Decrease in deferred income	(209,929)		(209,929)
Decrease in tax payable	(75,267)		(67,562)
		(1,196,033)	(163,560)
Net Cash Flows from operations		$15,941	$890,279

11 PROPERTY, PLANT AND EQUIPMENT

Rarotonga

		30-JUNE-2011		
	Depn Rates	Gross carrying amount	Accum Depn	Net carrying amount
Buildings	5%	847,691	42,385	805,306
Wharf structure	5%	4,851,247	241,151	4,610,096
Furniture and fittings	20%	8,261	1,462	6,799
Office plant and equipment	20-30%	46,073	11,274	34,799
General plant and equipment	20-25%	49,286	8,714	40,572
Stevedoring equipment	20%	14,325	2,865	11,460
Forklifts	20%	565,370	113,074	452,296
Vehicles	20-25%	202,680	42,504	160,176
Wharf fixtures & fittings	15%	105,382	15,571	89,811
		6,690,315	479,000	6,211,315
Capital Work in progress		8,061,282	-	8,061,282
		$14,751,597	$479,000	$14,272,597

Included in capital work in progress is interest capitalised of $41,566. This includes $15,453 interest incorrectly expensed in 2010 which has now been correctly capitalised through the current year's equity.

		30-JUNE-2010			
		Gross carrying amount	Accum Depn	Revaluations (Net)	Net carrying amount
Buildings	5%	1,310,348	(389,672)	131,251	1,051,927
Wharf structure	5%	6,872,825	(1,483,206)	(587,092)	4,802,527
Furniture and fittings	20%	9,461	(6,946)	3,349	5,864
Office plant and equipment	20-30%	58,556	(40,958)	15,776	33,374
General plant and equipment	20-25%	488,187	(467,638)	35,682	56,231
Stevedoring equipment	20%	34,414	(31,964)	11,875	14,325
Forklifts	20%	567,916	(382,639)	379,448	564,725
Vehicles	20-25%	227,207	(224,873)	194,391	196,725
Wharf fixtures & fittings	15%	99,889	(73,107)	67,769	94,551
		9,668,803	(3,101,003)	252,449	6,820,249
Capital work in progress		555,229	-	-	555,229
		$10,224,032	($3,101,003)	$252,449	$7,375,478

During the year, the Authority disposed of a sandpump that was subject to a finance lease of $406,080. This asset had an opening book value of $676 and was included within general plant and equipment.

PROPERTY, PLANT AND EQUIPMENT OWNERSHIP AND VALUATION

The legal title to the property, plant and equipment is held by the Cook Islands Government until the executive order vesting the assets in the Ports Authority is passed in accordance with the Ports Authority Act. At 30 June 2011 the order had not been passed. The Ports Authority has free and uninterrupted use of the assets and understands that it is the intention of the Government to vest the assets in the Ports Authority in due course.

In June 2010 the directors of the Ports Authority obtained a valuation on an existing use basis of the Authority's property, plant and equipment located in Rarotonga This included those assets which have previously been recorded in the financial statements and also the wharf structures and various buildings which remain in the legal control of the Cook Islands Government. The total value of the assets was $7,375,478 which has been reflected in the statement of financial position. The valuation was undertaken by Ross Bell (SPINZ, AFAINZ, MIAME) of Greenough Bell Associates Ltd, Valuers and Engineers, on 30 June 2010.

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Investment Property

Various parts of the company buildings are leased out to third parties who operate businesses. The proportion of buildings leased out is not considered material.

Aitutaki

30-JUNE-2011

	Depreciation Rates	Gross carrying amount	Accum Depn	Net carrying amount
Barges and boats	20%	246,343	49,269	197,074
Buildings	5-10%	111,455	5,573	105,882
Forklifts	20%	121,041	24,208	96,833
General plant and equipment	10-25%	17,671	2,985	14,686
Office plant & equipment	20-30%	5,182	1,137	4,045
Canteen	20%	555	111	444
Stevedoring equipment	20%	1,115	222	893
Vehicles	20%	334,975	63,003	271,972
Wharf Structure	5%	584,620	29,231	555,389
		1,422,957	175,739	1,247,218
Capital Work in progress		8,000	-	8,000
		$1,430,957	$175,739	$1,255,218

30-JUNE-2010

		Gross carrying amount	Accum Depn	Revaluations (Net)	Net carrying amount
Barges and boats	20%	347,773	(213,467)	114,765	249,071
Buildings	5-10%	126,693	(38,010)	22,772	111,455
Forklifts	20%	102,682	(94,751)	113,110	121,041
General plant and equipment	10-25%	88,977	(64,259)	18,537	43,255
Office plant & equipment	20-30%	8,174	(8,091)	3,942	4,025
Canteen	20%	1,117	(1,117)	566	566
Stevedoring equipment	20%	3,565	(3,565)	2,483	2,483
Vehicles	20%	366,362	(184,783)	92,056	273,635
Wharf Structure	5%	744,542	(208,664)	48,743	584,621
		1,789,885	(816,707)	416,974	1,390,152
Capital Work in progress		2,000	-	-	2,000
		$1,791,885	($816,707)	$416,974	$1,392,152

During the year ended 30 June 1997 the Ports Authority recorded the property, plant and equipment in Aitutaki. Some assets were purchased by the Ports Authority, but the majority were previously owned by various Government departments. Legal ownership by Ports Authority has yet to be finalised.

In June 2010 the directors of the Ports Authority obtained a valuation on an existing use basis of the Authority's property, plant and equipment located in Aitutaki. This included those assets which have previously been recorded in the financial statements and also the wharf structure and various buildings which remain in the legal control of the Cook Islands Government. The total value of the assets was $1,392,152 which has been reflected in the statement of financial position. The valuation was undertaken by Ross Bell (SPINZ, AFAINZ, MIAME) of Greenough Bell Associates Ltd, Valuers and Engineers, on 30 June 2010

PORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

12 ASSET REVALUATION RESERVE

	2011	2010
Balance at beginning of year	6,128,626	5,564,337
Revaluation adjustments	-	564,289
Revalued portion of assets written off	(194,406)	-
Balance at end of year	$5,934,220	$6,128,626

13 FINANCIAL INSTRUMENTS

Exposure to interest rate and credit risks arise in the normal course of the entity's business.

Currency

The Ports Authority undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currency arise.
Attention is drawn to the notes on Borrowings in the Statement of Accounting Policies detailing the borrowings in USD and SDR of a major loan.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The bank balances bear interest at normal commercial rates.

Concentrations of Credit risk

Credit risk is the possibility that a loss may occur from the failure of a counter-party to perform according to the terms of a contract. The Authority has a credit policy which is used to manage this risk. As part of this policy, limits on exposures with counterparties have been set and approved by the Board of Directors and are monitored on a regular basis.
The Authority has no significant concentrations of credit risk. It does not require any collateral or security to support financial instruments due to the quality of financial institutions and trade debtors dealt with.

Fair values

The carrying values of all financial assets and liabilities are considered to be the equivalent of their fair values.

14 DEFERRED REVENUE

Deferred revenue represents the grants received from the Government of the Cook Islands, the Government of New Zealand and the Government of Australia, to assist with the development of the Port facility. Such grants were received between the years 2003 to 2009. The revenue will be recognised over the estimated life of the facility in accordance with International Accounting Standard 20.

15 FINANCE LEASE

The Authority has paid off its commitment under a non - cancellable finance lease:

	2011	2010
Within 1 year	-	6,918
	-	$6,918

16 SEGMENTAL INFORMATION

The Ports Authority operates and provides port services in the Cook Islands.