



PORTS AUTHORITY

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2012



PORTS AUTHORITY
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AUDIT REPORT

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE PORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2012

We have audited the financial statements on pages 5 to 24. The financial statements provide information about the past financial performance of the Ports Authority and its financial position as at 30 June 2012. 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 2012, and the results of its operations and cash flows for the year ended 30 June 2012.

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.



PORTS AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE - AITUTAKI

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012	2011
AITUTAKI REVENUE	2	418,171	449,022
AITUTAKI EXPENSES			
Bank Charges		426	387
CI Government Community Service Obligation (CSO)	5	4,571	34,247
Consultant Fees		-	3,797
Communications Expenses		3,609	4,183
Electricity Charges		2,853	1,696
Fuel Costs		45,816	47,741
Printing and Stationery Supplies	7	1,177	1,168
Other Operating Expenses	8	1,405	1,405
Barge Expenses		825	1,190
Crane Expenses		251	13,863
Forklift Costs		21,844	24,427
Other Equipment and Machinery Repairs	9	5,622	3,510
Depreciation	10	177,984	177,231
Loss on Disposal of Property, Plant and Equipment		2,266	28,006
Wages and Other Remunerations	12	138,045	139,956
Staff Training and Expenses		2,636	3,783
Travel Expenses		821	1,775
TOTAL EXPENSES		<u>410,150</u>	<u>488,364</u>
AITUTAKI OPERATING SURPLUS / (DEFICIT) FOR THE YEAR		<u>\$8,021</u>	<u>(\$39,342)</u>

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



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

Our audit was completed on 9 October 2012 and our unqualified opinion is expressed as at that date.



Allen Parker
Director of Audit
Cook Islands Audit Office
Rarotonga, Cook Islands



PORTS AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE - RAROTONGA

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012	2011
RAROTONGA REVENUE	2	2,014,928	2,082,240
RAROTONGA EXPENSES			
Audit and Management Fees	3	29,220	21,925
Directors' Fees and Expenses	4	52,062	50,118
CI Government Community Service Obligation (CSO)	5	60,344	165,454
Consultants Fees		5,958	29,757
Doubtful Debts Expense	6	(12,556)	12,963
Communications		15,009	17,060
Electricity Charges		51,156	36,765
Fuel Costs		38,901	35,617
Insurance Expenses		75,367	68,864
Printing and Stationery Supplies	7	10,362	8,816
Other Operating Expenses	8	10,138	7,014
Forklift Costs		39,150	33,025
Other Equipment and Machinery Repairs	9	46,843	26,004
Vehicle Expenses		6,026	4,618
Depreciation	10	488,386	489,719
Loss on Disposal of Property, Plant and Equipment		(378)	12,141
Wages and Remunerations	12	533,100	490,824
Staff Training and Expenses		15,220	20,794
Travel Expenses		31,172	15,073
TOTAL EXPENSES		<u>1,495,480</u>	<u>1,546,551</u>
RAROTONGA OPERATING SURPLUS		519,447	535,689
AITUTAKI OPERATING SURPLUS (DEFICIT)		<u>8,021</u>	<u>(39,342)</u>
TOTAL OPERATING SURPLUS BEFORE TAX		527,468	496,347
INCOME TAX EXPENSE		(88,109)	(45,242)
Unrealised Foreign Exchange (Loss) Gain		(214,865)	174,447
NET SURPLUS AFTER TAX		<u>\$224,494</u>	<u>\$625,552</u>

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 2012

	Notes	2012	2011
Retained earnings as at 1 July		6,747,324	6,500,725
Surplus for the year		224,494	625,552
Asset Revaluation Adjustments	13	(144,528)	(194,406)
Year end Adjustments		0	15,453
Dividend paid		0	(200,000)
EQUITY AS AT 30 JUNE		<u>\$6,827,290</u>	<u>\$6,747,324</u>

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 2012

	Notes	2012	2011
TOTAL EQUITY	13	<u>\$6,827,290</u>	<u>\$6,747,324</u>
REPRESENTED BY :			
ASSETS			
Current Assets			
Cash on hand and at Bank	14	167,521	509,736
Term Investments	15	1,744,612	1,315,686
Trade and Other Receivables	16	1,304,387	329,424
Government VAT Receivables		471,618	614,671
Inventories	17	3,132	702
Total Current Assets		3,691,270	2,770,219
Non-Current Assets			
Property, Plant and Equipment	11	1,721,993	2,203,237
Infrastructure	11	4,966,538	5,255,296
Capital Work in Progress	11	23,392,534	8,069,282
Total Non- Current Assets		30,081,065	15,527,815
TOTAL ASSETS		<u>33,772,335</u>	<u>18,298,034</u>
LESS: LIABILITIES			
Current Liabilities			
Trade and Other Payables	18	4,444,971	5,311,047
Deferred Revenue	19	209,928	209,929
Provision for Tax	20	33,768	(5,452)
Total Current Liabilities		4,688,667	5,515,524
Non Current Liabilities			
Asian Development Bank (ADB) Borrowings	26	17,693,893	2,827,276
Deferred Taxation		155,116	177,183
Deferred Revenue	19	4,407,369	3,030,727
Total Non - Current Liabilities		22,256,378	6,035,186
TOTAL LIABILITIES		<u>26,945,045</u>	<u>11,550,710</u>
NET ASSETS		<u>6,827,290</u>	<u>6,747,324</u>



 Chairman of Board

9 October 2012



 General Manager

9 October 2012

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 2012**

	Notes	2012	2011
<u>Cash Flow From Operating Activities</u>			
<i>Cash was provided from:</i>			
Receipts from customers		2,112,698	2,333,352
Interest received		82,477	94,101
Value Added Tax		143,053	0
Aid funding		<u>588,068</u>	<u>0</u>
		2,926,296	2,427,453
<i>Cash was applied to:</i>			
Payments to employees		(670,987)	(630,819)
Payments to suppliers		(562,852)	(1,705,426)
Payment of income tax		<u>(70,956)</u>	<u>(75,267)</u>
		(1,304,795)	(2,411,512)
Net cash inflow (outflow) from operating activities	25	1,621,501	15,941
<u>Cash Flow From Investing Activities</u>			
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		(16,253,533)	(2,240,836)
Increase in investments		(428,926)	274,973
Net cash inflow (outflow) from investing activities		(16,682,459)	(1,965,863)
<u>Cash Flow From Financing Activities</u>			
<i>Cash was provided by:</i>			
Loan Proceeds		14,866,616	2,587,121
<i>Cash was applied to:</i>			
Payment of dividend		0	(200,000)
Loan repayments		0	(6,918)
		0	(206,918)
Net cash inflow (outflow) from financing activities		14,866,616	2,380,203
<u>Net increase (decrease) in Cash Held</u>		(194,342)	430,281
Foreign Currency Translation Movement		(147,873)	0
Add Opening cash brought forward		509,736	79,455
Closing Cash Carried Forward		<u>\$167,521</u>	<u>\$509,736</u>
Represented by :			
Cash on hand		400	400
Westpac Banking Corp		785	6,326
ANZ Banking Group		166,283	502,895
Bank of the Cook Islands		<u>53</u>	<u>115</u>
		<u>\$167,521</u>	<u>\$509,736</u>

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 2012

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 operational assets, liabilities and other obligations of the Waterfront Commission. The legal vesting and ownership of all the assets and liabilities as set out in the Ports Authority Act 1994-5 was subsequently approved by the Leases Approval Tribunal on 17 August 2012.

Under the Cook Islands Investment Corporation Act 1998 the Ports Authority is 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 the 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. Reliance is placed on the fact that the entity is a going concern.

Specific Accounting Policies

The following particular accounting policies, which significantly affect the measurement of financial performances, and financial position have been applied.

- (i) Revenue
Revenue is measured at the fair value of consideration received or receivable.
- (ii) 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.
- (iii) Trade Receivables
Trade Receivables and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairments.
- Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the estimated recoverable amount. The amount of the provision is recognised in the statement of financial performance requiring Board approval when it is written off as bad debt.
- (iv) Property, Plant and Equipment
- (a) Cost
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.

(b) Depreciation

Depreciation on Property, Plant and Equipment has been calculated by applying the straight line method over the estimated life of the asset. The rates used are:

Building and Wharf Structure	-	5 -10%
Furniture and Fittings	-	20%
General Plant and Equipment	-	10 -25%
Stevedoring Equipment	-	20%
Forklifts	-	20%
Canteen Equipments	-	20%
Motor Vehicles	-	20% -25%
Office Furniture	-	20 -25%
Office Plant and Equipment	-	20 -30%
Barges and Outboard Motors	-	20%
Wharf Fixtures and Fittings	-	15% -20%



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

I STATEMENT OF ACCOUNTING POLICIES (continued)

(c) 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 potentials 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

(d) 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

(v) 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.

(vi) 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.

(vii) Value Added Tax

These financial statements have been prepared on a VAT exclusive basis.

(viii) Inventories

The amount shown at cost as inventories relates to departure tax coupons held for resale by the Ports Authority

(ix) Provisions

(a) 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.

(b) Doubtful and Bad Debts

A provision for Trade Receivables as irrecoverable is recognised as a liability

(x) Creditors

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

(xi) 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.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1 STATEMENT OF ACCOUNTING POLICIES (continued)

(xii) Borrowings

The Asian Development Bank (ADB) approved two loans (L2472-COO and L2473-COO) 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.

ADB further approved and signed a supplementary loan (L2739-COO) to loans L2472-COO and L2473-COO on 24 March 2011 and 30 December 2011 respectively with the Government of the Cook Islands as additional funding of the Avatiu Port Development Project. The Government on-lent the funds to the Ports Authority by effect of the subsidiary loan agreement signed on 31 July 2009.

ADB also approved and signed the Climate Change Grant Fund agreement (G0249-COO) on 24 March 2011 and 30 December 2011 respectively with the Government of the Cook Islands as part of the funding of the Avatiu Port Development Project. The Government would on-provide the funds to the Ports Authority by effect of the subsidiary loan agreement signed on 31 July 2009.

The borrowings were drawn down through the Cook Islands Government. The interest rates for the three loans which were offered to the Cook Islands Government are the same rates in the subsidiary loan agreements 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 8 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 Authority. 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 plus 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 plus an 8 year interest grace period with repayments commencing on 15 May 2017.

Loan 2739 is supplementary to L2473 and L2472 for USD\$4.7 million and is fixed for a period of 20 years plus a 5 year interest grace period with repayments commencing on 15 May 2016.

The ADB Grant (G0249) of US\$800,000 is payable to Port Authority conditional for the Project to climate proof the new wharf structures from wave actions and forces, design the wharf so that it can be raised from future rising sea levels, and design the anchorage points for the fendering system, which works was completed during the period

(xiii) Changes in Accounting Policy

There have been no changes in accounting policies.



PORTS AUTHORITY**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2012****2 OPERATING REVENUE**

Revenue consists of the following

Aitutaki	2012	2011
Ship Services	405,264	444,402
Interest Income	12,906	4,620
	<u>\$418,171</u>	<u>\$449,022</u>
Rarotonga		
Berthage Charges	182,967	151,607
Cargo Dues	94,133	100,242
Forklift Services	299,657	297,384
Marine Services	191,138	216,968
Marshalling	238,714	248,780
Wharfage Charges	408,630	398,332
Ship Services	60,902	52,988
Rental Income	88,841	98,069
Interest Income	73,840	89,481
Deferred Revenue	209,928	209,929
Realised Gain on Foreign Currency Exchange	66,992	10,505
Other Revenue	99,186	207,955
	<u>\$2,014,928</u>	<u>\$2,082,240</u>

Ship Services include storage charges, yacht harbour dues, and cruise liner handling charges.

3 Audit and Management Fees

Audit and Management Fees consists of :

	2012	2011
Auditing Fees - Cook Islands Govt. Audit Office	16,000	13,000
Accounting and other Service Fees	13,220	8,925
	<u>29,220</u>	<u>21,925</u>

Auditing fees comprises of \$13,000 to audit Ports Authority annual accounts and \$3,000 to conduct specific audit of the ADB Loan Accounts for the Avatiu Port Development Project for the year ended 30 June 2012, and amounts are VAT exclusive. The Cook Islands Government Audit Office (CIAO) is Port Authority's external auditor.

4 Directors' Fees and Expenses

The Port Authority has five Board of Directors as at 30 June 2012 elected under the Port Authority Act 1994-95 and warrant of appointments are issued by its holding company - Cook Islands Investment Corporation (CIIC). Directors are as follows:

Director Name	Start Date	Annual Remuneration
Mr Michael Henry - Chairman	20/04/2011	\$ 12,000
Ms Makiroa Mitchell-John - Deputy Chairperso	30/08/2011	\$ 7,500
Mr Lucky Matapuku - Director	28/04/2010	\$ 7,500
Mr William Kauvai - Director	20/04/2011	\$ 7,500
Mr Tearoa Tini - Director	27/10/2011	\$ 7,500
Ms Ann Raymond - Secretary	01/04/2005	\$200/sitting

Reconciliation of Directors Fees and Expense:	2012	2011
Director Fees	44,800	43,625
Board Meeting Expenses	7,262	6,493
	<u>52,062</u>	<u>50,118</u>



PORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

5 CI GOVERNMENT COMMUNITY SERVICE OBLIGATION (CSO) COSTS

SOCIAL COST REPORT FOR THE YEAR ENDED 30 JUNE 2012

Rarotonga	Total	Berthage	Wharfage	Cargo Dues	Lease Rental	Forklift Charges
Ministry of Foreign Affairs	\$1,046		\$193			\$853
Rescue Fire Services	\$4		\$4			
Taio Shipping - Domestic Shipping Charges	\$25,208	\$2,856	\$20,502	\$1,850		
Maritime Surveillance	\$18,480	\$6,143			\$12,338	
Reef Sub Tours	\$116	\$116				
Cook Islands Voyaging Society	\$2,934	\$2,934				
Ministry of Infrastructure & Planning	\$12,556		\$1,782			\$10,774
Total:	\$60,344	\$12,048	\$22,481	\$1,850	\$12,338	\$11,627

Aitutaki	Total	Storage	Port OPS Charges
Aitutaki Vaka Society	\$496		\$496
Vaipae Ekalesia	\$124		\$124
Sailing Cook Islands	\$1,670	\$1,670	
Commodore Aitutaki Sailing	\$266		\$266
Sailing Cook Islands	\$488		\$488
Gerardus Verspeek	\$86		\$86
Ted Tavai	\$52		\$52
Four way	\$46		\$46
Araura Primary School	\$765		\$765
Araura College	\$578		\$578
Total:	\$4,571	\$1,670	\$2,901

Pursuant to the Port Authority Act 1994-95, Community Service Obligations (CSO) consists of domestic shipping service operations, the Cook Islands Government Patrol Boat Service charges with its Administration Building rentals, and any Board waived charges approved on behalf of the Cook Islands Government under its Community Service Obligations (CSO) Policy.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

6 DOUBTFUL DEBTS EXPENSE

The \$12,556 credit represents the change in movements to Doubtful Debts.

The Authority does not have any bad debt provisions realised.

7 PRINTING AND STATIONERY COSTS

Printing and Stationery costs consist of:

<u>Rarotonga</u>	2012	2011
Stationery and Printing Expenses	1,913	2,657
Office Supplies and Cleaning	2,962	3,643
Office Equipment Expenses	5,487	2,516
	<u>10,362</u>	<u>8,816</u>

Aitutaki

Stationery and Printing Expenses	591	386
Office Supplies and Cleaning	212	637
Office Equipment Expenses	374	145
	<u>1,177</u>	<u>1,168</u>

8 OTHER OPERATING EXPENSES

Operating Expenses consist of:

<u>Rarotonga</u>	2012	2011
Freight and Cartage Expenses	28	14
Advertising and Subscriptions	5,955	6,318
Gifts, Donations and Entertainments	4,155	682
	<u>10,138</u>	<u>7,014</u>

Aitutaki

Freight and Cartage Expenses	964	570
Advertising and Subscriptions	441	490
Gifts, Donations and Entertainments	-	345
	<u>1,405</u>	<u>1,405</u>



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

9 OTHER EQUIPMENT MAINTENANCE AND REPAIRS EXPENSES

Other Equipment Repairs and Maintenance expenses consist of:

<u>Rarotonga</u>	2012	2011
Plants and Equipments	19,257	8,105
Buildings Maintenance	1,813	3,086
Ports Grounds	2,196	1,256
Electrical Fittings	1,108	2,743
Tugboat	13,280	2,766
Wharf Structure and Fittings	2,442	4,804
Other Equipment Expenses	6,747	3,244
	<u>46,843</u>	<u>26,004</u>

Aitutaki

Plants and Equipments	968	890
Buildings Maintenance	248	387
Ports Grounds	1,100	1,000
Outboard Motor Repairs	834	-
Wharf Structure and Fittings	307	-
Vehicles Repairs	2,165	1,234
	<u>5,622</u>	<u>3,511</u>

10 DEPRECIATION

Depreciation consists of the following:

<u>Rarotonga</u>	2012	2011
Buildings	40,188	51,746
Furniture and Fittings	1,614	1,462
Office Plant and Equipment	14,500	12,427
General Plant and Equipment	13,346	8,919
Stevedoring Equipment	2,865	2,865
Forklifts	113,133	113,074
Vehicles	43,214	42,504
Wharf Structure	242,562	241,151
Wharf Fixtures and Fittings	16,964	15,571
	<u>\$488,386</u>	<u>\$489,719</u>

Aitutaki

Barges and OutBoard Motors	46,931	49,269
Buildings	5,573	5,573
Canteen Equipment	111	111
Office Plant and Equipment	1,137	1,232
General Plant and Equipment	3,580	4,130
Stevedoring Equipment	223	474
Forklifts	24,208	24,208
Vehicles	66,905	63,003
Wharf structure	29,226	29,231
	<u>\$177,894</u>	<u>\$177,231</u>



PORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

11 NON - CURRENT ASSETS

Rarotonga	30-JUNE-2012			
	Depreciation Rates	Cost / Valuation	Accum Depn	Net Book Value
Property, Plant and Equipment				
Buildings	5% CP	714,927	71,112	643,815
Furniture and Fittings	20% CP	7,817	2,967	4,850
Office Plant and Equipment	20-30% CP	52,077	25,085	26,992
General Plant and Equipment	20-25% CP	62,346	21,334	41,012
Stevedoring Equipment	20% CP	14,325	5,730	8,595
Forklifts	20% CP	565,873	226,207	339,666
Vehicles and Boats	20-25% CP	205,576	85,717	119,859
		1,622,941	438,152	1,184,789
Infrastructure				
Wharf Structure	5% CP	4,851,247	483,713	4,367,534
Wharf Fixtures and Fittings	15% CP	105,382	32,536	72,846
		4,956,629	516,249	4,440,380
Capital Work in Progress				
Avatiu Port Development Project		22,757,039	-	22,757,039
Arorangi Jetty Project		531,590	-	531,590
Other Minor Capital Work In Progress Projects		28,263	-	28,263
		23,316,892	0	23,316,892
TOTAL NON - CURRENT ASSETS		\$29,896,462	\$954,401	\$28,942,061

Rarotonga	30-JUNE-2011			
	Cost / Valuation	Accum Depn	Net Book Value	
Property, Plant and Equipment				
Buildings	5% CP	847,691	42,385	805,306
Furniture and Fittings	20% CP	8,261	1,462	6,799
Office Plant and Equipment	20-30% CP	46,073	11,274	34,799
General Plant and Equipment	20-25% CP	49,286	8,714	40,572
Stevedoring Equipment	20% CP	14,325	2,865	11,460
Forklifts	20% CP	565,370	113,074	452,296
Vehicles and Boat	20-25% CP	202,680	42,504	160,176
		1,733,686	222,278	1,511,408
Infrastructure				
Wharf structure	5% CP	4,851,247	241,151	4,610,096
Wharf fixtures & fittings	15% CP	105,382	15,571	89,811
		4,956,629	256,722	4,699,907
Capital Work in Progress				
Avatiu Port Development Project		8,020,079	-	8,020,079
Arorangi Jetty Project		27,101	-	27,101
Other Minor Capital Work In Progress Projects		14,102	-	14,102
		8,061,282	0	8,061,282
TOTAL NON - CURRENT ASSETS		14,751,597	479,000	14,272,597

PROPERTY, PLANT AND EQUIPMENT OWNERSHIP AND VALUATION

The legal ownership title to the property, plant and equipment was subsequently vested in the Ports Authority on 17 August 2012

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 and Aitutaki. This included those assets which have previously been recorded in the financial statements and also the wharf structures and various buildings. The total value of the assets for Rarotonga was \$7,375,478, and Aitutaki \$1,359,858, 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

Investment Property

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

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.



PORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

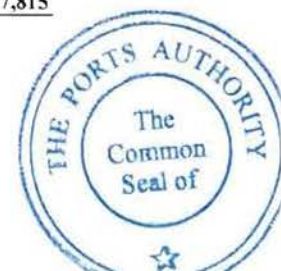
11 NON - CURRENT ASSETS (Continued)

Aitutaki		30-JUNE-2012		
		Depreciation Rates	Cost / Valuation	Accum Depn
Property, Plant and Equipment				
Barges and Outboard Motors	20% CP	230,775	89,397	141,378
Buildings	5-10% CP	115,025	11,146	103,879
Forklifts	20% CP	121,041	48,416	72,625
General Plant and Equipment	10-25% CP	15,608	5,473	10,135
Office Plant & Equipment	20-30% CP	5,481	2,274	3,207
Canteen Equipment	20% CP	555	222	333
Stevedoring Equipment	20% CP	1,115	445	670
Vehicles	20% CP	334,975	129,998	204,977
		824,575	287,371	537,204
Infrastructure				
Wharf Structure	5% CP	584,620	58,462	526,158
Capital Work in Progress				
Aitutaki New Barge Project		8,454	-	8,454
Aitutaki Harbour and CBD Development Project		67,188	-	67,188
		75,642	0	75,642
TOTAL NON - CURRENT ASSETS		1,484,837	345,833	1,139,004

Aitutaki		30-JUNE-2011		
		Depreciation Rates	Cost / Valuation	Accum Depn
Property, Plant and Equipment				
Barges and Outboard Motors	20% CP	246,343	49,269	197,074
Buildings	5-10% CP	111,455	5,573	105,882
Forklifts	20% CP	121,041	24,208	96,833
General Plant and Equipment	10-25% CP	17,671	2,985	14,686
Office Plant & Equipment	20-30% CP	5,182	1,137	4,045
Canteen Equipment	20% CP	555	111	444
Stevedoring Equipment	20% CP	1,115	222	893
Vehicles	20% CP	334,975	63,003	271,972
		838,337	146,508	691,829
Infrastructure				
Wharf Structure	5% CP	584,620	29,231	555,389
Capital Work in Progress				
Aitutaki New Barge Project		8,000	0	8,000
TOTAL NON - CURRENT ASSETS		1,430,957	175,739	1,255,218

Net Book Value as at 30 June 2012	30-JUNE-2012		
	Aitutaki	Rarotonga	Total
Property, Plant and Equipment	537,204	1,184,789	1,721,993
Infrastructure	526,158	4,440,380	4,966,538
Capital Work in Progress	75,642	23,316,892	23,392,534
	1,139,004	28,942,061	30,081,065

Net Book Value as at 30 June 2011	30-JUNE-2011		
	Aitutaki	Rarotonga	Total
Property, Plant and Equipment	691,829	1,511,408	2,203,237
Infrastructure	555,389	4,699,907	5,255,296
Capital Work in Progress	8,000	8,061,282	8,069,282
	1,255,218	14,272,597	15,527,815



PORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

12 WAGES AND REMUNERATION

Rarotonga	2012	2011
Wages and Salaries	460,036	416,185
Overtime	40,760	41,775
Bonuses and Allowances	12,050	9,542
Company Superannuation Expense	23,169	22,681
Leave Entitlement Expense Movements	(2,915)	641
	<u>533,100</u>	<u>490,824</u>

Aitutaki

Wages and Salaries	97,105	96,179
Wages - Casual Workers	18,855	19,764
Overtimes	15,460	16,353
Bonuses and Allowances	1,920	1,920
Company Superannuation Expense	5,526	5,614
Leave Entitlement Expense Movements	(821)	126
	<u>138,045</u>	<u>139,956</u>

13 ASSET REVALUATION RESERVE

	2012	2011
Balance at beginning of year	5,934,220	6,128,626
Revalued assets written off adjustments	(144,528)	(194,406)
Balance at end of year	<u>5,789,692</u>	<u>5,934,220</u>
Reconciliation:		
Rarotonga Revaluation Reserve	3,510,955	
Aitutaki Revaluation Reserve	2,278,737	
	<u>5,789,692</u>	

Revalued assets, which resulted in increases or decreases in value due to revaluations conducted over the years, were taken up as reserves in equity. Revalued assets that were disposed during the year had its reserves adjusted out of equity and matched against loss/gain on disposals on those assets



PORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

14 CASH ON HAND AND AT BANK

Rarotonga	2012	2011
Cash Float and Petty Cash on Hand	300	300
Westpac Operations Bank Account	785	6,326
ANZ Operations Bank Account	91,877	64,763
ANZ ADB Bank Account	-	357,073
	92,962	428,462
Aitutaki		
Cash Float on Hand	100	100
Bank Of Cook Islands Operations	53	115
ANZ Operations Bank Account	74,406	81,059
	74,559	81,274
Total Cash on hand and at Bank	167,521	509,736

The Port Authority operational bank accounts for both Rarotonga and Aitutaki is with the ANZ Banking Group, and it also holds essential bank accounts with Westpac and the Bank of the Cook Islands for its customer deposit internet banking conveniences.

In early 2012, the Authority closed off its ANZ ADB bank account when it became evident that it was able to manage its funds including meeting contractor payments for the Avatiu Port Development project.

15 TERM INVESTMENTS AS AT 30 JUNE

Rarotonga	Investment Rate	Term	2012	2011
Westpac Account 1	5.65%	365 days	264,125	250,000
Westpac Account 2			-	150,000
ANZ Account 322993	5.75%	365 days	363,205	342,462
ANZ Account 327786	5.75%	365 days	222,075	210,000
BCI Account 2951 19.1	4.75%	365 days	231,689	215,000
BCI Account 2951 112.1	5.65%	365 days	200,000	-
BCI Account 2951 112.3	4.75%	365 days	200,000	-
			1,481,094	1,167,462
Aitutaki				
BCI Account 1	5.65%	365 days	103,518	98,224
BCI Account 2951 112	5.65%	365 days	80,000	-
BCI Account 2951 112.2	5.65%	365 days	80,000	-
ANZ Account 338266			-	50,000
			263,518	148,224
Total Term Investments			1,744,612	1,315,686



PORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

16 TRADE AND OTHER RECEIVABLES	2012	2011
Trade and Other Receivables	209,028	256,750
less: Provision for doubtful debts	0	(14,584)
Prepayments	40,278	34,948
Accrued Interest Revenue	56,579	52,310
ADB Climate Change Grant Receivable	998,502	0
	<u>\$1,304,387</u>	<u>\$329,424</u>

17 INVENTORIES

Ports Authority maintains Departure Tax coupons as inventories

18 TRADE CREDITORS	2012			2011
	Rarotonga	Aitutaki	Total	
Trade Creditors	4,325,923	58,378	4,384,301	5,256,788
Due To Related Parties				
Telecom Cook Islands	1,209	198	1,407	
Te Aponga Uira	7,701	0	7,701	
Superannuation	3,605	815	4,420	
	<u>12,515</u>	<u>1,013</u>	<u>13,528</u>	13,783
Employee Entitlements	24,690	1,969	26,660	20,588
Other Payables and Accruals	20,482	-	20,482	19,888
TOTAL	<u>4,383,610</u>	<u>61,360</u>	<u>4,444,971</u>	<u>5,311,047</u>

19 DEFERRED REVENUE (LIABILITY)

Deferred liability represents the grants received from the Governments of the Cook Islands, New Zealand and Australia, and ADB to assist with the development of Port facilities. The revenue will be recognised over the estimated life of the facilities in accordance with International Accounting Standard 20.

	2012	2011
Opening Balance	3,030,727	3,240,656
Plus: AID/Grant Fundings Additions	1,586,570	-
Less: Amortized to Revenue	(209,928)	(209,929)
Closing Balance	<u>4,407,369</u>	<u>3,030,727</u>
Made up of:		
Current Deferred Liability	209,928	209,929
Non - Current Deferred Liability		
Avatiu Port - Western Marina	2,820,799	3,030,727
Arorangi Jetty Project	533,050	-
ADB Climate Change Grant - Avatiu Port	1,053,520	-
	<u>4,407,369</u>	<u>3,030,727</u>

Between the years 2003 to 2009, grants for the development of the Port facility at Avatiu Harbour Western Marina were received and construction completed in 2009, recognition of deferred revenue was made at a monthly rate of \$209,929 the cost of the asset spread over its useful life.

In June 2012, construction of the Arorangi Jetty Platform began and is funded by the New Zealand and the Cook Islands Governments. Land Holdings Ltd is contractor with contract value of NZ\$1,848,231. The expected construction completion date is November 2012.

On 22 May 2012, Climate Change Grants of US\$800,000 (US rate 1.3169) as part of the development of the main wharf structure at the main Avatiu Harbour was approved by ADB, and was subsequently drawn down after 30 June 2012.



PORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

20	<u>TAXATION</u>	2012	2011
(a)	Operating surplus / (deficit) before tax	<u>527,468</u>	496,347
	Income tax @20%	105,494	99,269
	Tax Effect of:-		
	Non deductible depreciation on revaluation	24,601	27,958
	Dividend paid	0	(40,000)
	Deferred income	<u>(41,986)</u>	<u>(41,986)</u>
	Income tax expense	<u>\$88,109</u>	<u>\$45,241</u>
(b)	Income tax expense	88,109	45,241
	Plus provisional tax balance	(5,453)	(4,643)
	Plus / (less) deferred tax expenses	22,068	29,216
	Less income tax paid this year	<u>(70,956)</u>	<u>(75,267)</u>
	Provision for tax	<u>\$33,768</u>	<u>(\$5,453)</u>

21 RELATED PARTIES

Included in revenue and expenses and both debtors and creditors are various balances with related parties including: Revenue Management Division, 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.

Included in Bank are current bank accounts of \$53 (2011: \$115) and term deposits of \$895,207 (2011: \$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.

22 CONTINGENT LIABILITIES

There are no contingent liabilities as at the year end (2011: nil).

23 COMMITMENTS

Avatiu Port Development Project

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 November 2012. The consideration for Beca's services is estimated to cost about \$2.069 million and will be funded through the Asian Development Bank loans. At 30 June 2012 total payments of \$1,525,843 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 \$24.2 million and will be funded through the Asian Development Bank loans and the Cook Islands Government. At 30 June 2012 total payments of \$19.9 million had been made to McConnell Dowell Constructors Ltd and \$3.7 million was paid after balance date and is recorded in the accounts as an accrual.

Arorangi Jetty Project

On 7 July 2011, the Ports Authority signed an agreement with Frame Group Ltd who is responsible for the management of the Arorangi Jetty project which is expected to be completed in November 2012. The project management fees of \$55,000 is funded by the Government of New Zealand. At 30 June 2012, total payments of \$32,190 had been made to Frame Group Ltd.

On 8 June 2012, the Ports Authority signed a contract with Landholdings Ltd for the construction part of the Arorangi Jetty. The contract price is \$1,848,231 and funded by the Government of New Zealand. At 30 June 2012 total payments of \$427,984 had been made to Landholdings Ltd.



PORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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

	2012	2011
Net Surplus for the year	224,494	625,552
<i>Adjustments for Non-Cash Items:</i>		
Depreciation	666,370	666,950
Decrease in Employee Entitlements	(2,842)	(1,555)
Loss on Sale of Property, Plant and Equipment	0	40,155
Increase / (Decrease) in Provision for Doubtful Debts	(14,583)	14,583
Revalued Assets Written Off	0	(194,406)
Other Equity Adjustments	0	15,453
Foreign Currency Translation Movements	147,873	0
Income Tax	0	45,242
<i>Add (Less) Movements in Working Capital</i>		
(Increase) / Decrease in Accounts Receivable	47,722	(57,519)
(Increase) in Interest Receivable	(4,269)	(13,481)
(Increase) / Decrease in VAT Receivable	143,053	(557,859)
(Increase) / Decrease in Sundry Debtors	0	(2,614)
(Increase) in Prepayments	(5,328)	(2,741)
(Increase) / Decrease in Inventory	(2,429)	5,286
Increase / (Decrease) in Accounts Payable	7,638	(270,940)
Increase / (Decrease) in Inter-Ministry Payable	(255)	(80)
Increase / (Decrease) in Accruals	13,877	(10,889)
Increase / (Decrease) in Payroll Accruals	2,999	0
Increase / (Decrease) in Deferred Revenue	378,140	(209,929)
Increase / (Decrease) in income Tax Payable	17,153	(75,267)
<i>Items Classified as Investing</i>		
(Gain) / Loss on Sale of Assets	1,888	0
Net Cash Flow from Operations	<u>1,621,501</u>	<u>15,941</u>



PORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

26 BORROWINGS

	2012				2011		
	L2472	L2473	L2739	Total	L2472	L2473	Total
Balance at beginning of year	1,258,981	1,568,295	-	2,827,276	15,453	224,703	240,156
Contractor Payments during year	8,894,524	5,662,938	-	14,557,462	1,255,667	1,479,784	2,735,451
Interest capitalisations	41,005	43,431	-	84,436	16,779	6,712	23,491
Interest Accruals and Fees	8,877	6,885	3,024	18,786	622	2,003	2,625
Foreign Exchange Loss/ (Gains) Accruals	248,297	(42,364)	-	205,933	(29,540)	(144,907)	(174,447)
Closing Balance	10,451,684	7,239,185	3,024	17,693,893	1,258,981	1,568,295	2,827,276

27 Financial instruments

Ports Authority is exposed to foreign exchange risk, interest rate risk and credit risk arising from currency exposures, primarily with respect to the US dollar, through its borrowings with ADB. These risk exposures arise in the course of the entity's business.

In order to manage its overall risk portfolio, Ports Authority and the Cook Islands Government subsequently agreed to exercise its right under the ADB Loan Conversions option, to convert its London Interbank Offered Rate (LIBOR) loans L2472 and L2739 which is currently denominated in US\$ currency to be denominated in NZ\$ currency. The loan conversions is work in progress with ADB.

The loan conversions would enable Ports Authority is to manage its finance costs using a mix of fixed and floating rate debt, and provide more certainties on its repayment options.

28 Foreign exchange risk

Foreign exchange risk is the risk that the value of the entity's financial instruments will fluctuate due to changes in the SDR and US dollar rates. The financial instruments are restated using the ADB spot rates for the year end reporting date.

29 Interest rate risk

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

30 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 maximum exposure to credit risk is represented by the value of each financial amount in the statement of financial position.

31 Finance lease

The Authority has no commitment under finance lease

32 Segmental revenue

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

