



PORTS AUTHORITY

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010



**PORTS AUTHORITY
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010**

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AUDIT REPORT

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE PORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2010

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 2010. This information is stated in accordance with the accounting policies set out on pages 10 to 12.

Director's Responsibility

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 2010, and the results of its operations and cash flows for the year ended 30 June 2010.

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.

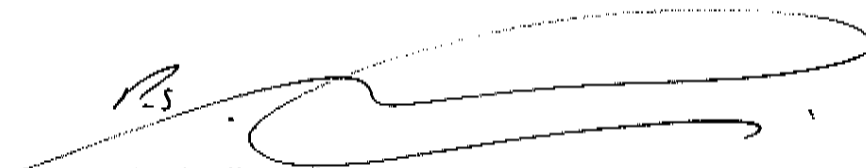
Unqualified Opinion

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

In our opinion:

- Proper accounting records have been kept by the Ports Authority as far as appears from our examination of those records; and
- The financial statements of the Ports Authority:
 - Comply with generally accepted accounting practice in New Zealand; and
 - Fairly present the Ports Authority's operations and cash flows for the year ended 30 June 2010, and its financial position, borrowings and commitments at that date.

Our audit was completed on 19 November 2010 and our unqualified opinion is expressed as at that date.


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



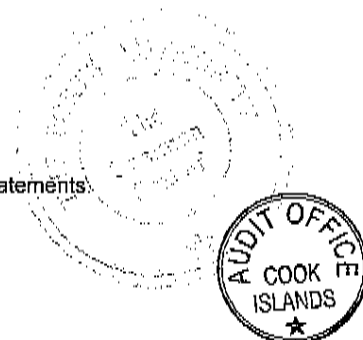
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STATEMENT OF FINANCIAL PERFORMANCE - AITUTAKI

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010	2009
AITUTAKI REVENUE	2	369,401	321,871
AITUTAKI EXPENSES			
Bank charges		1,597	308
Barge expenses		9,859	9,555
Crane expenses		6,094	2,656
Communications		4,360	6,341
Consultants fees		400	-
Depreciation	2	129,773	235,777
Directors' fees and expenses		800	-
Electricity		2,096	3,833
Forklift expenses		5,830	3,754
Fuel		47,108	44,405
Loss on disposal of property, plant & equipment		230	-
Printing & stationery		440	1,318
Payroll expenses		138,928	140,326
Repairs & maintenance		3,031	3,203
Social costs		7,032	-
Staff training & expenses		3,263	3,644
Travel expenses		1,328	3,277
Other operating expenses		<u>1,755</u>	<u>(2,494)</u>
TOTAL EXPENSES		<u>363,924</u>	<u>455,903</u>
AITUTAKI OPERATING SURPLUS / (DEFICIT) FOR THE YEAR		<u>\$5,477</u>	<u>(\$134,032)</u>

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



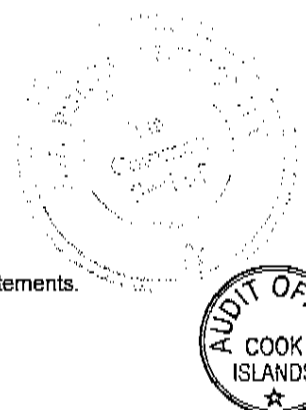
PORTS AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE - RAROTONGA

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010	2009
RAROTONGA REVENUE	2	1,811,417	1,757,784
RAROTONGA EXPENSES			
Audit fees		13,000	12,683
Bank charges		950	1,049
Communications		15,201	23,081
Consultants fees		10,423	8,726
Depreciation	2	504,428	587,375
Directors' fees and expenses		31,682	25,520
Electricity		48,333	64,732
Entertainment		1,077	4,444
Forklift costs		37,043	22,325
Fuel		31,455	34,670
General office expenses		3,362	1,901
Insurance & compensation		69,193	77,052
Interest		20,634	13,546
Loss on disposal of property, plant & equipment		3,453	-
Management & accounting fees		9,240	12,000
Printing & stationery		1,975	10,474
Provision for doubtful debts		-	(7,000)
Repairs and maintenance		10,945	36,377
Payroll expenses		491,252	417,902
Social costs		32,136	-
Staff training & expenses		9,491	9,387
Travel expenses		21,147	18,907
Vehicle expenses		5,640	3,778
Other operating expenses		<u>16,505</u>	<u>8,175</u>
TOTAL EXPENSES		<u>1,388,565</u>	<u>1,387,104</u>
RAROTONGA OPERATING SURPLUS		422,852	370,680
AITUTAKI OPERATING SURPLUS / (DEFICIT)		<u>5,477</u>	<u>(134,032)</u>
TOTAL OPERATING SURPLUS BEFORE TAX		428,329	236,648
INCOME TAX EXPENSE	5	<u>(33,895)</u>	<u>(29,976)</u>
NET SURPLUS AFTER TAX		<u>\$394,434</u>	<u>\$206,672</u>

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



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STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010	2009
Retained Earnings as at 1 July		5,742,002	5,760,330
Surplus for the year		394,434	206,672
Revaluation adjustments	12	564,289	-
Dividend paid		<u>(200,000)</u>	<u>(225,000)</u>
EQUITY AS AT 30 JUNE		<u>\$6,500,725</u>	<u>\$5,742,002</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 2010

	Notes	2010	2009
TOTAL EQUITY		<u>\$6,500,725</u>	<u>\$5,742,002</u>
REPRESENTED BY :			
<u>Assets</u>			
<u>Current Assets</u>			
Cash on hand & Bank	6	79,455	172,710
Trade receivables	3, 6	196,032	273,010
Provision for tax	5	4,643	27,698
VAT receivables		56,812	81,738
Inventory		5,988	4,185
Sundry debtors and prepayments		<u>71,518</u>	<u>29,020</u>
		414,448	588,361
<u>Investments</u>			
Term deposits		1,590,659	1,401,855
<u>Non-Current Assets</u>			
Property, plant and equipment - Rarotonga	11	7,375,478	6,980,504
- Aitutaki	11	<u>1,392,152</u>	<u>875,470</u>
		8,767,630	7,855,974
Total Assets		<u>10,772,737</u>	<u>9,846,190</u>
<u>Less: Liabilities</u>			
<u>Current Liabilities</u>			
Payables	4, 6	367,955	96,556
Deferred revenue - current	14	209,929	168,012
Finance lease creditor - current	6, 15	<u>6,918</u>	<u>82,260</u>
		584,802	346,828
<u>Non current Liabilities</u>			
Asian Development Bank loans		240,156	-
Deferred taxation		206,399	263,121
Deferred revenue - non current		3,240,655	3,492,501
Finance lease creditor - non - current	6, 15	-	<u>1,738</u>
		<u>3,687,210</u>	<u>3,757,360</u>
Total Liabilities		<u>4,272,012</u>	<u>4,104,188</u>
<u>NET ASSETS</u>		<u>\$6,500,725</u>	<u>\$5,742,002</u>


Chairman of Board

Date 19.11.10


General Manager

Date 19/11/10

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



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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010	2009
<u>Cash Flow From Operating Activities</u>			
Cash was provided from:			
Receipts from customers	1,995,089		1,849,349
Interest received	41,807		67,813
Aid funding	-		<u>1,115,512</u>
		2,036,896	3,032,674
Cash was applied to:			
Payments to employees	(642,554)		(573,334)
Payments to suppliers	(436,501)		(558,552)
Payment of income tax	<u>(67,562)</u>		<u>(198,496)</u>
		<u>(1,146,617)</u>	<u>(1,330,382)</u>
Net cash inflow from operating activities	10	890,279	1,702,292
<u>Cash Flow From Investing Activities</u>			
Cash was applied to:			
Purchase of property, plant and equipment	(757,806)		(1,094,851)
Increase in investments	<u>(188,804)</u>		<u>(400,912)</u>
		<u>(946,610)</u>	<u>(1,495,763)</u>
Net cash outflow from investing activities		(946,610)	(1,495,763)
<u>Cash Flow From Financing Activities</u>			
Cash was provided by:			
Loan proceeds		240,156	-
Cash was applied to:			
Payment of dividend	(200,000)		(225,000)
Loan repayments	<u>(77,080)</u>		<u>(68,428)</u>
		<u>(277,080)</u>	<u>(293,428)</u>
Net cash outflow from financing activities		<u>(36,924)</u>	<u>(293,428)</u>
<u>Net decrease in Cash Held</u>		(93,255)	(86,899)
Add Opening cash brought forward		<u>172,710</u>	<u>259,609</u>
Closing Cash Carried Forward		<u>\$79,455</u>	<u>\$172,710</u>
Represented by :			
Cash on hand		400	400
Westpac Banking Corp		52,779	120,457
ANZ Banking Group		23,539	51,465
Bank of the Cook Islands		<u>2,737</u>	<u>388</u>
		<u>\$79,455</u>	<u>\$172,710</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 2010

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.

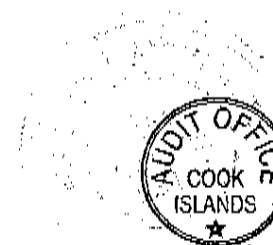
Government Grants

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%



PORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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.



PORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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 due to currency fluctuations on these items are included in the Statement of Financial Performance.

Borrowings

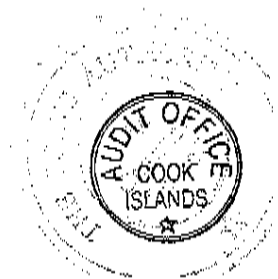
The Asian Development Bank (ADB) approved two loans on 20 November 2008 for the funding of the Avatiu Port Development Project. The ADB signed the loan agreements for these two loans with the Government of the Cook Islands on 5 May 2009 and the Government on-lent to the Ports Authority by way of a subsidiary 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 1 and Loan 2 which were offered to the Cook Islands Government are the same rates in the subsidiary loan agreement between Government and the Ports. The Ports Authority is responsible for any changes in the amount payable due to exchange rate fluctuations. The borrowings are recorded in NZD at the exchange rate at the date of the draw down and are restated at balance date to the closing rate at balance date. Any difference in exchange rate fluctuations are recorded through the foreign currency translation reserve in equity. The first draw down was made on 25 May 2010.

Loan 1 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 2 of USD\$6.8 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.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

2 OPERATING REVENUE & EXPENSES

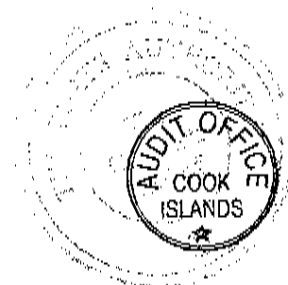
(i) Revenue consists of the following:

Aitutaki	2010	2009
Ship services	365,514	320,511
Interest Income	<u>3,887</u>	<u>1,360</u>
	<u>\$369,401</u>	<u>\$321,871</u>
Rarotonga		
Berthage	149,365	129,465
Cargo dues	84,699	89,268
Forklift hire	296,445	277,154
Marine services	187,080	186,225
Marshalling	227,011	218,801
Rental income	82,688	79,612
Ship services	44,144	87,949
Wharfage	316,711	346,166
Interest income	73,817	66,453
Aid revenue recognised	209,929	168,012
Other services	<u>139,528</u>	<u>108,679</u>
	<u>\$1,811,417</u>	<u>\$1,757,784</u>

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

(ii) Depreciation consists of the following:

Aitutaki	2010	2009
Barges & boats	60,759	113,604
Buildings	6,335	6,335
Forklifts	5,374	20,536
Office plant & equipment	853	1,684
General plant & equipment	17,338	20,293
Canteen	-	255
Stevedoring Equipment	-	713
Vehicles	1,932	36,217
Wharf structure	<u>37,182</u>	<u>36,140</u>
	<u>\$129,773</u>	<u>\$235,777</u>
Rarotonga		
Buildings	65,027	64,929
Wharf Structure	343,642	302,733
Furniture & fittings	214	1,439
Office plant & equipment	7,107	7,654
General plant & equipment	5,553	65,339
Stevedoring equipment	2,100	6,882
Forklifts	59,078	80,258
Vehicles	5,406	45,103
Wharf fixtures and fittings	<u>16,301</u>	<u>13,038</u>
	<u>\$504,428</u>	<u>\$587,375</u>



PORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
3 <u>TRADE RECEIVABLES</u>		
Trade debtors	<u>196,032</u>	<u>273,010</u>
	<u>\$196,032</u>	<u>\$273,010</u>
4 <u>CREDITORS</u>		
Trade creditors	296,675	25,970
Employee entitlements	20,803	33,177
Bonds	9,519	9,199
Other payables and accruals	26,563	23,744
Due to / (from) related parties	<u>14,395</u>	<u>4,466</u>
	<u>\$367,955</u>	<u>\$96,556</u>
5 <u>TAXATION</u>		
(a) Operating surplus / (deficit) before tax	<u>428,329</u>	<u>236,648</u>
Income tax @20%	85,666	47,330
Tax Effect of:-		
Non deductible depreciation on revaluation	30,215	61,248
Dividend paid	(40,000)	(45,000)
Deferred income	<u>(41,986)</u>	<u>(33,602)</u>
Income tax expense	<u>\$33,895</u>	<u>\$29,976</u>
(b) Income tax expense	33,895	29,976
Plus provisional tax balance	(27,698)	90
Plus / (less) deferred tax expenses	56,722	65,374
Less income tax paid this year	<u>(67,562)</u>	<u>(123,138)</u>
Provision for tax	<u>(\$4,643)</u>	<u>(\$27,698)</u>
(c) The Authority is subject to taxation rate of 20% (2009 : 20%). The Authority has income tax payable of \$90,617 for the current year. (2009 : Tax payable \$95,350).		

6 RELATED PARTIES

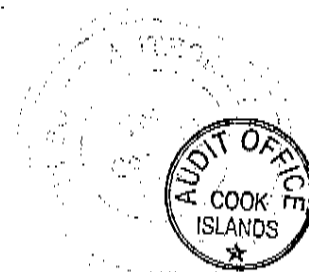
Included in revenue and expenses and both debtors and creditors are various balances with related parties including: Revenue Management Division, Te Aponga Uira, Telecom Cook Islands, various ministries and Cook Islands Government. There are no material amounts outstanding and all transactions with related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

Value Added Tax payable at 30 June 2010 is \$21,764 and Value Added Tax receivable at 30 June 2010 is \$56,812 (2009: Value Added Tax receivable was \$81,738 at 30 June 2009)

Included in Bank are current bank accounts of \$2,738 and term deposits of \$408,411 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. The Ports Authority leases the sandpump from CIIC at normal commercial terms. This has been accounted for as a finance lease.

7 CONTINGENT LIABILITIES

There are no contingent liabilities as at the year end (2009: nil).



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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 31 December 2012. The consideration for Beca's services is estimated to cost about \$2.2 million and will be funded through the Asian Development Bank loan. On 25 May 2010 the first payment of NZ\$224,703 was made to Beca. The second payment of NZ\$225,876 was made on 2 July 2010 and is recorded in the accounts as an accrual.

9 SUBSEQUENT EVENTS

There were no significant events occurring 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

	2010	2009
Net Surplus for the year	394,434	206,672
Adjust for non cash items:		
Depreciation	634,201	823,152
Provision for doubtful debts	-	(7,000)
Loss on sale of property, plant & equipment	3,683	-
Decrease in employee entitlements	(12,374)	(17,914)
Income tax	<u>33,895</u>	<u>29,976</u>
	659,405	828,214
Movement in Working Capital:		
Decrease in accounts receivable	76,978	13,019
(Increase) / decrease in VAT receivable	24,926	(74,799)
Increase in interest receivable	(35,897)	-
(Increase) / decrease in prepayments	(6,601)	4,764
(Increase) / decrease in inventory	(1,803)	800
Increase / (decrease) in accounts payable	43,260	(19,110)
Increase / (decrease) in Inter-Ministry payable	9,929	(2,243)
Increase / (decrease) in accruals	3,139	(4,029)
Increase / (decrease) in deferred revenue	(209,929)	947,500
Decrease in tax payable	<u>(67,562)</u>	<u>(198,496)</u>
	(163,560)	667,406
Net Cash Flows from operations	<u>\$890,279</u>	<u>\$1,702,292</u>



PORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

11 PROPERTY, PLANT AND EQUIPMENT

<u>Rarotonga</u>		30-JUNE-2010			
	Depn Rates	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%	<u>99,889</u>	<u>(73,107)</u>	<u>67,769</u>	<u>94,551</u>
		9,668,803	(3,101,003)	252,449	6,820,249
Capital Work in progress		<u>555,229</u>	-	-	<u>555,229</u>
		<u>\$10,224,032</u>	<u>(\$3,101,003)</u>	<u>\$252,449</u>	<u>\$7,375,478</u>

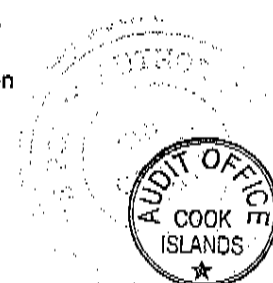
		30-JUNE-2009			
		Gross carrying amount	Accum Depn	Revaluations (Net)	Net carrying amount
Buildings	5%	1,298,547	(324,645)	-	973,902
Wharf structure	5%	6,872,421	(1,139,564)	-	5,732,857
Furniture and fittings	20%	7,238	(6,879)	-	359
Office plant and equipment	20-30%	78,591	(57,837)	-	20,754
General plant and equipment	20-25%	480,028	(472,195)	-	7,833
Stevedoring equipment	20%	34,414	(29,864)	-	4,550
Forklifts	20%	403,268	(323,561)	-	79,707
Vehicles	20-25%	225,563	(219,467)	-	6,096
Wharf fixtures & fittings	15%	<u>98,093</u>	<u>(56,806)</u>	-	<u>41,287</u>
		9,498,163	(2,630,818)	-	6,867,345
Capital work in progress		<u>113,159</u>	-	-	<u>113,159</u>
		<u>\$9,611,322</u>	<u>(\$2,630,818)</u>	-	<u>\$6,980,504</u>

Included within general plant and equipment is the sandpump subject to a finance lease with a cost of \$406,080. This asset had a book value of \$676 at 30 June 2010. It is anticipated that it will be sold in the next financial year.

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 2010 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.



PORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 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 properties of buildings leased out is not considered material.

Aitutaki

30-JUNE-2010					
	Depreciation Rates	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%	<u>744,542</u>	<u>(208,664)</u>	<u>48,743</u>	<u>584,621</u>
		1,789,885	(816,707)	416,974	1,390,152
Capital Work in progress		<u>2,000</u>	-	-	<u>2,000</u>
		<u>\$1,791,885</u>	<u>(\$816,707)</u>	<u>\$416,974</u>	<u>\$1,392,152</u>

30-JUNE-2009					
		Gross carrying amount	Accum Depn	Revaluations (Net)	Net carrying amount
Barges and boats	20%	569,591	(402,242)	-	167,349
Buildings	5-10%	126,693	(31,675)	-	95,018
Forklifts	20%	102,682	(89,465)	-	13,217
General plant and equipment	10-25%	96,851	(49,449)	-	47,402
Office plant & equipment	20-30%	12,890	(11,724)	-	1,166
Canteen	20%	1,259	(1,259)	-	-
Stevedoring equipment	20%	3,565	(3,565)	-	-
Vehicles	20%	180,468	(180,468)	-	-
Wharf Structure	5%	<u>722,800</u>	<u>(171,482)</u>	-	<u>551,318</u>
		<u>\$1,816,799</u>	<u>(\$941,329)</u>	-	<u>\$875,470</u>

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 2010

12 ASSET REVALUATION RESERVE

	2010	2009
Balance at beginning of year	5,564,337	5,564,337
Revaluation adjustments	<u>564,289</u>	<u>-</u>
Balance at end of year	<u>\$6,128,626</u>	<u>\$5,564,337</u>

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 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 Government of the Cook Islands, Government of New Zealand and Government of Australia, to assist with the development of the Port facility. 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 the following commitment under a non - cancellable finance lease:

	2010	2009
Within 1 year	6,918	82,260
1 to 2 years	<u>-</u>	<u>1,738</u>
	<u>\$6,918</u>	<u>\$83,998</u>

16 SEGMENTAL INFORMATION

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

