

Northland Port Corporation (NZ) Ltd

# Annual Report 2003





## Financial Highlights

For the 15 Months Ended 30 June 2003

	30-Jun-03 (15 months) \$ M	31-Mar-02 (12 months) \$ M
Total Revenue	12.19	18.68
Net Surplus After Tax	7.36	5.04
Total Assets	44.09	46.07
Shareholders' Funds	43.30	42.78
Shareholders' Equity	98.22%	92.87%
Ordinary Dividend Per Share (cents) *	10.50	11.00
Ordinary Dividends *	4.35	4.56
Special Dividend Per Share (cents) #	15.00	20.00
Special Dividends #	6.22	8.29
Net Asset Backing Per Share (cents)	104.41	103.16
Earnings Per Share (cents)	17.75	12.16
Return on Average Shareholders' Funds (Annualised)	13.68%	11.17%

\* These values include the declared final dividend of 6.5 cents per share (2002 - 7.5 cents per share).

# This includes the declared special dividend of 10 cents per share to be paid 19 September 2003.

## Financial Calendar

### Annual General Meeting

The Annual General Meeting of Shareholders of Northland Port Corporation (NZ) Ltd will be held at the A'fare Restaurant & Reception Lounge 197 Lower Dent Street, Whangarei at 3.00pm on Friday 31 October 2003.

### 2004 Interim Profit Announcement

February 2004

### Interim Dividend Payment

March 2004

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## Chairman's Report

Tax paid profit for the 15 month period ended 30 June was \$7.36 million but includes a one off non-cash "accounting" profit of \$2.2 million.

Your Directors consider the real profit to be \$5.16 million (12.2 cents per share) which is similar to the previous year, and which your Directors consider satisfactory, particularly in the first year of operation of the new port.

Total dividends paid and proposed for period are 25.5 cents per share made up of:

- a final dividend of 6.5 cents per share and a further special dividend of 10.0 cents per share to be paid on 19 September 2003.
- interim ordinary and special dividends of 4.0 cents per share and 5.0 cents per share respectively paid last November.

### Associate Companies and Joint Ventures

#### Northport Ltd

As previously reported the new port at Marsden Point was officially opened in October last year.

Your Company's 50% interest (with Port of Tauranga) is Northland Port Corporation's main investment.

I am pleased to report the new operation has opened strongly with better than expected results for the period.

New trades are emerging and already there is pressure on the available berth space at the new facility.

As a result Port Whangarei is being maintained for most trades other than logs and Directors have resolved to prepare for consent to build a further two berths at Marsden Point.

Preliminary budgets suggest the equity required to finance the expansion is well within your Company's funding capability while initial forecasts indicate the investment will see positive returns from commissioning.

This suggests the additional investment in the new berths will fit within your Directors investment criteria, adding to long term shareholder wealth.

#### North Tugz Ltd

During the period under review, the towage operations of Northport Ltd were merged with Port of Auckland's towage operations at Marsden Point.

The merged company is now responsible for all ship handling activities on the Whangarei Harbour.

The accounting treatment for the merging of the two towage operations resulted in a one off book profit to Northport Ltd of \$4.4 million.

Northland Port Corporation's 50% share of this is the previously alluded to \$2.2 million "accounting" profit which appears to be of academic interest only.

The formation of North Tugz has facilitated rationalisation of personnel and assets creating considerable efficiencies. It is anticipated this will result in improved customer satisfaction as well as acceptable returns to the shareholding companies.

#### Sea Tow Ltd

Your Company's 50% interest (with Adsteam) saw an improvement in profitability in the latter half of the period under review. The large contract won in North Queensland has been successful to date while other work has seen steady contributions.

#### North Port Coolstores (1989) Ltd (50% owned by NPC)

Another very satisfactory year for this Company. An ongoing good relationship has been maintained with Fonterra relating to the coolstorage of butter which has been to our mutual advantage.

#### Northland Stevedoring Services (Unincorporated Joint Venture)

The busy port ensured another good result from our stevedoring investment.

#### Northport Services (Unincorporated Joint Venture)

This joint venture with Carter Holt Harvey Ltd and Port of Tauranga Ltd completed its first year of operations profitably, assisted by the healthy level of log throughput.

#### Port Whangarei Land

As the area is now cleared of logs enquiry has increased with various schemes for the future use of the property being developed.

A satisfactory outcome for shareholders should be realised in the current period.

#### Marsden Point Land (see graphic opposite)

During the year additional land was purchased in conjunction with Carter Holt Harvey, some of which will accommodate the proposed new sawmill planned for the area. In addition a number of commercial leases have been negotiated with port users

Plans to subdivide for future commercial development are well advanced.

#### Marsden Cove Ltd (see graphic opposite)

This 50% owned company (with Hopper Developments) is at the time of writing awaiting the outcome of its applications for consents to proceed with the construction of the marina and waterways development at Marsden Cove.

Interest is already very high in the development and provided a smooth path to commencement of construction is made then the prospects of a successful outcome are very real indeed.

## Outlook

The relatively high New Zealand dollar and softer commodity markets is affecting log exporters and agricultural returns.

To date the adverse effect on log trade experienced at other ports appears to be less severe at Northport however log throughput will inevitably suffer over the next few months.

Fertilizer imports are unlikely to reach last year's levels reflecting lower dairy and meat returns.

Other trades appear to be holding their own.

The comfort of the "take or pay" contract with Carter Holt Harvey, and expectation of continued improvement in efficiency levels afforded by the new Northport facilities should to some extent offset the predicted adverse effect of lower log volumes through the new port.

Concentration on further enhancement of values and where appropriate rentals from our land holdings at both Port Whangarei and Marsden Point combined with our continuing balance sheet rationalisation and profitable realisation of assets no longer required should allow us to maintain returns on Shareholders' Funds at or close to current levels.

Special dividends totaling 35 cents per share (\$14.7 million) have now been paid back to shareholders since

the commencement of our endeavours to substantially reduce your Company's earnings exposure (and hence dividend) to the vagaries of a port substantially reliant on world commodity prices, and to rationalise the Company's assets to a level where sustainable returns on the remaining equity invested can be realistically achieved

A further Special Dividend may be considered during the current year.

## Directors

Messrs Jim Hardie and Peter Hill retire by rotation and offer themselves for re-election at the Annual General Meeting.

## Thanks

To my fellow Directors thank you for your continued support and to Jim Smellie, NPC's General Manager, and all management and staff of our various investments, thank you for your efforts and positive results.



Mike Daniel  
**CHAIRMAN**



## Board of Directors



**Mike W Daniel** B.Com. Ec

Chairman Northland Port Corporation (NZ) Ltd  
Chairman Northport Ltd  
Director NPC Corporate Services Ltd  
Director North Port Coolstores (1989) Ltd  
Chairman Sea-Tow Ltd  
Director Sea-Tow (Vanuatu) Ltd  
Chairman Marsden Cove Ltd  
Chairman Audit and Corporate Governance Committee

*Mr Daniel is a former stockbroker and merchant banker. He is presently a Director of Sky City Leisure Ltd and has formerly held directorships with Northpower Ltd, the Northland Health Board, Elders Norstock Ltd and GSB Supplycorp Ltd.*



**Jim W B Hardie** CA, ACIS

Deputy Chairman Northland Port Corporation (NZ) Ltd  
Member Audit and Corporate Governance Committee

*Mr Hardie was appointed to the Board of Directors in December 1991. His experience includes over thirty years in the civil engineering construction industry. Mr Hardie's previous posts include membership of the Northland Regional Development Council, and membership for 14 years of the NZ Contractors Federation National Council (National President 1986 - 1988). Mr Hardie was Chairman of the Northland Port Corporation (NZ) Ltd from 1996 to 1999 and now holds the position of Deputy Chairman.*



**Robert Cooper** FCIT, MNZM

Director Northland Port Corporation (NZ) Ltd  
Director Northport Ltd

*Mr Cooper was appointed to the Board in April 1999. A qualified Master Mariner, he has an extensive business background and has held senior positions in ports, shipping and transport sectors. Mr Cooper recently retired after a six and a half year term as Chairman of the Maritime Safety Authority, was a former President of the International Association of Ports and Harbours, a Director of Through Transport Mutual Insurance and a Trustee of the Melanesian Mission Trust Board.*



**Peter R Hill** CA, B. Com

Director Northland Port Corporation (NZ) Ltd  
Director Northland Stevedoring Services Ltd  
Member Audit and Corporate Governance Committee.

*Mr Hill is a Whangarei Chartered Accountant in private practice, specialising in tax and business advice. He became a Director of the Company at its inception in 1988 and is also a Director of Northland Stevedoring Services Ltd. Mr Hill has had extensive commercial experience working overseas for international accountancy firms servicing large corporations. Mr Hill is Secretary of the Northland Branch of the Institute of Chartered Accountants of New Zealand.*



**Michael R Gross** QSO, JP, FCIT

Director Northland Port Corporation (NZ) Ltd  
Director North Port Coolstores (1989) Ltd

*Mr Gross joined the Board in 1997. He is past Chairman of the national road funding agency Transfund New Zealand, was Chairman of the Northland Regional Council from 1989 to 1995 and a former Vice President of the New Zealand Local Government Association.*



**Rod J McKay** B.Ag.Sc

Director Northland Port Corporation (NZ) Ltd  
Chairman Northland Stevedoring Services Ltd  
Director Northport Ltd

*Mr McKay was elected as a Director in December 1992. A successful Northland dairy farmer, he served as Chairman of the Northland Harbour Board prior to the establishment of the Northland Port Corporation (NZ) Ltd in 1988 under the Port Companies Act. Mr McKay is also a member of the Northland Regional Council and a former Director of AFFCO Holdings Ltd.*

## Corporate Governance Statement

### Role of the Board

The Board of Directors of Northland Port Corporation (NZ) Ltd is elected by the shareholders to supervise the management of the Company and its subsidiaries in the best interests of shareholders. The Board currently has six members and has several key functions which are:

- The establishment of business objectives, strategies and policies.
- The approval of annual capital and operating budgets.
- The appointment of a General Manager to manage the day to day operations of the Company within the established framework.
- The ongoing monitoring of management performance in relation to the goals established for that purpose.

### Board Operation and Membership

The policies and procedures for the operation of the Board are set out in the Company's constitution which also details how directors are appointed and removed from office.

The Board normally meets every second month and has met eight times between 1 April 2002 and 30 June 2003. Special purpose meetings are held as required.

The Board has one committee, the Audit and Corporate Governance Committee which has three members, Messrs M W Daniel, J W B Hardie and P R Hill. The Committee met on one occasion during the 15 month period and has the responsibility of assisting and advising the Board in the following areas:

- Liaison with the external auditors and ensuring that adequate control systems are in place to safeguard the assets of the Group.
- Ensuring that the external financial statements comply with the relevant statutes and regulations and that the internal management accounts provide the information required by Directors to make informed decisions.
- Ensuring that risk management practices are appropriate and adequate.
- Reviewing senior management employment contracts on an annual basis.

Northland Port Corporation (NZ) Ltd

# Financial Statements

For the 15 Months Ended 30 June 2003





# Auditor's Report



■ Chartered Accountants

## Report of the Auditor-General

To the Readers of the Financial Statements of  
Northland Port Corporation (NZ) Ltd and Group  
For the 15 Months Ended 30 June 2003

We have audited the financial statements on pages 10 to 31. The financial statements provide information about the past financial performance and financial position of Northland Port Corporation (NZ) Ltd (the Company) and Group as at 30 June 2003. This information is stated in accordance with the accounting policies set out on pages 18 and 19.

## Responsibilities of the Board of Directors

The Port Companies Act 1988 and the Financial Reporting Act 1993 require the Board of Directors (the Board) to prepare financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the Company and Group as at 30 June 2003 and the results of operations and cash flows for the period ended on that date.

## Auditor's Responsibilities

Section 15 of the Public Audit Act 2001 and section 19(1) of the Port Companies Act 1988 require the Auditor-General to audit the financial statements presented by the Board. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Simon G. Brotherton, of Ernst & Young, to undertake the audit.

## 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 judgements made by the Board in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Company and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the accepted auditing standards published by the Auditor-General, which incorporate the auditing standards issued by the Institute of Chartered Accountants of New Zealand. 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.

Our firm carries out other assignments for the Company and Group in the area of taxation advice. Other than these assignments and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the Company or its Subsidiary.

## Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by Northland Port Corporation (NZ) Ltd and Group as far as appears from our examination of those records; and
- the financial statements of Northland Port Corporation (NZ) Ltd and Group on pages 10 to 31:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - Northland Port Corporation (NZ) Ltd and Group's financial position as at 30 June 2003; and
    - the results of operations and cash flows for the period ended on that date.

Our audit was completed on 29 August 2003 and our unqualified opinion is expressed as at that date.

S.G. Brotherton  
Ernst & Young  
On behalf of the Auditor-General  
Auckland, New Zealand

## Statutory Information

### Auditors

Under Section 19 of the Port Companies Act, 1988, the Audit Office is the Auditor of the Company. The Audit Office has appointed, pursuant to Section 29 of the Public Finance Act, 1977, Simon G. Brotherton of the firm Ernst & Young to undertake the Audit on its behalf.

### Directors' Interests

Particulars of general disclosures of interest given by directors of the Company pursuant to Section 211(1)(e) of Companies Act 1993 are listed below. (Refer also to page 4)

### Directors' Shareholdings

Pursuant to Section 148(1) of the Companies Act 1993 the following are the relevant interests in the Company's shares as advised by the Directors.

	Shares in which the Director has a beneficial interest solely or as a joint holder		Shares in which the Director has a non-beneficial interest		Shares held by associated persons of the Director	
	30-Jun-03	31-Mar-02	30-Jun-03	31-Mar-02	30-Jun-03	31-Mar-02
R Cooper	10,000	10,000	–	–	15,650	15,650
M W Daniel	1,216,000	1,129,700	–	–	25,000	35,000
M R Gross	15,004	20,004	–	–	–	–
J W B Hardie	215,000	215,000	–	–	10,000	10,000
P R Hill	64,002	74,002	–	–	13,800	53,800
R J McKay	32,004	32,004	–	–	16,500	16,500

Share transactions during the period 1 April 2002 to 30 June 2003 were:

Date	Purchaser	No. of Shares Acquired/(Sold)	Price per Share \$
04/02	Purchase by G W Daniel as an associate of M W Daniel	1,000	2.60
05/02	Sale by J A Hill as an associate of P R Hill	(39,280)	2.60 - 2.70
06/02	Sale by P R Hill	(10,000)	2.64
06/02	Sale by Wairahi Trust as beneficial holder for M W Daniel	(21,129)	2.60 - 2.65
06/02	Sale by J A Hill as an associate of P R Hill	(720)	2.64
11/02	Purchase by Wairahi Trust as beneficial holder for M W Daniel	107,429	2.65
01/03	Sale by Escien Investments Ltd as beneficial holder for M R Gross	(5,000)	2.93
01/03	Sale by G W Daniel as an associate of M W Daniel	(11,000)	3.06 - 3.14

## Statutory Information

### Directors' Remuneration and Benefits

Fees paid to Directors of the Company during the 15 month period were as follows:

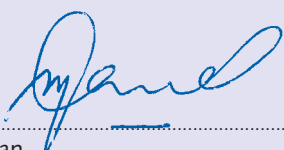
	Parent/Group \$
M W Daniel	46,250
R Cooper	26,250
M R Gross	26,250
J W B Hardie	32,500
P R Hill	30,000
R J McKay	26,250
Total	<u>\$187,500</u>

### Employee Remuneration

In accordance with Section 211(1)(g) of the Companies Act 1993 reported below are the number of employees or former employees of the Company, not being Directors of the Company, who, during the accounting period, received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded \$100,000 per annum during the period. Remuneration is calculated to include the cost to the Company of salary plus any benefits and related tax.

Remuneration \$NZ	Number of Employees Parent/Group
120,000 - 130,000	1
230,000 - 240,000	1
240,000 - 250,000	1

Signed:



Chairman



Director

Dated 29 August 2003

## Consolidated Statement of Financial Performance

For the 15 Months Ended 30 June 2003

	Note		30-Jun-03 (15 months) \$	31-Mar-02 (12 months) \$
<b>Total Revenue</b>	2		<b>12,194,913</b>	18,682,368
<b>Expenditure</b>				
Depreciation	4	480,147		568,341
Interest		5,432		6,362
Lease Costs		451,686		491,971
Severance Payments		92,727		255,228
Operating Expenses	3	<u>7,280,142</u>		<u>10,434,152</u>
<b>Total Expenditure</b>			<b><u>8,310,134</u></b>	<u>11,756,054</u>
<b>Trading Surplus</b>			<b>3,884,779</b>	6,926,314
Gain on Sale of Plant, Property & Equipment			1,576,168	30,205
Share of Associate Companies' Retained Surplus	6		<u>3,270,085</u>	<u>69,928</u>
<b>Operating Surplus Before Taxation</b>			<b>8,731,032</b>	7,026,447
Taxation Expense	5		<u>1,371,161</u>	<u>1,984,017</u>
<b>NET SURPLUS</b>			<b><u>\$7,359,871</u></b>	<u>\$5,042,430</u>

## Consolidated Statement of Movements in Equity

For the 15 Months Ended 30 June 2003

		30-Jun-03 (15 months) \$	31-Mar-02 (12 months) \$
<b>Equity at Beginning of Period</b>		<b>42,784,747</b>	47,488,794
Net Surplus		7,359,871	5,042,430
Distributions to Owners		(6,843,270)	(9,746,477)
<b>EQUITY AT END OF PERIOD</b>		<b><u>\$43,301,348</u></b>	<u>\$42,784,747</u>

# Consolidated Statement of Financial Position

As at 30 June 2003

	Note	30-Jun-03 \$	31-Mar-02 \$
<b>Equity</b>			
Subscribed Equity	7	10,461,204	10,461,204
Accumulated Surplus		32,840,144	32,323,543
		<b>43,301,348</b>	42,784,747
<b>Current Liabilities</b>			
Creditors & Accrued Expenses	11	<b>784,661</b>	3,285,022
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$44,086,009</b>	\$46,069,769
<b>Non-Current Assets</b>			
Plant, Property & Equipment	17	12,757,238	13,583,489
Investments in Associate Companies	15	21,940,066	7,945,782
Other Investments	19	607,303	363,861
Advances	16	2,357,960	1,756,000
Deferred Taxation Asset	12	224,559	319,372
		<b>37,887,126</b>	23,968,504
<b>Current Assets</b>			
Cash & Deposits	8	5,187,998	19,001,650
Debtors & Prepayments	9	872,404	2,573,010
Taxation Refundable		108,025	420,243
Stores & Materials	10	30,456	106,362
		<b>6,198,883</b>	22,101,265
<b>TOTAL ASSETS</b>		<b>\$44,086,009</b>	\$46,069,769

For and on behalf of the Board of Directors who authorised the issue of this Annual Report on 29 August 2003



Chairman

Dated 29 August 2003



Director

# Consolidated Statement of Cash Flows

For the 15 Months Ended 30 June 2003

	Note	30-Jun-03 (15 months) \$	31-Mar-02 (12 months) \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Cash from Customers		12,032,874	16,854,331
Proceeds from Dividends		500,156	234,032
Proceeds from Interest Received		1,312,927	1,143,349
		<u>13,845,957</u>	<u>18,231,712</u>
<b>Cash was applied to:</b>			
Cash paid to Suppliers & Employees		(8,224,428)	(11,897,153)
Interest Paid		(5,432)	(6,362)
Income Tax Paid		(974,859)	(362,672)
		<u>(9,204,719)</u>	<u>(12,266,187)</u>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b><u>4,641,238</u></b>	<b><u>5,965,525</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Sale of Plant, Property & Equipment		4,326,914	30,356
Share Capital of Associate Repaid		5,000	–
Other Advances Repaid		232,000	3,302,946
		<u>4,563,914</u>	<u>3,333,302</u>
<b>Cash was applied to:</b>			
Purchase of Plant, Property & Equipment		(1,663,499)	(410,263)
Purchase of Shares/Equity Contributions		(13,678,075)	(3,142,830)
Advances to Associate Companies		(833,960)	–
		<u>(16,175,534)</u>	<u>(3,553,093)</u>
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b><u>(11,611,620)</u></b>	<b><u>(219,791)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash was applied to:</b>			
Dividends Paid		(6,843,270)	(9,746,477)
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>		<b><u>(6,843,270)</u></b>	<b><u>(9,746,477)</u></b>
<b>NET DECREASE IN CASH HELD</b>		<b>(13,813,652)</b>	<b>(4,000,743)</b>
<b>ADD OPENING CASH BALANCE</b>		<b>19,001,650</b>	<b>23,002,393</b>
<b>CLOSING CASH BALANCE</b>	8	<b><u>\$5,187,998</u></b>	<b><u>\$19,001,650</u></b>

## Consolidated Operating Cash Flow Reconciliation

For the 15 Months Ended 30 June 2003

	Note	30-Jun-03 (15 months) \$	31-Mar-02 (12 months) \$
<b>Net Surplus After Taxation</b>		<b>7,359,871</b>	5,042,430
<b>Add (Subtract) Non-Cash Items:</b>			
Depreciation	4	480,147	568,341
Doubtful/Bad Debts		434	4,278
Deferred Taxation		84,086	958,524
Share of Associate Companies' Retained Surplus	6	(3,270,085)	(69,928)
Other Non-Cash Items		(50,417)	(5,906)
		<b>(2,755,835)</b>	1,455,309
<b>Add (Subtract) Working Capital Items:</b>			
Movement in Debtors		1,567,374	(459,377)
Movement in Prepayments		132,798	(45,737)
Movement in Stores & Materials		75,906	127,515
Movement in Taxation Refundable		312,218	662,822
Movement in Creditors & Accrued Expenses		(2,500,361)	(744,591)
		<b>(412,065)</b>	(459,368)
<b>Non-Operating items included in working capital movements above</b>		<b>2,025,435</b>	(42,641)
<b>Less Items classified as investing activities:</b>			
Gain on Sale of Plant, Property & Equipment		<b>(1,576,168)</b>	(30,205)
<b>Net Cash Flow From Operating Activities</b>		<b>\$4,641,238</b>	<b>\$5,965,525</b>

## Parent Company Statement of Financial Performance

For the 15 Months Ended 30 June 2003

	Note		30-Jun-03 (15 months) \$	31-Mar-02 (12 months) \$
<b>Total Revenue</b>	2		<b>7,162,514</b>	14,031,778
<b>Expenditure</b>				
Depreciation	4	395,268		473,581
Interest		5,432		6,362
Lease Costs		451,686		397,101
Severance Payments		92,727		253,250
Operating Expenses	3	<u>3,335,867</u>		<u>4,967,946</u>
<b>Total Expenditure</b>			<b><u>4,280,980</u></b>	<u>6,098,240</u>
<b>Trading Surplus</b>			<b>2,881,534</b>	7,933,538
Gain on Sale of Plant, Property & Equipment			2,485,589	30,205
Share of Associate Companies' Retained Surplus	6		–	69,928
Diminution in Value of Advances to and Investments in Subsidiary Companies			–	<u>(932,598)</u>
<b>Operating Surplus Before Taxation</b>			<b><u>5,367,123</u></b>	<u>7,101,073</u>
Taxation Expense	5		1,104,475	2,229,649
<b>NET SURPLUS</b>			<b><u>4,262,648</u></b>	<u>4,871,424</u>

## Parent Company Statement of Movements in Equity

For the 15 Months Ended 30 June 2003

	Note		30-Jun-03 (15 months) \$	31-Mar-02 (12 months) \$
<b>Equity at Beginning of Period</b>			<b>44,306,863</b>	49,181,916
Change in Accounting Policy re. Associates	1		(520,270)	–
Net Surplus			4,262,648	4,871,424
Distributions to Owners			(6,843,270)	<u>(9,746,477)</u>
<b>EQUITY AT END OF PERIOD</b>			<b><u>\$41,205,971</u></b>	<u>\$44,306,863</u>

# Parent Company Statement of Financial Position

As at 30 June 2003

	Note	30-Jun-03 \$	31-Mar-02 \$
<b>Equity</b>			
Subscribed Equity	7	10,461,204	10,461,204
Accumulated Surplus		30,744,767	33,845,659
		<b>41,205,971</b>	44,306,863
<b>Current Liabilities</b>			
Creditors & Accrued Expenses	11	<b>614,658</b>	1,227,815
<b>Non-Current Liabilities</b>			
Advance from Subsidiary	14	<b>50,950</b>	–
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$41,871,579</b>	\$45,534,678
<b>Non-Current Assets</b>			
Property, Plant & Equipment	17	12,352,068	13,263,716
Investment in Subsidiary Company	13	10,000	10,000
Investments in Associate Companies	15	20,875,512	7,945,782
Other Investments	19	607,303	363,861
Advances	16	2,357,960	1,756,000
Deferred Taxation Asset	12	114,572	292,147
		<b>36,317,415</b>	23,631,506
<b>Current Assets</b>			
Cash & Deposits	8	4,953,553	18,765,082
Debtors & Prepayments	9	487,842	2,370,773
Taxation Refundable		82,313	660,955
Stores & Materials	10	30,456	106,362
		<b>5,554,164</b>	21,903,172
<b>TOTAL ASSETS</b>		<b>\$41,871,579</b>	\$45,534,678

For and on behalf of the Board of Directors who authorised the issue of this Annual Report on 29 August 2003



Chairman

Dated 29 August 2003



Director

# Parent Company Statement of Cash Flows

For the 15 Months Ended 30 June 2003

	Note	30-Jun-03 (15 months) \$	31-Mar-02 (12 months) \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Cash from Customers		7,189,361	12,394,902
Proceeds from Dividends		500,156	486,087
Proceeds from Interest Received		1,307,080	1,092,202
		<u>8,996,597</u>	<u>13,973,191</u>
<b>Cash was applied to:</b>			
Cash paid to Suppliers & Employees		(4,208,372)	(5,717,884)
Interest Paid		(5,432)	(6,362)
Income Taxes Paid		(358,987)	(2,408,332)
		<u>(4,572,791)</u>	<u>(8,132,578)</u>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b><u>4,423,806</u></b>	<b><u>5,840,613</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Sale of Plant, Property & Equipment		4,325,192	30,356
Amalgamated Subsidiaries		–	33,096
Share Capital of Associate Repaid		5,000	–
Advances Repaid by Subsidiaries & Associates		–	2,493,945
Other Advances Repaid		232,000	2,855,001
		<u>4,562,192</u>	<u>5,412,398</u>
<b>Cash was applied to:</b>			
Purchase of Plant, Property & Equipment		(1,493,222)	(38,372)
Purchase of Shares/Equity Contributions		(13,678,025)	(3,142,830)
Advances to Subsidiaries		–	(3,250,000)
Other Advances		(833,960)	–
		<u>(16,005,207)</u>	<u>(6,431,202)</u>
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b><u>(11,443,015)</u></b>	<b><u>(1,018,804)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Advance from Subsidiary		50,950	–
<b>Cash was applied to:</b>			
Dividends Paid		(6,843,270)	(9,746,477)
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>		<b><u>(6,792,320)</u></b>	<b><u>(9,746,477)</u></b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>(13,811,529)</b>	<b>(4,924,668)</b>
<b>ADD OPENING CASH BALANCE</b>		<b>18,765,082</b>	<b>23,689,750</b>
<b>CLOSING CASH BALANCE</b>	8	<b><u>\$4,953,553</u></b>	<b><u>\$18,765,082</u></b>

## Parent Company Operating Cash Flow Reconciliation

For the 15 Months Ended 30 June 2003

	Note	30-Jun-03 (15 months) \$	31-Mar-02 (12 months) \$
<b>Net Surplus After Taxation</b>		<b>4,262,648</b>	4,871,424
<b>Add (Subtract) Non-Cash items:</b>			
Depreciation	4	395,268	473,581
Doubtful/Bad Debts		434	4,278
Deferred Taxation		166,847	(136,747)
Share of Associate Companies' Retained Surplus	6	–	(69,928)
Adjustment to Carrying Value of Advances to and Investments in Subsidiary Companies		–	932,598
Other Non-Cash items		(50,417)	(5,906)
		<b>512,132</b>	1,197,876
<b>Add (Subtract) Working Capital Items:</b>			
Movement in Debtors		1,750,414	(595,234)
Movement in Prepayments		132,083	(55,347)
Movement in Stores and Materials		75,906	(46,457)
Movement in Taxation Refundable		578,642	(1,954,333)
Movement in Creditors & Accrued Expenses		(613,157)	145,741
		<b>1,923,888</b>	(2,505,630)
<b>Non-Operating items included in working capital movements above</b>		<b>210,727</b>	2,307,148
<b>Less Items classified as investing activities:</b>			
Gain on Sale of Plant, Property & Equipment		(2,485,589)	(30,205)
<b>Net Cash Flow From Operating Activities</b>		<b>\$4,423,806</b>	\$5,840,613

# Notes to the Financial Statements

## NOTE 1

### STATEMENT OF ACCOUNTING POLICIES

#### Reporting Entity

Northland Port Corporation (NZ) Ltd is a publicly listed company registered under the Companies Act 1993. The Group consists of Northland Port Corporation (NZ) Ltd, its Subsidiary, Associates and Joint Ventures.

Northland Port Corporation (NZ) Ltd is an issuer for the purposes of the Financial Reporting Act 1993. The Financial Statements and Group Financial Statements of Northland Port Corporation (NZ) Ltd have been prepared in accordance with the Companies Act 1993, and the Financial Reporting Act 1993. The measurement base adopted is historical cost.

#### Change of Balance Date

The Board resolved during the year to amend the Company's balance date to 30 June hence these Financial Statements cover a 15 month period to 30 June 2003.

#### Consolidation

The Group Financial Statements include the Financial Statements of all subsidiaries, being companies which Northland Port Corporation (NZ) Ltd controls. The Financial Statements of subsidiaries are consolidated with those of Northland Port Corporation (NZ) Ltd using the Purchase Method of Accounting. The results of subsidiaries are included from the date of acquisition until date of disposal. Inter-group balances and transactions have been eliminated upon consolidation.

#### Associate Companies

These are companies in which Northland Port Corporation (NZ) Ltd has a significant shareholding and participates at Board level in their commercial and financial decisions, but does not control their operations. The results of these associate companies have been included in the Group Financial Statements on an equity accounting basis which reflects the Group's share of post acquisition increases in equity (refer to Changes in Accounting Policies). The Group's share of inter-entity transactions has been adjusted for in this equity accounting.

#### Joint Ventures

Joint ventures are joint arrangements with other parties in which the Group has several liability in respect of costs and liabilities, and shares in any resulting output. The Group's share of the assets, liabilities, revenues and expenses of the joint ventures have been incorporated into the financial statements using the proportional consolidation method.

#### Plant, Property & Equipment

Plant, Property and Equipment are recorded at cost less depreciation (where applicable). The cost of Plant, Property and Equipment constructed by the Company includes materials used in construction, direct labour, associated borrowing costs and relevant costs involved in obtaining the necessary resource consents.

#### Depreciation

Plant, Property & Equipment, with the exception of Land and Capital Work in Progress, is depreciated. The charge for depreciation has been calculated using the straight line method based on the estimated economic lives of the assets.

Buildings & Port Facilities	5-100 years
Vessels & Dredging Equipment	10-25 years
Vehicles	4-5 years
Plant & Equipment	2-12 years

#### Stores & Materials

Stores and materials are valued at the lower of cost (using a first-in first-out basis after allowing for obsolescence) and net realisable value.

#### Debtors & Prepayments

Significant items of expenditure having a benefit to more than one period are written off over the period to which they relate. Trade Debtors are stated at expected realisable value after allowance for doubtful debts.

#### Investments

Long Term investments are stated at cost. Investments held for resale are stated at the lower of cost and net realisable value.

## Notes to the Financial Statements

### Taxation

The income tax expense charged to the Statement of Financial Performance includes both current and deferred tax and is calculated after allowing for non-assessable income and non-deductible expenditure. Tax losses carried forward are only recognised if there is virtual certainty of realisation.

### Deferred Taxation

Deferred taxation, calculated using the liability method on a comprehensive basis, is accounted for in respect of all timing differences. Debit balances in the deferred tax account are only recognised if there is virtual certainty of recovery.

### Foreign Currencies

Transactions in foreign currencies are converted at the exchange rate ruling on the date of the transactions. Foreign monetary assets and liabilities outstanding at balance date are converted at the rate ruling on that date. Gains and losses from overseas currency conversion are included in the Statement of Financial Performance.

### Leases

Operating lease payments where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are included in the determination of the operating surplus in equal instalments over the lease term.

Operating lease receipts where the lessor effectively retains all the risks and benefits of ownership of the leased items are included in the determination of the operating surplus in equal instalments over the lease term. The Group is not party to any finance leases.

### Financial Instruments

Financial instruments recognised in the Statement of Financial Position include cash balances, bank overdrafts, receivables, payables, investments and loans to others.

The net differential paid or received on interest rate swaps is recognised as a component of interest expense or interest revenue over the period of the agreement. Premiums paid on interest rate options, and net settlements on forward rate agreements are amortised to the Statement of Financial Performance over the life of the hedged item or the period hedged. Any financial instruments that do not qualify as hedges are stated at market value and any gain or loss is recognised in the Statement of Financial Performance.

### Changes in Accounting Policies

In previous periods the Parent Entity's share of retained surpluses from its Associate interests had been included in both the Parent and consolidated Group Financial Statements. To comply with the requirements of Financial Reporting Standard FRS-38 (Accounting for Associate Interests) which was introduced during the period, the Group's share of retained surpluses from its Associate interests are now shown only in the consolidated Financial Statements. This change has required that an adjustment be made in the Financial Statements of the Parent Entity to eliminate the Parent's share of Associate retained surpluses as at the previous balance date. The adjustment amounts to \$520,270 and is incorporated in the Statement of Movements in Equity for the Parent Entity. The Consolidated Financial Statements are unaffected by this change.

There have been no other material changes in accounting policies. All policies have been applied on a consistent basis with previous years.

## NOTE 2

### COMPOSITION OF TOTAL REVENUE

	Consolidated		Parent	
	30-Jun-03 (15 months) \$	31-Mar-02 (12 months) \$	30-Jun-03 (15 months) \$	31-Mar-02 (12 months) \$
Operating Revenues	5,556,510	14,399,742	5,556,510	12,083,420
Interest Income	1,004,422	1,433,506	998,575	1,382,359
Dividends	500,156	234,032	500,156	486,087
Share of Joint Venture Revenues	5,026,553	2,532,747	–	–
Other Income	107,273	82,341	107,273	79,912
	<u>12,194,913</u>	<u>18,682,368</u>	<u>7,162,514</u>	<u>14,031,778</u>

## Notes to the Financial Statements

	Consolidated		Parent	
	30-Jun-03 (15 months) \$	31-Mar-02 (12 months) \$	30-Jun-03 (15 months) \$	31-Mar-02 (12 months) \$
<b>NOTE 3</b>				
<b>ITEMS INCLUDED IN OPERATING EXPENSES</b>				
Directors' Fees	187,500	155,250	187,500	155,250
Auditor Remuneration - Audit Fees	30,188	46,575	30,188	40,575
- Other Fees	27,680	44,128	27,680	44,128
Bad Debts Expense	11,014	46,704	11,014	46,704
Movement in Doubtful Debts Provision	(10,580)	(42,426)	(10,580)	(42,426)
Donations	528	433	528	433
Share of Joint Venture Operating Expenses	3,944,275	1,801,201	-	-

### NOTE 4

#### DEPRECIATION EXPENSE

Buildings & Port Facilities	214,914	187,889	205,983	180,260
Vessels & Dredging Equipment	106,359	194,543	106,359	194,543
Vehicles	4,333	5,602	-	1,069
Plant & Equipment	154,541	180,307	82,926	97,709
	<u>480,147</u>	<u>568,341</u>	<u>395,268</u>	<u>473,581</u>

The Consolidated figures shown above for the 15 months ended 30 June 2003 include \$84,879 in respect of the Group's joint venture interests (2002 - \$94,760).

### NOTE 5

#### TAXATION EXPENSE

Net Surplus Before Taxation	<u>8,731,032</u>	<u>7,026,447</u>	<u>5,367,123</u>	<u>7,101,073</u>
Prima Facie Tax at 33% (2002 - 33%)	2,881,240	2,318,728	1,771,150	2,343,354
Adjusted for the Tax Effect of:				
Tax Paid Associate Earnings	(1,008,102)	(23,076)	-	(23,076)
Non-Assessable Income	(608,726)	(87,131)	(777,341)	(170,309)
Non-Deductible Expenses	82,466	12,974	82,466	317,157
Prior Year Adjustment	24,283	(237,477)	28,200	(237,477)
	<u>1,371,161</u>	<u>1,984,017</u>	<u>1,104,475</u>	<u>2,229,649</u>
Represented by:				
Current Taxation	1,287,075	1,025,493	937,628	2,212,442
Deferred Taxation	84,086	958,524	166,847	17,207
	<u>1,371,161</u>	<u>1,984,017</u>	<u>1,104,475</u>	<u>2,229,649</u>

## Notes to the Financial Statements

	Consolidated		Parent	
	30-Jun-03 (15 months) \$	31-Mar-02 (12 months) \$	30-Jun-03 (15 months) \$	31-Mar-02 (12 months) \$
<b>NOTE 6</b>				
<b>ASSOCIATE COMPANIES' RETAINED NET SURPLUS</b>				
North Port Coolstores (1989) Ltd (50% interest)				
Net Surplus before Taxation	616,968	558,576	–	558,576
Less Taxation	(176,481)	(184,344)	–	(184,344)
Less Dividend	(500,000)	(225,000)	–	(225,000)
	<u>(59,513)</u>	<u>149,232</u>	<u>–</u>	<u>149,232</u>
Marsden Cove Ltd (50% interest)				
Net Surplus before Taxation	(47,246)	–	–	–
Less Taxation	–	–	–	–
	<u>(47,246)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Northport Ltd (50% interest)				
Net Surplus Before Taxation*	3,761,202	(89,634)	–	(89,634)
Less Taxation	(567,591)	36,456	–	36,456
	<u>3,193,611</u>	<u>(53,178)</u>	<u>–</u>	<u>(53,178)</u>
Current period write back of depreciation and amortisation on inter-entity asset sales	215,231	–	–	–
	<u>3,408,842</u>	<u>(53,178)</u>	<u>–</u>	<u>(53,178)</u>
* inclusive of gains arising from asset sales of \$2,215,391				
Sea-Tow Ltd (50% interest)				
Net Surplus before Taxation	33,968	11,329	–	11,329
Less Taxation	(65,966)	(37,455)	–	(37,455)
	<u>(31,998)</u>	<u>(26,126)</u>	<u>–</u>	<u>(26,126)</u>
	<u>3,270,085</u>	<u>69,928</u>	<u>–</u>	<u>69,928</u>

The above figures reflect the Group's relevant share of earnings based on its respective stakeholding in each entity.

The Group's share of retained surpluses from its Associate interests are now shown only in the consolidated Group Financial Statements (refer Note 1 - Changes in Accounting Policies).

	Consolidated		Parent	
	30-Jun-03 \$	31-Mar-02 \$	30-Jun-03 \$	31-Mar-02 \$
<b>NOTE 7</b>				
<b>SUBSCRIBED EQUITY</b>				
41,474,369 Fully Paid Ordinary Shares (March 2002 - 41,474,369 Shares)				
	<u>10,461,204</u>	<u>10,461,204</u>	<u>10,461,204</u>	<u>10,461,204</u>
All shares carry equal voting rights.				

## Notes to the Financial Statements

	Consolidated		Parent	
	30-Jun-03 \$	31-Mar-02 \$	30-Jun-03 \$	31-Mar-02 \$
<b>NOTE 8</b>				
<b>CASH &amp; DEPOSITS</b>				
Bank Deposits - ASB Facility	195,121	137,255	103,198	5,687
Bank Deposits - Other	142,522	105,000	–	–
Bank Overdraft	–	–	–	–
	<u>337,643</u>	<u>242,255</u>	<u>103,198</u>	<u>5,687</u>
Call Deposits	4,850,155	6,759,195	4,850,155	6,759,195
Term Deposits	–	12,000,000	–	12,000,000
Cash	200	200	200	200
	<u>5,187,998</u>	<u>19,001,650</u>	<u>4,953,553</u>	<u>18,765,082</u>

At Balance Date, the interest rate on the overdraft facility was 9.20%, however no amount was outstanding. (March 2002 - 8.30%). Funds held on call deposit as at Balance Date yielded interest at a rate of 5.25% and were subject to daily interest rate re-pricing.

Funds held on bank deposit with the ASB Bank form part of the Group's overall offset facility and are non-interest bearing. Other bank deposits are interest bearing which at Balance Date yielded an interest rate of 4.50% and were subject to daily interest rate re-pricing.

The ASB Bank has registered a Composite Debenture over the assets of Northland Port Corporation (NZ) Ltd.

### NOTE 9

<b>DEBTORS &amp; PREPAYMENTS</b>				
Trade Debtors	342,365	1,696,452	91,929	1,497,249
Provision for Doubtful Debts	–	(10,580)	–	(10,580)
Related Parties (Note 21)	215,310	181,091	85,987	181,091
Sundry Debtors	307,229	565,749	302,426	563,430
Prepayments	7,500	140,298	7,500	139,583
	<u>872,404</u>	<u>2,573,010</u>	<u>487,842</u>	<u>2,370,773</u>

### NOTE 10

<b>STORES &amp; MATERIALS</b>				
General Stores	20,142	61,030	20,142	61,030
Fuel Stocks	10,314	45,332	10,314	45,332
	<u>30,456</u>	<u>106,362</u>	<u>30,456</u>	<u>106,362</u>

In accordance with normal business practice, certain stores and materials are subject to retention of title clauses until such items are paid for.

## Notes to the Financial Statements

	Consolidated		Parent	
	30-Jun-03 \$	31-Mar-02 \$	30-Jun-03 \$	31-Mar-02 \$
<b>NOTE 11</b>				
<b>CREDITORS &amp; ACCRUED EXPENSES</b>				
Trade Creditors	426,105	282,831	363,201	230,261
Related Parties (Note 21)	10,373	13,634	10,373	13,634
Sundry Creditors & Accruals	213,531	2,718,503	182,610	766,894
Employee Entitlements	134,653	270,054	58,474	217,026
	<u>784,661</u>	<u>3,285,022</u>	<u>614,658</u>	<u>1,227,815</u>

### NOTE 12

	Consolidated		Parent	
	30-Jun-03 \$	31-Mar-02 \$	30-Jun-03 \$	31-Mar-02 \$
<b>DEFERRED TAXATION ASSET</b>				
Opening Balance	319,372	1,277,897	292,147	155,400
Adjusted for Tax Effect of:				
Prior Year Adjustment	3,918	–	–	–
Movement in Provision for Doubtful Debts	(3,491)	(14,001)	(3,491)	(14,001)
Gain (Loss) on Sale of Plant, Property and Equipment	34,470	(1,898)	(24,094)	(1,898)
Differences Between Current Year Accounting and Taxation Depreciation	47,825	31,690	39,465	18,118
Movement in Provision for Payroll and Related Expenses	(39,457)	(124,895)	(50,943)	3,808
Associate Earnings	434	–	–	–
Accrued Income	–	(28,713)	–	(28,713)
Movement in Other Provisions	(138,512)	(820,708)	(138,512)	159,433
Closing Balance	<u>224,559</u>	<u>319,372</u>	<u>114,572</u>	<u>292,147</u>

### NOTE 13

#### INVESTMENT IN SUBSIDIARY COMPANY

	Parent	
	30-Jun-03 \$	31-Mar-02 \$
NPC Corporate Services Ltd	<u>10,000</u>	<u>10,000</u>
	<u>10,000</u>	<u>10,000</u>
100% Holding		
Balance Date - 30 June		
Main Activity - Holding Company for joint venture interests		

### NOTE 14

#### ADVANCE FROM SUBSIDIARY

	Parent	
	30-Jun-03 \$	31-Mar-02 \$
NPC Corporate Services Ltd	<u>50,950</u>	<u>–</u>
	<u>50,950</u>	<u>–</u>

## Notes to the Financial Statements

	Consolidated		Parent	
	30-Jun-03 \$	31-Mar-02 \$	30-Jun-03 \$	31-Mar-02 \$
<b>NOTE 15</b>				
<b>INVESTMENTS IN ASSOCIATE COMPANIES</b>				
North Port Coolstores (1989) Ltd				
Shares Subscribed For	250,000	250,000	250,000	250,000
Share of Accumulated Surplus to 30 June 2003	436,314	495,827	–	495,827
	<u>686,314</u>	<u>745,827</u>	<u>250,000</u>	<u>745,827</u>
T.B.N. Ltd (liquidated effective 11 October 2002)				
Shares Subscribed For	–	5,000	–	5,000
Share of Accumulated Surplus to 30 June 2003	–	–	–	–
	<u>–</u>	<u>5,000</u>	<u>–</u>	<u>5,000</u>
Northport Ltd				
Shares Subscribed For	15,000,000	3,100,000	15,000,000	3,100,000
Equity Funding Advance	1,550,000	–	1,550,000	–
Share of Accumulated Surplus (Deficit) to 30 June 2003	3,119,595	(74,016)	–	(74,016)
Elimination re inter-entity asset sales	(2,725,851)	–	–	–
Current period write back of asset sale gains	215,231	–	–	–
	<u>17,158,975</u>	<u>3,025,984</u>	<u>16,550,000</u>	<u>3,025,984</u>
Sea-Tow Ltd				
Shares Subscribed For	4,070,512	4,070,512	4,070,512	4,070,512
Share of Accumulated Surplus to 30 June 2003	66,461	98,459	–	98,459
	<u>4,136,973</u>	<u>4,168,971</u>	<u>4,070,512</u>	<u>4,168,971</u>
Northland Stevedoring Services Ltd (formerly Newco Ltd)				
Shares Subscribed For	50	–	–	–
Share of Accumulated Surplus to 30 June 2003	–	–	–	–
	<u>50</u>	<u>–</u>	<u>–</u>	<u>–</u>
Marsden Cove Ltd (established 27 September 2002)				
Shares Subscribed For	5,000	–	5,000	–
Share of Accumulated Deficit to 30 June 2003	(47,246)	–	–	–
	<u>(42,246)</u>	<u>–</u>	<u>5,000</u>	<u>–</u>
	<u>21,940,066</u>	<u>7,945,782</u>	<u>20,875,512</u>	<u>7,945,782</u>

In prior periods, the retained net surplus of Associate entities had been incorporated in the Financial Statements of the Consolidated Group and the Parent entity. To comply with FRS 38, which was introduced during the period, this is now only reported in the Consolidated Group Financial Statements. (Refer Note 1 - Changes in Accounting Policies).

## Notes to the Financial Statements

### NOTE 15 continued

North Port Coolstores (1989) Ltd	250,000 shares (50% holding) Balance Date - 31 March Main Activity: Cold & Coolstore Operators
T.B.N. Ltd (liquidated effective 11 October 2002)	5,000 shares (50% holding) Balance Date - 31 January Main Activity: Holding Company
Northport Ltd	100 shares (50% holding) Balance Date - 30 June (previously 31 March) Main Activity: Port Operators
Sea-Tow Ltd	2,150,000 shares (50% holding) Balance Date - 30 June Main Activity: Tug and Barge Operators
Northport Operating Ltd (non-trading)	500 shares (50% holding - uncalled) Balance Date - 30 June (previously 31 March) Main Activity: Holding Company
Northport Services Ltd (non-trading)	333 shares (33.3% effective holding - uncalled) Balance Date - 30 June (previously 31 March) Main Activity: Holding Company
Northland Stevedoring Services Ltd (non-trading) (formerly Newco Ltd)	50 shares (50% holding) Balance Date - 31 January Main Activity: Holding Company
Marsden Cove Ltd (established 27 September 2002)	50 shares (50% holding) Balance Date - 31 March Main Activity: Residential Marina Development

### NOTE 16

#### ADVANCES

	Consolidated		Parent	
	30-Jun-03 \$	31-Mar-02 \$	30-Jun-03 \$	31-Mar-02 \$
Marsden Cove Ltd	833,960	–	833,960	–
Titan Marine Enterprises Ltd	–	155,000	–	155,000
New Zealand Crane Hire Ltd	1,524,000	1,601,000	1,524,000	1,601,000
	<u>2,357,960</u>	<u>1,756,000</u>	<u>2,357,960</u>	<u>1,756,000</u>

Various funding advances totalling \$833,960 were provided to Marsden Cove Ltd during the period. The sum is non-interest bearing with repayment scheduled to occur as the future cashflow of Marsden Cove Ltd allows.

An advance of \$155,000 was originally provided to Titan Marine Enterprises Ltd on 1 October 1999 for a term of two years as vendor finance upon the sale of land and buildings originally occupied by Marine Steel Ltd in Henderson, Auckland. This advance was repaid during the period.

An advance of \$2,000,000 was provided to New Zealand Crane Hire Ltd on 1 October 1999 as vendor finance upon the sale of the assets of Central Cranes Ltd (Subsequently amalgamated with Northland Port Corporation (NZ) Ltd). This advance bears interest at 4% above the 3 month interbank bill rate on 1 October 1999 and as set quarterly thereafter. This advance is repayable in full on 1 October 2004. The borrower has undertaken to make repayments where assets subject to this advance are subsequently disposed. Security for this advance is by way of a second debenture over the assets and undertakings of New Zealand Crane Hire Ltd.

## Notes to the Financial Statements

	Consolidated		Parent	
	30-Jun-03 \$	31-Mar-02 \$	30-Jun-03 \$	31-Mar-02 \$
<b>NOTE 17</b>				
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>				
Freehold Land -				
At Cost	8,781,210	7,853,883	8,781,210	7,853,883
Accumulated Depreciation	–	–	–	–
Carrying Value	8,781,210	7,853,883	8,781,210	7,853,883
Vessels & Dredging Equipment -				
At Cost	1,426,262	3,942,594	1,426,262	3,942,594
Accumulated Depreciation	1,328,019	2,604,621	1,328,019	2,604,621
Carrying Value	98,243	1,337,973	98,243	1,337,973
Buildings & Port Facilities -				
At Cost	3,755,852	4,544,728	3,709,594	4,500,520
Accumulated Depreciation	1,020,135	1,086,185	1,003,575	1,078,556
Carrying Value	2,735,717	3,458,543	2,706,019	3,421,964
Plant & Equipment -				
At Cost	1,961,538	2,351,027	1,623,392	2,034,373
Accumulated Depreciation	1,614,363	1,867,454	1,468,717	1,784,858
Carrying Value	347,175	483,573	154,675	249,515
Vehicles -				
At Cost	11,031	214,854	–	203,824
Accumulated Depreciation	8,868	208,358	–	203,824
Carrying Value	2,163	6,496	–	–
Capital Work in Progress	792,730	443,021	611,921	400,381
Total Carrying Value	12,757,238	13,583,489	12,352,068	13,263,716

The current Government Valuation of Freehold Land and Improvements is \$20,029,500 (Valuation Date is 01/09/01). However this property has not been revalued.

## Notes to the Financial Statements

### NOTE 18

#### JOINT VENTURE INTERESTS

NPC Corporate Services Ltd (a 100% owned subsidiary of Northland Port Corporation (NZ) Ltd) and SSA JV Holdings Ltd together operate an unincorporated joint venture, Northland Stevedoring Services (UJV) to undertake stevedoring and other cargo related operations. Each participant has an equal stakeholding in the joint venture.

NPC Corporate Services Ltd (a 100% owned subsidiary of Northland Port Corporation (NZ) Ltd), Marsden Port Services Ltd (a 100% owned subsidiary of Port of Tauranga Ltd) and Carter Holt Harvey Northland Port Ltd together operate an unincorporated joint venture, Northport Services (UJV). This entity provides various on-wharf cargo services at Northport Ltd's newly constructed port facility. Each of the 3 participants has an equal stakeholding in the joint venture.

These financial statements incorporate the Group's respective interests in each of these unincorporated joint ventures.

### NOTE 19

#### OTHER INVESTMENTS

	Consolidated & Parent	
	30-Jun-03	31-Mar-02
	\$	\$
Fonterra Co-operative Group Ltd - Shares	541,222	355,844
- Perpetual Capital Notes	55,955	-
Dairy Meats NZ Ltd	624	624
Ballance Agri-Nutrients Ltd	9,502	7,393
	<u>607,303</u>	<u>363,861</u>

A statement of shareholding issued by Fonterra Cooperative Group Ltd on 8 July 2003 placed the fair value of the Group's shareholding in that Company at \$1,229,909 as at 1 June 2003.

The Perpetual Capital Notes held in Fonterra Cooperative Group Ltd are a readily tradeable financial instrument with a coupon interest rate of 7.48%. Interest is received on a quarterly basis. As at Balance Date the fair market value of these Capital Notes was \$57,479.

### NOTE 20

#### OPERATING LEASE COMMITMENTS

The following lease commitments existed at year end:

	Consolidated		Parent	
	30-Jun-03	31-Mar-02	30-Jun-03	31-Mar-02
	\$	\$	\$	\$
Less than 1 year	10,897	222,451	10,897	222,451
Between 1 - 2 years	10,245	187,205	10,245	187,205
Between 2 - 5 years	7,694	450,072	7,694	450,072
Over 5 years	8,000	10,000	8,000	10,000
	<u>36,836</u>	<u>869,728</u>	<u>36,836</u>	<u>869,728</u>

## Notes to the Financial Statements

### NOTE 21

#### RELATED PARTY DISCLOSURE

##### North Port Coolstores (1989) Ltd

This company is 50% owned by the Northland Port Corporation (NZ) Ltd. Transactions during the period which were not of a material nature, involved the provision of transiting services. As at 30 June 2003 there were no material amounts owing between the parties.

##### Northland Stevedoring Services (UJV)

This is an unincorporated joint venture in which NPC Corporate Services Ltd (a 100% owned subsidiary company of Northland Port Corporation (NZ) Ltd) has a 50% interest. Transactions during the period which not of a material nature, related to plant hire and various port related charges. As at 30 June 2003 there were no material amounts owing between the parties.

##### Northport Ltd

This Company is jointly owned by the Northland Port Corporation (NZ) Ltd and Port of Tauranga Ltd. It was established to build a new port facility at Marsden Point which commenced operations in June 2002.

During the period, Northland Port Corporation (NZ) Ltd on-charged various items of expenditure to Northport Ltd relating to operations undertaken at Port Whangarei together with charges for sundry plant hire. Effective 1 July 2002, the Port Whangarei wharves and associated facilities have been leased to Northport Ltd for a period of up to 5 years in exchange for a nominal rental.

During the period, Northport Ltd purchased various navigation aids and other port related assets from the Company at fair value being \$3,297,925. As at 30 June 2003 there were no material amounts outstanding between the parties other than disclosed in Note 15. Northland Port Corporation (NZ) Ltd has provided a several guarantee in respect of a funding facility for this Company (refer notes 25 & 26).

##### North Tugz Ltd

This Company is jointly owned by Northport Ltd and Ports of Auckland Ltd. It was established to operate various marine services previously undertaken by the respective shareholders. The new entity's operations commenced effective 1 April 2003. During the period various operational recharges were made to North Tugz Ltd. As at 30 June 2003 there were no material amounts outstanding between the parties.

##### Sea-Tow Ltd

This Company is jointly owned by Northland Port Corporation (NZ) Ltd and Adsteam Logistics Ltd.

A variety of port service charges were made during the year none of which were of a material nature. As at 30 June 2003 there were no material amounts outstanding. Northland Port Corporation (NZ) Ltd has provided a several guarantee in respect of a funding facility for this Company (refer note 25).

##### Marsden Cove Ltd

This Company is jointly owned by Northland Port Corporation (NZ) Ltd and Hopper Developments Ltd and was established to develop a residential marina complex adjacent to the Whangarei Harbour at Marsden Bay. During the period the Company provided advances to Marsden Cove Ltd as its share of the required funding to finance the pre-construction phase of the marina development.

##### Northland Regional Council

The Northland Regional Council is the major shareholder of Northland Port Corporation (NZ) Ltd. During the period various maritime services were provided to the Council. The Northland Regional Council made charges to the Company for harbour master fees together with a variety of resource management fees. None of these transactions between the parties were of a material nature and there were no material amounts outstanding as at 30 June 2003.

Northland Port Corporation (NZ) Ltd has severally guaranteed a funding facility for Northport Ltd (refer note 25). As part of this facility, a \$5m environmental bond was provided by the Bank of New Zealand to the Northland Regional Council as required by the resource consents for the new port development. Effective 15 April 2003, this bond was reduced to \$840,000.

## Notes to the Financial Statements

### NOTE 22

#### SEGMENTAL REPORTING

During the reporting period, the principal business segments of the Group were Port Related Activities and Other Activities. Included in the assets of Other Activities are the Group's significant land holdings in the Marsden Point area and cash reserves.

There are no significant operations outside New Zealand.

The undernoted information is provided in respect of the major segments.

	Port Activities		Marine Engineering		Barging Operations		Other Activities		Total	
	2003 (15mths) \$m	2002 (12mths) \$m	2003 (15mths) \$m	2002 (12mths) \$m	2003 (15mths) \$m	2002 (12mths) \$m	2003 (15mths) \$m	2002 (12mths) \$m	2003 (15mths) \$m	2002 (12mths) \$m
Gross Revenue	9.70	13.86	0.02	2.47	–	–	2.48	2.42	12.19	18.75
Less Inter Segment Sales	–	0.05	–	0.02	–	–	–	–	–	0.07
Net Revenue	9.70	13.81	0.02	2.45	–	–	2.48	2.42	12.19	18.68
Trading Surplus ex. Interest	3.54	7.79	(0.02)	(1.38)	–	–	0.37	0.52	3.89	6.93
Interest Expense	–	–	–	–	–	–	(0.01)	(0.01)	(0.01)	(0.01)
Gain on Sale of Assets	1.28	0.03	–	–	–	–	0.29	–	1.58	0.03
Share of Associate Companies Surplus after Taxation & Dividends	3.35	0.10	–	–	(0.03)	(0.03)	(0.05)	–	3.27	0.07
Operating Surplus Before Interest and Taxation	8.17	7.92	(0.02)	(1.38)	(0.03)	(0.03)	0.61	0.51	8.73	7.02
Assets Employed	23.55	12.06	0.13	0.21	4.14	4.17	16.27	29.63	44.09	46.07

All inter segment sales are conducted at arms length and at market prices.

## Notes to the Financial Statements

### NOTE 23

#### FINANCIAL INSTRUMENTS

The values attached to each financial asset in the Group and Parent Company Statement of Financial Position, represents the maximum credit risk. The Group performs credit evaluations on all customers requiring significant credit. Collateral is generally not required, apart from significant signed contracts where letters of credit are used. The Group has no concentrations of credit risk.

Interest rate trends are regularly monitored and cover taken where appropriate to ensure that the Group's interest rate risk is minimised. (At balance date the Group has no outstanding borrowings).

The Group monitors the credit quality of major financial institutions that are counterparties to its financial instruments, and does not anticipate non-performance by the counterparties. The Group further minimises its credit exposure by limiting the amount of funds placed with any one financial institution at any one time.

The Group has a bank overdraft facility of \$400,000 with the ASB Bank Ltd. (2002 - \$400,000). At Balance date no sum was drawn on this facility (2002 - Nil).

All Financial Instruments have been recorded in these Financial Statements at fair value other than Group's shareholding in Fonterra Cooperative Group Ltd as disclosed in Note 19, and the option granted to Adsteam Logistics Ltd as disclosed in Note 26.

### NOTE 24

#### IMPUTATION & DIVIDEND WITHHOLDING PAYMENT CREDITS

Opening Balance

Credits Distributed/Lost

Credits Received

Closing Balance

Credits available to Shareholders of the Company at balance date:

- through their shareholding

- through indirect interests in subsidiaries and associates

	Consolidated	
	30-Jun-03 (15 months) \$	31-Mar-02 (12 months) \$
Opening Balance	12,531,869	16,330,742
Credits Distributed/Lost	(3,765,567)	(4,800,706)
Credits Received	1,079,289	1,001,833
Closing Balance	<u>9,845,591</u>	<u>12,531,869</u>
Credits available to Shareholders of the Company at balance date:		
- through their shareholding	9,179,571	12,115,567
- through indirect interests in subsidiaries and associates	666,020	416,302
	<u>9,845,591</u>	<u>12,531,869</u>

### NOTE 25

#### CONTINGENT LIABILITIES

At Balance Date the Group was aware of the following Contingent Liabilities: (March 2002 - \$28,650,000)

- To the Bank of New Zealand for a \$75,000 Bond given by them to the New Zealand Stock Exchange.
- To the Bank of New Zealand Ltd for a several Guarantee given to them (in conjunction with Port of Tauranga Ltd) in respect of a \$42.5m funding facility established for Northport Limited - \$21.25m . (As at Balance Date the sum of \$36.5m had been drawn by Northport Ltd.) As part of this funding facility, an environmental bond has been given by the Bank of New Zealand to the Northland Regional Council as required by the Marsden Point project resource consents. During the period this bond was reduced from \$5m to \$840,000.
- To the Bank of New Zealand Ltd for a several Guarantee given to them (in conjunction with Adsteam Marine Ltd) in respect of a \$12.7m funding facility established for Sea-Tow Ltd - \$6.35m . (As at Balance Date the sum of \$11.75m had been drawn by Sea-Tow Ltd.)
- To Westpac Banking Corporation for a Guarantee given to them in respect of loans provided to North Port Coolstores (1989) Ltd. - \$875,000
- To the ASB Bank in respect a joint Guarantee given to them (in conjunction with SSA JV Holdings Ltd) to secure the overdraft of Northland Stevedoring Services unincorporated joint venture - \$100,000.

## Notes to the Financial Statements

### NOTE 26

#### CAPITAL AND OTHER COMMITMENTS

Commitments for Capital Expenditure at 30 June 2003 amount to Nil. (March 2002 - Nil)

On 28 July 2000 Northland Port Corporation (NZ) Ltd and Port of Tauranga Ltd entered into a joint venture agreement (Northport Ltd) as equal partners, for the purpose of constructing a new port facility at Marsden Point. During the period, the partners agreed to increase their respective equity contributions from \$15m to \$17m each principally to fund Northport Ltd's investment in a new marine services company, North Tugz Ltd which was established effective 1 April 2003. Allowing for the equity funding advance to date of \$1,550,000, as at balance date the Company's remaining equity contribution amounted to \$450,000. It is intended that the \$2,000,000 additional funding will be converted to share capital during the forthcoming year.

As part of the joint venture agreement entered into with Port of Tauranga Ltd in respect of Northport Ltd, Northland Port Corporation (NZ) has leased the existing Port Whangarei facilities and equipment to Northport Ltd for a period of up to five years as from the effective commencement of operations at Northport on 1 July 2002.

On 1 October 2000 agreement was reached with Adsteam Logistics Ltd to purchase a 50% interest in Sea-Tow Ltd. As part of the agreement Adsteam Logistics Ltd was granted an option to purchase the remaining 50% interest on an agreed basis during the period 1 April 2005 to 31 March 2007.

As part of a joint venture agreement entered into with Hopper Developments Ltd in respect of Marsden Cove Ltd, the partners have agreed to provide funding advances of up to \$1,500,000 each. As at Balance Date the Company had provided an advance of \$833,960 leaving a balance of up to \$666,040 still to be contributed.

### NOTE 27

#### SUBSEQUENT EVENTS

Subsequent to balance date, an ordinary dividend of 6.5 cents per share together with a special dividend of 10 cents per share were declared with payment to be made 19 September 2003.

Release of a several guarantee previously provided by the Company in favour of the Bank of New Zealand (in respect of Northport Ltd's funding facility) has been negotiated subsequent to Balance Date.

## Analysis of Shareholdings

<b>Top 20 Shareholders as at 1 August 2003</b>	<b>No. Of Shares</b>	<b>Percentage</b>
1. Northland Regional Council	30,000,000	72.334%
2. Michael Walter Daniel and Nigel Geoffrey Ledgard Burton and Michael Murray Benjamin	1,216,000	2.932%
3. National Nominees New Zealand Limited - a/c NZCSD	302,300	0.729%
4. Peter Hanbury Masfen and Joanna Alison Masfen	283,906	0.685%
5. Citibank Nominees (New Zealand) Limited - a/c NZCSD	219,997	0.530%
6. Forbar Custodians Limited - PPM Medium a/c	209,720	0.506%
7. William Ainslie Reece and Fraser Bloomfield Hardie and James William Bloomfield Hardie	205,000	0.494%
8. Michael Murray Benjamin	200,000	0.482%
9. Wayne Kenneth Bishop and Vivienne Gail Bishop	130,339	0.314%
10. Morris West Limited	120,000	0.289%
11. Forbar Custodians Limited - PPM Low a/c	116,486	0.281%
12. Lloyd James Christie	114,400	0.276%
13. Leveraged Equities Custodians Limited	79,074	0.191%
14. Charles Robert St Clair Brown and Keith Patrick Gosling	72,280	0.174%
15. Janette Mary Henry	70,583	0.170%
16. John Adam McNamara	66,854	0.161%
17. Peter Ralph Hill	64,002	0.154%
18. Andrew Sheppard Carter	55,000	0.133%
19. Craig Edwin Oswald	52,949	0.128%
20. ASB Nominees Limited	50,700	0.122%

### Substantial Security Holder

The Company has 41,474,369 issued voting securities. Northland Regional Council is the only substantial security holder having a relevant interest which is the same as its registered shareholding.

<b>Holding Size</b>	<b>Number of Shareholders</b>		<b>Shares Held</b>	
1 - 999	406	20.78%	188,307	0.46%
1,000 - 4,999	1,029	52.66%	2,203,904	5.31%
5,000 - 9,999	270	13.82%	1,628,879	3.93%
10,000 - 100,000	237	12.13%	4,335,131	10.45%
Over 100,000	12	0.61%	33,118,148	79.85%
	<b>1,954</b>	<b>100.00%</b>	<b>41,474,369</b>	<b>100.00%</b>

<b>Domicile</b>	<b>Number of Shareholders</b>		<b>Shares Held</b>	
Northland	640	32.75%	34,037,450	82.07%
Auckland	386	19.75%	2,647,501	6.38%
Balance of N.Z	896	45.85%	4,673,988	11.27%
Overseas	32	1.65%	115,430	0.28%
	<b>1,954</b>	<b>100.00%</b>	<b>41,474,369</b>	<b>100.00%</b>

## Directory

### Registered Office

Northland Port Corporation (NZ) Ltd  
113 Bank Street  
P O Box 848  
Whangarei  
New Zealand  
Telephone 0-9-438 1279  
Facsimile 0-9-438 7067

### Share Registrar

Computershare Investor Services Ltd  
Private Bag 92119  
Auckland 1030  
New Zealand

### Auditors

Controller and Auditor General  
Under contract by Ernst & Young

### Bankers

ASB Bank  
Bank of New Zealand

### Solicitors

Jones Young  
Phillips Fox  
Webb Ross Johnson

### Directors

Mike Daniel, Chairman  
Jim Hardie, Deputy Chairman  
Robert Cooper  
Michael Gross  
Peter Hill  
Rod McKay

### Management

Jim Smellie, General Manager

### Subsidiary Company

NPC Corporate Services Ltd  
P O Box 848  
Whangarei  
New Zealand  
Telephone 0-9-438 1279  
Facsimile 0-9-438 7067

### Associate Companies

Northland Stevedoring Services Ltd  
P O Box 1646  
Whangarei  
New Zealand  
Telephone 0-9-438 8209  
Facsimile 0-9-430 1289

North Port Coolstores (1989) Ltd  
P O Box 10131  
Te Mai  
Whangarei  
New Zealand  
Telephone 0-9-438 2683  
Facsimile 0-9-438 6812

Sea-Tow Ltd  
P O Box 34434  
Birkenhead  
Auckland 1310  
New Zealand  
Telephone 0-9-480 6760  
Facsimile 0-9-480 6554

Northport Ltd  
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Ruakaka  
New Zealand  
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Facsimile 0-9-432 8749

Northport Operating Ltd  
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Northport Services Ltd  
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