



**NORTHLAND PORT CORPORATION (NZ) LTD**

**INTERIM REPORT 2003-04**

**FINANCIAL SUMMARY**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

15 Months Ended 30 June '03			Six Months Ended 31 Dec '03	Six Months Ended 31 Dec '02
3.88	Trading Surplus (\$m)		(0.03)	0.76
1.58	Gains from Asset Sales (\$m)	1	1.98	1.22
3.27	Share of Associate Companies (\$m)	2	0.79	0.45
7.36	Net Surplus After Taxation (\$m)		2.73	1.99
44.09	Total Assets (\$m)		44.04	40.86
43.30	Shareholders' Funds (\$m)		39.18	39.21
98.22%	Shareholders' Equity		88.98%	95.97%
4.00	Interim Dividend/share (cents)	3	3.00	4.00
6.50	Final Dividend/share (cents)	3	–	–
15.00	Special Dividends/share (cents)	3	–	5.00
10.58	Total Dividends (\$m)	3	1.24	3.94
104.41	Net Asset Backing Per Share (cents)		94.48	94.54
17.75	Earnings Per Share (cents)		6.57	4.81
13.68%	Return on Average Shareholders' Funds (Annualised)		13.22%	9.95%

**Notes:**

1. Exclusive of gains derived by Associate Entities - (refer Note 2).
2. The 15 mth comparative includes gains derived by Associate Entities from the sale of plant, property & equipment amounting to \$2.24m.
3. Inclusive of declared dividend payments.

## CHAIRMAN'S REPORT

### TRADING

Tax paid profit for the six months was \$2.726 million as compared with \$1.994 million for the previous corresponding six months and includes gains on asset sales of \$1.98 million.

The bulk of the gain on asset sales arose from the sale of property to Marsden Cove Ltd for the marina and waterway development with the balance arising from surpluses recorded on remaining marine assets no longer required.

### ASSOCIATE COMPANIES AND JOINT VENTURES

#### Northport Ltd

The decision of our main customer, Carter Holt Harvey, to reduce log throughput by at least 50% came as a surprise. However Directors protected such an event before the new venture was embarked upon through the "take or pay" agreement with Carter Holt Harvey. The agreement was designed to protect Northport's revenues from the vagaries of the log market and the risk of depending on a large customer for the bulk of the business.

As it transpires we find in fact we cannot account for the "take or pay" revenue received from Carter Holt Harvey for the shortfall arising from the reduced throughput. The accounting principle involved suggests we should treat the revenue as "provisional" only to be taken to profit when the logs that didn't go through the port (in terms of the "take or pay" agreement) do go through!

Essentially a timing difference has therefore arisen resulting in Northport reducing its profit for the period by about \$1.0m. The money is in the bank and there is no question of the agreement failing. It is more perhaps a change of mind by the accounting profession.

A continuation of shortfalls into future years is possible as Carter Holt Harvey moves the harvest - age profile of the forests out from the present 22 years to 27 years. This will see a growth in our "unearned income" provision (cash received from Carter Holt Harvey) for as long as there are shortfalls (up to 2007). When exports exceed the "minimum throughput" level then we can take revenue to profit.

Directors are not particularly happy with the accounting treatment recommended as in their view it doesn't reflect the intention of the agreement and its effect on profitability.

This irritating matter aside, in addition to logs, trade in most bulk cargos is down as the weak US dollar and the poor spring and dry summer severely affects

Northland farmers income and therefore their ability to fund fertiliser and other farm inputs.

As mentioned last year there is constant demand for new trades and therefore additional berths at the new port. The long term nature of a port investment requires timely preparation to set infrastructure in place for anticipated demand regardless of short term fluctuations in trade.

The consent process required to construct up to two additional berths has commenced and shareholders will be kept abreast of progress over the next period.

#### Sea-Tow Ltd

A very encouraging six months from this company. The North Queensland project is nearly complete which will give a satisfactory contribution and there is a pleasing level of work ahead for the rest of the year.

#### North Port Coolstores (1989) Ltd & Northland Stevedoring Services UJV

These two entities continue to trade at satisfactory levels although some easing in profitability from the stevedoring operations can be anticipated in the second half as fewer ship calls are anticipated.

#### Marsden Cove Ltd

It is expected that a satisfactory passage through to a consent being issued will be successfully negotiated in the near future. There is an apparent will of all concerned parties to ensure this exciting project gets underway as soon as possible

### DIVIDEND

As previously announced, an interim ordinary dividend of 3.0 cents per share is payable 5 March 2004.

### OUTLOOK FOR SECOND HALF

Northport management has recently been advised of a further reduction in log throughput from Carter Holt Harvey.

As was recently announced to the NZX, given the change in treatment of the cash received for the shortfall resulting from the down turn, Northport's profit will suffer.

We expect other subsidiaries and joint venture companies to enjoy a satisfactory second half.



**Mike Daniel**  
CHAIRMAN

**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

15 Months Ended 30 June '03 \$000		Six Months Ended 31 Dec '03 \$000	Six Months Ended 31 Dec '02 \$000
	<b>Revenue</b>		
5,558	Operating Revenue	392	1,436
1,004	Interest	130	447
500	Dividends	–	–
5,027	Share of Joint Venture Revenues	2,050	2,098
105	Other	23	24
<u>12,195</u>	<b>Total Revenue</b>	<u>2,595</u>	<u>4,005</u>
	<b>Expenditure</b>		
480	Depreciation	151	210
5	Interest	53	2
452	Lease Costs	86	184
3,944	Share of Joint Venture Operating Expenses	1,611	1,623
3,429	Operating Expenses	720	1,222
<u>8,310</u>	<b>Total Expenditure</b>	<u>2,621</u>	<u>3,241</u>
3,885	<b>Trading Surplus/(Deficit)</b>	(26)	764
1,576	Gain on Sale of Plant, Property & Equipment	1,980	1,224
3,270	Share of Associate Companies' Retained Surplus	789	449
<u>8,731</u>	<b>Operating Surplus Before Taxation</b>	<u>2,743</u>	<u>2,437</u>
1,371	Taxation Expense	17	443
<u>\$7,360</u>	<b>NET SURPLUS</b>	<u>\$2,726</u>	<u>\$1,994</u>

**CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

15 Months Ended 30 June '03 \$000		Six Months Ended 31 Dec '03 \$000	Six Months Ended 31 Dec '02 \$000
42,785	<b>Equity at Beginning of Period</b>	<b>43,301</b>	40,950
7,360	Net Surplus	2,726	1,994
(6,843)	Distributions to Owners	(6,843)	(3,733)
<u>\$43,301</u>	<b>EQUITY AT END OF PERIOD</b>	<u>\$39,184</u>	<u>\$39,212</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2003

As At 30 June '03 \$000		As At 31 Dec '03 \$000	As At 31 Dec '02 \$000
<b>Equity</b>			
10,461	Subscribed Equity	10,461	10,461
32,840	Accumulated Surplus	28,723	28,751
43,301		<b>39,184</b>	<b>39,212</b>
<b>Term Liabilities</b>			
–	ASB Bank Facility	3,250	–
<b>Current Liabilities</b>			
–	Bank Overdraft	681	–
785	Creditors & Accrued Expenses	924	1,261
–	Provision for Taxation	–	386
785		<b>1,605</b>	<b>1,647</b>
\$44,086		<b>\$44,039</b>	<b>\$40,859</b>
<b>Non-Current Assets</b>			
12,758	Plant, Property & Equipment	12,537	12,364
21,940	Investments in Associated Companies	22,843	15,832
607	Other Investments	607	366
2,358	Advances	6,614	2,220
224	Deferred Tax Asset	200	193
37,887		<b>42,801</b>	<b>30,975</b>
<b>Current Assets</b>			
5,188	Cash & Deposits	85	8,424
873	Trade Debtors & Prepayments	1,015	1,387
108	Taxation Refundable	129	–
30	Stores & Materials	9	73
6,199		<b>1,238</b>	<b>9,884</b>
\$44,086		<b>\$44,039</b>	<b>\$40,859</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

15 Months Ended 30 June '03 \$000		Six Months Ended 31 Dec '03 \$000	Six Months Ended 31 Dec '02 \$000
	<b>Cash Flows from Operating Activities</b>		
	Cash was provided from:		
12,033	Cash from Customers	2,810	4,406
500	Proceeds from Dividends	–	–
1,313	Proceeds from Interest Received	132	667
13,846		2,942	5,073
	Cash was applied to:		
(8,225)	Cash paid to Suppliers & Employees	(2,754)	(3,133)
(5)	Interest Paid	(37)	(2)
(975)	Income Tax Paid	(22)	(260)
(9,205)		(2,813)	(3,395)
4,641	<b>Net Cash Inflow from Operating Activities</b>	<b>129</b>	<b>1,678</b>
	<b>Cash Flows from Investing Activities</b>		
	Cash was provided from:		
4,327	Sale of Plant, Property & Equipment	892	3,308
5	Share Capital of Associate Repaid	–	–
232	Advances Repaid	–	217
4,564		892	3,525
	Cash was applied to:		
(1,664)	Purchase of Plant, Property & Equipment	(2,370)	(290)
(13,678)	Purchase of Shares / Equity Contributions	(450)	(6,157)
(834)	Advances to Associate Companies	(392)	(681)
(16,176)		(3,212)	(7,128)
(11,612)	<b>Net Cash Outflow from Investing Activities</b>	<b>(2,320)</b>	<b>(3,603)</b>
	<b>Cash Flows from Financing Activities</b>		
	Cash was provided from:		
–	ASB Bank Facility	3,250	–
	Cash was applied to:		
(6,843)	Dividends Paid	(6,843)	(3,733)
(6,843)	<b>Net Cash Outflow from Financing Activities</b>	<b>(3,593)</b>	<b>(3,733)</b>
(13,814)	<b>Net Increase (Decrease) in Cash Held</b>	<b>(5,784)</b>	<b>(5,658)</b>
19,002	<b>Add Opening Cash Balance</b>	<b>5,188</b>	<b>14,082</b>
5,188	<b>CLOSING CASH BALANCE</b>	<b>(\$596)</b>	<b>\$8,424</b>

**CONSOLIDATED OPERATING CASH FLOW RECONCILIATION**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

15 Months Ended 30 June '03 \$000		Six Months Ended 31 Dec '03 \$000	Six Months Ended 31 Dec '02 \$000
7,360	Net Surplus After Taxation	2,726	1,994
	Add/(Subtract) Non-Cash items:		
480	Depreciation	151	210
–	Doubtful/Bad Debts	–	–
84	Deferred Taxation	17	126
(3,270)	Share of Associate Companies' Retained Surplus	(789)	(449)
(50)	Other Non-Cash Items	–	–
<u>(2,756)</u>		<u>(621)</u>	<u>(113)</u>
	Plus/(Less)		
1,700	Movement in Debtors & Prepayments	(143)	1,008
76	Movement in Stores and Materials	22	(8)
312	Movement in Taxation Refundable	(21)	57
(2,500)	Movement in Creditors & Accrued Expenses	139	(36)
<u>(412)</u>		<u>(3)</u>	<u>1,021</u>
2,025	Non-Operating items included in working capital movements above	7	–
	Less Items classified as investing activities:		
(1,576)	Gain on Sale of Plant, Property & Equipment	(1,980)	(1,224)
<u>4,641</u>	<b>NET CASH FLOWS FROM OPERATIONS</b>	<u><b>\$129</b></u>	<u><b>\$1,678</b></u>



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These unaudited interim financial statements have been prepared in accordance with the accounting policies as stated in the published financial statements of 30 June 2003.