

Northland Port Corporation (NZ) Ltd

Interim Report

SIX MONTHS TO 31 DECEMBER 2005

Chairman's Report

Trading

Tax Paid profit for the period was \$723,000 compared with \$7.062 million for the same period last year.

In excess of \$7 million of last year's profit was from the sale of the Port Whangarei land.

Trading profit for the period was \$698,000 compared with \$8,000 for the same period last year.

Associate Companies and Joint Ventures

Northport Limited

Despite a slight easing in the NZ /US exchange rate and increased shipping capacity (leading to a marginal easing in shipping rates) there has been only a small increase in log throughput.

The steady improvement in other trades attracted to the port has to some extent ameliorated the dismal log performance.

We are encouraged in the knowledge our main customer Carter Holt Harvey's forest aging policy (which has suspended previous high logging rates for over two years to increase the forest's age and yield) is likely to see a return to more aggressive harvesting later this calendar year.

Northport received \$3.17 million from Carter Holt for the year ending 31 December under the terms of the throughput agreement. This is treated as a prepayment in Northport's balance sheet with the amount in this account now exceeding \$7 million.

The cessation of the liner trade business catering for meat exports to the west coast of the United States in December leaves the only remaining ship calls to Port Whangarei as those exporting triboard products.

The end of the meat ship calls will adversely affect returns for the Northland Stevedoring UJV but will be neutral for North Port Coolstores (1989) Limited.

Panamax vessels carrying fertiliser and loading wood chip and other large ships (especially coal for the Golden Bay Cement works) are now enjoying the Marsden Point facilities including the attendant loading and storage facilities both on and off wharf.

Construction of the third berth is on time and on budget with the expectation of completion in the first quarter of next year.

There are potentially exciting prospects for the facility in the event the Marsden B coal fired power project proceeds or the importation of LNG is catered for at Marsden Point.

Northport Management is working closely with Ontrack, the organisation which owns the country's rail infrastructure regarding the feasibility of establishing a rail link to the port. It is expected that a decision on this matter will be made in mid 2006.

Marsden Cove Limited

Excellent progress has been made with the project which continues to run within budget.

All the revetment walls are complete, except for the channel across One Tree Point Road giving access to the harbour. This section will be co-ordinated with the harbour channel dredging which is due to start in April this year.

Subdivision topsoiling and installation of infrastructure services are presently being undertaken, with civil works programmed to be substantially complete by the end of April.

Construction of the 250 berth marina will commence very shortly in anticipation of completion in time for "flooding" and opening of the canals, and the issue of section titles by the end of September. It is proposed to have an open day at about this time.

Marsden Point Land Bank

There continues to be a number of "live" enquiries for blocks close to the port and steady progress is being made with preparation of development sites.

Outlook for Second Half

The immediate trading outlook for the next six months for Northport is for little change in profitability. However during the protracted lean spell management has established a very efficient operation with a carefully controlled cost structure. Any upturn will see commensurate increases in profitability. The probable upturn in logging from Carter Holt in the new financial year is encouraging in this regard.

We don't anticipate any earnings from Marsden Cove Limited in the second half however stage one of the project will be approaching completion in the period which should lead to the issuing of titles and settlement of sales contracts early in the new financial year.

Directors therefore forecast little change in levels of earnings for the next six months but are encouraged by an anticipated increase in contribution from Northport and a maiden contribution from Marsden Cove Limited both expected next year (2006/2007).

Dividend

An interim dividend of 2.5 cents per share, fully imputed is payable on 10 March 2006.



Mike Daniel
Chairman

Consolidated Statement of Financial Performance

For the Six Months Ended 31 December 2005

Year Ended 30 June '05 \$000		Note	Six Months Ended 31 Dec '05 \$000	Six Months Ended 31 Dec '04 \$000
	Revenue			
3,605	Share of Joint Venture Revenues		1,751	1,947
527	Share of Retained Surplus from Associates	3	(76)	595
2,606	Other Revenue		1,223	1,022
<u>6,738</u>	Total Revenue	1	2,898	3,564
	Expenditure			
282	Depreciation	2	128	146
309	Interest		100	123
1,285	Lease Expenses		122	1,024
2,560	Share of Joint Venture Operating Expenses		1,320	1,416
1,228	Operating Expenses		530	847
<u>5,664</u>	Total Expenditure		2,200	3,556
1,074	Trading Surplus		698	8
7,014	Gain on Sale of Property, Plant & Equipment		5	7,018
8,088	Operating Surplus Before Taxation		703	7,026
(41)	Taxation Expense (Credit)		(20)	(36)
<u>\$8,129</u>	NET SURPLUS		\$723	\$7,062

Consolidated Statement of Movements in Equity

For the Six Months Ended 31 December 2005

Year Ended 30 June '05 \$000		Six Months Ended 31 Dec '05 \$000	Six Months Ended 31 Dec '04 \$000
83,662	Equity at Beginning of Period	109,618	83,662
5,000	Share Issue	-	-
8,129	Net Surplus	723	7,062
20,500	Revaluation of Land Holdings	-	-
	Distributions to Owners:		
(3,525)	Ordinary Dividends	(1,956)	(2,074)
(4,148)	Special Dividends	-	(4,147)
(13)	Supplementary Dividends	(4)	(11)
13	Foreign Investor Tax Credits	4	11
<u>(7,672)</u>	Distributions to Owners	(1,956)	(6,221)
<u>\$109,618</u>	EQUITY AT END OF PERIOD	\$108,385	\$ 84,503

The accompanying Notes form an integral part of these Financial Statements.

Consolidated Statement of Financial Position

As at 31 December 2005

As at 30 June '05 \$000	Note	As at 31 Dec '05 \$000	As at 31 Dec '04 \$000
Equity			
15,461	Subscribed Equity	15,461	10,461
65,590	Revaluation Reserve	65,590	45,090
28,567	Accumulated Surplus	27,334	28,952
109,618		108,385	84,503
Term Liabilities			
371	Accrued Expenses - Term Portion	198	470
1,750	ASB Bank Facility	4,000	5,000
2,121		4,198	5,470
Current Liabilities			
–	Bank Overdraft	126	273
968	Creditors & Accrued Expenses	920	936
–	Provision for Taxation	–	154
968		1,046	1,363
\$112,707		\$113,629	\$91,336
Non-Current Assets			
63,962	Property, Plant & Equipment	64,776	46,817
30,419	Investments in Associate Companies	33,483	26,835
5,117	Other Investments	5,345	4,893
8,692	Advances	8,834	11,709
313	Deferred Tax Asset	238	327
108,503		112,676	90,581
Current Assets			
975	Cash & Deposits	472	292
403	Trade Debtors & Prepayments	302	463
79	Taxation Refundable	179	–
2,747	Advances (current portion)	–	–
4,204		953	755
\$112,707		\$113,629	\$91,336

The accompanying Notes form an integral part of these Financial Statements.

Consolidated Statement of Cash Flows

For the Six Months Ended 31 December 2005

Year Ended 30 June '05 \$000		Six Months Ended 31 Dec '05 \$000	Six Months Ended 31 Dec '04 \$000
Cash Flows from Operating Activities			
<i>Cash was provided from:</i>			
4,400	Cash from Customers	2,241	2,521
530	Proceeds from Dividends	323	–
<u>47</u>	Proceeds from Interest Received	<u>12</u>	<u>38</u>
4,977		2,576	2,559
<i>Cash was applied to:</i>			
(4,284)	Cash paid to Suppliers & Employees	(2,150)	(2,429)
(300)	Interest Paid	(162)	(122)
<u>(226)</u>	Income Tax Paid	<u>(5)</u>	<u>(12)</u>
<u>(4,810)</u>		<u>(2,317)</u>	<u>(2,563)</u>
<u>167</u>	Net Cash Inflow (Outflow) from Operating Activities	<u>259</u>	<u>(4)</u>
Cash Flows from Investing Activities			
<i>Cash was provided from:</i>			
5,708	Sale of Property, Plant & Equipment	5	5,508
116	Sale of Other Investments	–	116
<u>1,341</u>	Advances Repaid	<u>2,765</u>	<u>–</u>
7,165		2,770	5,624
<i>Cash was applied to:</i>			
(1,195)	Purchase of Property, Plant & Equipment	(952)	(992)
(13)	Purchase of Shares / Equity Contributions	(3,000)	–
<u>(2,103)</u>	Advances to Associate Companies	<u>–</u>	<u>(1,265)</u>
<u>(3,312)</u>		<u>(3,952)</u>	<u>(2,257)</u>
<u>3,854</u>	Net Cash Inflow (Outflow) from Investing Activities	<u>(1,182)</u>	<u>3,367</u>
Cash Flows from Financing Activities			
<i>Cash was provided from:</i>			
–	ASB Bank Facility	2,250	2,450
<u>5,000</u>	Share Issue	<u>–</u>	<u>–</u>
5,000		2,250	2,450
<i>Cash was applied to:</i>			
(800)	ASB Bank Facility	–	–
<u>(7,673)</u>	Dividends Paid	<u>(1,956)</u>	<u>(6,221)</u>
<u>(8,473)</u>		<u>(1,956)</u>	<u>(6,221)</u>
<u>(3,473)</u>	Net Cash Inflow (Outflow) from Financing Activities	<u>294</u>	<u>(3,771)</u>
548	Net Increase (Decrease) in Cash Held	(629)	(408)
<u>427</u>	Add Opening Cash Balance	<u>975</u>	<u>427</u>
<u>\$975</u>	CLOSING CASH BALANCE	<u>\$346</u>	<u>\$19</u>

The accompanying Notes form an integral part of these Financial Statements.

Consolidated Operating Cash Flow Reconciliation

For the Six Months Ended 31 December 2005

Year Ended 30 June '05 \$000		Six Months Ended 31 Dec '05 \$000	Six Months Ended 31 Dec '04 \$000
8,129	Net Surplus	723	7,062
	<i>Add (Subtract) Non-Cash items:</i>		
282	Depreciation	128	146
–	Doubtful/Bad Debts	–	–
(1,248)	Imputed Interest Income	(526)	(485)
(134)	Deferred Taxation	75	(148)
(527)	Share of Associate Companies' Retained Surplus	76	(595)
(3)	Other Non-Cash Items	(3)	(2)
<u>(1,630)</u>		<u>(250)</u>	<u>(1,084)</u>
	<i>Add (Subtract) Working Capital Items:</i>		
218	Movement in Debtors & Prepayments	101	158
4	Movement in Stores and Materials	–	4
(132)	Movement in Provision for Taxation	(100)	101
254	Movement in Creditors & Accrued Expenses	(48)	221
<u>344</u>		<u>(47)</u>	<u>484</u>
(32)	Non-Operating items included in working capital movements above	11	83
371	Movement in Non-Current Accrued Expenses	(173)	470
	<i>Less items classified as Investing Activities:</i>		
(7,014)	Gain on Sale of Property, Plant & Equipment	(5)	(7,018)
(1)	Gain on Sale of Other Investment	–	(1)
<u>(7,015)</u>		<u>(5)</u>	<u>(7,019)</u>
<u>\$167</u>	Net Cash Flow from Operating Activities	<u>\$259</u>	<u>(\$4)</u>

The accompanying Notes form an integral part of these Financial Statements.

Notes to the Consolidated Financial Statements

For the Six Months Ended 31 December 2005

Year Ended 30 June '05 \$000		Six Months Ended 31 Dec '05 \$000	Six Months Ended 31 Dec '04 \$000
Note 1			
Composition of Total Revenue			
498	Operating Revenues	233	263
183	Rents and Leases	119	76
1,248	Imputed Interest Income	526	485
46	Other Interest Income	11	37
532	Dividends	325	93
3,605	Share of Joint Venture Revenues	1,751	1,947
527	Share of Associate Companies' Retained Surplus	(76)	595
99	Other Income	9	68
<u>6,738</u>		<u>2,898</u>	<u>3,564</u>
Note 2			
Depreciation			
60	Buildings & Port Facilities	27	34
216	Plant & Equipment	95	109
6	Vehicles	6	3
<u>282</u>		<u>128</u>	<u>146</u>
Note 3			
Associate Companies' Retained Net Surplus			
<i>Northport Ltd (50% interest)</i>			
1,017	Net Surplus before Taxation	378	644
(256)	Less Taxation	(102)	(165)
(302)	Less Dividend	(323)	(93)
459		(47)	386
258	Depreciation write back re. inter entity asset sales	79	175
<u>717</u>		<u>32</u>	<u>561</u>
<i>North Port Coolstores (1989) Ltd (50% interest)</i>			
399	Net Surplus before Taxation	48	87
(132)	Less Taxation	(16)	(29)
(230)	Less Dividend	-	-
37		32	58
<i>Marsden Cove Ltd (50% interest)</i>			
(227)	Net Deficit before Taxation	(140)	(24)
-	Less Taxation	-	-
<u>(227)</u>		<u>(140)</u>	<u>(24)</u>
<u>527</u>		<u>(76)</u>	<u>595</u>

Notes to the Consolidated Financial Statements

For the Six Months Ended 31 December 2005

As at 30 June '05 \$000		As at 31 Dec '05 \$000	As at 31 Dec '04 \$000
Note 4			
Investments in Associate Companies			
<i>Northport Ltd (50% interest)</i>			
17,000	Shares Subscribed For	20,000	17,000
3,862	Share of Accumulated Surplus to 31 Dec. 2005	3,815	3,788
11,400	Land Revaluation not recognised by Associate	11,400	7,950
(2,555)	Elimination re inter-entity asset sales	(2,476)	(2,636)
<u>29,707</u>	Carrying Value	<u>32,739</u>	<u>26,102</u>
<i>North Port Coolstores (1989) Ltd (50% interest)</i>			
250	Shares Subscribed For	250	250
462	Share of Accumulated Surplus to 31 Dec. 2005	494	483
<u>712</u>	Carrying Value	<u>744</u>	<u>733</u>
<i>Marsden Cove Ltd (50% interest)</i>			
5	Shares Subscribed For	5	5
(279)	Share of Accumulated Deficit to 31 Dec. 2005	(419)	(76)
(893)	Elimination re inter-entity asset sales etc	(903)	(732)
<u>(1,167)</u>		<u>(1,317)</u>	<u>(803)</u>
1,167	Offset with Advance to Marsden Cove Ltd	1,317	803
<u>–</u>	Carrying Value	<u>–</u>	<u>–</u>
<u>30,419</u>	Total Carrying Value	<u>33,483</u>	<u>26,835</u>

Note 5**Property, Plant and Equipment**

–	Freehold Land (at cost)	–	2
58,250	Freehold Land (at valuation)	58,250	41,200
<u>58,250</u>	Carrying Value	<u>58,250</u>	<u>41,202</u>
827	Buildings & Facilities (at cost)	827	827
(324)	Accumulated Depreciation	(351)	(297)
<u>503</u>	Carrying Value	<u>476</u>	<u>530</u>
3,028	Plant & Equipment (at cost)	3,187	3,088
(1,148)	Accumulated Depreciation	(1,237)	(1,106)
<u>1,880</u>	Carrying Value	<u>1,950</u>	<u>1,982</u>
40	Vehicles (at cost)	56	20
(12)	Accumulated Depreciation	(18)	(8)
<u>28</u>	Carrying Value	<u>38</u>	<u>12</u>
3,301	Capital Work in Progress	4,062	3,091
<u>63,962</u>	Total Carrying Value	<u>64,776</u>	<u>46,817</u>

Notes to the Consolidated Financial Statements

For the Six Months Ended 31 December 2005

Note 6

Transition to New Zealand International Financial Reporting Standards

The Company and Group intend to adopt NZ IFRS and report for the first time under these standards for the year ended 30 June 2007. Upon adoption of NZ IFRS, comparative information presented in the Financial Statements will be restated to meet the requirements of the new standards, and the financial impact of that adoption, which may be material, will be disclosed. As the Company and Group are still in the very early stages of assessing the impact that adoption of NZ IFRS will have, it is not in a position to reliably estimate its effect in these financial statements.

Note 7

Accounting Policies

These unaudited interim financial statements have been prepared in accordance with FRS-24 and should be read in conjunction with the Group's published financial statements for the year ended 30 June 2005 and the accounting policies disclosed therein. There have been no material changes in accounting policies during the period.

Directory

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Share Registrar

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Auditors

Controller and Auditor General
 Under contract by Ernst & Young

Bankers

ASB Bank

Solicitors

Jones Young
 Webb Ross Johnson

Directors

Mike Daniel, Chairman
 Jim Hardie, Deputy Chairman
 Michael Gross
 Peter Hill
 Rod McKay
 Geoff Vazey

Management

Jim Smellie, General Manager
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Subsidiary Company

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Associate Companies

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