

Northland Port Corporation (NZ) Ltd



Interim Report

For the Six Months ended 31 December 2006



Chairman's Report

Trading

Tax Paid profit for the six month period to 31 December 2006 was \$7.474 million as compared to \$0.804m for the corresponding period in 2005 (the prior year figure having been restated as part of the transitional process for the Group's adoption of NZ IFRS – refer below).

Dividend

A fully imputed interim dividend of 5.0 cents per share will be paid on 9 March 2007.

Associate Companies and Joint Ventures

Northport Ltd

The latter part of the period under review saw a steady lift in log throughput giving rise to a much improved performance from Northport.

Log exporters are seeing better returns and are continuing to experience good demand from a number of markets.

Other trades are also showing improvement, so activity at the port is at refreshingly good levels.

With Carter Holt Harvey's sale of its Northland forests the various operating agreements held with Carter Holt were no longer appropriate.

The negotiated outcome resulted in the repayment of previous "throughput prepayments" to Carter Holt, and the unwinding of the Northport Services joint venture whilst Northport benefited from the receipt of a one off payment of approximately \$2.0million.

Northport Services has now been integrated into Northport Ltd resulting in a more efficient use of resources.

Construction of the new third berth is complete, on time, and on budget. The installation of services, sealing of adjacent hardstand, and associated reclamation work should see the closure of Port Whangarei and use of the new berth later in March.

Marsden Cove

As previously indicated, NPC's share of profit from the sales of sections in stage one (\$5.1million) have been bought to book during the period under review.

The completed stage one waterways and marina development is a credit to our partner, Hopper Developments, who have presented a world class product at Marsden Cove.

The region should be appreciative of the public boat ramp and other facilities included in the project.

Marsden Point Land Bank

While there is an apparently endless price appreciation in the value of the land bank (as evidenced by sales in adjacent areas) we can only report slow progress in leasing enquiry.

Over the next few months we will increase our marketing effort in an attempt to attract more activity.

New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)

The interim financial statements have been prepared under NZ IFRS for the first time following the Group's adoption of the new standards as from 1 July 2006. It was necessary for the Group to adopt NZ IFRS earlier than most because of a regulatory requirement applying to its majority shareholder, the Northland Regional Council that required the Council to conform with the new standards this year.

Whilst considerable effort and expense was required to make the change, the effects on the financial statements and results were minimal.

Outlook for Second Half

Activity at Northport is running close to previous highs and management is seeing some promising signs of sustainability for the remainder of the financial year at least.

Much higher returns are needed to justify the high capital cost of the three berth port and hopefully a sustained resurgence in port activity will help Northport lift returns to somewhere near acceptable levels.

Sales of marina berths at Marsden Cove are predicted to be steady whilst section sales from the small remaining pool of stage one lots are not expected to be overwhelming.

Directors therefore expect a better return from Northport and steady returns from the other operating associates and joint ventures for the remainder of the financial year.

Retirement

Shareholders will be disappointed to hear that Ken Crean, the Chief Executive of Northport since its beginning, is retiring when a suitable replacement can be found.

Ken has been a tireless worker and an outstanding manager having coped with a severe downturn during the early years of the port development. His attention to costs and efficiency will leave his successor a very attractive platform from which to launch the next phase of growth. Directors will appropriately recognise Ken's contribution on shareholders' behalf.



Mike Daniel
Chairman



Marsden Cove Open Day

Consolidated Income Statement

For the Six Months Ended 31 December 2006

Year Ended 30-Jun-06 NZ\$'000		Note	Six Months Ended	
			31-Dec-06 NZ\$'000	31-Dec-05 NZ\$'000
	Revenue			
450	Operating Revenue		230	233
3,464	Share of Joint Venture Revenues		1,407	1,751
356	Rents & Leases		219	120
1,058	Imputed Interest Income		567	526
19	Other Interest Income		4	11
1,052	Share of Associate Companies' Profits	3	6,983	321
47	Other		12	11
6,446	Total Revenue		9,422	2,973
	Expenditure			
662	Employee Benefits Expense		306	358
113	Repairs & Maintenance		42	61
1,062	Sub-Contractor Fees		477	551
720	Operational Expenses		304	390
271	Lease Expenses		147	122
256	Finance Costs		229	100
748	Overhead Expenses		367	490
261	Depreciation	2	98	128
4,093	Total Expenditure		1,970	2,200
2,353	Trading Surplus		7,452	773
15	Gain (Loss) on Sale of Property, Plant & Equipment		(1)	5
(16)	Movement in Fair Value of Financial Derivatives		(10)	10
73	Other Fair Value Movements		1	–
2,425	Operating Surplus Before Taxation		7,442	788
87	Taxation Expense (Credit)		(32)	(16)
\$2,338	NET SURPLUS		\$7,474	\$804
5.38	Earnings Per Share (cents)		17.19	1.85

Note: Certain prior period comparatives have been restated stemming from the Group's adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) - refer Note 6.

Consolidated Statement of Movements in Equity

For the Six Months Ended 31 December 2006

Year Ended 30-Jun-06 NZ\$'000		Note	Six Months Ended	
			31-Dec-06 NZ\$'000	31-Dec-05 NZ\$'000
109,618	Equity at Beginning of Period		123,736	109,618
959	Adjustments upon transition to NZ IFRS	6(a)	–	959
<u>110,577</u>	Restated Opening Equity		<u>123,736</u>	<u>110,577</u>
2,338	Net Surplus		7,474	804
13,864	Revaluation of Land Holdings		–	–
–	Cash flow hedge loss taken to equity		(60)	–
<u>16,202</u>	Total Recognised Revenues and Expenses		<u>7,414</u>	<u>804</u>
(3,043)	Ordinary Dividends		(1,522)	(1,956)
(13)	Supplementary Dividends		(3)	(4)
13	Foreign Investor Tax Credits		3	4
<u>(3,043)</u>	Net Distributions to Owners		<u>(1,522)</u>	<u>(1,956)</u>
<u>\$123,736</u>	EQUITY AT END OF PERIOD		<u>\$129,628</u>	<u>\$109,425</u>

Note: Certain prior period comparatives have been restated stemming from the Group's adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) - refer Note 6.

Consolidated Balance Sheet

As at 31 December 2006

As at 30-Jun-06 NZ\$'000		Note	As at 31-Dec-06 NZ\$'000	As at 31-Dec-05 NZ\$'000
Non-Current Assets				
77,334	Property, Plant & Equipment	5	75,934	64,776
36,213	Investments in Associate Companies	4	41,301	33,590
1,486	Other Investments & Receivables		1,488	6,229
2,053	Advances (non-current portion)		3,450	8,834
153	Tax Losses Carried Forward		120	–
122	Deferred Taxation Asset		135	205
117,361			122,428	113,634
Current Assets				
285	Cash & Deposits		179	472
308	Receivables & Prepayments		188	302
9	Taxation Refundable		66	179
74	Derivative Financial Instruments		64	100
5,023	Other Investments & Receivables		5,270	–
7,001	Advances (current portion)		9,117	–
12,700			14,884	1,053
\$130,061			\$137,312	\$114,687
Equity				
15,461	Share Capital		15,461	15,461
28,821	Retained Earnings		34,773	28,374
79,454	Revaluation Reserve		79,454	65,590
–	Hedging Reserve		(60)	–
123,736			129,628	109,425
Non-Current Liabilities				
5,500	Term Debt		7,000	4,000
118	Other Provisions (non-current Portion)		111	309
5,618			7,111	4,309
Current Liabilities				
–	Bank Overdraft		44	126
236	Payables		280	303
471	Other Provisions (current portion)		249	524
707			573	953
\$130,061			\$137,312	\$114,687

Note: Certain prior period comparatives have been restated stemming from the Group's adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) - refer Note 6.

Consolidated Cash Flow Statement

For the Six Months Ended 31 December 2006

Year Ended 30-Jun-06 NZ\$'000	Six Months Ended	
	31-Dec-06 NZ\$'000	31-Dec-05 NZ\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
4,492	1,900	2,241
373	487	323
19	4	12
<u>4,884</u>	<u>2,391</u>	<u>2,576</u>
Cash was applied to:		
(4,101)	(1,910)	(2,150)
(298)	(217)	(162)
(9)	(4)	(5)
<u>(4,408)</u>	<u>(2,131)</u>	<u>(2,317)</u>
<u>476</u>	<u>260</u>	<u>259</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
21	1	5
–	48	–
2,765	–	2,765
<u>2,786</u>	<u>49</u>	<u>2,770</u>
Cash was applied to:		
(1,658)	(265)	(952)
(3,001)	(50)	(3,000)
–	(122)	–
<u>(4,659)</u>	<u>(437)</u>	<u>(3,952)</u>
<u>(1,873)</u>	<u>(388)</u>	<u>(1,182)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
3,750	1,500	2,250
Cash was applied to:		
(3,043)	(1,522)	(1,956)
<u>707</u>	<u>(22)</u>	<u>294</u>
<u>(690)</u>	<u>(150)</u>	<u>(629)</u>
975	285	975
<u>\$285</u>	<u>\$135</u>	<u>\$346</u>

Consolidated Operating Cash Flow Reconciliation

For the Six Months Ended 31 December 2006

Year Ended 30-Jun-06 NZ\$'000		Note	Six Months Ended	
			31-Dec-06 NZ\$'000	31-Dec-05 NZ\$'000
2,338	Net Surplus		7,474	804
	Add (Subtract) Non-Cash items:			
261	Depreciation	2	98	128
(1,058)	Imputed Interest Income		(567)	(526)
161	Deferred Taxation		(13)	78
(15)	Gain on Sale of Property, Plant & Equipment		1	(5)
16	Movement in Fair Value of Derivatives		10	(10)
(73)	Other Fair Value Movements		(1)	–
(1,052)	Share of Associate Companies' Profits	3	(6,983)	(321)
(16)	Other Non-Cash Items		(2)	(3)
<u>(1,776)</u>			<u>(7,457)</u>	<u>(659)</u>
373	Associate Company Dividends		487	323
	Add (Subtract) Working Capital Items:			
95	Movement in Receivables & Prepayments		120	101
70	Movement in Taxation Refundable		(57)	(100)
(64)	Movement in Payables		44	3
(103)	Movement in Provisions (current portion)		(222)	(50)
<u>(2)</u>			<u>(115)</u>	<u>(46)</u>
60	Non-Operating items included in working capital movements above		(155)	10
	Add (Subtract) Other Items:			
(364)	Movement in Provisions (non-current portion)		(7)	(173)
(153)	Movement in Tax Losses Carried Forward		33	–
<u>(517)</u>			<u>26</u>	<u>(173)</u>
<u>\$476</u>	Net Cash Flow from Operating Activities		<u>\$260</u>	<u>\$259</u>

Note: Certain prior period comparatives have been restated stemming from the Group's adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) - refer Note 6.

Notes to the Consolidated Financial Statements

For the Six Months Ended 31 December 2006

Note 1

ACCOUNTING POLICIES

The Group changed its accounting policies on 1 July 2006 to comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

These interim financial statements have been prepared in compliance with NZ IAS-34 'Interim Financial Reporting'. Accordingly, the financial statements of the prior interim reporting period and previous financial year have been restated for consistent application of the Group's new accounting policies.

An explanation of the adjustments required to effect the transition from the superseded policies to NZ IFRS is provided in Note 6.

There have been no changes in the accounting policies of the Group other than those associated with the adoption of NZ IFRS.

Year Ended 30-Jun-06 NZ\$'000		Six Months Ended	
		31-Dec-06 NZ\$'000	31-Dec-05 NZ\$'000
	Note 2		
	DEPRECIATION		
55	Buildings & Port Facilities	26	27
192	Plant & Equipment	66	95
14	Vehicles	6	6
<u>261</u>		<u>98</u>	<u>128</u>
	Note 3		
	SHARE OF ASSOCIATE COMPANIES' PROFITS		
	Northport Ltd (50% interest)		
1,284	Net Surplus before Taxation	2,165	500
(274)	Less Taxation	(371)	(125)
<u>1,010</u>		<u>1,794</u>	<u>375</u>
109	Depreciation write back re. inter entity asset sales	54	54
<u>1,119</u>		<u>1,848</u>	<u>429</u>
	North Port Coolstores (1989) Ltd (50% interest)		
233	Net Surplus before Taxation	16	48
(79)	Less Taxation	(5)	(16)
<u>154</u>		<u>11</u>	<u>32</u>
	Marsden Cove Ltd (50% interest)		
(221)	Net Surplus (Deficit) before Taxation	7,403	(140)
–	Less Taxation	(2,279)	–
<u>(221)</u>		<u>5,124</u>	<u>(140)</u>
<u>1,052</u>		<u>6,983</u>	<u>321</u>

Notes to the Consolidated Financial Statements

For the Six Months Ended 31 December 2006

As at 30-Jun-06 NZ\$'000		31-Dec-06 NZ\$'000	As at 31-Dec-05 NZ\$'000
Note 4			
INVESTMENTS IN ASSOCIATE COMPANIES			
Northport Ltd (50% interest)			
20,000	Shares Subscribed for	20,000	20,000
4,580	Share of Accumulated Surplus	5,900	3,947
–	Share of Hedging Reserve	(60)	–
13,264	Land Revaluation not recognised by Associate	13,264	11,400
(2,448)	Elimination re inter-entity asset sales	(2,394)	(2,501)
<u>35,396</u>	Carrying Value	<u>36,710</u>	<u>32,846</u>
North Port Coolstores (1989) Ltd (50% interest)			
250	Shares Subscribed for	250	250
567	Share of Accumulated Surplus	565	494
<u>817</u>	Carrying Value	<u>815</u>	<u>744</u>
Marsden Cove Ltd (50% interest)			
5	Shares Subscribed for	5	5
(500)	Share of Accumulated Surplus (Deficit)	4,624	(419)
(902)	Elimination re inter-entity asset sales etc	(903)	(903)
(1,397)		3,726	(1,317)
1,397	Offset with Advance to Marsden Cove Ltd	–	1,317
<u>–</u>	Carrying Value	<u>3,726</u>	<u>–</u>
Marsden Cove Marinas Ltd (50% interest)			
–	Shares Subscribed For	50	–
–	Carrying Value	50	–
<u>36,213</u>		<u>41,301</u>	<u>33,590</u>

Notes to the Consolidated Financial Statements

For the Six Months Ended 31 December 2006

As at 30-Jun-06 NZ\$'000		31-Dec-06 NZ\$'000	As at 31-Dec-05 NZ\$'000
Note 5			
PROPERTY, PLANT & EQUIPMENT			
70,250	Freehold Land (at valuation)	70,250	58,250
70,250	Carrying Value	70,250	58,250
837	Buildings & Facilities (at cost)	837	827
(379)	Accumulated Depreciation	(406)	(351)
458	Carrying Value	431	476
3,147	Plant & Equipment (at cost)	1,140	3,187
(1,286)	Accumulated Depreciation	(963)	(1,237)
1,861	Carrying Value	178	1,950
41	Vehicles (at cost)	41	56
(15)	Accumulated Depreciation	(21)	(18)
26	Carrying Value	20	38
4,739	Capital Work in Progress	5,055	4,062
77,334	Total Carrying Value	75,934	64,776

Effective 1 November 2006 the Group disposed of its 33.3% interest in the plant and equipment of Northport Services unincorporated joint venture to the Associate entity Northport Limited at an assessed market value of \$1.796m, approximating its former carrying value. This followed Northport Ltd's acquisition of Carter Holt Harvey's interests in the Northport Services UJV and the cessation of the Carter Holt Harvey log throughput agreement with Northport. Northport Ltd also purchased the 33.3% stakeholding previously held by Port of Tauranga Ltd.

Note 6**TRANSITION TO AND ADOPTION OF NZ IFRS**

The Group changed its accounting policies on 1 July 2006 to comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The transition to NZ IFRS has been accounted for in accordance with NZ IFRS-1 'First-time adoption of New Zealand Equivalents to International Financial Reporting Standards' where the Group's date of transition is 1 July 2005.

These interim financial statements have been prepared in compliance with NZ IAS-34 'Interim Financial Reporting'. Accordingly, the financial statements of the prior interim reporting period and previous financial year have been restated in applying the Group's new accounting policies.

Details as to how the transition from the superseded policies to NZ IFRS has affected the Consolidated entity's Balance Sheets (as at 1 July 2005, 31 December 2005 and 30 June 2006) and Income Statements (for the six month comparative period ended 31 December 2005 and the year ended 30 June 2006) is set out in the following tables and accompanying notes to these. There are no material differences between the Consolidated Cash Flow Statements (for the six month comparative period ended 31 December 2005 and the year ended 30 June 2006) presented under NZ IFRS and the Cash Flow Statements presented under the superseded policies.

Notes to the Consolidated Financial Statements

For the Six Months Ended 31 December 2006

Note 6 (continued)**TRANSITION TO AND ADOPTION OF NZ IFRS**

The effects of adopting NZ IFRS on the Consolidated Balance Sheet as at 1 July 2005 (transition date) are set out below:

	Note	As at 01-Jul-05		NZ IFRS NZ\$'000
		Superseded Policies NZ\$'000	Effect of transition to NZ IFRS NZ\$'000	
Non-Current Assets				
Property, Plant & Equipment		63,962	–	63,962
Investments in Associate Companies	(c)	30,419	32	30,451
Other Investments & Receivables	(b)	5,117	884	6,001
Advances (non-current portion)		8,692	–	8,692
Deferred Taxation Asset		313	(30)	283
		<u>108,503</u>	<u>886</u>	<u>109,389</u>
Current Assets				
Cash & Deposits		975	–	975
Receivables & Prepayments		403	–	403
Taxation Refundable		79	–	79
Derivative Financial Instruments	(d)	–	90	90
Advances (current portion)		2,747	–	2,747
		<u>4,204</u>	<u>90</u>	<u>4,294</u>
TOTAL ASSETS		<u>112,707</u>	<u>976</u>	<u>113,683</u>
Equity				
Share Capital		15,461	–	15,461
Retained Earnings	(a)	28,567	959	29,526
Revaluation Reserve		65,590	–	65,590
		<u>109,618</u>	<u>959</u>	<u>110,577</u>
Non-Current Liabilities				
Term Debt		1,750	–	1,750
Other Provisions (non-current portion)		465	17	482
		<u>2,215</u>	<u>17</u>	<u>2,232</u>
Current Liabilities				
Payables		300	–	300
Other Provisions (current portion)		574	–	574
		<u>874</u>	<u>–</u>	<u>874</u>
TOTAL LIABILITIES AND EQUITY		<u>112,707</u>	<u>976</u>	<u>113,683</u>

Notes to the Consolidated Financial Statements

For the Six Months Ended 31 December 2006

Note 6 (continued)**TRANSITION TO AND ADOPTION OF NZ IFRS**

The effects of adopting NZ IFRS on the Consolidated Income Statement for the six month comparative period ended 31 December 2005 and the financial year ended 30 June 2006 are set out below:

Note	Six Months Ended 31-Dec-05			Year Ended 30-Jun-06		
	Superseded Policies * NZ\$'000	Effect of adopting NZ IFRS NZ\$'000	NZ IFRS NZ\$'000	Superseded Policies * NZ\$'000	Effect of adopting NZ IFRS NZ\$'000	NZ IFRS NZ\$'000
Revenue						
Operating Revenue	233	–	233	450	–	450
Share of Joint Venture Revenues	1,751	–	1,751	3,464	–	3,464
Rents and Leases	120	–	120	356	–	356
Imputed Interest Income	526	–	526	1,058	–	1,058
Other Interest Income	11	–	11	19	–	19
Share of Associate Companies' Profits (e)	246	75	321	770	282	1,052
Other Income	11	–	11	47	–	47
	<u>2,898</u>	<u>75</u>	<u>2,973</u>	<u>6,164</u>	<u>282</u>	<u>6,446</u>
Expenditure						
Employee Benefits Expense	358	–	358	662	–	662
Repairs & Maintenance	61	–	61	113	–	113
Sub-Contractor Fees	551	–	551	1,062	–	1,062
Operational Expenses	390	–	390	720	–	720
Lease Expenses	122	–	122	271	–	271
Finance Costs	100	–	100	256	–	256
Overhead Expenses	490	–	490	748	–	748
Depreciation	128	–	128	261	–	261
	<u>2,200</u>	<u>–</u>	<u>2,200</u>	<u>4,093</u>	<u>–</u>	<u>4,093</u>
Trading Surplus	698	75	773	2,071	282	2,353
Gain on Sale of Property, Plant & Equipment	5	–	5	15	–	15
Movement in Fair Value of Derivative Financial Instruments (d)	–	10	10	–	(16)	(16)
Other Fair Value Movements (b)	–	–	–	–	73	73
Operating Surplus Before Taxation	703	85	788	2,086	339	2,425
Taxation Expense (Credit) (f)	(20)	4	(16)	92	(5)	87
Net Surplus	723	81	804	1,994	344	2,338

* As per reported results but incorporating additional expenditure categories.

Notes to the Consolidated Financial Statements

For the Six Months Ended 31 December 2006

Note 6 (continued)**TRANSITION TO AND ADOPTION OF NZ IFRS**

The effects of adopting NZ IFRS on the Consolidated Balance Sheet as at 31 December 2005 and as at 30 June 2006 (adoption date) are set out below:

Note	As at 31-Dec-05			As at 30-Jun-06		
	Superseded Policies # NZ\$'000	Effect of adopting NZ IFRS NZ\$'000	NZ IFRS NZ\$'000	Superseded Policies # NZ\$'000	Effect of adopting NZ IFRS NZ\$'000	NZ IFRS NZ\$'000
Non-Current Assets						
Property, Plant & Equipment	64,776	–	64,776	77,334	–	77,334
Investments in Associate Companies (c)	33,483	107	33,590	35,899	314	36,213
Other Investments & Receivables (b)	5,345	884	6,229	524	962	1,486
Advances (non-current portion)	8,834	–	8,834	2,053	–	2,053
Tax Losses Carried Forward	–	–	–	153	–	153
Deferred Taxation Asset	238	(33)	205	147	(25)	122
	<u>112,676</u>	<u>958</u>	<u>113,634</u>	<u>116,110</u>	<u>1,251</u>	<u>117,361</u>
Current Assets						
Cash & Deposits	472	–	472	285	–	285
Receivables & Prepayments	302	–	302	308	–	308
Taxation Refundable	179	–	179	9	–	9
Derivative Financial Instruments (d)	–	100	100	–	74	74
Other Investments and Receivables	–	–	–	5,023	–	5,023
Advances (current portion)	–	–	–	7,001	–	7,001
	<u>953</u>	<u>100</u>	<u>1,053</u>	<u>12,626</u>	<u>74</u>	<u>12,700</u>
TOTAL ASSETS	<u>113,629</u>	<u>1,058</u>	<u>114,687</u>	<u>128,736</u>	<u>1,325</u>	<u>130,061</u>
Equity						
Share Capital	15,461	–	15,461	15,461	–	15,461
Retained Earnings (a)	27,334	1,040	28,374	27,518	1,303	28,821
Revaluation Reserve	65,590	–	65,590	79,454	–	79,454
	<u>108,385</u>	<u>1,040</u>	<u>109,425</u>	<u>122,433</u>	<u>1,303</u>	<u>123,736</u>
Non-Current Liabilities						
Term Debt	4,000	–	4,000	5,500	–	5,500
Other Provisions (non-current portion)	291	18	309	96	22	118
	<u>4,291</u>	<u>18</u>	<u>4,309</u>	<u>5,596</u>	<u>22</u>	<u>5,618</u>
Current Liabilities						
Bank Overdraft	126	–	126	–	–	–
Payables	303	–	303	236	–	236
Other Provisions (current portion)	524	–	524	471	–	471
	<u>953</u>	<u>–</u>	<u>953</u>	<u>707</u>	<u>–</u>	<u>707</u>
TOTAL LIABILITIES AND EQUITY	<u>113,629</u>	<u>1,058</u>	<u>114,687</u>	<u>128,736</u>	<u>1,325</u>	<u>130,061</u>

As per reported results but incorporating adjustment (non NZ IFRS related) to the current/non-current split of Other Provisions.

Notes to the Consolidated Financial Statements

For the Six Months Ended 31 December 2006

As at 1-Jul-05 NZ\$'000		As at 31-Dec-05 NZ\$'000	As at 30-Jun-06 NZ\$'000
Note 6 (continued)			
TRANSITION TO AND ADOPTION OF NZ IFRS			
(a) Retained Earnings			
28,567	Per previous NZ GAAP reporting	27,334	27,517
	Restatement of Investments to fair value:		
883	– shareholding in Fonterra Cooperative Group Ltd	883	961
1	– shareholding in Ballance Agri-Nutrients Ltd	1	1
<u>884</u>		<u>884</u>	<u>962</u>
	Recognition of Derivative Financial Instruments at fair value:		
90	– Fixed interest rate swap contracts	100	74
(30)	Deferred Taxation re Interest Rate Swaps	(33)	(24)
32	Associate Company Adjustments	107	314
(17)	Provisioning adjustment	(18)	(22)
<u>29,526</u>	Per NZ IFRS reporting	<u>28,374</u>	<u>28,821</u>
(b) Other Investments & Receivables (non-current)			
5,117	Per previous NZ GAAP reporting	5,345	524
	Restatement of Investments to fair value:		
883	– shareholding in Fonterra Cooperative Group Ltd	883	961
1	– shareholding in Ballance Agri-Nutrients Ltd	1	1
<u>884</u>		<u>884</u>	<u>962</u>
<u>6,001</u>	Per NZ IFRS reporting	<u>6,229</u>	<u>1,486</u>

Under NZ IFRS the above investments are recorded at fair value with any unrealised gains or losses, recognised in the Income Statement. Under the Group's now superseded policies these were previously recognised at cost. The net fair value movement recorded for the year ended 30 June 2006 was \$72,773 (relating to the shareholding in Fonterra Cooperative Group Ltd) after making allowance for a portion of the gross fair value gain attributable to a 3rd party. (6 months ended 31 December 2005 - n/a).

Notes to the Consolidated Financial Statements

For the Six Months Ended 31 December 2006

As at 1-Jul-05 NZ\$'000		31-Dec-06 NZ\$'000	As at 30-Jun-06 NZ\$'000
Note 6 (continued)			
TRANSITION TO AND ADOPTION OF NZ IFRS			
(c) Investments in Associate Companies			
30,419	Per previous NZ GAAP reporting	33,483	35,899
	Associate company recognition of derivative financial instruments at fair value:		
48	– Fixed interest rate swap contracts	115	155
(16)	Deferred taxation re interest swap contracts	(38)	(51)
–	NZ IFRS adjustments in respect of the Group's indirect investment in North Tugz Ltd	30	210
<u>30,451</u>	Per NZ IFRS reporting	<u>33,590</u>	<u>36,213</u>
(d) Derivative Financial Instruments			
–	Per previous NZ GAAP reporting	–	–
90	Recognition of floating to fixed interest rate swap contracts at fair value	100	74
<u>90</u>	Per NZ IFRS reporting	<u>100</u>	<u>74</u>
<p>Under NZ IFRS, a derivative financial instrument is initially recognised in the balance sheet at fair value on the date in which a contract is entered into and is subsequently remeasured to its fair value. There was previously no requirement to recognise derivative financial instruments in this manner under the Group's now superseded policies.</p> <p>The new policy has also impacted the Income Statement as follows:</p> <p>For the six month period ended 31 December 2005, recognition of an increase in the fair value of derivative financial instruments held of \$10,282 with a corresponding increase in net surplus before tax.</p> <p>For the year ended 30 June 2006, recognition of a reduction in the fair value of derivative financial instruments held of \$16,224 with a corresponding reduction in net surplus before tax.</p>			
		Six Months Ended 31-Dec-05 NZ\$'000	Year Ended 30-Jun-06 NZ\$'000
(e) Share of Associate Companies' Profits			
	Per previous NZ GAAP reporting	246	770
	Movement in fair value of derivative financial instruments		
	– Fixed interest rate swap contracts	67	107
	Deferred taxation re interest swap contracts	(22)	(35)
	NZ IFRS adjustments in respect of the Group's indirect investment in North Tugz Ltd	30	210
	Per NZ IFRS reporting	<u>321</u>	<u>1,052</u>
(f) Income Tax Expense (Credit)			
	Per previous NZ GAAP reporting	(20)	92
	Taxation re fair value movement of derivatives - (refer Note (d) above)	4	(5)
	Per NZ IFRS reporting	<u>(16)</u>	<u>87</u>

Notes to the Consolidated Financial Statements

For the Six Months Ended 31 December 2006

Note 7

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. There are no significant operations outside New Zealand.

The undernoted information is provided in respect of the major segments for the six month period to 31 December 2006.

	Port Related Activities		Other Activities		Total	
	2006 NZ\$m	2005 NZ\$m	2006 NZ\$m	2005 NZ\$m	2006 NZ\$m	2005 NZ\$m
Gross Revenue	3.27	2.22	6.15	0.76	9.42	2.98
Less Inter Segment Sales	—	—	—	—	—	—
Net Revenue	3.27	2.22	6.15	0.76	9.42	2.98
Trading Surplus ex. Interest	2.09	0.79	5.60	0.09	7.69	0.88
Interest Expense	—	—	(0.23)	(0.10)	(0.23)	(0.10)
Gain on Sale of Property, Plant & Equipment	—	—	—	—	—	—
Fair Value Movements	—	—	(0.01)	0.01	(0.01)	0.01
Operating Surplus Before Interest and Taxation	2.09	0.79	5.36	—	7.45	0.79
Assets Employed	37.90	36.01	99.41	78.68	137.31	114.69

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

Directory

Registered Office

Northland Port Corporation (NZ) Ltd
113 Bank Street
P O Box 848
Whangarei
New Zealand
Telephone 09 438 1279
Facsimile 09 438 7067
www.northlandportcorp.co.nz

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

Solicitors

Jones Young
Webb Ross Johnson

Directors

Mike Daniel, Chairman
Geoff Vazey, Deputy Chairman
Michael Gross
Rod McKay
Stan Semenov
Ian Walker

Management

Jim Smellie, General Manager
Telephone 09 438 1278 (Direct)

Associate Companies

Marsden Cove Ltd
P O Box 110
Orewa
Telephone 09 426 5079
Facsimile 09 426 8871
www.marsdencove.co.nz

Marsden Cove Marinas Ltd

P O Box 110
Orewa
Telephone 09 426 5079
Facsimile 09 426 8871
www.marsdencove.co.nz

Northland Stevedoring Services Ltd

P O Box 1646
Whangarei
Telephone 09 438 8209
Facsimile 09 430 1289

North Port Coolstores (1989) Ltd

P O Box 10131
Te Mai
Whangarei
Telephone 09 438 2683
Facsimile 09 438 6812

Northport Ltd

P O Box 44
Ruakaka
Telephone 09 432 8740
Facsimile 09 432 8749
www.northport.co.nz

Subsidiary Company

NPC Corporate Services Ltd
P O Box 848
Whangarei
Telephone 09 438 1279
Facsimile 09 438 7067

Northland Port Corporation (NZ) Ltd

113 Bank Street, P O Box 848, Whangarei, New Zealand.

Telephone 09 438 1279 Facsimile 09 438 7067

www.northlandportcorp.co.nz