

Northland Port Corporation (NZ) Ltd



Interim Report

For the Six Months ended 31 December 2007



These Interim Financial Statements have been prepared in compliance with NZ IAS34 - "Interim Financial Reporting".

Chairman's Report

Trading

Tax Paid surplus for the six months to 31 December 2007 was \$8.827 million compared with \$7.474 million for the corresponding period last year.

The main contributor to the profit is the surplus of \$7.6 million realised from the sale of the Company's shares in the Marsden Cove waterways and marina project.

Dividend

A fully imputed dividend of 3 cents per share (5 cents for the corresponding period last year) will be paid on 7 March 2008.

Associate Companies and Joint Ventures

Northport Limited

Northport continues to improve in profitability and return on capital.

Already the new berth has encouraged additional "liner trade" visits, attracting trade previously sent south by road for export.

With the exception of triboard (where the main Japanese market has been slow) the port is enjoying good levels of wood product throughput with customers experiencing very high efficiency levels through all facets of the facility.

Coal, fertiliser and cement trades have all shown improvement on the previous corresponding period.

Northland Stevedoring Services and North Port Coolstores

Both Northland Stevedoring Services and North Port Coolstores recorded first half profits ahead of, or in line with budget.

Marsden Cove

As previously mentioned your Company's investment in the waterways and marina project was sold in the period under review.

The outcome was most satisfactory and has led to the elimination of all term debt from the Company's Balance Sheet.

A special dividend has already been paid to shareholders and Directors will consider a further payment when final settlement of the sale is completed in October this year.

Marsden Point Land Bank

As a result of an increase in marketing effort, negotiations for the lease of a substantial portion of the Company's Land Bank are well advanced, potentially locking in rental streams commencing in the next financial year.

Less advanced negotiations are continuing for the sale or lease of other identified parts of the Land Bank.



Outlook for Second Half

Negotiations for a substantial increase in woodchip through the port are close to completion while some price increases and consolidation of charges will see additional improvement in Northport's returns.

Steady results are anticipated from Northland Stevedoring Services and North Port Coolstores.

Mike Daniel
Chairman

Consolidated Income Statement

For the Six Months Ended 31 December 2007

YEAR ENDED		SIX MONTHS ENDED		
30-Jun-07		Note	31-Dec-07	31-Dec-06
\$			\$	\$
Revenue				
440,755	Operating Revenue		253,053	230,457
1,801,446	Share of Joint Venture Revenues		357,459	1,406,831
380,565	Rents & Leases		240,757	218,950
1,149,316	Imputed Interest Income	1	106,385	566,511
14,506	Other Interest Income		426,924	3,804
8,432,343	Share of Associate Companies' Net Surplus	2	936,315	6,982,841
47,063	Other		9,486	12,902
<u>12,265,994</u>	Total Revenue		<u>2,330,379</u>	<u>9,422,296</u>
Expenditure				
1,466,935	Operational Expenses		359,566	1,072,855
283,130	Land Rates & Lease Expenses		246,619	177,020
710,990	Administrative Expenses		419,956	393,585
555,220	Finance Costs		33,171	228,955
157,249	Depreciation Expense		40,268	97,772
<u>3,173,524</u>	Total Expenditure		<u>1,099,580</u>	<u>1,970,187</u>
<u>9,092,470</u>	Trading Surplus		<u>1,230,800</u>	<u>7,452,109</u>
24,701	Gain (Loss) on Sale of Property, Plant & Equipment		35,990	(704)
–	Gain on Sale of Investment in Associate Company		7,651,739	–
91,712	Fair Value Movements		7,949	(9,205)
<u>9,208,883</u>	Operating Surplus before Taxation		<u>8,926,478</u>	<u>7,442,200</u>
(120,200)	Taxation Expense (Credit)		99,417	(32,076)
<u>\$9,329,083</u>	NET SURPLUS		<u>\$8,827,061</u>	<u>\$7,474,276</u>
21.46	Basic (& Diluted) Earnings Per Share (cents)		20.30	17.19

Consolidated Statement of Recognised Income and Expense

For the Six Months Ended 31 December 2007

YEAR ENDED		SIX MONTHS ENDED		
30-Jun-07		31-Dec-07	31-Dec-06	
\$				\$
361,085	Net Cash Flow Hedge Gain (Loss) taken to Equity	109,143	(60,445)	
23,563,376	Revaluation of Land Holdings	–	–	
<u>23,924,461</u>	Net Income recognised directly in Equity	<u>109,143</u>	<u>(60,445)</u>	
9,329,083	Net Surplus	8,827,061	7,474,276	
<u>\$33,253,544</u>	TOTAL RECOGNISED INCOME & EXPENSE	<u>\$8,936,204</u>	<u>\$7,413,831</u>	

The accompanying notes form an integral part of these Interim Financial Statements

Consolidated Balance Sheet

As at 31 December 2007

AS AT		AS AT	
30-Jun-07		31-Dec-07	31-Dec-06
\$		\$	\$
	Equity		
15,461,204	Share Capital	15,461,204	15,461,204
34,637,893	Retained Earnings	36,509,054	34,773,692
103,017,636	Asset Revaluation Reserve	103,017,636	79,454,260
361,085	Hedging Reserve	470,228	(60,445)
<u>153,477,818</u>		<u>155,458,122</u>	<u>129,628,711</u>
	Current Liabilities		
–	Bank Overdraft	58,425	44,198
272,545	Payables	142,755	280,028
62,959	Provisions	192,955	248,409
<u>335,504</u>		<u>394,135</u>	<u>572,635</u>
	Non-Current Liabilities		
6,500,000	Term Debt	–	7,000,000
97,812	Provisions	–	111,202
<u>6,597,812</u>		<u>–</u>	<u>7,111,202</u>
<u>\$160,411,134</u>	TOTAL EQUITY & LIABILITIES	<u>\$155,852,257</u>	<u>\$137,312,548</u>
	Current Assets		
7,546,817	Cash & Deposits	779,307	178,808
196,191	Receivables & Prepayments	312,642	188,379
31,085	Taxation Refundable	37,747	65,640
54,000	Derivative Financial Instruments	–	63,629
138,449	Other Investments	–	–
1,796,396	Loans & Receivables	7,357,327	14,387,105
<u>9,762,938</u>		<u>8,487,023</u>	<u>14,883,561</u>
	Non-Current Assets		
95,772,699	Property, Plant & Equipment	96,320,289	75,934,076
45,872,388	Investments in Associate Companies	43,535,049	41,301,468
1,396,620	Other Investments	1,402,264	1,488,412
7,211,919	Loans & Receivables	5,877,219	3,450,000
67,203	Derivative Financial Instruments	–	–
280,416	Tax Losses Carried Forward	151,175	119,942
46,951	Deferred Taxation Asset	79,238	135,089
<u>150,648,196</u>		<u>147,365,234</u>	<u>122,428,987</u>
<u>\$160,411,134</u>	TOTAL ASSETS	<u>\$155,852,257</u>	<u>\$137,312,548</u>

The accompanying notes form an integral part of these Interim Financial Statements

Consolidated Cash Flow Statement

For the Six Months Ended 31 December 2007

YEAR ENDED		SIX MONTHS ENDED	
30-Jun-07		31-Dec-07	31-Dec-06
\$		\$	\$
Cash Flows from Operating Activities			
Cash was provided from:			
2,701,417	Cash from Customers	750,786	1,900,441
2,115,154	Dividends Received	1,532,726	486,873
14,506	Interest Received	69,428	3,804
–	Interest Rate Swaps Closed Out	125,700	–
82,281	Income Tax Refunded	–	–
<u>4,913,358</u>		<u>2,478,640</u>	<u>2,391,118</u>
Cash was applied to:			
(2,868,921)	Cash Paid to Suppliers & Employees	(1,071,773)	(1,910,456)
(530,294)	Interest Paid	(88,802)	(216,727)
(35,850)	Income Tax Paid	(9,126)	(3,912)
<u>(3,435,065)</u>		<u>(1,169,701)</u>	<u>(2,131,095)</u>
<u>1,478,293</u>	Net Cash Inflow from Operating Activities	<u>1,308,939</u>	<u>260,023</u>
Cash Flows from Investing Activities			
Cash was provided from:			
20,199	Sale of Property, Plant & Equipment	85,000	795
–	Deposit Received	50,000	–
–	Sale of Associate Company Stakeholding	4,000,000	–
47,446	Sale of Other Investments	138,448	47,446
<u>9,448,514</u>	Advances Repaid	<u>1,699,950</u>	<u>–</u>
<u>9,516,159</u>		<u>5,973,398</u>	<u>48,241</u>
Cash was applied to:			
(987,541)	Purchase of Property, Plant & Equipment	(628,554)	(264,942)
(50)	Purchase of Shares / Equity Contributions	–	(50,000)
(49,950)	Advances to Associate Companies	–	(122,336)
–	Other	(23,819)	–
<u>(1,037,541)</u>		<u>(652,373)</u>	<u>(437,278)</u>
<u>8,478,618</u>	Net Cash Outflow from Investing Activities	<u>5,321,025</u>	<u>(389,037)</u>
Cash Flows from Financing Activities			
Cash was provided from:			
1,000,000	ASB Bank Facility	–	1,500,000
Cash was applied to:			
–	ASB Bank Facility	(6,500,000)	–
(3,695,321)	Dividends Paid	(6,955,899)	(1,521,603)
<u>(3,695,321)</u>		<u>(13,455,899)</u>	<u>(1,521,603)</u>
<u>(2,695,321)</u>	Net Cash Inflow (Outflow) from Financing Activities	<u>(13,455,899)</u>	<u>(21,603)</u>
7,261,590	Net Increase (Decrease) in Cash Held	<u>(6,825,935)</u>	<u>(150,617)</u>
285,227	Add Opening Cash Balance	<u>7,546,817</u>	<u>285,227</u>
<u>\$7,546,817</u>	Closing Cash Balance	<u>\$720,882</u>	<u>\$134,610</u>

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Consolidated Operating Cash Flow Reconciliation

For the Six Months Ended 31 December 2007

YEAR ENDED		SIX MONTHS ENDED		
30-Jun-07		31-Dec-07	31-Dec-06	
\$		\$	\$	
9,329,083	Net Surplus	8,827,060	7,474,276	
	Add (Subtract) Non-Cash Items:			
157,249	Depreciation	40,268	97,772	
(1,149,316)	Imputed Interest Income	(106,385)	(566,511)	
–	Capitalised Interest Income	(352,219)	–	
74,635	Deferred Taxation	(32,286)	(13,503)	
(24,701)	Gain on Sale of Property, Plant & Equipment	(35,990)	704	
–	Gain on Sale of Investment in Associate Company	(7,651,739)	–	
(91,712)	Fair Value Movements	(7,949)	9,205	
(6,317,420)	Share of Associate Companies' Retained Surplus	596,154	(6,496,199)	
(1,944)	Other Non-Cash Items	(2,192)	(1,944)	
<u>(7,353,209)</u>		<u>(7,552,338)</u>	<u>(6,970,476)</u>	
	Add (Subtract) Working Capital Items:			
112,138	Movement in Receivables & Prepayments	(116,451)	120,652	
(21,836)	Movement in Taxation Refundable	(6,662)	(56,391)	
36,541	Movement in Payables	(129,790)	43,321	
(407,919)	Movement in Provisions (current portion)	129,996	(222,469)	
<u>(281,076)</u>		<u>(122,907)</u>	<u>(114,887)</u>	
(69,487)	Non-Operating Items included in Working Capital Movements above	(4)	(155,737)	
	Add (Subtract) Other Items:			
–	Interest Rate Swaps Closed Out	125,700	–	
(20,451)	Movement in Provisions (non-current portion)	(97,812)	(7,061)	
(126,567)	Movement in Tax Losses Carried Forward	129,240	33,907	
<u>(147,018)</u>		<u>157,128</u>	<u>26,846</u>	
<u>\$1,478,293</u>	Net Cash Flow from Operating Activities	<u>\$1,308,939</u>	<u>\$260,023</u>	

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Notes to the Consolidated Financial Statements

For the Six Months Ended 31 December 2007

YEAR ENDED		SIX MONTHS ENDED	
30-Jun-07		31-Dec-07	31-Dec-06
\$		\$	\$
Note 1			
IMPUTED INTEREST INCOME			
502,273	Capital Notes - Sea Tow Ltd	—	247,210
647,043	Advance - Toll Investment J.V.	—	319,301
—	Advance - Hopper Developments Ltd	106,385	—
<u>1,149,316</u>		<u>106,385</u>	<u>566,511</u>
Note 2			
SHARE OF ASSOCIATE COMPANIES' PROFITS			
Northport Ltd (50% interest)			
3,810,492	Net Surplus before Taxation *	1,302,898	2,165,064
(769,502)	Less Taxation	(280,714)	(370,660)
<u>3,040,990</u>		<u>1,022,184</u>	<u>1,794,404</u>
83,978	Current Period Write Back re. previous Inter Entity Asset Sales	55,898	54,103
<u>3,124,968</u>		<u>1,078,082</u>	<u>1,848,507</u>
North Port Coolstores (1989) Ltd (50% interest)			
296,567	Net Surplus before Taxation	263,978	16,036
(107,881)	Less Taxation	(87,113)	(5,292)
<u>188,686</u>		<u>176,865</u>	<u>10,744</u>
Marsden Cove Ltd (50% interest)			
7,285,904	Net Surplus (Deficit) before Taxation (3 months to 30-Sept-07)	(463,856)	7,402,730
(2,245,614)	Less Taxation	153,073	(2,279,140)
<u>5,040,290</u>		<u>(310,783)</u>	<u>5,123,590</u>
91,480	Current Period Write Back re. previous Inter Entity Asset Sales	—	—
<u>5,131,770</u>		<u>(310,783)</u>	<u>5,123,590</u>
Marsden Cove Marinas Ltd (50% interest)			
(19,524)	Net Surplus (Deficit) before Taxation (3 months to 30-Sept-07)	(11,715)	—
6,443	Less Taxation	3,866	—
<u>(13,081)</u>		<u>(7,849)</u>	<u>—</u>
<u>8,432,343</u>		<u>936,315</u>	<u>6,982,841</u>

* Comparative figures include the Group's 50% share of a \$2m termination payment received from Carter Holt Harvey relating to the cancellation of a throughput underwriting agreement.

Notes to the Consolidated Financial Statements

For the Six Months Ended 31 December 2007

AS AT 30-Jun-07 \$		AS AT 31-Dec-07 \$	AS AT 31-Dec-06 \$
Note 3			
INVESTMENTS IN ASSOCIATE COMPANIES			
Northport Ltd (50% interest)			
20,000,000	Shares Subscribed for	20,000,000	20,000,000
6,801,855	Share of Accumulated Surplus	7,166,571	5,900,438
361,085	Share of Hedging Reserve	470,228	(60,445)
17,446,065	Land Revaluation not recognised by Associate	17,446,065	13,264,089
(2,363,834)	Elimination re. Inter Entity Asset Sales	(2,342,428)	(2,393,710)
<u>42,245,171</u>	Carrying Value	<u>42,740,436</u>	<u>36,710,372</u>
North Port Coolstores (1989) Ltd (50% interest)			
250,000	Shares Subscribed for	250,000	250,000
642,648	Share of Accumulated Surplus	544,513	564,706
<u>892,648</u>	Carrying Value	<u>794,513</u>	<u>814,706</u>
Marsden Cove Ltd (50% interest) - sold effective 30-Sept-07			
5,000	Shares Subscribed for	–	5,000
3,540,448	Share of Accumulated Surplus (Deficit)	–	4,623,749
(810,979)	Elimination re. Inter Entity Asset Sales etc.	–	(902,459)
<u>2,734,469</u>	Carrying Value	<u>–</u>	<u>3,726,290</u>
Marsden Cove Marinas Ltd (50% interest) - sold effective 30-Sept-07			
50	Shares Subscribed for	–	50,000
(13,081)	Share of Accumulated Surplus (Deficit)	–	–
(13,031)		–	50,000
13,031	Offset with Advance to Marsden Cove Marinas Ltd	–	–
<u>–</u>	Carrying Value	<u>–</u>	<u>50,000</u>
Northland Stevedoring Services Ltd (50% interest)			
50	Shares Subscribed for	50	50
–	Share of Accumulated Surplus	–	–
<u>50</u>	Carrying Value	<u>50</u>	<u>50</u>
Marsden Point Stevedoring Services Ltd (50% interest)			
50	Shares Subscribed for	50	50
–	Share of Accumulated Surplus	–	–
<u>50</u>	Carrying Value	<u>50</u>	<u>50</u>
<u>45,872,388</u>	Total Investment in Associate Companies	<u>43,535,049</u>	<u>41,301,468</u>

Notes to the Consolidated Financial Statements

For the Six Months Ended 31 December 2007

Note 4

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 2007.

	PORT RELATED ACTIVITIES		OTHER ACTIVITIES		TOTAL	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m	2007 \$m	2006 \$m
Gross Revenue	1.44	3.27	0.89	6.15	2.33	9.42
Less Inter Segment Sales	–	–	–	–	–	–
Net Revenue	1.44	3.27	0.89	6.15	2.33	9.42
Trading Surplus ex. Interest	1.12	2.09	0.15	5.60	1.27	7.69
Interest Expense	–	–	(0.03)	(0.23)	(0.03)	(0.23)
Gain on Sale of Property, Plant & Equipment	–	–	0.03	–	0.03	–
Gain on Sale of Associate Company	–	–	7.65	–	7.65	–
Fair Value Movements	–	–	0.01	(0.01)	0.01	(0.01)
Operating Surplus before Interest & Taxation	1.12	2.09	7.81	5.36	8.93	7.45
Assets Employed	45.03	37.90	110.82	99.41	155.85	137.31

All Inter Segment Sales are conducted at arms length and at market prices.

Directory

Registered Office

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Directors

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

Management

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

Auditors

Controller and Auditor General
Under contract by Ernst & Young

Share Registrar

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Bankers

ASB Bank
Commonwealth Bank of Australia

Solicitors

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