

South Port INTERIM REPORT

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2008



Interim Report

FINANCIAL PERFORMANCE

An active cargo handling and warehousing period plus several one-off gains boosted South Port's 2009 first half result to produce an after-tax profit level of \$2.29 million (2008 - \$0.87 million).

Included in the result are the following non-recurring after-tax income items:

- Depreciation recovered of \$193,000 on the sale of a back-up mobile harbour crane
- A foreign exchange gain of \$95,000 on a forward contract that was not completed
- Receipt of a \$290,000 interim winding-up dividend from Hardwood Forests Ltd following the successful sale of that company's forestry assets

CARGO ACTIVITY

Cargo volumes registered at 1,072,000 tonnes for the six months to 31 December 2008 and compare with a level of 1,052,000 tonnes in the previous interim period. This equates to an increase of 2% in volume terms and is due to higher levels of export cargoes, plus lifts in fertiliser and stock food imports.

The net gain in overall tonnage should be viewed more positively when the reduction in New Zealand Aluminium Smelters (NZAS) volume during the period is taken into account. Over the past 8-9 months NZAS has had to manage reductions in operating capacity firstly due to dry winter electricity shortages and more recently as a result of a transformer failure which took out a production line. The production unit or "potline" was capable of generating 28% of the NZAS total output. This is a significant ongoing constraint for NZAS and the reinstatement of the damaged potline is still being assessed.

OTHER OPERATIONAL EVENTS

MSC - Mediterranean Shipping Company's weekly Capricorn shipping service has now been calling at South Port since May 2008 and has gained significant cargo support from regional exporters and importers. The associated packing, storage and servicing of containers has generated additional activity within the Port and this has necessitated additional plant, warehousing and personnel resource.

This year MSC is celebrating 20 years of shipping involvement in the Australasian market. As a significant worldwide mover of containerised cargo South Port is extremely pleased to be able to accommodate their operational needs at Bluff.

Dairy Sector - In August 2008 Open Country Dairy (formerly Dairy Trust) successfully commissioned its Awarua milk powder processing plant which is situated 15 kms from Bluff. South Port has provided full warehousing functions for Open Country Dairy's production since start up and the Company looks forward to a prosperous long term relationship with this customer.

Medium term cool and dry warehousing contracts were also concluded with Fonterra during the past 6 months. The potential distribution via Bluff of product originating from Fonterra's Edendale plant has been greatly assisted through MSC's weekly presence at the Port. Cheese is being stored on modified racking in South Port's No. 2 cold store while a range of powder product is being warehoused in the Company's 5,500 m² No. 5 dry store.

In addition, South Port is working with Fonterra to accommodate their short term storage requirements including the provision of additional warehousing resources on the port or in close proximity to Bluff. Scheduled for completion in mid-February 2009, a new 5,900 m² dry warehouse which is located on the Island Harbour and leased to Dynes Stockfoods will be sub-let and utilised for the storage of manufactured dairy product in the immediate future.

Hardwood Forests - In the 2008 Annual Report shareholders were advised of the proposed sale of the forestry assets of Hardwood Forests Limited (HFL). South Port holds 200,000 shares or just under 10% of the total shares issued by HFL. The application for the sale of the forestry assets was processed and approved by the Overseas Investment Commission in December 2008 and as a consequence the HFL asset sale has become unconditional.

Following receipt of the asset sale proceeds the Directors of HFL will progress a wind-up of that company with an interim dividend distribution to shareholders having been made on 23 December 2008 and a final distribution expected prior to 30 June 2009.

It is anticipated that the total distributions from HFL will equate to the fair value of the investment recorded by South Port at its previous balance date. As a consequence a one-off gain of approximately \$500,000 will be recorded in the financial year ended 30 June 2009 with a tax-paid gain of \$290,000 having already been reflected in the Interim financial statements.

NZAS Licence - South Port provides the Tiwai Wharf and associated infrastructure, including the benefit of past harbour dredging, under a long term licence agreement (lease) to New Zealand Aluminium Smelters (NZAS). This historic agreement expired in April 2008 and was renewed by NZAS for a further 35 year period effective from that date. South Port and NZAS are currently negotiating over an appropriate charge for the ongoing provision of this infrastructure.

NEW BUSINESS OPPORTUNITIES

Oil & Gas Exploration – Seismic activity was completed over the 2007/2008 summer months by the two largest consortiums who secured exploration licences in the Great South Basin. The consortium consisting of ExxonMobil and Todd Energy engaged contractor WesternGeco to undertake its seismic mapping while the consortium headed up by OMV Group assigned Wavefield Inseis the responsibility of collecting its seismic information.

The exploration companies have indicated they expect to complete the analysis and interpretation of the data by the fourth quarter of 2009. It will only be after this period of time that decisions will be made on whether to deploy exploration drilling rigs into the Great South Basin region.

Whilst there are no assurances that South Port will secure this activity, it is useful to restate several advantages that Bluff is able to provide over its competitors when it comes to meeting the requirements of an exploration base:

- Bluff was selected as the base for previous Great South Basin exploration
- South Port can offer extensive lay down storage areas directly on the Port
- The refuelling of support vessels and the provision of diesel supplies for rig operations are more easily accessible than other ports (note support vessels normally require draft of 7 – 8 metres which can be comfortably provided)
- A wide selection of dedicated service berths are available
- South Port has established expertise handling project and break-bulk cargoes
- The Southland region has a more extensive engineering resource as a result of companies servicing the NZAS aluminium smelter and the meat processing, dairy and forestry industries over several decades
- Local government in the region also has a reputation of being willing to try harder to address the needs of new commercial ventures while still meeting the requirements of their local stakeholders.

Development of Southland's Lignite Resource - In addition to the renewed interest in the Great South Basin both Solid Energy and L&M Group are actively progressing studies into the commercial viability of utilising the extensive lignite resources in Southland. While this is more likely to be a medium to long term prospect South Port will continue to offer these companies whatever assistance is necessary to further develop an economic outcome for the potential conversion of lignite into synthetic diesel and other saleable by-products.

Bulk Liquid Storage Terminal – Over a 5 month period Marstel Terminals, an independent specialist terminal owner and operator, constructed a new bulk liquid storage facility on South Port's Island Harbour at Bluff. The facility will initially provide capacity to Orica for the storage of caustic soda, a product used primarily by the dairy manufacturing sector. The first physical import and transfer of product successfully occurred in late January 2009.

Wind Farm Projects Status – Both the TrustPower wind farm development at Kaiwera Downs (Eastern Southland near Mataura) and the Wind Prospect project at Slopedown (Eastern Southland near Wyndham) are now not likely to commence until 2010 at the earliest. TrustPower has obtained resource consent, while Wind Prospect commenced its community consultation process in late 2008.

OUTLOOK

The trading outlook for the remainder of the 2009 financial year and into 2010 is unclear. This is due to the current volatile nature of the export markets and the expectation that the harsh economic conditions being experienced will definitely send additional ripples through the NZ economy.

Already a range of sectors are encountering cancelled sale orders and are finding it necessary to investigate new customers and markets. It is anticipated that both fertiliser and petroleum import volumes will also come under pressure as the dairy industry payout decreases and the economy continues to contract. As a trading nation it would be naive to think that export and import businesses will not be further negatively impacted by these testing conditions.

It is vitally important that NZAS is successful in re-establishing its off-line capacity. As stated previously this represents approximately 28% of NZAS's total production capability and the flow on effects of a prolonged outage will become evident for both South Port and the Southland region.

Notwithstanding these extensive negative factors the Company is in a sound position to weather the tougher economic environment. The continued presence of MSC and stronger demand for warehousing services should allow the Company to generate a favourable 2009 full year result.

DIVIDEND

After assessing the anticipated year end result and taking into consideration one-off gains achieved in this period, the Directors have declared an improved fully imputed interim dividend of 4.50 cents per share (2008 – 2.75 cents) payable on 6 March 2009.



John Harrington
Chairman of Directors



Mark O'Connor
Chief Executive

Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

Six month period ended 31 December 2008

	31/12 2008 \$000's	31/12 2007 \$000's	Year to 30/06/08 \$000's
Total operating revenues	9,068	6,871	15,215
Total operating expenses	(5,593)	(4,657)	(9,612)
Gross profit	3,475	2,214	5,603
Administrative expenses	(999)	(877)	(1,632)
Operating profit before financing costs	2,476	1,337	3,971
Financial income	498	16	23
Financial expenses	(4)	(47)	(86)
Net financing income/(costs)	494	(31)	(63)
Other income	276	–	131
Surplus before taxation	3,246	1,306	4,039
Taxation	(953)	(431)	(1,527)
Net surplus after taxation	2,293	875	2,512
Basic earnings per share	\$0.088	\$0.033	\$0.096

CONSOLIDATED STATEMENT OF CASH FLOWS

Six month period ended 31 December 2008

	31/12 2008 \$000's	31/12 2007 \$000's	Year to 30/06/08 \$000's
Cash flows from operating (note 5)	2,484	957	3,687
Cash flows from investing	737	(306)	(1,248)
Cash flows from financing	(1,920)	(1,512)	(3,383)
NET INCREASE/(DECREASE) IN CASH	1,301	(861)	(944)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2008

	31/12 2008 \$000's	31/12 2007 \$000's	Year to 30/06/08 \$000's
TOTAL EQUITY	27,057	25,772	27,129
NON-CURRENT ASSETS			
Property, plant & equipment	24,137	22,150	22,295
Investments – property	–	1,810	–
Other investments	16	369	811
Deferred taxation & other	1,441	1,816	1,565
Total non-current assets	25,594	26,145	24,671
CURRENT ASSETS			
Cash	1,397	179	96
Trade and other receivables	3,434	2,244	4,467
Total current assets	4,831	2,423	4,563
Total assets	30,425	28,568	29,234
NON-CURRENT LIABILITIES			
Term borrowings	–	1,100	–
Employee provisions	53	67	56
Total non-current liabilities	53	1,167	56
CURRENT LIABILITIES			
Trade and other payables	2,362	872	1,360
Current borrowings	–	200	150
Provisions	592	510	525
Other	361	47	14
Total current liabilities	3,315	1,629	2,049
Total liabilities	3,368	2,796	2,105
TOTAL NET ASSETS	27,057	25,772	27,129
Net asset backing per share	\$1.03	\$0.98	\$1.03

Notes to Financial Statements

For the six month period ended 31 December 2008

1 ■ ACTIVITIES OF SOUTH PORT GROUP

The Group operates predominantly in the port and warehousing industries. All operations are carried out in the Southland region.

2 ■ ACCOUNTING POLICIES

The interim financial statements of the South Port New Zealand Ltd Group have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS), and other applicable Financial Reporting Standards, as appropriate for profit-orientated entities.

There has been no change in accounting policies. All policies have been applied on a consistent basis with the most recent annual report.

3 ■ TAXATION

Income tax expense comprises current and deferred tax at the company tax rate of 30%. Income tax expense is recognised in the Statement of Financial Performance except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

4 ■ STATEMENT OF MOVEMENT IN EQUITY

	31/12 2008 \$000's	31/12 2007 \$000's	Year to 30/06/08 \$000's
Total equity at beginning of the period	27,129	26,208	26,208
Net surplus	2,293	875	2,512
Total recognised revenues and expenses	2,293	875	2,512
Distributions to shareholders	(1,771)	(1,312)	(2,033)
Change in value of available for sale financial assets	(594)	–	442
Total equity at end of the period	27,057	25,772	27,129

5 ■ NET CASH FLOW FROM OPERATING ACTIVITIES

Surplus after taxation	2,293	875	2,512
Add (less) items classified as investing activities	(136)	–	–
Add non-cash items	795	908	1,953
Add (less) movement in working capital	(468)	(826)	(778)
Net cash provided by operating activities	2,484	957	3,687



South Port NZ

Directory

GROUP COMPANIES

- Parent Company
South Port New Zealand Limited
- Subsidiary
Awarua Holdings Limited

DIRECTORS

- J. A. Harrington (Chairman)
- R. G. Bettle
- R. T. Chapman
- T. M. Foggo
- G. D. Heenan
- G. J. Kirk

CORPORATE EXECUTIVES

- Mark O'Connor Chief Executive
- Russell Slaughter Port General Manager
- Geoff Finnerty Cargo Operations Manager
- Nigel Gear Commercial Manager
- Steve Kellett Cold Store Manager
- Lara Stevens Accountant

Information

For further information about our Company please contact:

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