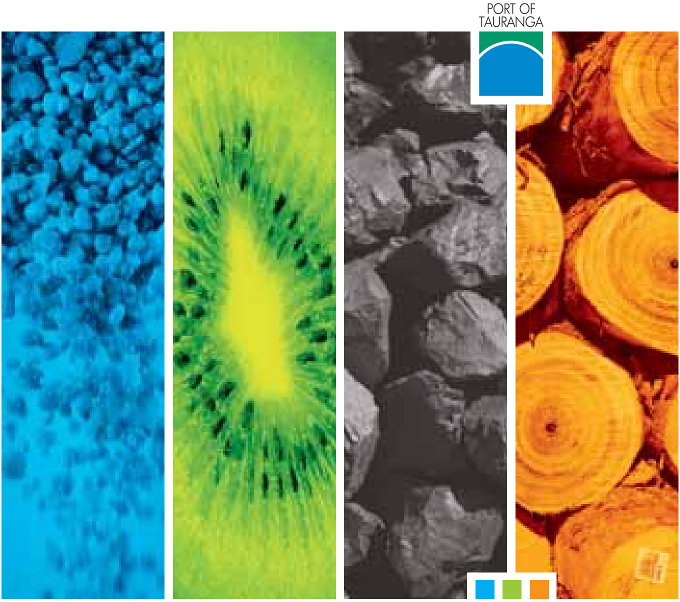

PORT OF TAURANGA
INTERIM REPORT

Leading through
Innovation & Commitment

06

Port of Tauranga Limited

INTERIM RESULT 2006-2007

Directors are pleased to report an excellent result for the first half of 2006 - 2007, with a net profit after tax of $21.246 million for the Group – a 56% increase on last year's position. This has allowed an increase of 14% in interim dividend from 7 to 8 cents per share, fully imputed, payable on 16 March 2007.

Continuing efficiency gains at the Port's container terminal contributed significantly to the result, which was also assisted by a recovery in bulk trade for our associated companies, Northport and Toll Owens.

Last year's results did not include any unusual or abnormal items. Included in these results are a capital gain arising from the sale of non-strategic small pieces of land for the Harbour Bridge / Hewletts Road development, and an after-tax gain from the termination of the Carter Holt Harvey / Northport joint venture at Marsden Point. After deduction of these two items totalling $1.8 million, the result shows an increase of $5.827 million or 43%.

While log volumes through the Port at 1.155 million tonnes were 7% down from the 2006 first half, the overall profit position comes on the back of a total trade increase of 9% over last year, at 6.874 million tonnes. Cargo volumes of note include coal (increasing 8%), oil products (7%), fertiliser bases (25%), sawn timber (27%) and wood pulp (6%).

The productivity improvements at the Sulphur Point container terminal noted in last year's Annual Report have continued to produce world-class results, with container volumes through the Port increasing by more than 21% to 254,191 TEUs (twenty foot equivalent containers) and maintaining a very high crane productivity rate, averaging 34 container moves an hour, which is acknowledged as the best in Australasia. The structural changes which have made this possible have not produced merely one-off savings, but have also provided the foundation for sustainable profit gains in the future.

In addition to this achievement and without compromising service, the team at the terminal has paid close attention to further cost reduction. Despite escalating costs over which we have limited control (in particular, fuel and electricity), variable costs have actually been reduced.

Other business highlights include:

- The decision of Marstel Terminals to establish a bulk liquid terminal at the Port, with construction of a $15 million terminal commencing shortly, to relocate storage currently at Wynyard Wharf on Auckland's Western Reclamation. Bulk liquid volume increased 17% during the period and the new terminal is expected to double the volume in the short term.

- The acquisition of the log marshalling assets of John Ray Limited by our associate company Toll Owens Limited. Through Toll Owens, we now have a presence in all 13 New Zealand ports.

The decision by Maersk to select Auckland as its North Island hub was disappointing and represents a potential loss in revenue of $12 million per annum, but already opportunities exist to utilise the established infrastructure with other shipping lines.

Constructive merger discussions with Ports of Auckland continue. The merger would generate substantial public benefits and provide the potential for significant financial and efficiency gains. Moreover, it will ensure New Zealand retains its own port company with world-class container terminals in both Auckland and Tauranga into the future. It is the Board's intention to make a final decision by 31 March 2007.

Although the second half of this year will be affected by the Maersk decision, Directors confidently expect the full year result to be well ahead of last year.

The fundamentals of the business remain very strong, and we anticipate the current greater buoyancy and increased confidence in the economy giving rise to a stronger recovery over the next two years. We also look forward to a softening in the New Zealand currency and resultant support from a more robust export sector.

Seen in the context of trading conditions, and bearing in mind the opportunities for expansion, this result is an indication of the excellent future earning potential of the Company.

J S Parker
CHAIRMAN

Consolidated Statements of Financial Performance

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

Year 30.06.06 $000		6 Months 31.12.06 $000	6 Months 31.12.05 $000
120,043	**Operating revenue**	**70,786**	59,740
(77,649)	**Operating expenses**	**(43,562)**	(41,094)
42,394	**Surplus before taxation**	**27,224**	18,646
(13,742)	Taxation expense	**(8,916)**	(6,362)
28,652	**Surplus after taxation**	**18,308**	12,284
2,380	Share of surpluses less losses of associate companies after tax	**2,938**	1,335
$31,032	**Surplus attributable to the shareholders of the parent company**	**$21,246**	$13,619
	Surplus before taxation		
14,371	After charging interest expense	**6,844**	7,174
9,375	After charging depreciation	**4,985**	5,305
5,959	After crediting interest income	**2,155**	716
23.2	Basic earnings per share (cents)	**15.9**	10.1

Consolidated Statements of Movements In Equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

Year 30.06.06 $000		6 Months 31.12.06 $000	6 Months 31.12.05 $000
427,187	**Equity at start of the period**	**431,434**	427,187
31,032	Net surplus for the period	**21,246**	13,619
9	Increase in paid up capital	**319**	0
(26,794)	Ordinary dividends	**(17,416)**	(17,416)
(26,785)		**(17,097)**	(17,416)
$431,434	**Equity at end of the period**	**$435,583**	$423,390

These unaudited accounts have been prepared in accordance with FRS-24 and the accounting policies as stated in the published accounts of 30 June 2006. No changes have been made to any of these accounting policies. These accounts should be read in conjunction with the annual accounts of 30 June 2006. Comparative figures have been adjusted to comply with the current year presentation of the Financial Statements.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statements of Financial Position

AS AT 31 DECEMBER 2006

Year 30.06.06 $000		6 Months 31.12.06 $000	6 Months 31.12.05 $000
	Equity		
67,497	Paid in capital	**67,816**	67,488
349,576	Reserves	**349,275**	350,375
14,361	Retained earnings	**18,492**	5,527
431,434	**Total equity**	**435,583**	423,390
	Non current liabilities		
202,255	Term liabilities	**186,043**	207,340
5,986	Deferred taxation	**6,295**	5,333
208,241		**192,338**	212,673
	Current liabilities		
8,221	Accounts payable and accruals	**8,299**	6,636
0	Provision for taxation	**4,028**	504
0	Overdraft	**0**	799
8,221		**12,327**	7,939
$647,896		**$640,248**	$644,002
	Non current assets		
549,286	Property, plant and equipment	**544,648**	569,615
16,788	Receivables	**16,166**	0
4,043	Advances and prepayments	**3,688**	4,346
55,787	Investments in associates	**55,771**	54,902
625,904		**620,273**	628,863
	Current assets		
4,313	Cash	**325**	0
12,492	Receivables	**15,908**	11,557
3,882	Advances and prepayments	**3,718**	3,554
1,262	Taxation	**0**	0
43	Inventories	**24**	28
21,992		**19,975**	15,139
$647,896		**$640,248**	$644,002

Consolidated Statements of Cash Flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

Year 30.06.06 $000		6 Months 31.12.06 $000	6 Months 31.12.05 $000
	Cash flows from operating activities		
120,994	Cash inflows	**65,786**	63,400
(85,230)	Cash outflows	**(41,103)**	(43,620)
$35,764	**Net cash inflow from operating activities**	**$24,683**	$19,780
	Cash flows from investing activities		
9,894	Cash inflows	**8,340**	2,583
(11,034)	Cash outflows	**(3,702)**	(6,644)
$(1,140)	**Net cash inflow / (outflow) from investing activities**	**$4,638**	$(4,061)
	Cash flows from financing activities		
9	Cash inflows	**319**	0
(32,218)	Cash outflows	**(33,628)**	(18,416)
$(32,209)	**Net cash outflow from financing activities**	**$(33,309)**	$(18,416)
2,415	**Net (decrease) in cash**	**(3,988)**	(2,697)
1,898	Add opening cash brought forward	**4,313**	1,898
$4,313	**Ending cash carried forward**	**$325**	$(799)
	Reconciliation of surplus after taxation to cash flows from operating activities:		
31,032	**Reported surplus after tax**	**21,246**	13,619
4,792	Add non-cash and non-operating items	**1,260**	4,750
(60)	Add/(less) movements in working capital	**2,177**	1,411
$35,764	**Net cash flow from operating activities**	**$24,683**	$19,780

Notes to and forming part of the Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

CAPITAL COMMITMENTS

Estimated capital commitments for the Group contracted for but not provided for are $2.899 million (30 June 2006: $0.692 million).

TRANSITION TO NEW ZEALAND EQUIVALENTS OF IFRS

In December 2002 the New Zealand Accounting Standards Review Board announced that International Financial Reporting Standards (IFRS) will apply to all New Zealand entities for periods commencing on or after 1 January 2007. Entities will also have the option for early adoption of the new standards for periods beginning on or after 1 January 2005.

Since this date New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) have been issued. In complying with these, New Zealand entities will be in compliance with IFRS (as well as NZ IFRS).

Analysis of the potential impacts from the conversion to NZ IFRS commenced in October 2004. The Company has considered the impacts of NZ IFRS implementation, both from a reporting and an operational perspective. The objective of the Company is to ensure the conversion to NZ IFRS occurs within agreed and required timelines, ensuring:

- minimal operational impact on Port of Tauranga Limited; and
- all relevant parties are consulted.

Port of Tauranga Limited Group intends to adopt NZ IFRS and report for the first time under these standards for the year ended 30 June 2008. 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 adoption will be disclosed.

Key differences in accounting policies identified to date include:

(a) Accounting for Income Taxation

The most significant NZ IFRS adoption impact identified to date will be the recognition of a deferred tax liability in respect of the revaluation of the Group's property, plant and equipment. Under

NZ IAS 12, deferred tax will be calculated using a "balance sheet" approach. Deferred tax assets and liabilities will be recognised where there are differences between the accounting and tax value of balance sheet items. The current approach recognises differences between the accounting surplus and taxable income.

(b) Accounting for Derivatives

The Group primarily uses derivatives to manage its interest rate risks. The net differential, paid or received, on those derivatives is recognised as a component of the interest expense or interest revenue over the period of the contract. Under NZ IAS 39, all derivative financial instruments will be recognised at fair value in the Statement of Financial Position. Changes in the fair value of the derivatives will be recognised in the Statement of Financial Performance unless strict hedge criteria are met. If the criteria for cash flow hedge accounting are met, any unrealised gain or loss on the hedging derivative is deferred within equity and released to the Statement of Financial Performance at the same time as the transaction it is hedging.

It is the Group's intention to apply hedging accounting for its interest rate derivatives and the required systems, policies and documentation have been established in order to comply with the requirements of NZ IAS 39.

(c) Accounting for Property Plant and Equipment

The Group currently revalues land and buildings, harbour improvements, wharves and hardstandings at a minimum of once every five years. Revaluation increases and decreases are currently recognised on a class by class basis. Under NZ IFRS the off-setting of revaluation increases and decreases on individual assets within a class of property, plant and equipment, is not permitted. Any decrease arising as a result of a revaluation is recognised as an expense in so far as it exceeds the amount that can be charged to a prior revaluation surplus.

(d) Accounting for Employee Benefits

The Group currently recognises a liability for long service leave obligations only when the long service leave vests to employees. Under NZ IAS 19 a liability for long service leave is measured as the present value of the expected future payments to be made in respect of services provided by employees. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields on New Zealand Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The purpose of this disclosure is to highlight the areas of impact the Group expects as a result of transitioning to NZ IFRS from current New Zealand accounting standards, based on the NZ IFRS standards and interpretations as they are today.

Due to the 2008 adoption date and project status the Group has not at this stage been able to reliably estimate the impact of differences in the Financial Statements.

The NZ IFRS that will be effective or available for adoption in the year ended 30 June 2008 are still subject to change and to the impact of potential additional interpretations. Therefore it is possible that future developments to NZ IFRS will change the nature of the adjustments required by the time the Group reports its first Financial Statements prepared under NZ IFRS and these changes may be material.

Directory for 2006

DIRECTORS

J S Parker - *Chairman*
A W Baylis
A W Capamagian
J M Cronin
D A Pilkington
M J Smith
Sir Dryden Spring
H M Titter CMG

EXECUTIVE

M C Cairns - *Chief Executive*
C J Boocock - *Chief Financial Officer*
T H James - *Corporate Services Manager*
G J Marshall - *Commercial Manager*
A P Reynish - *Property Manager*

SHARE REGISTRY

For enquiries about share transactions, change of address or dividend payments contact:

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Auckland 1142
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Email: lmsenquiries@linkmarketservices.com

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PORT OF TAURANGA

Copies of the annual and interim reports are available from our website.