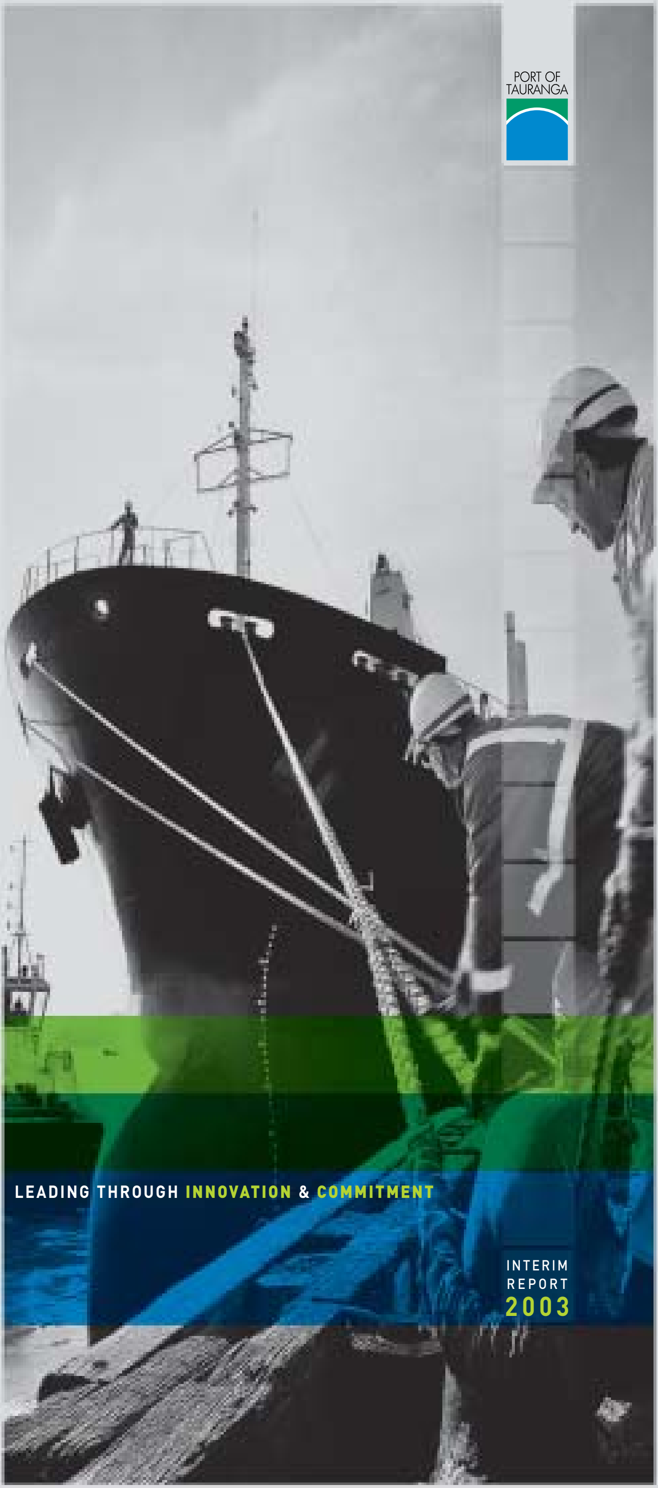
PORT OF TAURANGA



LEADING THROUGH INNOVATION & COMMITMENT

INTERIM REPORT 2003

PORT OF TAURANGA 2003

Port of Tauranga Limited

FINANCIAL PERFORMANCE AND DIVIDENDS

Your Directors are pleased to advise that the Port of Tauranga earned a slightly higher group net profit of $14.7 million in the six months to 31 December, compared with the $14.5 million earned in the first half of the previous financial year.

Total revenue for the half year was $72.0 million against $71.4 million previously.

Although the increase was not as strong as had been hoped for, it can be seen as a solid performance given the business conditions experienced during the period. A fully-imputed interim dividend of 7c per share has been declared, which is a 16.7% improvement on the previous interim dividend of 6c per share.

Total dividend for the last full year was 18c per share. The interim increase is in line with the Company's policy of continually seeking to improve the level of payout to shareholders.

Operating cash flows continued to be strong and at the end of December the percentage of equity to debt plus equity was 52%.

TRADING CONDITIONS

The half year was a difficult trading period for the Port and many of its customers, particularly those in the commodity exporting area, with forestry exports through the Port down by 18%, or 570,600 tonnes.

The reduction of log exports nationally had the inevitable flow-on effects on the profitability of The Owens Cargo Company and Northport, although these were significantly lessened by efficiencies that have been brought to the operation of Owens.

PORT OPERATIONS

Total import and export trade through the Port in the half year was 2% higher at 6,218,740 tonnes, a level of business that was achieved despite the fall in forestry-related export tonnages.

On the export side, dairy-related exports, frozen meat, kiwifruit, plus general cargo all recorded good gains, with kiwifruit shipments ahead by 12.3% to 292,885 tonnes.

The Port also benefited from the strong flow of imports into New Zealand, with tonnages up strongly in oil products, fertilisers and in the general cargo category, which rose from 498,000 tonnes to 720,108 tonnes, an increase of 44.6%. Another feature was the coal shipments for Genesis Power, with 295,137 tonnes arriving during the half year.

Container traffic also continued to increase, rising 9.3% in the half year to 185,456 TEUs (20ft equivalent units). Factors driving this increase included the higher volumes coming through MetroPort, which is New Zealand's largest inland port, and the introduction of Mediterranean Shipping Company's service to Europe which commenced on 5 February 2003.

The Owens Cargo Company

During the half year The Owens Cargo Company experienced an 11% fall in the volume of logs that it handled through the Port of Tauranga and a 23% decline in log volumes across its national operations.

The company's profit for the period also declined, but not to the same extent as the fall in volume, which was a reflection of the efficiency gains and lower cost operating systems that the company has put into place over the past two years.

The future of the forestry sector remains difficult to predict, but The Owens Cargo Company has now streamlined its operations to provide its customers with a highly cost-effective service and is well placed to play its role in the shipment of the increasing volume of wood maturing in New Zealand's forests.

Northport

The fall off in forestry exports impacted on the operations of Northport during the half year, and the company (50% owned by Port of Tauranga) has indicated that its earnings for the full year to 30 June 2004 are expected to be less than previously indicated.

The five year throughput agreement with Carter Holt Harvey continues to provide the security of cash flow which the Directors had originally sought.

The effect on Port of Tauranga's projected after tax profit for the year to June 2004 would be approximately $578,000 less than budgeted.

Coal Shipments

The Port secured a long-term agreement with Genesis Power for the importation of coal for use in the Huntly Power Station, as a means of allowing Genesis to top up its power generation so that fluctuations in supply can be better managed and security of supply better maintained.

This agreement has required the Company to commit to a total net infrastructure investment of $22 million to ensure that these shipments can be carried out in an efficient and environmentally responsible manner. These investments include a load out system for the coal, a large covered storage facility at Mount Maunganui and a berth deepening programme.

In the half year coal shipments were ahead of budget at 295,000 tonnes. Indications are that shipments will continue at a high level.

Capital Equipment/Port Efficiency

During the half year the Company committed to a number of investments designed to improve the efficiency of container operations at Sulphur Point.

In August an agreement was signed for the purchase of a fourth container crane and for the upgrading of the existing three cranes. The new Liebherr post-panamax crane will be running by December together with the three existing Liebherr cranes.

Under the upgrading programme, the hoist speed of the two existing post-panamax cranes will be increased by 25%. Changes to the multi-purpose crane will increase its efficiency and extend its design life by 15 years.

A further investment in Sulphur Point's efficiency has been the ordering of two new diesel/electric Kalmar straddle carriers, which are due to arrive in April 2004.

A particularly satisfying accolade received during the half year came from an Australian Productivity Commission benchmarking study, which rated Sulphur Point as the most efficient container handling operation in Australasia.

Agreement with P & O Ports

A five-year agreement has been signed with P & O Ports under which Port of Tauranga will provide receival, delivery and marshalling services for P & O Ports customers at Sulphur Point.

This arrangement has enabled customer services and operations at the terminal to be streamlined, into a total straddle operation with an improved safety regime.

The changes have simplified and accelerated the receival processes for customers and have helped with the introduction of the increased port security requirements that are coming into effect from July.

MetroBox Joint Venture

In October a 50:50 joint venture was formed with Tranz Rail. Called MetroBox this company owns and operates the container storage and repair business that was previously owned by Tranz Rail and traded as Auckland Box.

The venture has enabled the expansion of the "freight village" concept on the South Auckland site, which is the home of MetroPort, the Port's inland port operation in Auckland.

Under its new ownership, the MetroBox operation has been moved to an adjacent site, releasing additional land for the further development of MetroPort. Under the 10-year operating agreement with Tranz Rail signed last May, a platform has been created that allows for the investment necessary to expand and improve the operating efficiency of the MetroPort operation.

The additional site area means that traffic flows have been improved, container stacking heights reduced and receival and container tracking systems upgraded.

In terms of the joint venture, MetroBox is spending $3 million to develop the land at the southern side of the MetroPort operation, which is part of the changes now taking place to develop MetroPort to its full strategic potential.

Shipping Services

Early this calendar year P & O Nedlloyd announced that it would call at Tauranga as part of its express shipping service between New Zealand and South East Asia.

This streamlined fixed-day weekly service calls at two North Island ports, Tauranga and Napier and two South Island ports, Lyttelton and Port Chalmers.

Auckland importers and exporters using the service will do so using MetroPort. The addition of this service adds to the economies of scale that MetroPort is increasingly enjoying.

BOARD CHANGES

The next Annual Meeting of shareholders will be the last to be chaired by the Port's long-serving Chairman, Mr Fraser McKenzie, who has indicated that he wishes to retire and will not be standing for re-election to the Board.

His stewardship, governance and vision will clearly be missed however the Board is confident that the Company will continue to demonstrate the strong growth that has been achieved under his leadership. Further details will be announced regarding the Board elections closer to the Company's Annual Meeting in October.

FUTURE OUTLOOK

The half year under review was a difficult trading period and the results achieved reflect the benefits of the strategic diversification and efficiency programmes that the Port has been implementing over many years.

The current half year has started well and the Company will benefit from the new business that it is handling and the extension of the number of shipping services using the Port.

Management continues to focus on securing further customers and lifting the services and value that it provides to existing customers, while also continuing to refine the efficiency of the business at all levels.

Economic conditions and the New Zealand dollar exchange rate will influence the result for the full year, with ongoing challenges within the forestry sector, but the Board is confident that the group will again have a strong result.

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statements of **Financial Performance**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

Year 30.06.03 $000		6 Months 31.12.03 $000	6 Months 31.12.02 $000
145,953	**Operating revenue**	**72,012**	71,444
45,717	**Surplus before taxation**	**22,198**	21,841
14,482	Taxation expense	**7,456**	7,296
31,235	**Surplus after taxation**	**14,742**	14,545
(26)	Minority interest	**(3)**	(18)
$31,209	**Surplus attributable to the shareholders of the parent company**	**$14,739**	$14,527
	Surplus before taxation		
12,375	After charging interest expense	**5,850**	6,246
10,907	After charging depreciation	**6,107**	5,359
112	After crediting interest income	**65**	23
28	After crediting gain on sale of property, plant & equipment	**37**	0
456	After crediting gain on sale of business	**0**	433
3,534	After crediting share of tax paid surpluses of associates	**817**	819

Consolidated Statements of **Movements in Equity**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

Year 30.06.03 $000		6 Months 31.12.03 $000	6 Months 31.12.02 $000
214,113	**Equity at start of the period**	**222,758**	214,113
	Net surplus		
31,209	Parent	**14,739**	14,527
26	Minority interest	**3**	18
31,235		**14,742**	14,545
203	Increase in paid up capital	**252**	203
6	Decrease in treasury stock	**0**	0
(37)	Repurchase of shares from minority interest	**0**	0
(22,762)	Ordinary dividends	**(16,144)**	(14,728)
(22,590)		**(15,892)**	(14,525)
$222,758	**Equity at end of the period**	**$221,608**	$214,133

These unaudited accounts have been prepared in accordance with FRS-24 and the accounting policies as stated in the published accounts of 30 June 2003. 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 2003. 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 2003

Year 30.06.03 $000		**6 Months 31.12.03 $000**	6 Months 31.12.02 $000
	Equity		
67,283	Paid in capital	**67,535**	67,276
164,347	Reserves	**164,347**	164,357
(8,872)	Retained earnings	**(10,277)**	(17,518)
222,758	**Parent shareholders equity**	**221,605**	214,115
0	Minority interests	**3**	18
222,758	**Total equity**	**221,608**	214,133
	Non current liabilities		
182,208	Term liabilities	**185,700**	188,108
4,751	Deferred taxation	**5,055**	5,258
186,959		**190,755**	193,366
	Current liabilities		
11,209	Accounts payable and accruals	**10,637**	12,315
0	Provision for taxation	**2,467**	1,587
11,209		**13,104**	13,902
$420,926		**$425,467**	$421,401
	Non current assets		
360,878	Property, plant and equipment	**363,486**	363,946
5,915	Advances and prepayments	**6,700**	3,862
21,077	Investments in associates	**24,274**	15,226
9,749	Intangible assets	**9,485**	10,183
397,619		**403,945**	393,217
	Current assets		
2,446	Cash	**1,925**	3,882
15,360	Receivables	**15,474**	18,771
3,033	Advances and prepayments	**2,277**	3,796
708	Taxation	**0**	0
1,760	Inventories	**1,846**	1,735
23,307		**21,522**	28,184
$420,926		**$425,467**	$421,401

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

Year 30.06.03 $000		**6 Months 31.12.03 $000**	6 Months 31.12.02 $000
	Cash flows from operating activities		
142,050	Cash inflows	**70,399**	68,394
(105,018)	Cash outflows	**(46,658)**	(50,645)
$37,032	**Net cash inflow from operating activities**	**$23,741**	$17,749
	Cash flows from investing activities		
2,959	Cash inflows	**407**	1,315
(21,134)	Cash outflows	**(12,225)**	(12,525)
$(18,175)	**Net cash outflow from investing activities**	**$(11,818)**	$(11,210)
	Cash flows from financing activities		
3,810	Cash inflows	**3,700**	9,500
(22,844)	Cash outflows	**(16,144)**	(14,780)
$(19,034)	**Net cash outflow from financing activities**	**$(12,444)**	$(5,280)
(177)	**Net (decrease)/increase in cash**	**(521)**	1,259
2,623	Add opening cash brought forward	**2,446**	2,623
$2,446	**Ending cash carried forward**	**$1,925**	$3,882
	Reconciliation of surplus after taxation to cash flows from operating activities:		
31,235	**Reported surplus after tax**	**14,742**	14,545
9,535	Add/(less) non-cash and non-operating items	**5,889**	6,472
(3,738)	Add/(less) movements in working capital	**3,110**	(3,268)
$37,032	**Net cash flow from operating activities**	**$23,741**	$17,749

Capital Commitments

Estimated capital commitments for the Group contracted for but not provided for are $30.37 million (30 June 2003: $4.67 million).

DIRECTORY

Directors

F G McKenzie MNZM - Chairman
A W Capamagian
J M Cronin
H R L Morrison
J S Parker
M J Smith
H M Titter CMG

Executive

J I Mayson – Chief Executive
C J Boocock – Chief Financial Officer
T H James – Corporate Services Manager
G J Marshall – Commercial Manager
M Pohio – Container Terminal Manager
A P Reynish – Property Manager

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

Share Registry

For enquiries about share transactions, changes of address or dividend payments contact:
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Facsimile: 09 488 8787
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