Directory for 2005

DIRECTORS

J S Parker, *Chairman*
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*
M Pohio, *Container Terminal 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 1020
New Zealand

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REGISTERED OFFICE

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Mount Maunganui 3030
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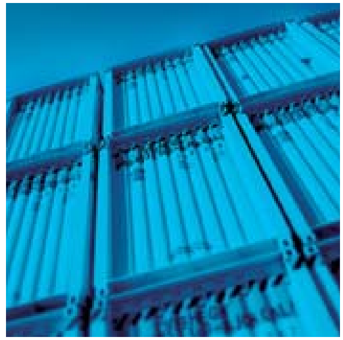
Facsimile: 07 572 8800
Internet: www.port-tauranga.co.nz
Email: marketing@port-tauranga.co.nz

PORT OF TAURANGA

Copies of the Annual and Interim Reports are available from our website.






05

PORT OF TAURANGA

PORT OF TAURANGA INTERIM REPORT

LEADING THROUGH INNOVATION & COMMITMENT

Port of Tauranga Limited

FINANCIAL PERFORMANCE AND DIVIDENDS

Your Directors advise that Port of Tauranga Limited earned a net profit of $13.62 million in the six months to 31 December 2005. This was 13.8% less than the previous corresponding period.

On a comparative basis the operating revenue of $61.08 million was down $1.18 million on the previous first half. In the current period Toll Owens Limited was equity accounted for as a 50/50 joint venture company, whilst in the previous period as The Owens Cargo Company Limited, it was consolidated as a 100% owned subsidiary. As a result in the change in accounting treatment the revenue for Toll Owens was not recorded in the Port's Group accounts.

The latest result produces a 6.4% return on equity. Shareholders equity represents 66% of total assets.

The Company's interim dividend is unchanged from 2005 at a fully-imputed 7c a share, which will be paid on 17 March 2006. The record date is 3 March 2006.

TRADING CONDITIONS

Total trade through the Port for the six months was 6.33 million tonnes compared with 6.56 million previously, a decrease of 3.5%. Container volume, at 210,000 TEU (twenty foot equivalent containers), was down 5.2%.

Imports were down from the same period last year, with fertiliser and oil products, in particular, lower. Against this, coal imports jumped a substantial 129,804 tonnes to 582,200 tonnes, an increase of 27.8%. Salt, grain and car imports were also up on the previous period.

Vessel calls at the Port were 608, compared with 610 previously.

Exports for the six months were 3,699,300 tonnes, down slightly on the 3,776,300 in the previous first half. This change reflected the absence of woodchip exports and significant decreases in sawn timber and wood panel shipments.

However, while the forestry industry continued to experience difficulties, export log volumes at 1.25 million tonnes were 5.2% higher and kiwifruit exports were up 8.4%.

While it is early days in terms of the improving trend in log exports, forestry remains an important element in the future of the Port and it is expected that any weakening of the New Zealand dollar and reduced freight rates will benefit this trade.

Our associates also experienced low log export activity around the country, particularly in the Northland area, which has had a detrimental financial impact on our two investment companies, Toll Owens Limited and Northport Limited.

BUSINESS HIGHLIGHTS

- The completion of the new Goodman Fielder grain store on Port land. This 4,000m² store has a 20,000 tonne capacity with the first delivery of grain received into the store during the first week of February.
- The Port being confirmed as the North Island port of call for Hamburg Sud's new Trident service, commencing in March 2006. The service takes exports from Tauranga to the East Coast of North America and Europe.
- The Port being confirmed as part of the new NZX shipping service combining several shipping lines, which will commence in mid-March 2006. This service includes an express service calling at Singapore, Tauranga and Lyttelton, which will provide exporters with a fast connection into Asian markets.
- Genesis Energy are expected to import an additional 200,000 tonnes of coal a year, which will mean that coal volumes in the current year will be ahead of previously expected levels at 1.2 million tonnes. The new coal handling facility is operating very effectively in both commercial and environmental terms and is capable of handling three ships at a time.
- The new Maersk Pendulum 4100 TEU vessel service to North America and Europe became operational in February 2006. The Pendulum service will provide a key part of Maersk Line's network and builds on the previous P&O Nedlloyd Eastabout service and Maersk Sealand's Oceania service. This service, along with the other two new services will boost the Port of Tauranga's share of export containers.
- Further improvements in the efficiency of the MetroPort operation, which services the Auckland market.

MANAGEMENT CHANGES

Mark Cairns took over as the Company's new Chief Executive effective from the Annual Meeting in October, taking up the vacancy left by Jon Mayson, who stepped aside after 33 years with the Port, the last nine in the role of Chief Executive.

Your Board would like to acknowledge and thank Jon for his immense and valuable contributions during his career with the Port and for working with Mark for several months to ensure an efficient transition of management responsibilities within the Company.

BOARD CHANGES

During the latest period David Pilkington and Bill Baylis have been appointed as independent Directors. Lloyd Morrison retired after six years on the Board at the Annual Meeting.

Mr Pilkington is Chairman of Prevar and Ruapehu Alpine Lifts and holds directorships in Ballance Agri-Nutrients, Douglas Pharmaceuticals, Restaurant Brands New Zealand and ZESPRI.

Mr Baylis is Chairman of Cottonsoft, Fiordland Travel, Naylor Love Enterprises and PGG Wrightson and is a Director of Blackhead Quarries. He has governance experience across a wide range of industries.

LOOKING AHEAD/FUTURE OUTLOOK

Trade during the current half will be challenging as management and the Board work to bed down the significant changes to shipping alliances, mergers and takeovers that have occurred in recent months, in particular the merger of Maersk Sealand and P&O Nedlloyd.

Directors are expecting an improvement in trading conditions in the second half following conclusion of negotiations with various shipping lines and new services.

During this time of change, the management team will continue to focus on cost reduction to ensure the Company's operations are run in an efficient manner, while at the same time maintaining high levels of service to existing customers and continuing to work towards securing new business.

INTERIM REPORT 2005

As always, business in the second half of the year will be influenced by economic conditions and exchange rates, however the Company continues to be well-placed in terms of its established infrastructure and systems.

The challenge will be to utilise these investments by profitably growing the volume of imports and exports of bulk freight, commodities and shipping containers that flow through the Port.

In respect of this, management is currently progressing a number of proposals, which if successfully concluded, will attract further volume.

The long-term outlook for the Port continues to be extremely positive, given the quality of its assets, the focus of its management and staff and benefits of its land base, deep-water access and location.

INTERIM REPORT 2005

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statements of Financial Performance

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

Year 30.06.05 $000		6 Months 31.12.05 $000	6 Months 31.12.04 $000
145,601	**Operating Revenue**	**61,075**	78,383
(97,786)	**Operating Expenses**	**(41,094)**	(55,351)
47,815	**Surplus before taxation**	**19,981**	23,032
(14,161)	Taxation expense	**6,362**	7,240
$33,654	**Surplus after taxation**	**$13,619**	$15,792
	Surplus before taxation		
13,568	After charging interest expense	**7,174**	6,283
10,941	After charging depreciation	**5,305**	6,385
781	After crediting interest income	**716**	69
493	After crediting gain on sale of property, plant and equipment	**0**	0
163	After crediting gain on sale of business	**0**	163
2,194	After crediting share of tax paid surpluses of associates	**1,335**	756
25.1	Basic earnings per share (cents)	**10.1**	11.8

Consolidated Statements of Movements In Equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

Year 30.06.05 $000		6 Months 31.12.05 $000	6 Months 31.12.04 $000
420,330	**Equity at start of the period**	**427,187**	420,330
33,654	Net surplus for the period	**13,619**	15,792
(8)	Disposal of minority interest	**0**	0
5	Increase in paid up capital	**0**	0
(26,794)	Ordinary dividends	**(17,416)**	(17,416)
(26,797)		**(17,416)**	(17,416)
$427,187	**Equity at end of the period**	**$423,390**	$418,706

These unaudited accounts have been prepared in accordance with FRS-24 and the accounting policies as stated in the published accounts of 30 June 2005. 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 2005. 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 2005

Year 30.06.05 $000		6 Months 31.12.05 $000	6 Months 31.12.04 $000
	Equity		
67,488	Paid in capital	**67,488**	67,483
350,375	Reserves	**350,375**	350,865
9,324	Retained earnings	**5,527**	358
427,187	**Total equity**	**423,390**	418,706
	Non current liabilities		
207,679	Term liabilities	**207,340**	210,500
4,910	Deferred taxation	**5,333**	4,691
212,589		**212,673**	215,191
	Current liabilities		
10,570	Accounts payable and accruals	**6,636**	8,503
0	Provision for taxation	**504**	1,899
0	Overdraft	**799**	0
10,570		**7,939**	10,402
$650,346		**$644,002**	$644,299
	Non current assets		
571,718	Property, plant and equipment	**569,615**	567,265
4,703	Advances and prepayments	**4,346**	6,430
53,220	Investments in associates	**54,902**	51,138
629,641		**628,863**	624,833
	Current assets		
1,898	Cash	**0**	1,536
14,557	Receivables	**11,557**	14,778
3,800	Advances and prepayments	**3,554**	3,131
443	Taxation	**0**	0
7	Inventories	**28**	21
20,705		**15,139**	19,466
$650,346		**$644,002**	$644,299

PORT OF TAURANGA LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

Year 30.06.05 $000		6 Months 31.12.05 $000	6 Months 31.12.04 $000
	Cash flows from operating activities		
148,706	Cash inflows	**63,400**	76,476
(109,777)	Cash outflows	**(43,620)**	(55,546)
$38,929	**Net cash inflow from operating activities**	**$19,780**	$20,930
	Cash flows from investing activities		
10,169	Cash inflows	**2,583**	7,154
(43,229)	Cash outflows	**(6,644)**	(37,313)
$(33,060)	**Net cash outflow from investing activities**	**$(4,061)**	$(30,159)
	Cash flows from financing activities		
19,500	Cash inflows	**0**	22,500
(29,152)	Cash outflows	**(18,416)**	(17,416)
$(9,652)	**Net cash outflow from financing activities**	**$(18,416)**	$5,084
(3,783)	**Net (decrease) in cash**	**(2,697)**	(4,145)
5,681	Add opening cash brought forward	**1,898**	5,681
$1,898	**Ending cash carried forward**	**$(799)**	$1,536
	Reconciliation of surplus after taxation to cash flows from operating activities:		
33,654	**Reported surplus after tax**	**13,619**	15,792
10,962	Add non-cash and non-operating items	**4,750**	6,514
(4,984)	Add/(less) movements in working capital	**1,411**	(1,376)
$38,929	**Net cash flow from operating activities**	**$19,780**	$20,930

INTERIM REPORT 2005

Notes to and forming part of the Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

CAPITAL COMMITMENTS

Estimated capital commitments for the Group contracted for but not provided for are $1.358 million (30 June 2005: $1.321 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 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 (under the Financial Reporting Act 1993), 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 Derivatives

Under NZ IAS 39, derivatives must be fair valued and recognised on the balance sheet. Movements in the fair value of such instruments must be recorded either through the income statement or equity depending on hedging documentation and effectiveness.

The Company will be restructuring its debt funding during the current year to ensure it will be able to comply with hedge criteria for interest rate NZ IFRS derivatives. Under NZ GAAP the Company records the impact of derivatives on a cash settlement basis.

(b) Accounting for Taxation

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.

Currently Port of Tauranga Limited Group records the income tax effects of timing differences calculated using the liability method. It is not expected that the change will have a material impact on Port of Tauranga Limited Group results.

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 standards and interpretations as they are today.

Due to the 2008 anticipated 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 issue of 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.

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.

INTERIM REPORT 2005