Interim Report

For the six months ended 31 December 2006

Overview of Group results

	Six months Dec 2006 $million	Six months Dec 2005 $million
Operating revenue	26.7	22.4
Operating surplus before interest and tax	9.4	6.9
Profit for the period	19.8	14.5
Total assets	361	282
Shareholders equity	225	192
Equity ratio	62%	68%
Net asset backing per share	$11.25	$9.60
Trade:		
Container throughput (TEU)	71,000	54,500
Conventional cargo volume (000 tonnes)	475	506
Number of vessel arrivals	277	226

The half year comparative results have been restated to comply with International Financial Reporting Standards (IFRS), which Port Otago Limited adopted from 1 July 2006.

Chairman's Half Year Review

Financial results

The Port Otago Limited Group achieved an excellent result in the six months to 31 December 2006. The unaudited profit of $19.8 million is 36% above the same period in 2005. The result includes unrealised income of $15.9 million from an increase in investment property values.

The profit from port activities was $2.5 million, an increase of 19% on the $2.1 million recorded for the prior period.

This is the first occasion when the Group has reported its financial results under New Zealand equivalents of International Financial Reporting Standards (NZ IFRS). Port Otago's date of transition to NZ IFRS was 1 July 2005 and therefore the results for the 6 months to 31 December 2005 and for the year ended 30 June 2006 have been retrospectively restated in accordance with the requirements of the New Zealand financial reporting standard covering first-time adoption of NZ IFRS.

Trade

Cargo throughput rose by 14% to 1.6 million tonnes in the six-month period.

Container throughput of 71,000 TEU (twenty foot equivalent units) was up 30% on the same period in 2005, with the majority of the increase coming from handling more tranship containers. Tranship containers are containers landed at the port and then shipped out again on another vessel without leaving the port area.

The port handled 475,000 tonnes of conventional cargo, a 6% decrease on the comparative period. Wood chip exports and bulk cement imports were both slightly under last year's levels.

Port operations

Earnings from port operations before interest and tax (EBIT) were $5.1 million, a 20% improvement on last year. Port revenues increased by 12% partly due to the improved frequency of container line services contributing to higher marine services income. Higher levels of container packing activity helped in improving revenues from warehousing services.

During the six months the port repaved the northeast end of the Boiler Point container storage area and strengthened the multi-purpose wharf with the addition of extra piles. The wharf strengthening gives the recently purchased ship-to-shore container crane the flexibility to work ships at either of the two main container wharves.

Good progress continues to be made on the construction of the port's second new crane with delivery from the Chinese manufacturer expected in May 2007.

The Company has recently extended its pilotage services to include piloting vessels in Fiordland. This will allow the Company to further participate in the growing cruise ship industry and will offer the Company's pilots additional piloting opportunities.

Shipping services

In October 2006 Maersk Line announced alterations to their New Zealand service structure with Port Chalmers remaining as their principal South Island port. The new services were implemented in January 2007 with Port Chalmers included on the following two weekly services:

- a New Zealand to Asia service with vessels calling at Tanjung Pelepas in Malaysia, and
- a New Zealand to East Coast North America service.

Both of these services return to New Zealand via Australian ports and they feature Port Chalmers as the last New Zealand port call. A consequence of the new services will be a further increase in tranship containers handled.

Financial position

Port Otago remains in a solid financial position with shareholders funds of $225 million at the end of the period comprising 62% of assets. The use of revalued amounts for port land, buildings and wharves as part of the transition to NZ IFRS means the Balance Sheet more fairly reflects the market value of the assets involved in servicing the port business.

Investment in Lyttelton Port Company Limited (LPC)

The Company remains optimistic that discussions will take place in due course with LPC on the future direction of both ports. We continue to firmly believe that significant value can be achieved for both companies by working closely together in the future.

During the period a $0.79 million dividend was received from LPC.

Chalmers Properties Limited (CPL)

A profit of $17.4 million was achieved by Chalmers Properties for the six months to 31 December 2006. This is an excellent result representing an increase of 40% on the $12.4 million recorded for the comparative period. In accordance with NZ IFRS the result includes the impact of revaluing investment property to fair values at 31 December 2006, along with restatement of comparative figures. The unrealised property revaluation of $15.9 million for the period reflects significant increases in rental levels combined with a market acceptance of lower rent yields.

CPL has progressed the development of its Hobill Avenue site in Auckland to the stage where the tenant is in occupation. The full project will be completed by mid-2007.

The Hamilton City Council is continuing work on a District Plan change that will increase the range of potential land uses for CPL's joint venture Hamilton land holdings. The Hamilton City Council's timetable aims at completing a plan change hearing by September 2007.

The Dunedin City Council is progressing planning options for the Dunedin Harbourside area.

International Financial Reporting Standards

Port Otago implemented the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) with effect from 1 July 2006.

The most significant impacts on the Consolidated Financial Statements relate to:

- the restatement of port land, buildings and wharves at fair value at the NZ IFRS transition date of 1 July 2005,
- the revaluation of investment property each six months with fair values determined without deduction for estimated disposal costs,
- the change in calculation of deferred tax, and
- the recognition at fair value of interest rate swaps and forward purchases of foreign currency.

Further details relating to these changes are included in the Notes to the Financial Statements.

Interim dividend

An interim dividend of $2,500,000, the same as last year, will be paid on 23 February 2007. Fully imputed for tax, the dividend represents 65% of Group profit excluding unrealised investment property revaluations.

Health and safety

The Company's health and safety performance continues to improve. In the six months to 31 December 2006 three lost time injuries were recorded, two lower than the same period last year. This improvement has resulted in the lost time injury frequency rate reducing to 1.3 lost time injuries per 100,000 hours worked versus a rate of 1.6 for the previous comparable period.

Environment and community

The Port Environment / Liaison Committee continues to meet regularly and works as an excellent mechanism for dialogue between the Company and the local community.

The Company has an obligation under the Port Noise Management Plan and the requirements within the Dunedin City Council District Plan to either carry out or contribute to acoustic treatment of certain properties in Port Chalmers. During the period under review acoustic treatment of the first property was completed. The experience gained has provided information which will assist the effectiveness and efficiency of similar treatments in the future.

Staff

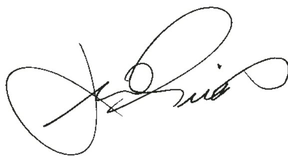
On behalf of the board, I extend our thanks to all our staff for their on-going commitment to health and safety initiatives and for their continuing contribution to the Company's success. Achieving the retention of Port Chalmers as Maersk Line's prime South Island port call is a reflection of the combined efforts of the whole team at Port Otago.

Outlook

The Directors believe that the trends in financial performance experienced during the six months ended 31 December 2006 should continue for the remainder of the financial year. Efficiency gains arising from the progressive asset upgrade policy adopted in recent years, combined with higher container throughput should offset the unfavourable impact of lower shipping rates. The new ship-to-shore container crane has substantially improved average ship turnaround times since it went into operation in May 2006. The arrival of the port's second new crane will provide further opportunity to enhance service and raise efficiency levels.

The Group's diversified investment property portfolio continues to enjoy maximum occupancy and rising levels of rental income. With significant interests in undeveloped land, CPL is poised with a range of promising options for maintaining future growth over the long term.

On behalf of the Board of Directors



John Gilks

Chairman

13 February 2007

Consolidated Income Statement (unaudited)

For the six months ended 31 December 2006

	Notes	6 months Dec 06 $000	6 months Dec 05 $000	Year to June 06 $000
Revenue				
Port operations		21,830	18,924	43,117
Investment property rental		4,058	3,501	7,312
Dividend income		791	-	-
		26,679	22,425	50,429
Other income				
Gain on sale of investment property		-	-	344
Unrealised net change in the value of investment property	8	15,935	11,589	29,377
Total revenue and other income		42,614	34,014	80,150
Expenses				
Labour		(8,170)	(7,319)	(15,447)
Fuel and electricity		(1,160)	(932)	(2,240)
Purchased materials and services		(5,090)	(5,396)	(11,353)
Depreciation and amortisation		(3,030)	(2,684)	(5,581)
		(17,450)	(16,331)	(34,621)
Financial (expense)/income	5			
Interest and other financial (expense)/income		(3,676)	(1,543)	(4,114)
Net change in value of interest rate swaps		867	397	818
Realised exchange gain/(loss)		405	-	-
Unrealised exchange gain/(loss)		(1,059)	375	1,170
		(3,463)	(771)	(2,126)
Profit before tax		21,701	16,912	43,403
Income tax expense	6	(1,903)	(2,370)	(5,298)
Profit for the period		**19,798**	**14,542**	**38,105**

The accompanying notes form part of these interim financial statements.

Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 31 December 2006

	Notes	6 months Dec 06 $000	6 months Dec 05 $000	Year to June 06 $000
Equity at the beginning of the period		205,617	178,991	178,991
Total recognised revenues and expenses:				
Profit for the period		19,798	14,542	38,105
Unrealised increase/(decrease) in the value of share investments	3d	1,266	-	(4,979)
Distribution to owners:				
Dividend paid		(1,750)	(1,500)	(6,500)
Equity at the end of the period		**224,931**	**192,033**	**205,617**

The accompanying notes form part of these interim financial statements.

Consolidated Balance Sheet (unaudited)

As at 31 December 2006

	Notes	Dec 06 $000	Dec 05 $000	June 06 $000
Current assets				
Bank		557	5,666	519
Trade and other receivables		7,803	6,390	13,433
Inventories		355	364	368
Property intended for sale	9, 15	7,942	7,957	7,942
Other financial assets	11	238	62	1,008
Income tax		-	583	437
		16,895	21,022	23,707
Non-current assets				
Property, plant and equipment	7	151,946	141,797	147,320
Investment property	8	151,802	111,654	134,660
Property deposit		967	906	910
Secured advances		3,080	4,916	3,079
Shares in listed companies	3d	33,231	-	31,965
Other financial assets	11	2,189	542	696
Intangible assets		440	709	472
		343,655	260,524	319,102
Total assets		**360,550**	**281,546**	**342,809**
Current liabilities				
Trade and other payables		4,554	5,228	13,510
Income tax payable		226	-	-
Other financial liabilities	11	88	-	-
Employee entitlements		2,037	2,051	2,019
		6,905	7,279	15,529
Non-current liabilities				
Borrowings (secured)	10	111,850	65,603	104,590
Employee entitlements		917	841	874
Other financial liabilities	11	-	175	59
Deferred tax liabilities		15,947	15,615	16,140
		128,714	82,234	121,663
Total liabilities		135,619	89,513	137,192
Equity				
Share capital		20,000	20,000	20,000
Reserves		204,931	172,033	185,617
Total equity		224,931	192,033	205,617
Total equity and liabilities		**360,550**	**281,546**	**342,809**

The accompanying notes form part of these interim financial statements.

Consolidated Cash Flow Statement (unaudited)

For the six months ended 31 December 2006

	Notes	6 months Dec 06 $000	6 months Dec 05 $000	Year to June 06 $000
Cash flows from operating activities				
Cash was provided from:				
Receipts from port operations		21,978	18,689	42,565
Rental income		3,719	3,354	7,361
Dividend received		791	-	-
Interest received		202	191	510
Cash was disbursed to:				
Payment to employees and suppliers		(15,652)	(13,898)	(28,021)
Purchase of property intended for sale		-	(2,330)	(3,884)
Interest paid		(3,710)	(1,702)	(4,499)
Income tax paid		(1,433)	(1,602)	(3,861)
Tax subvention payment		-	(55)	(55)
Net cash flows from operating activities	12	**5,895**	**2,647**	**10,116**
Cash flows from investing activities				
Cash was provided from:				
Sale of property, plant and equipment		-	52	124
Sale of investment property		5,315	-	848
Advances repaid		-	1,156	7
Cash was applied to:				
Purchase of property, plant and equipment		(7,070)	(5,261)	(13,685)
Purchase of investments		-	-	(36,944)
Interest capitalised		(156)	(168)	(335)
Purchase of investment property		(7,257)	-	(1,728)
Improvements to investment property		(2,184)	(766)	(3,423)
Advances to joint venture		(15)	(2,090)	(7)
Net cash flows used in investing activities		**(11,367)**	**(7,077)**	**(55,143)**
Cash flows from financing activities				
Cash was provided from:				
Proceeds from borrowings		11,790	11,373	56,303
Cash was applied to:				
Repayment of borrowings		(4,530)	-	(4,480)
Dividends paid		(1,750)	(1,500)	(6,500)
Net cash flows from financing activities		**5,510**	**9,873**	**45,323**
Increase (decrease) in cash held		38	5,443	296
Cash held at beginning of period		519	223	223
Cash held at end of period		**557**	**5,666**	**519**

The accompanying notes form part of these interim financial statements.

Notes to the Financial Statements

For the six months ended 31 December 2006

1. General information

Port Otago Limited ("the Company") is a company registered in New Zealand under the Companies Act 1993. The consolidated financial statements presented are those of Port Otago Limited, its subsidiaries and share of joint ventures ("the Group").

2. Summary of significant accounting policies

Basis of Preparation

These interim consolidated financial statements of Port Otago Limited have been prepared in accordance with NZ IAS 34 Interim Financial Reporting. They are also covered by NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) since the six-month period being reported falls within the year ending 30 June 2007 that will be reported in the Group's first annual NZ IFRS financial statements.

Accounting policies applied in these interim financial statements comply with NZ IFRS issued and effective as at the time of preparing these statements (February 2007) as applicable to the Company as a profit-orientated entity. In complying with NZ IFRS the Company is simultaneously in compliance with International Financial Reporting Standards (IFRS).

The preparation of the interim financial statements in accordance with NZ IAS 34 resulted in changes in the accounting policies as compared with the most recent annual financial statements prepared under previous NZ GAAP. The accounting policies presented below have been applied consistently to all periods presented in these interim financial statements and in preparing an opening NZ IFRS balance sheet at 1 July 2005 for the purposes of the transition to NZ IFRS, except in specific areas allowed by NZ IFRS 1 exemptions. The most significant of these provisions is the exemption from complying with NZ IAS 32 Financial Instruments: Disclosure and Presentation and NZ IAS 39 Financial Instruments: Recognition and Measurement for the comparative period.

The preparation of interim financial statements in accordance with NZ IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Measurement base

These interim financial statements have been prepared under the historical cost convention except for the revaluation of certain assets and the recognition at fair value of certain financial instruments (including derivative instruments).

The following specific accounting policies have a significant effect on the measurement of results and financial position:

Basis of Consolidation

The consolidated financial statements include those of Port Otago Limited (the parent company) and its subsidiaries accounted for by line aggregation of assets, liabilities, revenues, expenses and cash flows that are recognised in the financial statements of all entities in the consolidated group. All inter-company transactions are eliminated on consolidation.

Subsidiaries are entities that are controlled, either directly or indirectly, by the Company. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Joint ventures

Joint ventures are joint arrangements with other parties in which the Company has several liability in respect of costs and liabilities. The Group's share of the assets, liabilities, revenues and expenses of joint ventures is incorporated into the Group consolidated financial statements on a line-by-line basis.

Foreign currencies

(a) Functional presentation currency

The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional currency.

(b) Transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the balance date exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant, interest costs incurred during the period required to construct an item of property, plant and equipment are capitalised as part of the asset's total cost.

As permitted under NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards, the Group valued its land, buildings and wharves at the date of transition, 1 July 2005, to NZ IFRS at fair value and used that fair value as deemed cost as at the transition date.

Property is classified as property, plant and equipment rather than investment property if the property is held for any of the following reasons:

- to meet the strategic purposes of the port, or
- to form part of buffer zones to port activity, or
- to assist the provision of port services, or
- to promote or encourage the import or export of goods through the port.

Depreciation

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the costs of assets over their estimated useful lives as follows:

Land	nil
Land improvements and buildings	10-50 years
Wharves, paving and dredging	15-70 years
Vessels and floating plant	5-30 years
Plant, equipment and vehicles	3-30 years

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Other intangible assets

The cost of acquiring an intangible asset is amortised from the date the asset is ready for use on a straight-line basis over the periods of expected benefit. For computer software the amortisation periods range from 1 to 3 years. Where the periods of expected benefit or recoverable values have diminished, due to technological change or market conditions, amortisation is accelerated or the carrying value is written down.

Impairment

Assets are reviewed at each Balance Sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indication of impairment exists then the asset's recoverable amount is estimated. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

Leases – Finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The present value of the minimum lease payments is recognised as an asset at the beginning of the lease term and depreciated on a straight-line basis over the shorter of the lease term or the expected useful life of the leased asset.

Leases – Operating leases

Leases under which the lessor substantially retains all the risks and benefits of ownership are classified as operating leases. Operating lease payments are recognised as an expense in the periods the amounts are payable.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of stores, materials and maintenance spares are determined on a weighted average basis. The carrying amount of inventories includes appropriate allowances for obsolescence and deterioration.

Property intended for sale

Properties held for sale in the ordinary course of business, including property for resale upon completion of development, are classified as property intended for sale. They are stated at the lower of cost, or deemed cost when relevant, and net realisable value. The cost of a property held for sale includes expenditure incurred in acquiring the property along with any development costs to date.

If an investment property becomes intended for development with a view to sale in the ordinary course of business then that property is reclassified as property intended for sale. The property's deemed cost for subsequent accounting is the fair value at the date of change of use.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less. Bank overdrafts form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(b) Trade and other receivables including advances

Trade and other receivables, including advances, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is expensed in the Income Statement.

(c) Investments

Share investments held by the Group are classified as available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

When parent company accounts are presented as part of annual financial reporting, investments in subsidiaries and joint ventures are measured at cost.

(d) Borrowings

Borrowings are recognised initially at fair value. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings, using the effective interest method.

(e) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method.

(f) Derivative financial instruments

1. Managing financial risk

The Group's activities expose it primarily to the financial risks of changes in credit risk, interest rates and foreign exchange rates. The Group uses derivative financial instruments to minimise potential adverse effects from certain risk exposures.

- **Interest rate risk**
  Borrowings at variable interest rates expose the Group to interest rate risk. The Group manages its interest rate risk by using floating-to-fixed interest rate swaps with a range of terms. These interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.
- **Foreign exchange risk**
  The Group is exposed to foreign exchange risk when purchasing major items of plant and equipment with payment denominated in a foreign currency. Foreign currency forward purchase contracts are used to limit the Group's exposure to movements in exchange rates on foreign currency denominated liabilities and purchase commitments.
- **Market risk**
  The fair value of shares in listed companies will fluctuate as a result of changes in market prices. Market prices for a particular share may fluctuate due to factors specific to the individual share or its issuer, or factors affecting all shares traded in the market.
- **Credit risk**
  In the normal course of business the Group incurs credit risk from trade receivables. Reflecting the nature of the business, a concentration of credit risk occurs due to a small number of shipping line and warehousing clients comprising a majority amount of port trade receivables. Regular monitoring of trade receivables is undertaken to ensure that the credit exposure remains within the Group's normal terms of trade.

2. Accounting for derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are remeasured at their fair value at subsequent reporting dates. The resulting gain or loss is recognised in profit or loss immediately since the Group's derivatives do not qualify for hedge accounting. Under IFRS, hedge accounting may only be applied when derivatives are designated as hedges and evaluated, both prospectively and retrospectively, to prove that they meet specific effectiveness criteria.

The net differential paid or received on interest rate swaps is recognised as a component of interest expense over the period of the swap agreement.

(g) Fair value estimation

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date.

The fair value of listed shares traded actively on the stock exchange is based on quoted market prices at the balance date.

Employee benefits

Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave, sick leave, long service leave, retiring allowances, profit sharing and bonus plans when it is probable that settlement will be required.

(a) Short term employee benefits

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at undiscounted amounts based on remuneration rates that the Group expects to pay.

(b) Long term employee benefits

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date. These provisions are affected by a number of estimates including projected interest rates, the expected length of service of employees and future levels of employee earnings.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are calculated by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

Revenue recognition

(a) Provision of services

Revenue from port services is recognised in the accounting period in which the actual service is provided to the customer.

(b) Rental income

Rental income is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(c) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the asset to that asset's net carrying amount.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established, being the declaration date of the dividend.

(e) Sale of investments, investment property and property intended for sale

Net gains or losses on the sale of investments, investment property and property intended for sale are recognised when an unconditional contract is in place and it is probable that the Group will receive the consideration due.

Taxation

Current income tax expense is recognised in these interim consolidated financial statements based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

Income tax expense represents the sum of the tax currently payable and deferred tax except to the extent that it relates to items recognised directly in equity, in which case the tax expense is also recognised in equity.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted by the balance date.

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Goods and services tax (GST)

The income statement and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST with the exception of receivables and payables, which include GST invoiced.

Segment reporting

The Company does not have equity or debt securities that are publicly traded and is not in the process of issuing equity or debt securities to the public. Accordingly the Group has chosen not to report financial information by segment, either business or geographical, in the financial statements.

Seasonality of operations

The Group experiences seasonal fluctuations in port operating activities that, under normal circumstances, result in a majority of port revenue being earned in the second half of the financial year. The Group's interim result may also be affected by the timing of dividend income from share investments.

3. Adoption of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS)

The Group's financial statements for the year ending 30 June 2007 will be the Group's first annual financial statements that comply with NZ IFRS.

These consolidated interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting, and do not include all of the information required for full annual financial statements. They are also covered by NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards because they are part of the period covered by the Group's first annual NZ IFRS financial statements for the year ending 30 June 2007.

The adoption of these new and revised standards has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current and prior periods:

- Deferred tax NZ IAS 12
- Computer software NZ IAS 38
- Financial instruments NZ IAS 32 and NZ IAS 39
- Investment property NZ IAS 40.

The impacts of these changes in accounting policies are described below.

In adopting NZ IFRS the Group has applied NZ IFRS 1 which requires an entity to use the same accounting policies in its opening NZ IFRS balance sheet and throughout all periods presented in its first NZ IFRS financial statements. In preparing its opening NZ IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous NZ GAAP). An explanation of how the transition from previous NZ GAAP to NZ IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

NZ IFRS 1 exemptions elected

As permitted by the election available under NZ IFRS 1, the Group valued port related land (including improvements), buildings and wharves at the date of transition to NZ IFRS at their fair value and used that fair value as deemed cost as at that date. Applying this election to the Group's opening NZ IFRS balance sheet as at 1 July 2005 resulted in property, plant and equipment increasing by $67.0 million with an increase in retained earnings of $52.8 million after allowing for a deferred tax liability of $14.2 million.

RECONCILIATION BETWEEN PREVIOUS NZ GAAP AND NZ IFRS

Reconciliation of Consolidated Balance Sheet

		As at 1 July 2005			
	Note	Previous NZ GAAP $000	Correction of prior period error $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
Current assets					
Bank		223	-	-	223
Trade and other receivables		5,735	-	-	5,735
Inventories		378	-	-	378
Property intended for sale	a	-	4,063	-	4,063
Other financial assets	e	-	-	8	8
Income tax refund		211	-	-	211
		6,547	4,063	8	10,618
Non-current assets					
Property, plant and equipment	c, g	72,558	-	66,624	139,182
Investment property	a, b	104,358	(8,059)	3,004	99,303
Property deposit		-	-	-	-
Secured advances		4,916	-	-	4,916
Shares in listed companies	d	-	-	-	-
Other financial assets	e	-	-	231	231
Intangible assets	g	348	-	294	642
		182,180	(8,059)	70,153	244,274
Total assets		**188,727**	**(3,996)**	**70,161**	**254,892**
Current liabilities					
Trade and other payables		3,793	-	-	3,793
Other financial liabilities	e	-	-	201	201
Employee entitlements	h	1,884	-	85	1,969
		5,677	-	286	5,963
Non-current liabilities					
Borrowings (secured)		54,230	-	-	54,230
Employee entitlements		797	-	-	797
Other financial liabilities	e	-	-	381	381
Deferred tax liabilities	f	-	-	14,530	14,530
		55,027	-	14,911	69,938
Total liabilities		60,704	-	15,197	75,901
Equity					
Share capital		20,000	-	-	20,000
Reserves		108,023	(3,996)	54,964	158,991
Total equity		128,023	(3,996)	54,964	178,991
Total equity and liabilities		**188,727**	**(3,996)**	**70,161**	**254,892**

As at 31 December 2005				As at 30 June 2006			
Previous NZ GAAP $000	Correction of prior period error $000	Effect of transition to NZ IFRS $000	NZ IFRS $000	Previous NZ GAAP $000	Correction of prior period error $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
5,666	-	-	5,666	519	-	-	519
6,390	-	-	6,390	13,433	-	-	13,433
364	-	-	364	368	-	-	368
-	7,957	-	7,957	-	7,942	-	7,942
-	-	62	62	-	-	1,008	1,008
583	-	-	583	437	-	-	437
13,003	7,957	62	21,022	14,757	7,942	1,008	23,707
76,052	-	65,745	141,797	82,335	-	64,985	147,320
109,014	(11,953)	14,593	111,654	148,175	(17,762)	4,247	134,660
906	-	-	906	910	-	-	910
4,916	-	-	4,916	3,079	-	-	3,079
-	-	-	-	36,944	-	(4,979)	31,965
-	-	542	542	-	-	696	696
235	-	474	709	-	-	472	472
191,123	(11,953)	81,354	260,524	271,443	(17,762)	65,421	319,102
204,126	**(3,996)**	**81,416**	**281,546**	**286,200**	**(9,820)**	**66,429**	**342,809**
5,228	-	-	5,228	13,510	-	-	13,510
-	-	-	-	-	-	-	-
1,966	-	85	2,051	1,975	-	44	2,019
7,194	-	85	7,279	15,485	-	44	15,529
65,603	-	-	65,603	104,590	-	-	104,590
841	-	-	841	874	-	-	874
-	-	175	175	-	-	59	59
450	-	15,165	15,615	3,609	(2,851)	15,382	16,140
66,894	-	15,340	82,234	109,073	(2,851)	15,441	121,663
74,088	-	15,425	89,513	124,558	(2,851)	15,485	137,192
20,000	-	-	20,000	20,000	-	-	20,000
110,038	(3,996)	65,991	172,033	141,642	(6,969)	50,944	185,617
130,038	(3,996)	65,991	192,033	161,642	(6,969)	50,944	205,617
204,126	**(3,996)**	**81,416**	**281,546**	**286,200**	**(9,820)**	**66,429**	**342,809**

RECONCILIATION BETWEEN PREVIOUS NZ GAAP AND NZ IFRS

Reconciliation of Consolidated Income Statement

		31 December 2005 (6 months)			
	Note	Previous NZ GAAP $000	Correction of prior period error $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
Revenue					
Port operations		18,924	-	-	18,924
Investment property rental		3,501	-	-	3,501
		22,425	-	-	22,425
Other income					
Gain on sale of investment property	b	-	-	-	-
Unrealised net change in the value of investment property	a, b	-	-	11,589	11,589
Total revenue and other income		22,425	-	11,589	34,014
Expenses					
Labour	h	(7,319)	-	-	(7,319)
Fuel and electricity		(932)	-	-	(932)
Purchased materials and services		(5,396)	-	-	(5,396)
Depreciation and amortisation	c	(1,922)	-	(762)	(2,684)
		(15,569)	-	(762)	(16,331)
Financial (expense)/income					
Interest (expense)/income		(1,543)	-	-	(1,543)
Net change in value of interest rate swaps	e	-	-	397	397
Unrealised exchange gain/(loss)	e	-	-	375	375
		(1,543)	-	772	(771)
Profit before tax		5,313	-	11,599	16,912
Income tax expense	f	(1,798)	-	(572)	(2,370)
Profit for the period		**3,515**	**-**	**11,027**	**14,542**

30 June 2006 (12 months)			
Previous NZ GAAP $000	**Correction of prior period error $000**	**Effect of transition to NZ IFRS $000**	**NZ IFRS $000**
43,117	-	-	43,117
7,312	-	-	7,312
50,429	-	-	50,429
1,409	-	(1,065)	344
30,042	(2,973)	2,308	29,377
81,880	(2,973)	1,243	80,150
(15,488)	-	41	(15,447)
(2,240)	-	-	(2,240)
(11,353)	-	-	(11,353)
(4,057)	-	(1,524)	(5,581)
(33,138)	-	(1,483)	(34,621)
(4,114)	-	-	(4,114)
-	-	818	818
-	-	1,170	1,170
(4,114)	-	1,988	(2,126)
44,628	(2,973)	1,748	43,403
(4,509)	-	(789)	(5,298)
40,119	**(2,973)**	**959**	**38,105**

RECONCILIATION BETWEEN PREVIOUS NZ GAAP AND NZ IFRS

Reconciliation of Profit under NZ IFRS

	Note	6 months ended 31 Dec 2005 $000	12 months ended 30 June 2006 $000
Reported profit under previous NZ GAAP		3,515	40,119
Correction of prior period error			
Remove revaluation on reclassification of Investment property to Property intended for sale	a	-	(5,824)
Deferred tax effect of restatement	a	-	2,851
Restated profit under previous NZ GAAP		3,515	37,146
Effect of transition to IFRS			
Unrealised net change in the value of investment property	b	11,589	2,308
Gain on sale of investment property	b	-	(1,065)
Increased depreciation from deemed cost election for certain property, plant and equipment	c	(762)	(1,524)
Mark to market interest rate swaps	e	397	818
Unrealised exchange gain/(loss)	e	375	1,170
Deferred tax on adjustments	f	(572)	(789)
Employee benefits	h	-	41
Profit for the period under NZ IFRS		**14,542**	**38,105**

Reconciliation of Equity under NZ IFRS

	Note	1 Jul 2005 $000	31 Dec 2005 $000	30 June 2006 $000
Reported equity under previous NZ GAAP		128,023	130,038	161,642
Correction of prior period error				
Remove revaluation on reclassification of Investment property to Property intended for sale	a	(3,996)	(3,996)	(9,820)
Deferred tax effect of restatement	a	-	-	2,851
Restated equity under previous NZ GAAP		124,027	126,042	154,673
Effect of transition to NZ IFRS				
Unrealised net change in the value of investment property	b	3,004	14,593	4,247
Property, plant & equipment deemed cost election	c	66,981	66,219	65,457
Available for sale shares in listed companies	d	-	-	(4,979)
Mark to market interest rate swaps	e	(144)	253	674
Unrealised exchange gain/(loss)	e	(199)	176	971
Deferred tax on adjustments	f	(14,593)	(15,165)	(15,382)
Employee benefits	h	(85)	(85)	(44)
Equity under NZ IFRS		**178,991**	**192,033**	**205,617**

Notes to the reconciliations

a. Investment property – prior period error

During the period the directors reassessed the accounting policy applied under superseded NZ GAAP in relation to property intended for sale, which includes property for resale upon completion of development. Previously such properties were incorrectly classified as investment property and carried at net market value with revaluation gains reported through the Income Statement.

Under superseded NZ GAAP (and NZ IFRS) such properties should have been reflected as property intended for sale and valued at the lower of cost and net realisable value. Notes 9 and 15 contain further information.

b. Investment property – valuation basis

Under NZ GAAP investment properties were revalued annually, at the end of each financial year, to open market value less costs of disposal that could reasonably be anticipated. Under NZ IFRS the Group measures investment property at fair value each six months, at 31 December and at 30 June. The fair value of each investment property reflects market conditions at the balance sheet date and is determined without any deduction for disposal costs.

c. Property, plant and equipment

Companies adopting NZ IFRS for the first time are allowed certain exemptions from the full requirements of NZ IFRS. As part of these exemptions the Group has elected to measure port land, buildings and wharves at the date of transition to New Zealand equivalents to IFRS, 1 July 2005, at their fair value and to use that fair value as deemed cost.

In order to determine the fair values of port land, buildings and wharves at 1 July 2005 a valuation was conducted by independent registered valuers, Barlow Justice Limited, and a peer review was undertaken by DTZ New Zealand Limited.

As a result of using the fair value of port buildings and wharves as deemed cost the depreciation charge under NZ IFRS has increased relative to depreciation previously reported under NZ GAAP.

d. Shares in listed companies

Under NZ GAAP Shares in listed companies were stated at cost less any impairment. Impairment losses were only recognised where there had been a permanent diminution in the value of the investment.

Under NZ IFRS Shares in listed companies are classified as “Available-for-sale” financial assets and are measured at fair value based on quoted market prices at the balance date. Movements in fair value are recognised in equity while any impairment is recognised through the Income Statement.

In the six months to 30 June 2006, the Group purchased a 15.47% stake in Lyttelton Port Company Limited (“LPC”) at a cost of $36.9 million. The average cost price for the Group’s investment in LPC amounts to $2.33 per share. At 31 December 2006 the prevailing sharemarket price for LPC was $2.10 per share (30 June 2006: $2.02 per share). Directors consider there have been no events to indicate the investment in LPC shares is impaired.

e. Derivative financial instruments

As part of managing risk the Group uses foreign exchange forward purchase agreements when purchasing major items of plant and equipment denominated in a foreign currency. The Group also uses interest rate swaps that have the economic effect of converting borrowings from floating interest rates to fixed rates. Both foreign exchange forward purchase agreements and interest rate swaps are known as derivative financial instruments and, under NZ IFRS, are measured in the Balance Sheet at fair value at each reporting date. Movements in fair value are recorded in the Income Statement.

f. Deferred tax

Under NZ IFRS deferred tax is provided in full on temporary differences arising between the accounting and tax base of assets and liabilities. The primary components of the Group's deferred tax liability arise from temporary differences on:

- property, plant and equipment, particularly for port land, buildings and wharves since for these assets fair values were used as deemed cost at the 1 July 2005 IFRS transition date,
- investment property,
- derivative financial instruments, and
- liabilities for employee entitlements.

g. Intangible assets

Computer software is classified under IFRS as an intangible asset rather than as an item of property, plant and equipment where that software is not integral to a piece of equipment.

h. Employee benefits

As part of NZ IFRS the Group has recognised a sick leave liability calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

4. Depreciation and amortisation

	Notes	6 months Dec 06 $000	6 months Dec 05 $000	Year to June 06 $000
Depreciation of property, plant and equipment		2,891	2,573	5,341
Amortisation of intangibles		139	111	240
Total depreciation and amortisation		**3,030**	**2,684**	**5,581**

5. Finance costs

	Notes	6 months Dec 06 $000	6 months Dec 05 $000	Year to June 06 $000
Financial (expense)/income				
Interest income		202	192	482
Interest expense		(3,878)	(1,735)	(4,596)
Interest rate swaps - fair value movement		867	397	818
Realised foreign exchange gain/(loss)		405	-	-
Unrealised foreign exchange gain/(loss)		(1,059)	375	1,170
Net financial (expense)/income		**(3,463)**	**(771)**	**(2,126)**

6. Income taxes

	Notes	6 months Dec 06 $000	6 months Dec 05 $000	Year to June 06 $000
Profit before tax		21,701	16,912	43,403
Deduct: Unrealised net change in investment land		(13,847)	(8,035)	(22,430)
Imputation credits		390	-	-
		8,244	8,877	20,973
Prima facie tax expense at 33%		(2,721)	(2,929)	(6,921)
Permanent differences		428	559	1,623
Benefit of imputation credits		390	-	-
Income tax expense		**(1,903)**	**(2,370)**	**(5,298)**
Allocated between:				
Current tax payable		(2,096)	(1,285)	(3,688)
Deferred tax		193	(1,085)	(1,610)

7. Property, plant and equipment

Current period to 31 December 2006	Land $000	Buildings and improvements $000	Wharves and berth dredging $000	Plant, equipment and vehicles $000	Computer software $000	Capital work in progress $000	Total $000
Cost							
Balance 1 July 2006	10,817	27,377	20,244	54,609	2 ,997	2,022	118,066
NZ IFRS adjustments	23,989	6,051	25,681	-	-	-	55,721
NZ IFRS reclassification to intangible assets	-	-	-	-	(2,997)	-	(2,997)
Adjusted opening balance	34,806	33,428	45,925	54,609	-	2,022	170,790
Additions	481	934	66	276	-	6,170	7,927
Disposals	-	(421)	-	(30)	-	-	(451)
Cost at 31 December 2006	35,287	33,941	45,991	54,855	-	8,192	178 ,266
Accumulated depreciation							
Balance 1 July 2006	-	6,980	6,643	19,468	2 ,526	-	35,617
NZ IFRS adjustments	-	(5,446)	(4,175)	-	-	-	(9,621)
NZ IFRS reclassification to intangible assets	-	-	-	-	(2,526)	-	(2,526)
Adjusted opening balance	-	1,534	2,468	19,468	-	-	23,470
Depreciation for period	-	788	626	1,479	-	-	2,893
Disposals	-	(11)	-	(32)	-	-	(43)
Depreciation at 31 December 2006	-	2,311	3,094	20,915	-	-	26,320
Net book value							
Adjusted 30 June 2006	34,806	31,894	43,457	35,141	-	2,022	147,320
At 31 December 2006	**35,287**	**31,630**	**42,897**	**33 ,940**	**-**	**8,192**	**151,946**

Comparative period to 31 December 2005	Land $000	Buildings and improvements $000	Wharves and berth dredging $000	Plant, equipment and vehicles $000	Computer software $000	Capital work in progress $000	Total $000
Cost							
Balance 1 July 2005	10,395	26,803	18,513	41,015	2,643	5,074	104 ,443
NZ IFRS adjustments	23,989	6,051	25,681	-	-	-	55,721
NZ IFRS reclassification to intangible assets	-	-	-	-	(2,643)	-	(2,643)
Adjusted opening balance	34,384	32,854	44,194	41,015	-	5,074	157,521
Additions	-	-	-	868	-	4,316	5,184
Disposals	-	-	-	-	-	-	0
Cost at 31 December 2005	34,384	32,854	44,194	41,883	-	9,390	162,705
Accumulated depreciation							
Balance 1 July 2005	-	6,188	6,289	17,122	2 ,286	-	31,885
NZ IFRS adjustments	-	(6,188)	(5,071)	-	-	-	(11,259)
NZ IFRS reclassification to intangible assets	-	-	-	-	(2,286)	-	(2,286)
Adjusted opening balance	-	-	1,218	17,122	-	-	18,340
Depreciation for period	-	774	636	1,158	-	-	2,568
Disposals	-	-	-	-	-	-	0
Depreciation at 31 December 2005	-	774	1,854	18,280	-	-	20,908
Net book value							
Adjusted 30 June 2005	34,384	32,854	42,976	23,893	-	5,074	139 ,181
At 31 December 2005	**34,384**	**32,080**	**42,340**	**23,603**	**-**	**9,390**	**141,797**

8. Investment property

	Notes	Dec 06 $000	Dec 05 $000	June 06 $000
Opening balance at 1 July under previous GAAP		148,175	104,358	104,358
Correction of prior period error	3a			
Reverse previous revaluations on property intended for sale		(9,820)	(3,996)	(3,996)
Reflect, at cost, property intended for sale as a current asset	9	(7,942)	(4,063)	(4,063)
NZ IFRS adjustments	3b			
Determining fair values without deduction of estimated disposal costs		4,247	3,004	3,004
Restated opening balance		134,660	99,303	99,303
Property improvements during the period		1,207	762	3,513
Property purchased		-	-	8,107
Property sold		-	-	(5,550)
Unrealised net change in the value of investment property		15,935	11,589	29,377
Total investment property		**151,802**	**111,654**	**134,660**

9. Property intended for sale

	Notes	Dec 06 $000	Dec 05 $000	June 06 $000
Opening balance at 1 July under previous GAAP		-	-	-
Correction of prior period error	3a			
Transfer from investment property, at cost, the Group's share of:				
• a 10% portion of the initial joint venture purchase of Hamilton land ("Newby 1")	15	202	202	202
• the portion of joint venture land likely to achieve residential zoning		7,740	3,861	3,861
Restated opening balance		7,942	4,063	4,063
Property purchased		-	3,894	3,879
Total property intended for sale		**7,942**	**7,957**	**7,942**

All the Group's properties intended for sale are carried at cost and the amounts are expected to be recovered more than twelve months after the balance sheet date.

10. Borrowings

	Notes	Dec 06 $000	Dec 05 $000	June 06 $000
Bank borrowings		111,850	64,140	104,590
Vendor mortgage		-	1,463	-
Total borrowings		**111,850**	**65,603**	**104,590**

The Group has a $141 million committed facility with ANZ National Bank Limited. The Group may draw funding for terms ranging from call to the termination of the agreement, which is 31 October 2009.

The security for advances is a general security agreement over the assets of the Group.

11. Derivative financial instruments

The notional principal amounts of outstanding interest rate swaps were $75.2 million at 31 December 2006 (31 December 2005: $47.7 million, 30 June 2006: $64.2 million).

12. Reconciliation of consolidated operating cash flows

	Notes	6 months Dec 06 $000	6 months Dec 05 $000	Year to June 06 $000
The reconciliation between profit & the cash flow from operations is:				
Profit for the period		19,798	14,542	38,105
Plus/(less) non cash items:				
Unrealised net change in the value of investment property		(15,935)	(11,589)	(29,377)
Depreciation, amortisation and goodwill impairment		3,030	2,748	5,889
Unrealised foreign exchange gains/(losses)		1,059	(375)	(1,170)
Movement in the fair value of interest rate swaps		(867)	(397)	(818)
Movement in non-current employee entitlements		43	44	77
Movement in deferred tax		(193)	1,085	1,610
Items classified as investing activities:				
Loss/(gain) on sale of property, plant and equipment		38	(52)	39
Gain on disposal of investment property		-	-	(344)
Movement in working capital items:				
Trade and other receivables		406	(329)	(871)
Trade and other payables		(2,184)	(418)	1,027
Current employee entitlements		24	76	50
Income tax		663	(372)	(227)
Property intended for sale		-	(2,330)	(3,884)
Inventories		13	14	10
Net cash flows from operating activities		**5,895**	**2,647**	**10,116**

13. Commitments

At 31 December 2006 the Group had commitments/approvals for capital expenditure of $5.6 million (31 December 2005: $26.6 million, 30 June 2006: $21.1 million).

14. Contingencies

Apart from the matters noted below, there are no contingent liabilities at 31 December 2006 (31 December 2005: nil, 30 June 2005: nil).

Guarantees

As part of contractual arrangements for the purchase of two ship-to-shore container cranes the ANZ National Bank Limited has issued guarantees at the request of the Group. At 31 December 2006 guarantees totalling $US3.1 million remained outstanding (31 December 2005: $US2.7 million, 30 June 2006: $US5.1 million). These guarantees progressively expire as the Group makes payments in accordance with the crane purchase contracts. While the Group has indemnified the ANZ National Bank Limited against any claims made pursuant to the guarantees, the possibility of such claims occurring is considered remote.

Port noise

The Company has an obligation under the Port Noise Management Plan and the requirements within the Dunedin City Council District Plan to either carry out or contribute to acoustic treatment of certain properties in Port Chalmers. The Company's obligation for acoustic treatment of residential properties varies depending on the level of noise received from the port. The Company is unable to reliably assess its future obligation since the extent and timing of property purchases and noise mitigation expenditure will depend on the decisions of individual property owners.

Financial arrangement

At 30 June 2006 the Group reported that there was agreement in principle to an incentive arrangement with a member of the Group's senior management. Note 15 on Related party disclosure contains further details on the proposed agreement.

15. Related party disclosure

The Group has entered into certain joint venture arrangements in relation to blocks of land at Hamilton ("the Hamilton Joint Venture lands").

Pursuant to the joint venture agreement between the parties, Chalmers Properties Limited, through the services of its Chief Executive, Andrew Duncan, is the manager of the Hamilton Joint Venture lands developments.

In April 2004 the joint venture partners agreed to sell 10% of the Newby 1 land, at cost, to Andrew Duncan subject to final confirmation on the manner in which the agreement would be implemented. After considering the range of options available to implement the agreement the terms of the transaction have now been agreed and include the following:

- Sale price $403,000, of which the Group's share of the cost price is $201,500.
- Andrew Duncan to pay a deposit of 10% on entering the agreement.
- Interest, at a rate equivalent to the Chalmers Properties Limited borrowing rate, is to be charged on the deposit amount from the date the joint venture partners purchased the Newby 1 land to the date of payment of the deposit.
- Balance of purchase price on settlement, which is to be within 10 days of the vendor providing title.
- A right of repurchase, with the purchase price being determined by arbitration if necessary, in the event Andrew Duncan resigns his position, dies or becomes disabled from continuing management of the Hamilton Joint Venture lands.

The Group's 50% share of the land to be sold to Andrew Duncan cost $201,500 and was valued at $1.4 million at 30 June 2006. The land area of the total Hamilton Joint Venture lands is 112.4 hectares, of which 4.37 hectares is to be sold to Andrew Duncan. The cost to the Group of its share of all the Hamilton Joint Venture lands is $9.8 million. The Group's share of the 112.4 hectares was valued at $31.0 million at 30 June 2006.

16. Significant events after balance date

Dividends

On 13 February 2007 the directors declared an interim dividend of $2.5 million.

Directory

Directors

John Gilks	Chairman
Ross Black	Deputy Chairman
George Berry	
Ed Johnson	
Jim Miller	
Vincent Pooch (appointed 13 December 2006)	
Dougal Rillstone	

Executive

Geoff Plunket	Group Chief Executive
Peter Brown	Commercial Manager
Bruce Trainor	Operations Manager
Wayne Muir	General Manager, Port Otago Group Warehousing
Lincoln Coe	Technical Services Manager
Hugh Marshall	Marine Services Manager
Andrew Taggart	Chief Financial Officer

Chalmers Properties Limited

Andrew Duncan	Chief Executive

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Bankers

ANZ National Bank Limited

Solicitors

Anderson Lloyd

Auditors

Audit New Zealand on behalf of the Auditor-General

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