interim report

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2013

South Port NZ

Interim REPORT

FINANCIAL PERFORMANCE

For the 6 months ended 31 December 2013 South Port recorded a slightly lower interim NPAT of $2.68 million (2012 - $2.90 million). This bottom line result was encouraging after the Company and the rest of the freight market in New Zealand encountered a quieter than normal export off-season in the July to September 2013 quarter. This was largely due to the more rapid movement of dairy, fish and meat product into the market during the previous season, creating low inventory levels at the start of South Port's financial year and directly impacted warehousing activity and containerised cargo flows.

CARGO

In contrast to the 2012 interim reporting period where tonnages declined, cargo volumes rose by 101,000 tonnes or 8% during the 6 months ended 31 December 2013.

Cargo volumes were 1,369,000 tonnes compared with 1,268,000 tonnes in the equivalent 6 months during the previous financial year. This lift in cargo was driven primarily by strong fertiliser and stock food imports plus increasing log export volumes. Notable declines were recorded for dairy product, NZAS import cargo and sawn timber.

While the 195,000 tonnes of logs exported through South Port was a 6 monthly record, other parts of the forestry sector continued to encounter difficult conditions. The Japanese market for softwood chips remained weak and sawn timber activity was lower than the comparable 6 month period.

Fertiliser tonnages continued to be buoyant and supplementary stock food also demonstrated growth as a consequence of farmers adopting new feeding systems.

OPERATIONAL EVENTS

NZAS – Shareholders will recall the August 2013 announcement by NZAS and Meridian where these parties confirmed the renegotiation of a long-term electricity supply agreement. This significant cargo generator continues to grapple with declining aluminium prices. NZAS is still operating at less than full capacity but has signalled that potential exists to reinstate the fourth potline later in 2014 provided it is economically viable to do so.

Container Infrastructure Review – South Port is presently working with its major container shipping line customer MSC to review the port infrastructure that will be necessary to service projected cargo growth in the region. This review will encompass the full range of container related infrastructure including vessel discharging/loading, terminal activity and the container repair/service depot. This review could result in further capital investment being made in this area of the business.

Additional Dry Warehousing – During the first half of F2014 both fertiliser and stock food cargo was loaded into the separate tenanted areas of the additional 6,000 m² dry warehouse constructed at the West End of the Bluff Island Harbour. Encompassing load bearing walls and divided into two storage locations (3,700 m² & 2,300 m²), this new structure is specifically designed to accommodate bulk cargoes and is proving to be a useful addition to South Port's warehousing resources.

PACE Process Improvement Programme – During the past 6 months South Port senior managers and supervisors undertook training in Process Improvement and will roll out an internal programme titled PACE (Port Achieving Combined Excellence) in calendar 2014. The programme is designed to encourage a continuing focus on operational improvement, better use of existing resources and the creation of a solid platform for future growth.

NEW BUSINESS OPPORTUNITIES

Open Country Dairy (OCD) Dryer Addition – After evaluating all of its three existing dairy plant locations (Waharoa, Wanganui and Awarua), OCD has chosen to expand its milk powder production base at Awarua (15 km from Bluff). A second milk powder dryer is currently under construction and will be commissioned in spring this year. South Port is working with this customer to deliver an enlarged warehousing solution in order to cater for the planned lift in dairy output.

Oil & Gas Exploration – Shell NZ, together with its consortium partners OMV NZ Ltd and Mitsui E&P Australia Pty Ltd announced in January 2014 that it would be advancing exploration in the Great South Basin (GSB) which will most likely target the early 2016 summer period. This exploration activity is likely to involve a 40-60 day operating period and a one well drilling exercise is estimated to cost up to NZ$200 million. In addition, the same consortium is presently acquiring further 2D seismic data in a new permit area adjacent to the targeted exploration location.

In the latest round of off-shore exploration permits issued by the NZ Government, Woodside Petroleum and NZOG secured permit 55794 situated in the Great South Basin. This permit covers an area of 9,800 km² off the south-east coast of the South Island and requires the permit holder to acquire 900 km² of 3D seismic data prior to April 2015.

South Port and key regional groups continue to interact with oil and gas exploration companies and remain optimistic about the energy potential available in GSB.

HEALTH & SAFETY AND ENVIRONMENT (HSE)

Regional Contractor Induction System – As part of South Port's on-going commitment to continuous improvement in HSE standards the Company participated in a working group formed to establish the provision of a generic regional induction package for contractors. The working group is initially made up of Southland larger industrial companies together with representatives from the contracting sector and SIT (Southern Institute of Technology). This web-based delivery of core induction information will aim to lift the overall HSE standards in the region plus reduce the time that contractor employees spend on duplicated induction content.

Lost Time Injuries (LTI's) – The Company was able to report that no LTI's occurred in the 6 month period being covered by this Interim Report. HSE is an increasingly significant component of businesses in New Zealand and one that South Port cannot afford to be complacent about.

OUTLOOK

Looking to the remainder of the current financial year, South Port believes that the second half of F2014 should provide consistent cargo volumes across most sectors. Offsetting this positive tone is the more rapid flow of meat, fish and dairy product to market which will result in reduced warehousing margins for the Company's cold storage division. An uplift in bulk cargoes such as fertiliser, logs and stock food should enable the Company to achieve its previously stated year-end profit target.

Based on all known factors at the date of releasing its 2014 interim result South Port estimates that its full year earnings should be in the range of $5.8 million to $6.0 million.

DIVIDEND

After assessing the anticipated year end result, the Directors have declared a fully imputed interim dividend of 6.00 cents per share (2013 – 6.50 cents) payable on 11 March 2014.

Rex Chapman
Chairman of Directors

Mark O'Connor
Chief Executive

Financial STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six month period ended 31 December 2013

	31/12 2013 $000's	31/12 2012 $000's	Year to 30/06/13 $000's
Total operating revenues	14,550	13,854	29,298
Total operating expenses	(9,342)	(8,421)	(17,637)
Gross profit	5,208	5,433	11,661
Administrative expenses	(1,262)	(1,301)	(2,398)
Operating profit before financing costs	3,946	4,132	9,263
Financial income	56	81	200
Financial expenses	(263)	(182)	(470)
Net financing income/(costs)	(207)	(101)	(270)
Other income	9	–	36
Surplus before income tax	**3,748**	**4,031**	**9,029**
Income tax	(1,069)	(1,127)	(2,526)
Total income tax	**(1,069)**	**(1,127)**	**(2,526)**
Net surplus after income tax	**2,679**	**2,904**	**6,503**
Other comprehensive income	**–**	**5**	**5**
Total comprehensive surplus/ (loss) after income tax	**2,679**	**2,909**	**6,508**
Basic earnings per share	$0.102	$0.111	$0.248

CONSOLIDATED STATEMENT OF CASH FLOWS

Six month period ended 31 December 2013

	31/12 2013 $000's	31/12 2012 $000's	Year to 30/06/13 $000's
Cash flows from operating (note 6)	2,127	1,825	8,925
Cash flows from investing	(1,798)	(4,029)	(8,064)
Cash flows from financing	(795)	2,461	(508)
NET INCREASE/(DECREASE) IN CASH	(466)	257	353

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	31/12 2013 $000's	31/12 2012 $000's	Year to 30/06/13 $000's
TOTAL EQUITY	**29,184**	**28,677**	**30,571**
NON-CURRENT ASSETS			
Property, plant & equipment	35,753	33,760	35,795
Investments	–	27	28
Total non-current assets	35,753	33,787	35,823
CURRENT ASSETS			
Cash	860	1,233	1,327
Trade and other receivables	5,284	5,625	4,127
Total current assets	6,144	6,858	5,454
Total assets	**41,897**	**40,645**	**41,277**
NON-CURRENT LIABILITIES			
Borrowings	–	201	201
Employee provisions	37	76	79
Deferred tax liability	281	269	243
Other	164	325	214
Total non-current liabilities	482	871	737
CURRENT LIABILITIES			
Current borrowings	9,473	7,264	6,000
Trade and other payables	1,845	2,900	2,374
Provisions	647	728	772
Other	266	205	823
Total current liabilities	12,231	11,097	9,969
Total liabilities	**12,713**	**11,968**	**10,706**
TOTAL NET ASSETS	**29,184**	**28,677**	**30,571**
Net asset backing per share	$1.11	$1.09	$1.17

NOTES
to the Financial Statements
For the six month period ended 31 December 2013

1. ACTIVITIES OF SOUTH PORT GROUP – The Group is primarily involved in providing and managing port and warehousing services.

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

These financial statements comply with International Financial Reporting Standards (IFRS).

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

3. TAXATION – Income tax expense comprises current and deferred tax at the company tax rate of 28%. Income tax expense is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

4. SEGMENTAL REPORTING – The South Port Group operates in the Port Industry in Southland, New Zealand, and therefore only has one reportable segment and one geographical area based on the information as reported to the chief operating decision maker on a regular basis.

South Port engaged with one major customer who contributed individually greater than 10% of its total revenue for the period ended 31 December 2013. This customer contributed $2.92 million for the six months ended 31 December 2013 (2012: $3.39 million).

5. STATEMENT OF CHANGES IN EQUITY

	31/12 2013 $000's	31/12 2012 $000's	Year to 30/06/13 $000's
Total equity at beginning of the period	**30,571**	**29,572**	**29,572**
Surplus/(loss) after income tax	2,679	2,904	6,503
Other comprehensive surplus/(loss)	–	5	5
Total comprehensive surplus/(loss)	**2,679**	**2,909**	**6,508**
Distributions to shareholders	(4,066)	(3,804)	(5,509)
Total equity at end of the period	**29,184**	**28,677**	**30,571**

6. NET CASH FLOW FROM OPERATING ACTIVITIES

Surplus after taxation	2,679	2,903	6,503
Add/(less) items classified as investing/financing activities	–	–	–
Add/(less) non-cash items	1,294	1,140	2,287
Add/(less) movement in working capital	(1,846)	(2,218)	135
Net cash provided by operating activities	2,127	1,825	8,925

South Port NZ

DIRECTORY

GROUP COMPANIES

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

DIRECTORS

R. T. Chapman, *Chairman*
P. W. Cory-Wright
G. D. Heenan
R. G. M. Christie
T. M. Foggo
J. J. McClean

CORPORATE EXECUTIVES

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

Information

For further information about our Company please contact:

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