

**NZX/MEDIA STATEMENT****19 AUGUST 2010****Government Tax Changes Mask Strong Result**

South Port New Zealand Ltd Chairman, Mr John Harrington, announced yesterday an improved pre-tax profit of \$7.45m (compared with \$5.68m in 2009) for the Bluff based port operating company.

Addressing the after tax result Mr Harrington explained that he regards South Port's 24% lower after tax profit of \$3.13m (down from \$4.12m in 2009) as "a misleading indication of the strength of the Company's business during the past 12 months." "This is due to recent Government tax changes relating to the removal of tax depreciation on buildings and the pending reduction of corporate tax rates, requiring South Port to reflect an additional \$2.08m tax charge in the 2010 year."

"This adjustment to profit is a one-off, non-cash, accounting entry which has no impact on the company's underlying profitability, cash flows or dividend policy."

Other one-off factors impacting the 2010 result included:

- The favourable proposed agreement with NZ Aluminium Smelters over arrears and ongoing charges applicable to the Tiwai Wharf licence.
- An impairment adjustment downwards associated with the Company's existing mobile harbour crane.
- Foreign exchange losses arising from hedging contracts associated with the purchase of a replacement mobile harbour crane.

The most recent profit guidance issued by South Port suggested that an unaudited profit range of \$3.5 million - \$3.7 million should have been achievable. Subsequent to that release the year end audit process produced a technical IFRS accounting adjustment which pulled the expected profit back to the lower level of \$3.13 million.

However had the one-off deferred tax adjustments not occurred this year's actual profit would have been \$5.21m (2009 \$4.12m), which is the basis for calculating the 2010 final dividend.

South Port has adhered to its policy of aligning dividends with its free cash flow and its reported profitability. It has also factored in the non-cash nature of the deferred tax charge and accordingly the final dividend is 12.5 cents. This translates to a full year dividend of 17.0 cents compared with 13.5 cents last year, fully imputed.

Of this total distribution approximately 4.0 cents relates to arrears and interest due upon settlement of the NZAS Licence dispute and therefore should not be taken into consideration when assessing potential future dividend streams.

The dividend payment this year represents a gross return of 9.7% (net 6.5%) based on a share price of \$2.60 as at 30 June 2010.

The pay-out ratio is 86% of the restated profit level and the Company will target a distribution of 90% in the foreseeable future. Based on current budget indications the forecast dividend level for 2011 is approximately 13 cents per share.

Commenting on the global picture Mr Harrington indicated "It will take longer to see full confidence restored to international markets and until then the New Zealand economy would continue to have a sense of fragility. No-one could accurately predict the likely direction of global economic activity in the medium term".

"The domestic marketplace is also beginning to show greater signs of strain that were not so apparent during the worst of the Global Financial Crisis", he added.

Mr Harrington provided encouragement for the Company's shareholders by stating, "What is clear is that New Zealand, particularly the Southern part of the country, remains in a more favourable position than many other regions around the world. Demand for forestry, dairy and other agricultural goods is still relatively strong and this coupled with production from NZAS should underpin the cargo levels passing through the Port of Bluff."

"Across all cargoes South Port registered an annual volume of 2.17 million tonnes compared to 1.86 million tonnes the previous year" said the Chief Executive, Mark O'Connor. "Cargo volume in containerised form grew by 21% from 24,000 TEU equivalents to 29,000 annually. This related to product moving on the weekly MSC Capricorn Service."

"Reliable infrastructure is required to support this level of customer activity and South Port will replace its existing container crane with a new and larger capacity Liebherr LHM 400 model at a contract cost of \$6m. An additional heavy lift container forklift will cost \$700,000."

"This increased level of capital expenditure and resulting higher funding and depreciation expenses will impact the Company's 2011 profit."

He added "The other significant growth area was that of the forestry sector. Tonnage in the logs/woodchip/sawn timber category lifted by 182,000 tonnes or +177% above the prior year's volume."

Mr O'Connor said the future holds upside for the increased storage and movement of cargo. South Port would work with the companies connected with potential energy related projects including the targeted conversion of Southland's 6 billion tonnes of recoverable lignite reserves into other more viable products.

Revenue from Port and warehousing operations increased by 18% to \$22.6m (from \$19.1m) while operating profit rose 74% to \$8.2m (\$4.7m), prior to net financing costs of \$723,000. Last year there was a \$719,000 finance gain due to winding-up distributions from Hardwood Forests whereas this year's financial expense includes a \$636,000 foreign exchange loss associated with hedging contracts taken out over the purchase of a replacement mobile harbour crane.

Based on the reported result, earnings per share are 11.9 cents (15.7 cents).

The changes to depreciation rates and loadings implemented in this year's result increase the effective tax rate prior to offsetting the reduction in corporate tax rate from 30% to 28% from 2012.

The Company confirmed its financial strength with shareholders' funds steady at \$27.3m after dividend payments of \$3.54m. Group assets stand at \$33.7m and net tangible asset backing is \$1.04.

The net working capital position is \$3.0m compared with \$1m last year. Term liabilities were \$1.8m.

The Board's estimated net profit range for 2011 is \$3.50m to \$3.90m, taking into account the increased funding and depreciation expenses. Should this forecast profit level be achieved, the total dividend in 2011 would be approximately 13 cents.

The next earnings outlook update will accompany the interim results.

Mr Gary Kirk will retire from the Board after 6 years service, whilst Mr Graham Heenan will seek re-election. Mr Philip Cory-Wright, an Auckland-based strategic advisor, has been nominated for election. The Annual Meeting is at Bluff on Thursday, 30 September.

#### **MEDIA/ANALYSTS' NOTE:**

*South Port New Zealand Ltd has 26,234,898 ordinary shares on issue.*

---

#### **FOR FURTHER INFORMATION PLEASE CONTACT:**

Mr Mark O'Connor  
Chief Executive  
South Port New Zealand Ltd  
Tel 03 212 8159  
Mobile 0272 560 407

Mr Warren Head  
Managing Director  
Head Consultants Ltd  
Tel 03 3650 344  
Mobile 021 340 650

## COMPANY FACT SHEET – 2010

South Port New Zealand Ltd (South Port) is the southern most commercial port in New Zealand, located at Bluff and operating on a year round, 24 hour basis. It is situated in the rich productive province of Southland which is responsible for generating a sizeable proportion of New Zealand's total exports by value. The region's major cargo producing sites are situated within 30 to 80 km of the Port.

The Port of Bluff has been operating since 1877 while the Company was formed in 1988 having taken over the assets and liabilities of the former Southland Harbour Board.

South Port was listed on the NZ Stock Exchange (NZX) in 1994 and has Environment Southland, the region's local government environmental agency, as its 66% majority shareholder.

### SOUTH PORT FACTS

- Owns and manages assets which have a book value of \$33.7 million
- Directly employs more than 60 full time equivalent staff
- Is the only Southland based company listed on NZX – market capitalisation as at 30 June 2010 equates to \$68 million
- Handles in excess of 2.0 million tonnes of cargo in a normal trading year
- Offers full container, break-bulk and bulk cargo capability and services the following main cargoes:
  - ✓ import – alumina, petroleum products, fertiliser, acid, fish, stock food and cement
  - ✓ export – aluminium, timber, logs, dairy, meat by-products and woodchips
- Has split its land-based operating resource into four main divisions – warehousing & packing, containers, cool & cold storage and dairy
- Undertakes its primary port operation on a 40 ha man-made Island Harbour situated at Bluff
- Operates a separate dedicated fuel berth at Bluff Town Wharf plus provides the Tiwai Wharf facility to NZAS under a long term licence
- Services vessels carrying approx 1.0 million tonnes of cargo destined for movement across the Tiwai Wharf each year, of which 2/3 is raw material imports while 1/3 is finished aluminium product
- Has approximately 9 ha of on-port land available for further port development or industry establishment