



## NZX AND MEDIA ANNOUNCEMENT

25 AUGUST 2011

### **Strong Trade Lifts South Port**

Positive cargo trends across all sectors have lifted volumes through the Port of Bluff to a record 2.64 million tonnes in the June 2011 year and led to an improved earnings performance by South Port New Zealand Ltd.

Cargo volumes compare to 2.17 million tonnes in the 2010 year.

“In the port industry it is unusual for almost all cargo sectors to be either growing or maintaining their existing tonnage levels at the one time,” said South Port Chairman, Mr John Harrington. It is more usual for some sectors to be performing more strongly, whilst others are static or lagging.

New Zealand has been advantaged by buoyant global trading, with an “extremely robust” period of commodity prices matched by readily available product supply, he said.

The reported after tax profit of \$6.26m is 100% above the result reported for 2010 of \$3.13m. However, the 2010 result reflected a non-cash tax charge of \$2.08m related to Government tax changes removing tax depreciation on buildings and the then pending reduction in company tax rates.

The Government later allowed depreciation claims on commercial fit-outs of buildings and, on that basis, approximately 13% of the 2010 tax adjustment, or \$279,000, has been reversed.

After allowing for the non-recurring tax adjustments in both years, normalised profit reflects \$5.98 million for 2011 and \$5.21 million for 2010. This translates to an uplift in profit of 15%.

Revenue from port and warehousing operations surpassed \$25m for the first time, increasing by 11% at \$25.1m (\$22.6m in 2010).

Operating profit before financing costs and tax improved by 7% to \$8.7m (\$8.2m). Net financing costs were \$339,000 (\$723,000).

Earnings per share have increased to 23.9 cents (11.9 cents on 2010's reported result or 19.9 cents on a normalised basis).

This year's dividend distribution has been assessed on the restated profit of \$5.98m (2010: \$5.21m).

South Port directors have decided to pay a final dividend of 14.5 cents per share. This takes the full year dividend to 20 cents, compared with 17 cents in 2010.

The distributions carry full imputation credits and represent a gross return of 8.4% based on the Company's share price of \$3.40 as at 30 June 2011. The payout ratio for the period is 88% (based on net profit adjusted for the one-off deferred tax reversal).

Total group assets stand at \$33.9m (\$33.7m). Net tangible asset backing is \$1.10 (\$1.04).

Current assets amount to \$3.4m (\$7.6m) and current liabilities are \$4.5m (\$4.6m). Term liabilities are \$0.5m (\$1.8m).

Encouraged by the growth trend in port-related business, South Port Directors committed during the year to the purchase of a new and larger mobile harbour crane, at a cost of \$5.8m, and an additional heavy lift container forklift, at a cost of \$700,000. "The capital expenditure is the largest since the Company's inception in 1988," said Mr Harrington.

The agriculture, forestry, and manufacturing (aluminium) trading sectors have had a marked influence on the record cargo volume and financial result, said the Chief Executive, Mr Mark O'Connor. Other areas contributing to the improved result included dry warehousing, notably of dairy product, and cold storage of cheese, fish and pet food.

Strong demand was again evident for logs and other forestry products. Just three years ago South Port's log exports sat below 100,000 tonnes and since then, like many other New Zealand ports, the company has experienced a three-fold increase in throughput," said Mr O'Connor.

In response to the sizeable uplift, additional log storage area has been commissioned on the Bluff Island Harbour.

The volume of woodchip material available for export has been boosted by the harvest of Eucalyptus forests planted in Southland in the early 1990s, and the port is also handling greater volumes of processed sawn timber.

Continuing growth in the dairy sector is having a significant impact on the economic profile of Southland and a range of ingredients, packaging and related stockfood inputs are being handled by South Port as well as the manufactured dairy product. The dairying, sheep and beef, sectors have increased demand for fertiliser with South Port handling record import volumes totalling 360,000 tonnes.

The Bluff link by shipping line MSC has led to further improvement in containerised cargo activity, with total TEUs lifted from 29,000 to 33,000.

The Rio Tinto Alcan and Sumitomo Chemical owned NZAS Tiwai aluminium smelter produced a record annual cargo movement in excess of 1.2 million tonnes, up from 999,000 tonnes in 2010.

The impact of natural catastrophes globally and in Christchurch has been felt in the deep South. South Port has revised the scope and value of infrastructure assets under insurance cover, which combined with a lift in base premiums will necessitate a higher annual insurance cost in the future.

South Port's material damage and business interruption insurance policy was due for renewal on 1 July 2011. "Due to an extremely volatile and cautious insurance market, as at the renewal date approximately 80% of the total requested cover had been successfully placed," said Mr O'Connor. Subsequent to the renewal date, the brokers for the insurance collective successfully filled the short fall in cover.

After many years as a Director and Chairman of the Company, Mr John Harrington will retire from the South Port Board at this year's Annual Meeting. Mr Rex Chapman also retires by rotation and will stand for re-election to the Board. A director nomination has been received in respect to Mr Jeremy McClean, an Invercargill Chartered Accountant.

## OUTLOOK

"South Port has been the beneficiary of consistent cargo growth over the past three years and it is realistic to suggest that the 2012 financial year is more likely to deliver a period of consolidation," said Mr Harrington. He noted the strength of the New Zealand dollar, weakening dairy commodity price trends and the debt constrained economies in Europe and the US.

"All known assumptions and factors suggest an approximate 15% to 20% reduction in estimated tax-paid profit is a probable outcome for the 2012 financial year." This estimate includes a full year's depreciation associated with the \$5.8m crane replacement, increased operating costs flowing from servicing a higher cargo base and higher on-going insurance costs.

An update of the earnings outlook will be released with the 2012 interim results.

South Port is however "upbeat about what the future is likely to offer" and the Board and management believe considerable upside exists in the medium to longer term for increased storage and cargo movement.

"The Company has at times been stretched with its existing resources to service an elevated base level of cargo," Mr O'Connor added. A review of capacity is underway to ensure the business has a sustainable platform for future growth.

---

**ANALYSTS' NOTE:** South Port New Zealand Ltd has issued capital of \$9.4m, comprising 26,234,898 ordinary shares

---

### FOR MORE INFORMATION:

Mr Mark O'Connor  
Chief Executive  
South Port New Zealand Ltd  
Tel 03 212 8159  
Mobile 0272 560 4017

Mr Warren Head  
Managing Director  
Head Consultants Ltd  
Tel 03 365 0344  
Mobile 021 340 650

## SOUTH PORT FACTS 2011

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 \$34 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 2011 equates to \$89 million
- Handles in excess of 2.5 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, stockfood 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