Contents

Results in Brief

	2005 $million	%	2004 $million
Revenue	**46.5**	+4%	44.6
Operating surplus	**12.7**	-3%	13.1
Net surplus after taxation	**8.3**	-9%	9.1
Net surplus after unrealised revaluations	**23.8**	+6%	22.5
Total assets	**188.7**	+18%	159.6
Shareholders equity	**128.0**	+16%	110.7
Dividends paid and declared	**6.5**		6.5

Main Features

- A small reduction in the port operating result. The operating surplus from port operations (before unusual items and taxation) was $9.4 million, compared with $9.6 million for the previous year.
- Continued strong performance by Chalmers Properties with a $15.5 million rise in the value of the investment property portfolio.
- Improved health and safety performance with the lost time injury frequency rate of 2.5 being the best result for the last five years.
- Adoption of Port Noise Management and Mitigation Plans.
- $11.1 million invested in port assets during the year and an order placed for a third ship-to-shore container crane.
- Dividend maintained at $6.5 million.

We are pleased to report a record net surplus for the year ended 30 June 2005 driven by significant increases in property values partially offset by a slight decline in the port operations net surplus after tax.

Financial Results

Net surplus for the year was $23.8 million, compared with $22.5 million in the previous year. This result includes unrealised increases in the value of investment property of $15.5 million (last year: $13.4 million).

The net surplus after tax, but before unrealised increases in the value of investment properties, of $8.3 million is 9% lower than the $9.1 million reported last year. Unusual items in this year's result include reorganisation costs offset by a gain on disposal of investment property whereas last year's result included the favourable settlement from the Flagstaff Hill slip legal claim.

Excluding unusual items and tax, the operating surplus was $12.7 million for the year, 3% lower than last year.

Port Trade

Cargo throughput of 2.8 million tonnes was slightly ahead of last year and represented a record. There was a 6% increase in containers handled during the year. While the number of export refrigerated containers handled fell by 7%, dry container exports increased by 9%. Lower forestry exports and fewer cars imported were the main contributors to a 7% fall in conventional cargoes.

There were 494 vessel arrivals recorded for the year against 537 for last year. The decrease was mainly due to fewer port calls by fishing vessels.

Port Operations

The port operations net surplus after tax of $6.0 million was down from last year's $6.8 million by 12%.

Excluding this year's reorganisation costs and the positive contribution from the settlement of the Flagstaff Hill slip legal claim last year, the adjusted port net surplus after tax is 3% below last year.

With refrigerated containers comprising 21% of throughput, the Company has continued the investment in facilities and technology to enable world-class service delivery to exporters of refrigerated products. In addition to last year's $1.6 million upgrade of refrigerated storage areas a further $1.7 million upgrade has occurred this year. As part of the enhancements a 1,500 kVA backup generator has been installed that, combined with the existing 600 kVA generator, improves the integrity of electricity supply to refrigerated containers.

As a further step in upgrading the port's infrastructure, a third ship-to-shore container crane has been ordered from the Chinese company Shanghai ZPMC. Compared to the existing cranes, this new crane will be able to lift heavier loads, operate at faster speeds, as well as having a longer outreach. The new crane will enable the port to achieve faster container exchanges when ships are in port, as well as giving the port a three-crane service capability. The $11.5 million third crane represents a significant investment for the port.

The age profile of the port's straddle carrier fleet has improved with three new straddles acquired in December 2004 and a further two on order at balance date.

Staff

During the year the positive and supportive attitude of staff has significantly assisted the Company in adapting to changes in the business environment. Staff vigilance has been integral in enhancing the port's approach to security as part of successfully implementing the Port Facility Security Plan.

Health and Safety

Management has continued to target health and safety awareness with the philosophy that every job can be done in a safe manner. 11 lost time accidents were recorded for the year, an improvement on last year's level of 15. This year's lost time injury frequency rate of 2.5 (last year: 3.9) is the best result for the last five years although outside the Company's 2.0 target. The Company has retained a tertiary rating in the latest ACC Partnership Programme audit, which is a credit to all staff in their approach to workplace safety and hazard management.

Environmental Management

In the first half of the year the Port Noise Management and Mitigation Plans were completed and adopted. Under the Noise Plans the port is required to mitigate the effects of port noise either through purchase or acoustic treatment of affected properties. During the year two Port Chalmers properties have been purchased pursuant to the plans.

The Port Environment Liaison Committee, which undertakes the role of the Noise Committee specified in the Noise Plans, has continued to meet at around six-weekly intervals. The Port Environment Liaison Committee plays a key role in bridging communication between the port and the local community.

The adoption of international security requirements has necessitated closing off most wharf areas to the public. In an effort to lessen the impact of this imposition on the community, and in particular on those who enjoy fishing, the Company developed an extension to the Boiler Point walking track that included placing seating at the end of the track.

Community Involvement

The Company sponsors a number of community group projects as well as supporting local schools and sports clubs. This year the port contributed $10,000 towards new boat sheds for Port Chalmers School as well as making a $6,000 donation as part of the locally organised Tsunami Relief effort. Other donations and sponsorships included $2,000 provided to the Port Chalmers and District Lions for an enhancement project at the Lady Thorn Dell.

Investment Property

The Group's investment property business, held by Chalmers Properties Limited, achieved a net surplus of $17.8 million for the year ended 30 June 2005 including a $15.5 million lift in property values.

The $15.5 million unrealised revaluation (last year: $13.4 million) represents a 17% increase on the $88.9 million recorded for the investment property portfolio prior to the increase.

It is appropriate to note that property values can, at times, fall as well as rise and accordingly the property business is focussed on ensuring development risks are limited, revenue is enhanced and debt obligations are prudently managed.

The property business tax paid surplus of $2.4 million (last year: $2.3 million) included $158,000 from the sale of a surplus area of the Group's Oak Road property located in Wiri, South Auckland. The marginal rise in tax paid surplus reflected higher funding costs due to increased holdings of undeveloped property.

Property occupancy and rental returns have been enhanced over the year by the leasing of the last two units in the Group's five unit Porana Road, Auckland development, and the Group's 5-hectare Oak Road, Wiri site has also been successfully leased. Redevelopment options are being assessed for the Ronwood Avenue property located in Manukau, Auckland, currently leased under short-term tenancy.

Chalmers Properties Limited, with the Dunedin City Council, has now progressed joint planning for the Dunedin harbourside area with the public release of a Harbourside Stakeholder Consultation Document to promote discussion over ways to revitalise the area and improve its connection to the centre of Dunedin. The Company is working with the Dunedin City Council to develop a master plan for the future of the harbourside area.

The following table shows the geographical location of investment property at the end of the financial year:

Location	2005 %	2004 %
Dunedin	49%	58%
Auckland	32%	33%
Hamilton	15%	5%
Wellington	4%	4%
Total	**100%**	**100%**

Performance Targets

A comparison of actual performance with the targets in the Statement of Corporate Intent is as follows:

	Actual	Target	Outcome
Trade			
Cargo tonnage	2.8 million tonnes	2.7 million tonnes	Target achieved
Number of vessel arrivals	494 vessels	550 vessels	Target not achieved
Environmental			
Incidents leading to pollution of harbour	Nil	Nil	Target achieved
Full compliance with all resource consent conditions	Achieved	Achieved	Target achieved
Health & Safety			
Frequency rate (lost time accidents per 100,000 work hours)	2.5	2.0	Target not achieved

Financial Performance	Port Otago Group		Port Operations		
	Actual	Target	Actual	Target	
Return on assets	13.7%	6.6%	7.9%	7.8%	Target achieved
Return on shareholders funds	19.9%	9.4%	13.5%	12.5%	Target achieved
Equity ratio	68%	63%	61%	57%	Target achieved
Debt servicing ratio (times)	5.1	8.0	6.2	9.0	Target not achieved

Dividend

Dividends of $6.5 million were paid or declared for the year to 30 June 2005 (last year: $6.5 million). The dividend for the year represents 78% of the net surplus after taxation.

Financial Position

As at 30 June 2005 the Group had a ratio of equity to total assets of 68% (last year: 69%). The debt servicing ratio (the number of times interest is covered by the surplus before tax and interest) was 5.1 times (last year: 7.1). While the debt servicing ratio has fallen outside the target for the year it remains considerably in excess of the minimum ratio of 2.0 specified in bank covenants.

Outlook

There are two developments which are likely to result in changes to shipping schedules both internationally and in New Zealand. They are the takeover by Maersk of P&O Nedlloyd and Hapag-Lloyd's takeover offer for CP Ships. We believe that the port is well placed in terms of both its service capability and infrastructure to benefit from any resulting industry rationalisation.

The Group's investment property business has made good progress in the last 12 months, particularly in improving the portfolio's cash flow from rental income. Undeveloped properties within the portfolio provide significant scope for future growth.

For and on behalf of the Board

John Gilks
Chairman
29 August 2005

Consolidated Statement of Financial Performance

For the year ended 30 June 2005

	Notes	Group 2005 $000	Group 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Revenue	1				
Port operations		39,978	38,955	41,854	40,621
Investment property		6,529	5,661	-	-
		46,507	44,616	41,854	40,621
Surplus before interest and unusual items					
Port operations		11,015	10,973	12,891	12,565
Investment property		4,515	4,357	-	-
		15,530	15,330	12,891	12,565
Net interest		(2,858)	(2,244)	(1,736)	(1,423)
Operating surplus		12,672	13,086	11,155	11,142
Gain on disposal of investment property		158	-	-	-
Reorganisation costs		(258)	-	(258)	-
Settlement from Flagstaff Hill slip legal claim		-	608	-	608
Surplus before taxation	2	12,572	13,694	10,897	11,750
Taxation	3	(4,223)	(4,596)	(3,116)	(3,398)
Net surplus after taxation		8,349	9,098	7,781	8,352
Unrealised net change in the value of investment property	10	15,460	13,364	-	-
Net surplus after unrealised revaluations		**23,809**	**22,462**	**7,781**	**8,352**

The accompanying notes form part of these financial statements

Consolidated Statement of Movements in Equity

For the year ended 30 June 2005

	Notes	Group 2005 $000	Group 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Total recognised revenues and expenses:					
Net surplus		23,809	22,462	7,781	8,352
Distribution to owners:					
Dividend	19	(6,500)	(6,100)	(6,500)	(6,100)
Other movements:					
Amalgamation of subsidiary	11	-	-	-	1,535
Equity at beginning of the year		110,714	94,352	50,651	46,864
Equity at end of the year		**128,023**	**110,714**	**51,932**	**50,651**

The accompanying notes form part of these financial statements

PORT OTAGO LIMITED

Consolidated Statement of Financial Position

As at 30 June 2005

	Notes	Group 2005 $000	Group 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Equity					
Share capital	4	20,000	20,000	20,000	20,000
Reserves	5	108,023	90,714	31,932	30,651
		128,023	110,714	51,932	50,651
Non current liabilities					
Borrowings (secured)	6	54,230	42,370	27,890	24,220
Employee entitlements	7	797	764	797	764
		55,027	43,134	28,687	24,984
Current liabilities					
Accounts payable	8	3,793	4,084	2,974	3,482
Employee entitlements	7	1,884	1,677	1,884	1,672
		5,677	5,761	4,858	5,154
Total equity and liabilities		**188,727**	**159,609**	**85,477**	**80,789**
Non current assets					
Fixed assets	9	72,558	65,201	72,548	65,183
Investment property	10	104,358	82,881	-	-
Secured advances		4,916	-	-	-
Investment in subsidiaries	11	-	-	7,000	7,000
Intangible assets	12	348	719	967	1,116
		182,180	148,801	80,515	73,299
Current assets					
Bank		223	187	165	141
Receivables and prepayments	13	5,735	10,061	4,293	6,868
Stores and materials		378	322	378	322
Income tax refund		211	238	126	159
		6,547	10,808	4,962	7,490
Total assets		**188,727**	**159,609**	**85,477**	**80,789**

For and on behalf of the Board of Directors

J W Gilks
Chairman
29 August 2005

J D Miller
Director
29 August 2005

Consolidated Cash Flow Statement

For the year ended 30 June 2005

	Notes	Group 2005 $000	Group 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Cash flows from operations					
Cash was provided from:					
Receipts from port operations		42,501	37,070	42,577	37,125
Rental income		6,177	5,487	-	-
Dividend income received		-	-	1,800	1,600
Interest received		178	-	18	-
Cash was disbursed to:					
Payments to employees and suppliers		(27,142)	(24,429)	(25,711)	(23,012)
Interest paid		(2,926)	(2,226)	(1,684)	(1,398)
Income tax paid		(3,926)	(4,320)	(3,035)	(3,327)
Net cash flows from operations	14	**14,862**	**11,582**	**13,965**	**10,988**
Cash flows from investing activities					
Cash was provided from:					
Sale of fixed assets		12	2	12	2
Sale of investment property		22	23	-	-
Advances repaid		693	-	-	-
Amalgamation of subsidiary		-	-	-	1,592
Cash was applied to:					
Purchase of fixed assets		(11,059)	(7,757)	(11,058)	(7,735)
Interest capitalised		(65)	-	(65)	-
Purchase of investment property		(5,811)	(2,675)	-	-
Improvements to investment property		(425)	(2,211)	-	-
Advances to joint venture		(3,553)	(2,066)	-	-
Purchase of investments		-	-	-	(226)
Net cash flows from investing activities		**(20,186)**	**(14,684)**	**(11,111)**	**(6,367)**

The accompanying notes form part of these financial statements

PORT OTAGO LIMITED

Consolidated Cash Flow Statement

For the year ended 30 June 2005

	Notes	Group 2005 $000	Group 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Cash flows from financing activities					
Cash was provided from:					
Proceeds from borrowings		19,810	12,700	8,700	5,350
Cash was applied to:					
Repayment of borrowings		(7,950)	(3,485)	(5,030)	(2,535)
Dividends paid		(6,500)	(6,100)	(6,500)	(6,100)
Net cash flows from financing activities		**5,360**	**3,115**	**(2,830)**	**(3,285)**
Increase (decrease) in cash held		36	13	24	1,336
Cash held at beginning of year		187	174	141	(1,195)
Cash held at end of year		**223**	**187**	**165**	**141**

Statement of Accounting Policies

For the year ended 30 June 2005

Reporting Entity

Port Otago Limited (the "Company") is registered under the Companies Act 1993. Financial statements for Port Otago Limited and consolidated financial statements are presented. The consolidated financial statements comprise the Company, its subsidiaries and associates ("the Group"). The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

Measurement Base

The measurement base adopted is that of historical cost modified by the revaluation of certain assets.

Accounting Policies

The following accounting policies which significantly affect the measurement of profit and the financial position have been applied.

a) 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. Associates are those entities in which the Company, either directly or indirectly, holds a significant but not a controlling interest.

Joint Ventures

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

Goodwill Arising on Acquisition

Goodwill represents the excess of purchase consideration over the fair value of net assets acquired at the time of acquisition of a business. Goodwill is amortised on a straight line basis over the shorter of its useful life or 20 years.

b) Fixed Assets and Depreciation

Fixed assets are recorded at cost less depreciation to date.
Depreciation is provided on a straight line basis to write off the cost of the fixed assets over their estimated useful lives. The estimated useful lives are as follows:

Land improvements and buildings	10 - 50 years
Wharves, paving and dredging	15 - 40 years
Vessels and floating plant	5 - 20 years
Plant, equipment and vehicles	3 - 25 years
Computer software	1 - 3 years

c) Investment Property

Apart from capital work-in-progress, all investment properties are recorded at their net current value as determined annually by independent valuers. Net current value is the open market value less the costs of disposal that could reasonably be anticipated. Revaluation gains and losses are recognised directly in the statement of financial performance. In the year in which any properties are sold the difference between the net sale proceeds and the carrying amount is recognised in the statement of financial performance. Investment properties are not subject to depreciation.

Capital work-in-progress is recorded at cost.

d) Accounts receivable
Accounts receivable are stated at the estimated realisable value after making adequate provision for doubtful debts.

e) Stores and Materials
Stores and materials are valued at cost, on a weighted average basis, with appropriate allowances for obsolescence and deterioration.

f) Employee Entitlements
Provision is made in respect of the liability for annual leave, long service leave and retiring allowances. Annual leave is calculated on an actual entitlement basis at current rates of pay. Long service leave and retiring allowances are measured as the present value of the estimated future cash outflows to be made by the Company. The provision is affected by a number of estimates including projected interest rates, the expected length of service of employees and future levels of employee earnings.

g) Taxation
Income tax expense is charged in the statement of financial performance in respect of the current year's surplus after allowing for permanent differences.

Future tax benefits are determined on a comprehensive basis using the liability method. Future tax benefits attributable to timing differences or income tax losses are only recognised where there is virtual certainty of realisation.

h) Statement of Cash Flows
The following is the definition of terms used in the Statement of Cash Flows:
i) Cash means bank balances and cash on deposit with banks.
ii) Investment activities comprise the purchase and sale of fixed assets and investment properties and advances to/from subsidiary companies.
iii) Financing activities comprise the change in equity and debt structure of the Group and the payment of dividends.
iv) Operating activities include all transactions and events that are not investing or financing activities.

i) Derivative Financial Instruments
The Group uses interest rate swaps and fixed rate agreements to reduce its exposure to fluctuations in interest rates. The net differential paid or received on either swaps or fixed rate agreements is recognised as a component of interest expense over the period of the agreement.

Changes in Accounting Policies
There have been no changes in accounting policies during the year.

	Group 2005 $000	Group 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
1. REVENUE				
Port operating revenue includes:				
Interest income	206	19	18	7
Gain on sale of assets	14	3	14	3
Dividend income from Chalmers Properties Limited	-	-	1,800	1,600
Settlement from Flagstaff Hill slip legal claim	-	608	-	608
Investment property revenue includes:				
Rental income	6,371	5,661	-	-
Gain on disposal of investment property	158	-	-	-
2. SURPLUS BEFORE TAXATION				
The surplus before taxation is stated after charging:				
Depreciation				
Land improvements	364	345	364	345
Buildings	431	377	431	377
Wharves and berth dredging	456	459	456	459
Plant, equipment and vehicles	2,250	1,999	2,241	1,987
Computer software	267	236	267	236
	3,768	**3,416**	**3,759**	**3,404**
Audit fees	55	49	44	37
Donations	28	15	28	15
Goodwill amortisation	101	100	101	100
Bad debts	32	13	5	13
Directors' remuneration	247	213	162	143
Loss on disposal of assets	-	18	-	92
Interest expense	3,064	2,263	1,754	1,430

	Group 2005 $000	Group 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
3. TAXATION				
Surplus before taxation	12,572	13,694	10,897	11,750
Permanent differences	149	274	(1,537)	(1,344)
Taxable income	12,721	13,968	9,360	10,406
Taxation @ 33%	4,198	4,609	3,089	3,434
Under/(over) provision in prior years	25	(13)	27	(36)
Taxation charge	**4,223**	**4,596**	**3,116**	**3,398**
The taxation charge is represented by:				
Current taxation	3,953	4,361	3,068	3,358
Deferred taxation	270	235	48	40
The movements in the imputation credit account are:				
Credits available at beginning of year	19,675	18,359	18,096	16,269
Imputation credits attached to dividends received	-	-	887	788
Income tax payments	3,926	4,320	3,035	3,326
Imputation credits attached to dividends paid	(3,201)	(3,004)	(3,201)	(3,004)
Amalgamation of subsidiary	-	-	-	717
Prior year adjustment	2	-	4	-
Credits available at end of year	**20,402**	**19,675**	**18,821**	**18,096**
4. SHARE CAPITAL				
Issued and paid up capital 20,000,000 shares	20,000	20,000	20,000	20,000

All shares carry equal voting rights and the right to share in any surplus on the winding up of the Group.

	Group 2005 $000	Group 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
5. RESERVES				
Property revaluation reserve:				
Balance at beginning of year	45,727	32,363	-	-
Transfers from/(to) retained earnings:				
Realised on property sold	(58)	-	-	-
Change in value of investment property	15,460	13,364	-	-
Property revaluation reserve	61,129	45,727	-	-
Retained earnings	46,894	44,987	31,932	30,651
Total reserves	**108,023**	**90,714**	**31,932**	**30,651**

6. BORROWINGS

Borrowings are secured and comprise amounts owing to ANZ National Bank Limited.

The Group has a $65 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 30 September 2007. The facility is reviewed annually on the 30 September of each year, with a view to extending the expiry of the facility for successive periods of one year.

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

At 30 June 2005, $54.2 million (last year: $42.4 million) was drawn which, after allowing for interest rate swaps, was:

- on effective terms ranging from on call to 9 years (last year: call to 10 years), and
- at effective interest rates ranging from 5.9% to 7.4% per annum (last year: 5.9% to 7.4% per annum).

	Group		Parent Company	
	2005	**2004**	**2005**	**2004**
	$000	**$000**	**$000**	**$000**
7. EMPLOYEE ENTITLEMENTS				
Balance at beginning of year	2,441	2,165	2,436	2,127
Additional provision made	1,275	1,185	1,267	1,207
Amount utilised	(1,035)	(909)	(1,022)	(898)
Balance at end of year	**2,681**	**2,441**	**2,681**	**2,436**
The balance is classified as:				
Current	1,884	1,677	1,884	1,672
Non current	797	764	797	764

The provision for employee entitlements relates to employee benefits such as accrued annual leave, long service leave and retiring allowances.

8. ACCOUNTS PAYABLE

Accounts payable	1,761	2,380	1,547	2,240
Other accrued charges	2,032	1,704	1,427	1,242
	3,793	**4,084**	**2,974**	**3,482**

9. FIXED ASSETS

	Group 2005 $000	Group 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Land and improvements				
at cost	20,373	20,186	20,373	20,186
accumulated depreciation	(3,391)	(3,026)	(3,391)	(3,026)
	16,982	17,160	16,982	17,160
Buildings				
at cost	16,825	16,431	16,825	16,431
accumulated depreciation	(2,797)	(2,365)	(2,797)	(2,365)
	14,028	14,066	14,028	14,066
Wharves and berth dredging				
at cost	18,513	18,448	18,513	18,448
accumulated depreciation	(6,289)	(5,833)	(6,289)	(5,833)
	12,224	12,615	12,224	12,615
Plant, equipment and vehicles				
at cost	41,015	34,593	40,964	34,542
accumulated depreciation	(17,122)	(14,926)	(17,081)	(14,893)
	23,893	19,667	23,883	19,649
Computer software				
at cost	2,643	2,398	2,643	2,398
accumulated depreciation	(2,286)	(2,019)	(2,286)	(2,019)
	357	379	357	379
Capital work in progress				
at cost	5,074	1,314	5,074	1,314
Total net carrying amount	**72,558**	**65,201**	**72,548**	**65,183**

The Company is following the statutory process to obtain a Certificate of Title for the 1997 Boiler Point reclamation. The Company has satisfactory title to all other assets.

The latest rating valuations, completed in 2004 (last year: 2001) indicate a value for land and buildings as follows:

	2005 $000	2004 $000
Group and parent:		
Rating valuation with subsequent additions at cost	43,114	34,692
Comparative cost less depreciation to date	31,010	31,226

Based on an independent review of the Group's port related land and buildings, the Directors consider that $70 million is an indication of current fair value for port related land (including improvements) and buildings. This item will be the subject of a further valuation to meet the Group's International Financial Reporting Standards (IFRS) requirements.

10. INVESTMENT PROPERTY

	Group 2005 $000	Group 2004 $000
Balance at beginning of year	82,881	65,190
Property improvements during year	354	1,652
Property purchased	5,795	2,675
Property sold	(132)	-
Change in value of investment property	15,460	13,364
Balance at end of year	**104,358**	**82,881**
Comprising:		
Property portfolio at cost	43,229	37,154
Revaluation	61,129	45,727
	104,358	82,881
Valuation analysis:		
Valued at 30 June balance date as determined by:		
Barlow Justice Limited	3,485	2,622
Colliers International	47,452	45,096
DTZ New Zealand Limited	22,662	20,560
Guy Stevenson & Petherbridge Limited	17,132	4,398
Seagar & Partners (Manukau) Limited	13,626	10,180
Property recorded at net current value	104,357	82,856
Capital work-in-progress at cost	1	25
	104,358	82,881

Apart from capital work-in-progress, the Company's investment properties were revalued at balance date in accordance with valuation reports prepared by independent registered valuers.

Property valuations include an allowance for disposal costs.

11. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Name	Percentage owned	Balance date	Principal activity
Subsidiaries			
Chalmers Properties Limited	100%	30 June	Property investment
Perpetual Property Limited	100%	30 June	Property investment
South Freight Limited	100%	30 June	Dormant (non trading)
Associates			
Hamilton JV Investment Company Limited	50%	30 June	Property trustee (non trading)
Ormiston Road JV Company Limited	50%	30 June	Property trustee (non trading)
Joint ventures			
HarbourCold Dunedin	50%	30 June	Cold store operation
The Hamilton Joint Venture	50%	30 June	Property investment
Ormiston Road Joint Venture	50%	30 June	Property investment

Port Otago Limited's investment in wholly owned subsidiary companies is recorded at cost.

The financial statements include the relevant interest in each joint venture's assets and liabilities at 30 June along with the share of trading for the relevant period.

On 30 June 2004 Port Otago Limited and South Freight Limited were amalgamated. South Freight Limited was reincorporated on 5 October 2004.

	Group 2005 $000	Group 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
12. INTANGIBLE ASSETS				
Future tax benefit:				
Balance at beginning of year	333	568	730	769
Over/(under) provision for prior years' tax	(8)	149	10	136
Tax on current year timing differences	(262)	(384)	(58)	(175)
Balance at end of year	63	333	682	730
Goodwill:				
Balance at beginning of year	386	486	386	486
Current year amortisation	(101)	(100)	(101)	(100)
Balance at end of year	285	386	285	386
Total intangible assets	**348**	**719**	**967**	**1,116**

In 2003 the Company acquired from Tranz Rail Limited 100% of its Dunedin rail-side container depot business. The goodwill resulting from this acquisition is being amortised over 5 years.

	Group 2005 $000	Group 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
13. RECEIVABLES AND PREPAYMENTS				
Trade receivables	5,194	7,565	4,005	6,490
Secured advances	-	2,066	-	-
Amount owing by subsidiary	-	-	38	66
Prepayments	541	430	250	312
	5,735	**10,061**	**4,293**	**6,868**

	Group 2005 $000	Group 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
14. CASH FLOW FROM OPERATIONS				
The reconciliation between the net surplus and the cashflow from operations is:				
Net surplus	23,809	22,462	7,781	8,352
Non-cash/investing items:				
Unrealised net change in the value of investment property	(15,460)	(13,364)	-	-
Depreciation	3,768	3,416	3,759	3,404
Goodwill amortisation	101	100	101	100
Loss/(gain) on sale of fixed assets	(12)	13	(12)	87
Loss/(gain) on disposal of investment property	(158)	1	-	-
Non current employee entitlements	33	38	33	38
Deferred taxation	270	234	48	39
Changes in working capital:				
Receivables and prepayments	2,539	(2,134)	2,573	(2,184)
Accounts payable and current employee entitlements	1	763	(295)	1,048
Income tax receivable	27	42	33	39
Stores and materials	(56)	11	(56)	11
Receivables and payables acquired from subsidiary	-	-	-	54
Net cash flow from operations	**14,862**	**11,582**	**13,965**	**10,988**

15. CAPITAL EXPENDITURE COMMITMENT

At 30 June 2005 the Group had commitments/approvals for capital expenditure of $10.5 million (last year: $14.2 million).

16. CONTINGENCIES

There are no contingent liabilities at 30 June 2005 (last year: nil).

As part of contractual arrangements for the purchase of a ship-to-shore container crane the ANZ National Bank Limited had issued guarantees totalling US$4.6 million as at 30 June 2005, at the request of the Group. These guarantees progressively expire as the Group makes payments in accordance with the crane purchase contract and the first $US1.9 million guarantee was cancelled in August 2005. 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.

17. TRANSACTIONS WITH RELATED PARTIES

a) Transactions within the Group and with Otago Regional Council:

	Group		Parent Company	
	2005 $000	2004 $000	2005 $000	2004 $000
Related party revenue/(expenditure) transactions during the year:				
• **Otago Regional Council**				
Contribution towards operation of Harbour Control Centre	60	60	60	60
Miscellaneous sales	-	3	-	-
• **Chalmers Properties Limited**				
Administration services provided	-	-	76	66
Interest revenue	-	-	7	3
Interest expense	-	-	(12)	(6)

Amounts receivable from related parties are shown in note 13.

b) Other related party transactions:

Director(s)	Related Party	Nature of relationship
J W Gilks	Director of City Forests Limited	Customer of the Group
J W Gilks	Director of Aurora Energy Limited	Lease of property from Group
J W Gilks	Director of Delta Utility Services Limited	Supplier to the Group Lease of property from Group
D R Black	Director of Farra Dunedin Engineering Limited	Supplier to the Group Lease of property from Group
E G Johnson	Director of Fulton Hogan Group	Supplier to the Group Lease of property from Group

17. TRANSACTIONS WITH RELATED PARTIES *Continued*

Related party revenue/(expenditure) transactions during the year:

	Group		Parent Company	
	2005	2004	2005	2004
	$000	$000	$000	$000
• **City Forests Limited**				
Port facility revenue	248	265	248	265
• **Aurora Energy Limited**				
Property rental	38	36	-	-
• **Delta Utility Services Limited**				
Property rental	1	2	1	2
Maintenance expense	(12)	(39)	(12)	(39)
Capital expenditure	(52)	(192)	(52)	(192)
• **Farra Dunedin Engineering Limited**				
Property rental	21	22	-	-
Maintenance expense	(22)	(54)	(22)	(54)
Capital expenditure	(64)	-	(64)	-
• **Fulton Hogan Group companies**				
Property rental	23	22	23	22
Transport and warehouse revenue	16	66	16	66
Maintenance and waste disposal costs	(147)	(109)	(147)	(109)

Related party receivable/(payable) at year end:

	Group 2005 $000	Group 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
• **City Forests Limited**				
Receivable	5	51	5	51
• **Aurora Energy Limited**				
Receivable	2	10	-	-
• **Delta Utility Services Limited**				
Accounts payable	(3)	(2)	(3)	(2)
• **Farra Dunedin Engineering Limited**				
Receivable	6	6	-	-
• **Fulton Hogan Group companies**				
Receivable	4	5	4	5
Accounts payable	(27)	(26)	(27)	(26)

All related party transactions are conducted by the management of the respective companies on a commercial and arms length basis.

The amounts owing to/from related parties are payable in accordance with the Company's normal terms of trade. No related party debts have been written off or forgiven during the year.

18. FINANCIAL INSTRUMENTS

a) The nature of the activities and management policies with respect to financial instruments are:

i) *Interest Rate Risk*
The Group has a term facility with ANZ National Bank Limited. Under the facility the Group may draw funding for terms ranging from call to the termination of the facility. Interest rate risk is managed by drawing funding over a range of maturities using interest rate swaps and through maintaining a balanced portfolio.

ii) *Currency Rate Risk*
The Group enters into foreign exchange contracts to hedge foreign currency transactions when purchasing major items of plant and equipment when payment is denominated in foreign currency. Gains and losses on such contracts are recognised as a component of the related transaction in the period in which the transaction is completed.

The principal amounts of derivative financial instruments outstanding at balance date were:

	Group		Parent Company	
	2005	**2004**	**2005**	**2004**
	$000	**$000**	**$000**	**$000**
Interest rate swaps	47,750	33,250	28,200	18,050
Foreign currency forward exchange contracts	4,095	-	4,095	-

Foreign currency forward exchange contracts at 30 June 2005 are to cover United States dollar payments due under the contract for the purchase of a ship-to-shore container crane.

iii) *Credit Risk*
In the normal course of its business the Group incurs credit risk from trade receivables. Reflecting the nature of the business the majority of the credit risk is concentrated on a small number of shipping line clients with one customer comprising 33% of port trade receivables. Regular monitoring of trade receivables is undertaken to ensure that the exposure remains within the Group's normal terms of trade.

b) Fair values

The fair values of financial instruments do not differ by a material amount from the carrying values shown in the statement of financial position.

19. DIVIDENDS – Group and Parent Company

	2005	**2004**
	$000	**$000**
Declared in respect of the current financial year:		
Interim dividend	2,500	2,500
Second interim dividend	2,500	2,500
Final dividend	1,500	1,500
Dividends for the financial year	**6,500**	**6,500**
Adjust for dividends declared after year end:		
2005 Final dividend declared August 2005	(1,500)	-
2004 Final dividend declared August 2004	1,500	(1,500)
2003 Final dividend declared September 2003	-	1,100
Dividend distributed to owners as disclosed in the Statement of Movements in Equity	6,500	6,100

20. OPERATING LEASES – Group and Parent Company

Minimum rental commitments for all non-cancellable operating leases are:		
Payable within one year	687	687
Payable within one to two years	532	687
Payable within two to five years	108	640
	1,327	**2,014**

Operating leases comprise leases of property and equipment leases.

21. EVENTS SUBSEQUENT TO BALANCE DATE

Dividends

On 29 August 2005 the directors declared a final dividend of $1.5 million for the year ended 30 June 2005. Combined with interim dividends totalling $5.0 million this brings dividends paid and declared to $6.5 million for the full financial year (last year: $6.5 million).

AUDIT REPORT

TO THE READERS OF PORT OTAGO LIMITED AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

The Auditor-General is the auditor of Port Otago Limited (the company) and group. The Auditor-General has appointed me, Tony Uttley, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company and group, on his behalf, for the year ended 30 June 2005.

Unqualified Opinion

In our opinion:

- The financial statements of the company and group on pages 7 to 22:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the company and group's financial position as at 30 June 2005; and
    - the results of operations and cash flows for the year ended on that date.
- Based on our examination the company and group kept proper accounting records.

The audit was completed on 29 August 2005, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the company and group as at 30 June 2005. They must also give a true and fair view of the results of operations and cash flows for the year ended on that date. The Board of Directors responsibilities arise from the Port Companies Act 1988 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 19(1) of the Port Companies Act 1988.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.

A. Uttley

A Uttley
Audit New Zealand
On behalf of the Auditor-General, Dunedin, New Zealand

The following disclosures are made pursuant to the Companies Act 1993 in respect of the financial year ended 30 June 2005.

Group Activities
Port Otago Limited provides a full range of port facilities, cargo handling and warehousing services at the Port of Otago. Port Otago Limited has a 50% share in a joint venture, HarbourCold Dunedin, which operates a wharfside cold store.

Chalmers Properties Limited, a wholly owned subsidiary, manages the Group's investment property portfolio.

Financial Results
The Group recorded a net surplus for the year, after unrealised revaluations, of $23.8 million compared to $22.5 million last year.

Dividends
A final dividend of $1.5 million will be paid on 2 September 2005, to give a total dividend for the year of $6.5 million.

Changes in Accounting Policies
There have been no changes in accounting policies during the year.

Directors
In accordance with the constitution Messrs G L Berry and J D Miller retire by rotation and have been reappointed for a further term.

Directors' Remuneration
Remuneration paid by the Port Otago Group to Directors during the year was:

	Port Otago Limited $	Chalmers Properties Limited $	Total Group $
J W Gilks (Chairman)	45,000	-	45,000
D R Black (Deputy Chairman)	27,500	-	27,500
R D Anderson	-	17,500	17,500
G L Berry	20,000	20,000	40,000
G P Hinton	-	17,500	17,500
E G Johnson	22,500	-	22,500
J D Miller	22,500	12,500	35,000
D Rillstone	24,000	-	24,000
V H Pooch	-	17,500	17,500
	161,500	**85,000**	**246,500**

Directors' Interests

Directors have disclosed the following general interests for the year ended 30 June 2005 in accordance with Section 140 of the Companies Act 1993:

Director	Entity	Relationship
G L Berry	*Banco Properties Limited*	*Director*
	Banco Trustees Limited	*Director*
	Berry & Co	*Senior Partner*
	Berry & Co Solicitors Nominee Limited	*Director*
	Millbrook Resort Property Companies	*Director*
	Shotover Nominees Limited	*Director*
	Southern Lakes Development Co. Limited	*Director*
	Southern Property Holdings Limited	*Director*
	Totara Irrigation Development Limited	*Director*
	Totaratahi Estate Limited	*Director*
	Waitaki District Health Services Limited	*Chairman*
D R Black	*Clough Holdings Limited*	*Chairman*
	Farra Dunedin Engineering Limited	*Chairman*
	Forests Otago Limited	*Chairman*
	Lifevent Medical Limited	*Chairman*
	Otago Rescue Helicopter Trust	*Chairman*
	Timberlands West Coast Limited	*Chairman*
	HealthCare Otago Charitable Trust	*Trustee*
J W Gilks	*Aurora Energy Limited*	*Director*
	Business in the Community Limited	*Director*
	Citibus Newton Limited	*Director*
	City Forests Limited	*Director*
	Delta Utility Services Limited	*Director*
	Dublin Bay Investments Limited	*Director*
	Dunedin City Holdings Limited	*Director*
	Fisher & Paykel Appliances Holdings Limited	*Director*
	Fisher & Paykel Finance Limited	*Director*
	K.M.K Storage Limited	*Director*
	Pacific Edge Biotechnology Limited	*Director*
	Philip Laing House Limited	*Director*
E G Johnson	*Bank of New Zealand*	*Director*
	Custom Fleet (NZ) Limited	*Chairman*
	Fulton Hogan Limited (and its wholly owned subsidiaries)	*Chairman*
	Goldpine Group Limited (and its wholly owned subsidiaries)	*Chairman*
	MDC Holdings Limited	*Director*
	Mudhouse Wine Company Limited	*Director*
	Stone Farm Holdings Limited	*Director*
	Stone Farm Olives Limited	*Director*
J D Miller	*Chalmers Properties Limited*	*Director*
D Rillstone	*Crosshill Farm Limited*	*Director*
	Durran Holdings Limited	*Director*
	Hazlett & Sons Limited	*Director*
	Medic Limited	*Director*
	Moorhouse House and Garden Supplies Limited	*Director*
	Otago Trustee Company Limited	*Director*
	Payton Holdings Limited	*Director*
	Riam Holdings Limited	*Director*

Employee Remuneration

During the year, the number of employees of Port Otago Limited and its subsidiaries who received total remuneration in excess of $100,000 are:

Remuneration range ($)	Number of employees
300,001 – 310,000	1
210,001 – 220,000	1
160,001 – 170,000	1
150,001 – 160,000	1
120,001 – 130,000	2
110,001 – 120,000	4
100,000 – 110,000	6

Directors of Subsidiary Companies

The following persons held the office of director of the respective subsidiaries during the year. Directors' fees for Chalmers Properties Limited are shown under directors' remuneration. No directors' fees were payable by Perpetual Property Limited.

Companies	Directors for both companies
Chalmers Properties Limited Perpetual Property Limited	G L Berry (Chairman), R D Anderson G P Hinton, J D Miller, V H Pooch

Directors' Insurance

The Group provides insurance cover for directors under the following policies:

a) Directors' liability insurance which ensures that generally directors will incur no monetary loss as a result of action undertaken by them as directors.

b) Personal accident insurance which covers directors while travelling on Company business.

Use of Company Information

There were no notices received from Directors of the Company requesting to use Company information received in their capacity as Director, which would not otherwise have been available to them.

Auditors

The Auditor-General continues as the Company's auditor in accordance with the Port Companies Act 1988. The Auditor-General has appointed Audit New Zealand to undertake the audit on its behalf.

The Group audit fee for the year ended 30 June 2005 was $55,000 (last year: $49,000).

For and on behalf of the Board of Directors

J W Gilks
Chairman
29 August 2005

J D Miller
Director
29 August 2005

Five Year Summary

Trade analysis	2005	2004	2003	2002	2001
Number of ships	494	537	554	469	500
Cargo throughput (000's tonnes)	2,812	2,756	2,513	2,262	2,227

Financial comparisons	2005 $000	2004 $000	2003 $000	2002 $000	2001 $000
Revenue	46,507	44,616	39,964	35,885	31,256
Surplus from operations (EBIT)					
Port operations	11,015	10,973	10,691	8,667	8,140
Investment property	4,515	4,357	3,786	3,384	3,275
Total Group	15,530	15,330	14,477	12,051	11,415
Unusual revenues/(expenses)	(100)	608	-	2,969	651
Surplus before tax	12,572	13,694	13,312	14,223	11,052
Net surplus after tax					
Port operations	5,981	6,784	6,512	5,729	4,981
Investment property	2,368	2,314	2,180	5,176	2,387
Total group	8,349	9,098	8,692	10,905	7,368
Unrealised net change in value of investment property	15,460	13,364	7,223	3,712	2,977
Net surplus after unrealised revaluations	23,809	22,462	15,915	14,617	10,345
Dividends for financial year	6,500*	6,500*	6,100*	5,250*	5,000*
Shareholders equity	128,023	110,714	94,352	83,687	75,070
Total assets	188,727	159,609	133,643	108,050	97,497
Shareholders equity	68%	69%	71%	77%	77%
Net asset backing per share	$6.40	$5.54	$4.72	$4.18	$3.75
Earnings per share (cents)	119.0	112.3	79.6	73.1	51.7
Dividends per share (cents)	32.5*	32.5*	30.5*	26.3*	25.0*
Return on equity**					
before unrealised revaluations	7.0%	8.9%	9.8%	13.7%	10.2%
after unrealised revaluations	19.9%	21.9%	17.9%	18.4%	14.4%
EBIT return on assets					
Port operations	14.6%	15.6%	17.2%	16.0%	16.4%
Investment property	4.6%	5.7%	6.5%	7.0%	7.6%
Total group	8.9%	10.5%	12.0%	11.7%	12.3%

* Includes the final dividend for the financial year declared after balance date, as disclosed in Note 19
** Net surplus divided by average shareholders equity

Directory

Directors

John Gilks	Chairman
Ross Black	Deputy Chairman
George Berry	
Ed Johnson	
Jim Miller	
Dougal Rillstone	

Executive

Geoff Plunket	Chief Executive
Chris Kaye	Operations Manager
Wayne Muir	General Manager, Port Otago Group Warehousing
Lincoln Coe	Technical Services Manager
Andrew Taggart	Chief Financial Officer

Chalmers Properties Limited

Andrew Duncan	Chief Executive

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Website	www.portotago.co.nz

Bankers

ANZ National Bank Limited

Solicitors

Anderson Lloyd Caudwell
Burton & Co

Auditors

Audit New Zealand on behalf of the Auditor-General