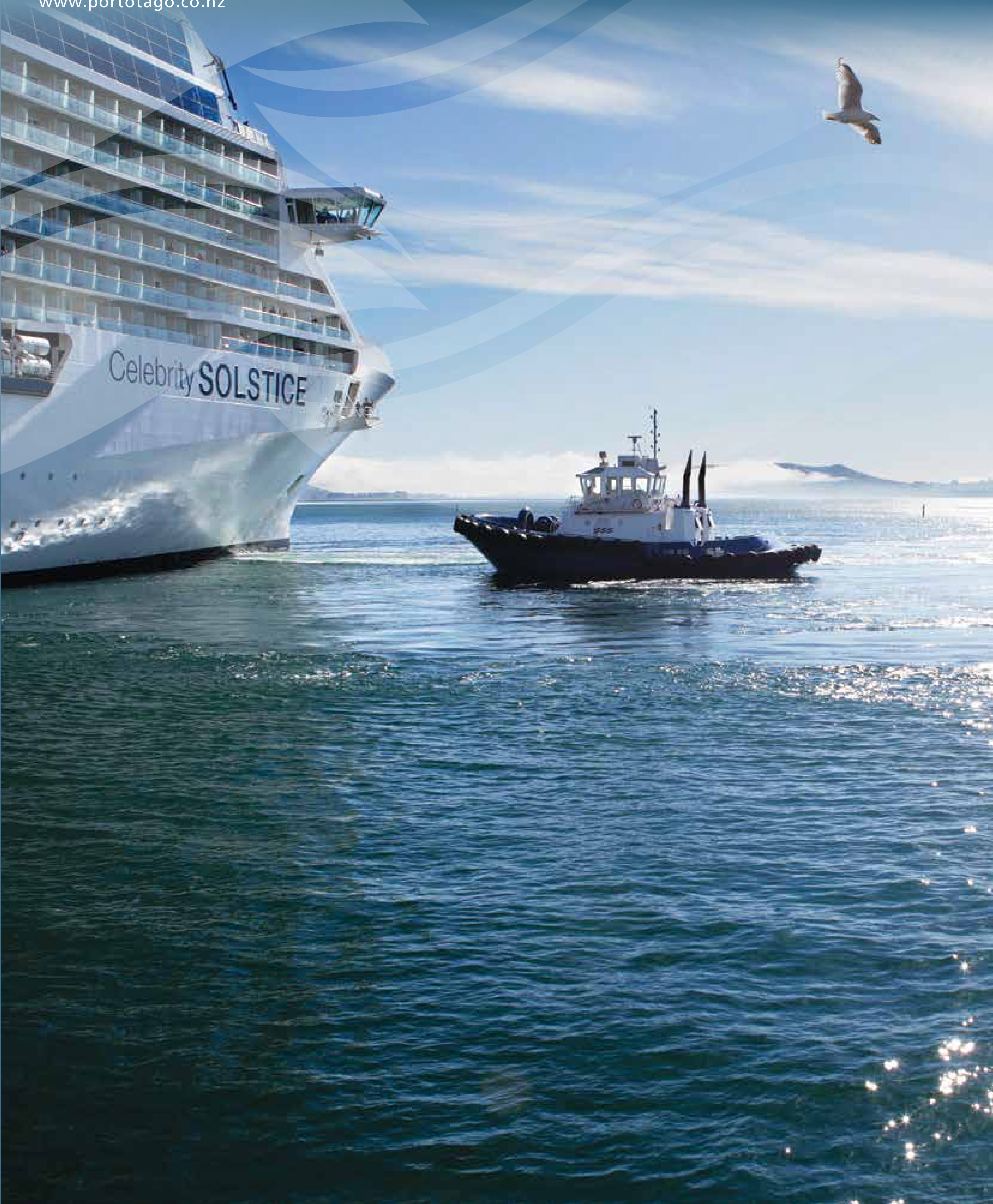
PORT OTAGO LIMITED

www.portotago.co.nz

Annual Report 2013



Port Otago Limited Annual Report 2013

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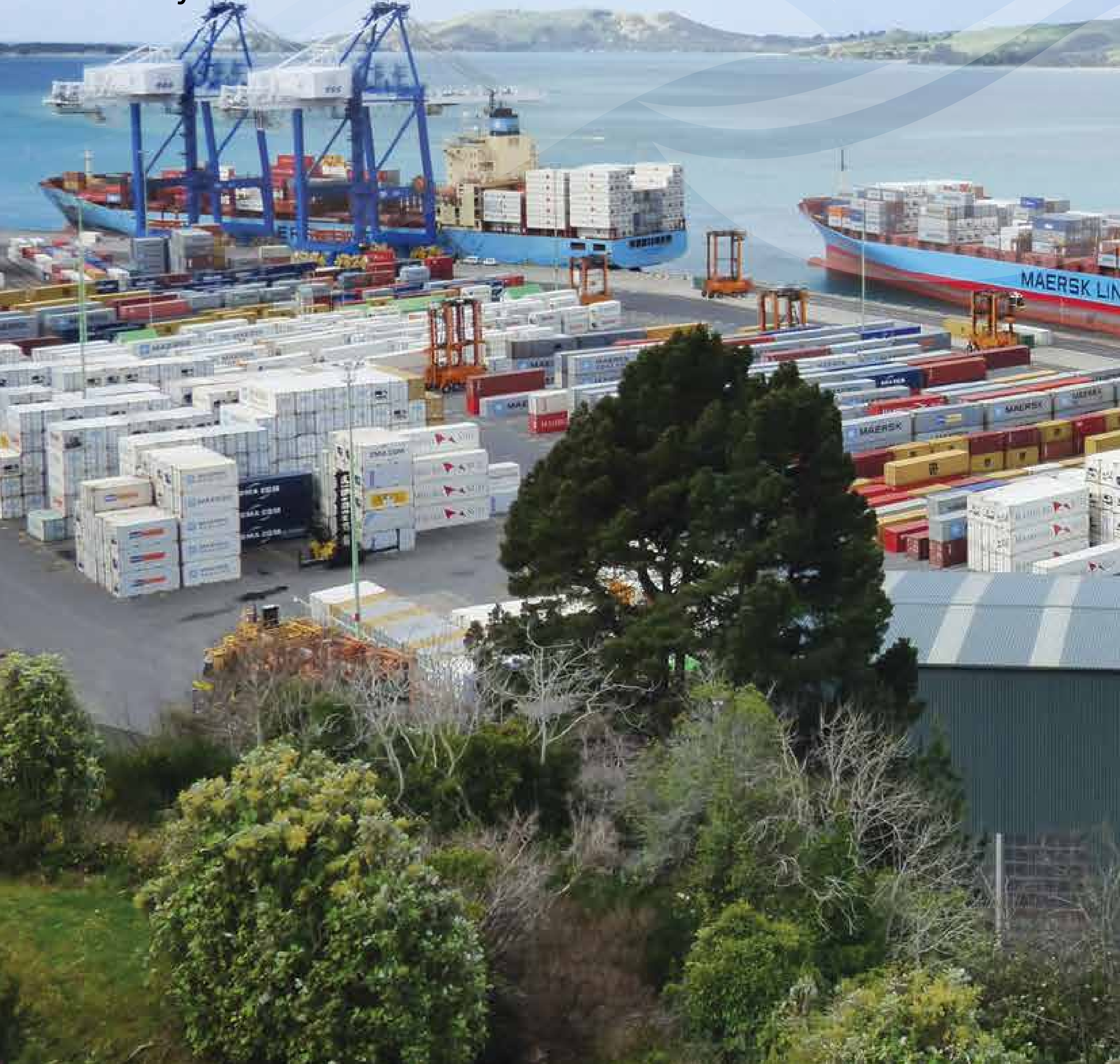
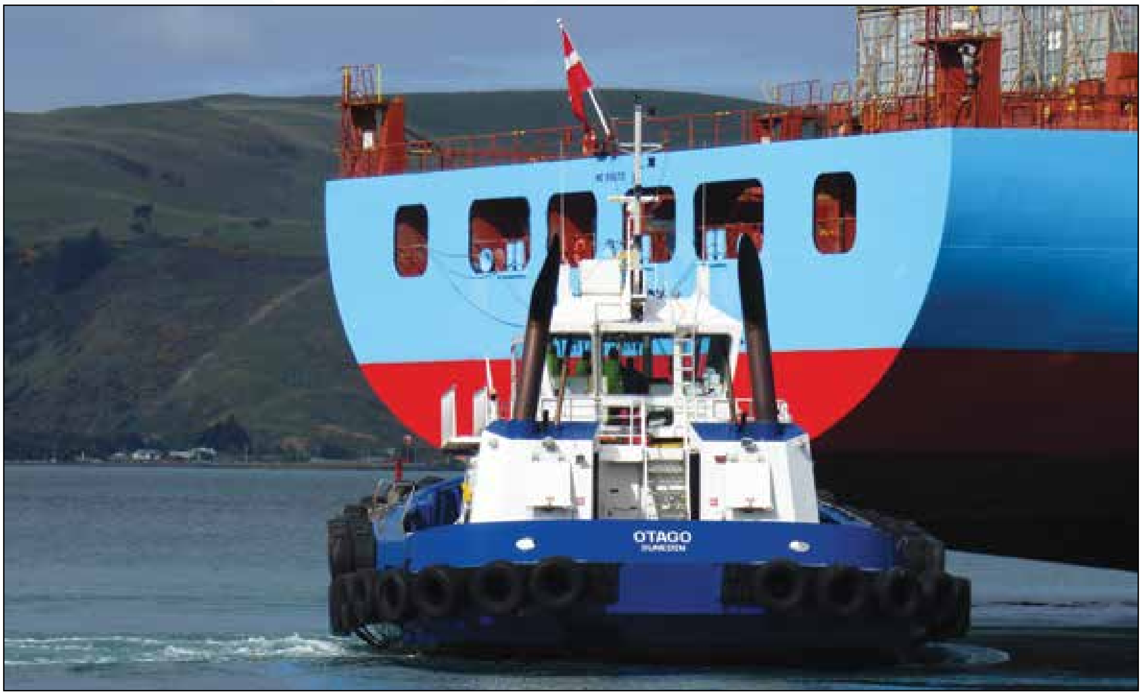


OVERVIEW OF GROUP RESULTS

	2013 $million	2012 $million Restated
Revenue	78.0	70.4
Operating profit before income tax	21.3	16.9
Profit for the year	38.1	12.8
Total assets	443.0	397.1
Shareholders' equity	314.3	272.3
Equity ratio	71%	69%
Net asset backing per share	$15.72	$13.62
Trade		
Container throughput (TEU)	195,000	172,000
Conventional cargo volume (000 tonnes)	1,312	1,271
Number of vessel arrivals	511	524



FIVE YEAR SUMMARY

Trade analysis	2013	2012	2011	2010	2009
Number of ships	511	524	505	502	589
Cargo throughput (000's tonnes)	3,920	3,532	3,623	3,284	3,034

Financial comparisons	2013 $000	2012 $000	2011 $000	2010 $000	2009 $000
Revenue #	78,026	70,148	74,213	70,295	67,177
EBITDA from operations #	34,439	30,069	32,442	30,295	28,714
Surplus from operations (EBIT) #					
Port operations	15,939	11,791	15,955	14,105	13,946
Investment property	10,944	10,560	9,157	9,184	7,626
Total group EBIT	26,883	22,351	25,112	23,289	21,572
Unrealised net change in value of investment property	23,545	2,361	(5,178)	3,198	5,430
Profit for the year	38,092	12,789	9,400	12,378	14,593
Dividends for financial year *	12,000	11,750	12,250	7,000	6,900
Shareholders' equity	314,309	272,340	276,444	272,498	271,472
Total assets					
Port operations	167,778	159,947	164,937	161,571	165,464
Shares in listed companies	45,103	31,649	36,871	36,713	36,713
Investment property	230,167	205,548	200,076	209,638	206,723
Total group	443,048	397,144	401,884	407,922	408,900
Shareholders' equity	71%	69%	69%	67%	66%
Net asset backing per share	$15.72	$13.62	$13.82	$13.62	$13.57
Earnings per share (cents)	190.0	63.9	47.0	61.9	73.0
Dividends per share (cents) *	60.0	58.8	61.3	35.0	34.5
Return on equity **					
before unrealised revaluations	4.8%	3.7%	5.3%	4.0%	3.4%
after unrealised revaluations	13.0%	4.6%	3.4%	5.2%	5.4%
EBIT return on assets #					
Port operations	9.7%	7.2%	9.8%	8.6%	8.4%
Investment property	5.0%	5.2%	4.5%	4.4%	3.8%
Total group	6.4%	5.6%	6.2%	5.7%	5.3%

* Includes the final dividend for the financial year declared after balance date, as disclosed in Note 28.

** Profit, divided by average shareholders equity.

\# Excludes gain on disposal.

CHAIRMAN'S REVIEW

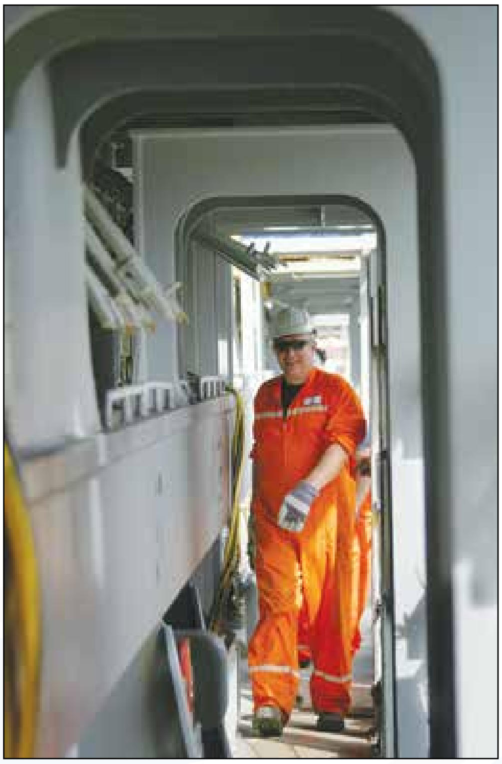
The Port Otago Group achieved an outstanding result for the financial year ending 30 June 2013 across all areas of its operations.

Highlights

- No lost time injury accidents over the twelve month period
- Group tax paid profit for the year of $38.1 million
- 195,400 teu containers handled
- All appeals relating to channel deepening resolved
- Record log volume of 720,000 tonnes
- New tug ordered for delivery in August 2014.

Health and Safety

It is very pleasing to report that the good progress of the previous year continued into the current year with no lost time injury accidents, which is a significant achievement.



Medical treatment cases continued to decline, but further effort is required to further reduce the recorded frequency rate of 30 per million hours worked to achieve our goal of Zero Harm.

During the year an independent audit was commissioned by the Board which provided verification of our Health and Safety systems with some recommendations for continued improvement and compliance.

Financial Results

The Port Otago Group consolidated tax paid profit was $38.1 million, compared with $12.8 million for the previous year. This outstanding result included non-operating income of $23.5 million, resulting from the increase in the value of Chalmers Properties investment property portfolio. This increase for the previous year was $2.4 million.

The Group operating revenue increased by 11% to $78.0 million as a result of increased container throughput and rental income from Chalmers Properties.

The operating profit before tax of $21.3 million was 27% above the previous year and was a record for Port Otago.

Dividends

Dividends of $12.0 million have been paid or declared for the year ended 30 June 2013 compared to $11.75 million last year. Ordinary dividends paid were $7.0 million, the same as last year, with special dividends of $5.0 million (last year: $4.75 million). $15 million of special dividends have been paid over the last three years which brings the total dividends paid to our shareholder, the Otago Regional Council, to $126.8 million since 1990.

Trade

Container throughput of 195,400 teu (twenty foot equivalent units) was 14% higher than the previous year. The rail link we established during the year between Dunedin and Timaru contributed to this increase.

Conventional cargo of 1.3 million tonnes was similar to previous years, although there was a reduction in the volumes of fertiliser and petroleum products. This was offset by 720,000 tonnes of log exports,

CHAIRMAN'S REVIEW continued

which was a record for the port.

We welcomed 84 cruise vessels, compared with 83 the previous year. The size of these vessels continues to increase, which will potentially mean fewer ship visits in the years ahead, but more passengers.

Chalmers Properties Limited (CPL)

The value of the investment property in CPL's property portfolio increased from $201 million to $226 million. The growth in the value of the portfolio is highlighted in the following table:

	2013 $ Millions	2012 $ Millions	% Increase
Auckland	72.1	67.1	+ 7%
Dunedin	126.5	108.2	+ 17%
Hamilton	27.8	25.4	+ 9%

The increase to the Dunedin ground leases reflected to some extent, a change in the methodology used by the Valuers in establishing the 2013 valuations. More specific comment is included in the Chief Executive's review.

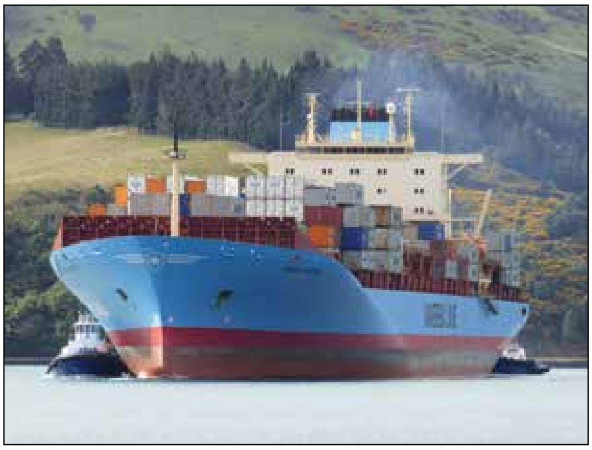
The development work is well advanced on the first stage of the property in Hamilton that CPL holds through various joint ventures. Titles for the 28 sections in this first stage are expected to be available in early 2014. Early promotional work has provided positive evidence of good demand for these properties.

Contracts for the future sale of land in Auckland and Hamilton owned by our Joint Venture have been entered into for settlement at various future dates.

Port Infrastructure

Port Otago continues to invest in port infrastructure which ensures our assets are in good order and condition as the Company readies itself for larger vessels. During the year orders were placed for a new tug to replace our two older tugs and to increase our towage capacity. Two new 4-over-3 diesel electric straddle carriers have also been ordered.

The strategy and timing for the commencement of deepening the channel to Port Chalmers is currently being determined with the commencement of pre-dredging monitoring and baseline condition work.



We have also grown our warehousing business with the construction of a warehouse at Sawyers Bay.

Community Relations

The Port Environment Liaison Committee has continued to provide a vital link to the Port Chalmers community under the Chairmanship of Port Otago Director, Paul Rea.

Work to design and implement acoustic solutions has continued with property owners that are included within the acoustic treatment programme boundaries.

Shareholding in Lyttelton Port Company Limited (LPC)

The 15.5% shareholding that Port Otago holds in LPC has been valued at the NZX market value of $2.85 per share at 30 June 2013. This generated a $13.5 million increase in the value of the investment which is included as "Other Comprehensive Income" in the financial statements.

The Board reviews its continued ownership of shares in LPC on a regular basis.

Staff

The successful year we have enjoyed in all aspects of our business has only been possible through the dedication and commitment of all the staff that make up the Port Otago Group.

CHAIRMAN'S REVIEW continued

On behalf of the Board, I both congratulate and thank Geoff and his team for their contribution to the success we report for the year.

Directors

There were no changes during the year to the Board membership.

I thank all Directors for their commitment, dedication and contribution to the governance of Port Otago.

Outlook

On a global basis, competition between shipping lines is intense, with every opportunity to reduce costs being taken.

Bigger ships are much more efficient per container transported so their arrival on the New Zealand coast is inevitable.

To service these bigger vessels, a new, larger capacity tug has been ordered and planning is well advanced to begin the physical works associated with deepening the channel from the current 13 metres below chart datum to 14 metres.

We are in the position where we can commence this work in early 2014 so that we could service larger vessels in early 2015.

We see the depot and rail link established in Timaru as an important and sustainable contributor to the future growth in container volumes handled by Port Otago.

While our progress in Health and Safety has been excellent to date, we recognise that continued improvement is essential. To assist this focus, the Board is establishing a separate Health and Safety sub-committee.

Regular evaluation of our property investment portfolio will continue to ensure the excellent contribution from this activity continues in the years ahead.

For and on behalf of the Board

David Faulkner
Chairman

CHIEF EXECUTIVE'S REVIEW

The Port Otago Group, which comprises port operations and the Chalmers Properties investment property business, enjoyed a successful year with improved earnings from both the port operating and investment property businesses.

The Group operating profit before tax was a record $21.3 million, an increase of 27%. The annual investment property revaluation contributed a gain of $23.5 million. The final result for the year, after deducting tax, subvention payments to our shareholder and interest rate swap costs was $38.1 million.

Port operations

The port operating business achieved an operating profit before tax of $11.7 million, an increase of 54%. This was achieved on revenue of $65.3 million, an increase of 13%.

The improved profit contribution reflected a combination of higher container and conventional cargo volumes, high levels of activity within the warehousing business units, an improved contribution from our joint venture transport business Icon Logistics Limited, higher container handling productivity and excellent health and safety.

Health and safety

Port Otago continues to strive to achieve a Zero Harm workplace. A significant milestone was achieved with the completion of the financial year without a single lost time accident. All staff can rightly feel proud of this achievement.

I would like to acknowledge the commitment that all staff have made to this achievement and I would particularly like to thank the contribution from staff who served on the various health and safety committees and who act as role models within the business.

Port Otago continues to maintain an ACC tertiary workplace safety rating.

Our improving health and safety performance is built around the four key factors of excellent health and safety systems, good operating procedures, positive supervision and high levels of staff engagement and participation. We continue to strive to improve our performance and we have a number of initiatives planned for the coming year.

Trade

Container volumes were 14% higher at 195,400 teu. Maersk Line and Hamburg Sud's decision to discontinue their Timaru port call as from September 2012 resulted in increased volumes of South Canterbury cargo moving to Port Chalmers. The other area of growth was an increase of 30% in export of refrigerated cargoes, including meat, dairy (butter and cheese), fish and apples.

Productivity within container operations continues to improve with the net container crane productivity improving from 27.5 lifts per crane hour to 33.1 lifts over the past two years. This level of productivity puts Port Otago in the top quartile of New Zealand port operations.

CHIEF EXECUTIVE'S REVIEW continued

Log exports continue to underpin conventional cargoes with log volumes accounting for 55% of the total conventional tonnage. In order to meet demand log storage continues to be provided at both Port Chalmers and Dunedin. Paving of the Dunedin log area is planned for the coming year in order to improve the storage facilities and productivity.

There were 511 vessel arrivals during the year compared to 524 vessel arrivals the previous year.

Port Otago enjoyed another excellent cruise ship season, with 84 vessels calling at Port Chalmers and Dunedin. In addition, our subsidiary company, Fiordland Pilot Services provided pilots to over half of the cruise ships that transited through the Fiordland marine area. Fiordland remains the top attraction for cruise ship passengers visiting New Zealand and Port Otago's ability to offer services in both Fiordland and Port Chalmers makes cruise a valuable part of the company's business portfolio.

Staff

Excellent health and safety, improving productivity within container operations and a genuine commitment to delivering outstanding customer service across all parts of the business reflect the high level of staff participation and engagement within the business. I would like to acknowledge and thank all staff for their contribution and commitment and for the excellent results achieved in the past year.

Infrastructure

Capital expenditure for the year was $13.5 million. Three key projects were completed during the year. The container crane rail on the main container berth was replaced at a cost of $1.8 million. This project was undertaken between July and November 2012 to minimise the impact on container operations. The refurbishment of the oil wharf, at a cost of $2.9 million, is expected to extend the life of the oil wharf for a further 25 years.

The first stage of a new storage and distribution hub at Sawyers Bay, which is close to the Port Chalmers container terminal, was completed in June 2013. A new 4,000 square metre warehouse has been built to consolidate product for export close to the port. There is room on site to grow this business by building a second 4,000 square metre warehouse in the future.

The Company has signed a contract with Damen to construct and deliver a new tug to Port Chalmers, to replace the existing tugs Rangi and Karetai. Both of these tugs were built in the early 1970s by the Otago Harbour Board. It is a credit to the build process and Port Otago's tug engineers that the Rangi

CHIEF EXECUTIVE'S REVIEW continued

and Karetai have been kept in excellent condition throughout their 40 year life. The new tug, which will be named Taiaroa, is expected to arrive at Port Chalmers in August 2014.

Port development

A significant milestone was achieved in December 2012 when Port Otago became the first New Zealand port to obtain all of the resource consents required to deepen the Otago Harbour for larger vessels. This will enable further development of the port to handle the larger vessels which are expected to call on the New Zealand coast in the future.

Port Otago is currently the deepest container port in New Zealand with a depth of 13 metres at chart datum or low tide. It is expected that the first stage of the deepening project to 14 metres can be completed at a cost of less than $10 million, which will be the lowest development cost of any New Zealand port.

The resource consents require a number of base line studies to be undertaken before dredging work can commence. This work is currently well underway and is expected to be completed in December 2013. This will enable the Board to make a decision on the timing of any deepening work in the last quarter of 2013 or in the first quarter of 2014.

Chalmers Properties Limited (CPL)

CPL enjoyed a successful year with higher rental income and improved earnings. Rental income increased by 1% to $12.7 million and the operating profit before tax was 2% higher at $9.8 million.

CPL continues to maintain a high level of occupancy across the portfolio. Within the Auckland portfolio the lease terms were extended on a number of leases. This has increased the average weighted lease term from 2.9 years at the start of the year to 5.2 years at year end.

Significant progress has been made in realising CPL's Hamilton land investment held through various joint ventures. Development is underway with the first stage of the industrial land subdivision, with the first sections being available for sale in early 2014. The land, which is adjacent to the new Waikato expressway, is in the centre of a growth area within Hamilton. An unconditional contract is in place to sell the adjoining residential land to Tainui. Settlement is due in June 2015. In addition, Tainui has a conditional contract in place for the purchase of the adjacent land zoned for commercial use. The joint venture also holds a parcel of land in Ormiston Road, Auckland. This site has been sold, with settlement due in December 2013.

CHIEF EXECUTIVE'S REVIEW continued

This year's revaluation gain amounted to $23.5 million, with $18.2 million from the Dunedin portfolio, $4.5 million from the Auckland portfolio and $0.8 million from the Hamilton land investment. A significant part of the revaluation of the Dunedin ground lease portfolio is due to the Company's Valuers applying a more detailed analysis of individual street blocks included in the portfolio. This has led to a more accurate valuation of the land portfolio.

CPL continues to focus on developing a diversified property portfolio. This includes strategies for improving the return from the existing Auckland portfolio, with further investment when this is required, and by improving the quality of the properties within the portfolio.

Outlook

Port Otago's unique combination of port operations and property investment provides a diversified income stream and it gives the business an underlying financial strength. The port industry will continue to change and evolve. As a deep-water port within a large exporting hinterland, Port Otago is well placed to benefit from the growth in cargo volumes coming from the port's natural catchment. In addition Port Otago is one of only two ports in New Zealand with the resource consents in place to enable further development to handle larger vessels.

Chalmers Properties continues to look for investment opportunities within the Auckland market. The quality of CPL's portfolio combined with continuing development of the Hamilton joint venture land, is expected to see Chalmers Properties delivering improving returns in the years ahead.

Geoff Plunket
Chief Executive

PERFORMANCE TARGETS

Performance targets

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

	Actual	Target	Outcome
Trade			
Container throughput	195,000 teu[Ø]	175,000 teu[Ø]	Target achieved
Conventional cargo throughput	1.312 million tonnes	1.300 million tonnes	Target achieved
Number of vessel arrivals	511 vessels	540 vessels	Target not achieved
Environmental			
Incidents leading to pollution of harbour	Nil	Nil	Target achieved
Full compliance with all resource consent conditions	Nil breaches of resource consent conditions	Nil breaches of resource consent conditions	Target achieved
Health & Safety			
Frequency rate (lost time accidents per 100,000 work hours)	0.00	0.50	Target achieved

Financial performance

Port Otago Group	Actual	Target	Outcome
EBIT* return on assets	6.4%	6.4%	Target achieved
Return on shareholders' funds	13.0%	4.8%	Target achieved
Equity ratio	71%	70%	Target achieved
Debt servicing ratio (times)	4.5	3.8	Target achieved

Port Operations	Actual	Target	Outcome
EBIT* return on assets	9.7%	8.8%	Target achieved
Return on shareholders' funds	9.0%	8.7%	Target achieved
Equity ratio	74%	68%	Target achieved
Debt servicing ratio (times)	8.0	7.1	Target achieved

Chalmers Properties Limited	Actual	Target	Outcome
EBIT* return on assets	5.0%	5.2%	Target not achieved
Return on shareholders' funds	16.9%	3.7%	Target achieved
Equity ratio	82%	81%	Target achieved
Debt servicing ratio (times)	6.8	4.9	Target achieved

[Ø]teu = twenty foot equivalent units
*EBIT = Earnings before interest and taxation

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2013

	Notes	Group		Parent Company	
	2	2013 $000	2012 $000 Restated	2013 $000	2012 $000 Restated
Revenue					
Port operations		65,318	57,594	64,853	57,314
Investment property rental		12,708	12,554	-	-
Dividend income		-	-	9,245	8,850
Gain on disposal		-	225	-	225
Total revenue		**78,026**	**70,373**	**74,098**	**66,389**
Expenses	3				
Staff costs		(25,779)	(24,283)	(25,306)	(23,614)
Restructuring costs		(231)	(857)	(231)	(582)
Fuel and electricity		(3,556)	(3,361)	(3,429)	(3,244)
Purchased materials and services		(14,496)	(11,955)	(13,370)	(11,134)
Depreciation and amortisation		(7,448)	(7,620)	(7,298)	(7,411)
		(51,510)	(48,076)	(49,634)	(45,985)
Borrowing costs					
Interest income		47	289	2	3
Interest expense		(5,466)	(5,919)	(4,319)	(4,674)
Foreign exchange gain / (loss)		(23)	-	(23)	-
	4	(5,442)	(5,630)	(4,340)	(4,671)
Share of profit from associates	17	259	190	-	-
Operating profit before income tax		**21,333**	**16,857**	**20,124**	**15,733**
Non-operating income and expenses					
Subvention payment	26(a)	(3,072)	(5,038)	(2,270)	(2,995)
Unrealised net change in the value of investment property	10,11,12	23,545	2,361	-	-
Unrealised net change in value of interest rate swaps		(688)	(771)	(605)	(200)
		19,785	(3,448)	(2,875)	(3,195)
Profit before income tax		**41,118**	**13,409**	**17,249**	**12,538**
Income tax expense	5(a)	(3,026)	(620)	(637)	1,166
Profit for the year		**38,092**	**12,789**	**16,612**	**13,704**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

	Notes	Group		Parent Company	
	2	2013 $000	2012 $000 Restated	2013 $000	2012 $000 Restated
Profit for the year		38,092	12,789	16,612	13,704
Other comprehensive income					
Available-for-sale financial assets					
Unrealised increase/(decrease) in the value of share investments	20(b)	13,454	(5,222)	13,454	(5,222)
Cash flow hedges					
Unrealised movement in hedging interest rate swaps (net of tax)	20(c)	2,423	79	2,027	(346)
Total comprehensive income for the year		**53,969**	**7,646**	**32,093**	**8,136**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	Notes	Group		Parent Company	
	2	2013 $000	2012 $000 Restated	2013 $000	2012 $000 Restated
Equity at the beginning of the year		272,340	276,444	110,951	114,565
Total comprehensive income for the year		53,969	7,646	32,093	8,136
Distribution to owners					
Dividends paid	28	(12,000)	(11,750)	(12,000)	(11,750)
Equity at the end of the year		**314,309**	**272,340**	**131,044**	**110,951**

The accompanying notes form part of these financial statements

CONSOLIDATED BALANCE SHEET
As at 30 June 2013

	Notes	Group		Parent Company	
		2013 $000	2012 $000	2013 $000	2012 $000 Restated
	2				
Current assets					
Cash and cash equivalents		1,230	679	260	235
Trade and other receivables	6	10,410	8,914	8,099	6,752
Secured advances	8	-	1,500	-	-
Inventories		674	646	674	646
Property held for sale	12	1,570	-	-	-
Investment property in development	11	6,150	-	-	-
Finance leases	7	154	139	-	-
		20,188	11,878	9,033	7,633
Non-current assets					
Property, plant and equipment	9	153,034	147,334	152,911	147,231
Investment property	10	217,210	199,297	-	-
Property held for sale	12	1,420	1,420	-	-
Investment in associates	17	1,039	875	685	685
Shares in listed companies	21	45,103	31,649	45,103	31,649
Investment in subsidiaries		-	-	7,000	7,000
Other financial assets		36	-	36	-
Finance leases	7	515	669	-	-
Intangible assets	13	4,503	4,022	4,500	3,990
		422,860	385,266	210,235	190,555
Total assets		**443,048**	**397,144**	**219,268**	**198,188**
Current liabilities					
Trade and other payables	14	6,105	4,033	4,682	3,363
Borrowings (secured)	16	762	2,500	-	-
Employee entitlements	15	3,731	3,503	3,699	3,503
Derivative financial instruments	21	1,463	1,864	1,163	1,527
Income tax		2,037	3,297	1,185	2,276
		14,098	15,197	10,729	10,669
Non-current liabilities					
Borrowings (secured)	16	94,830	88,300	63,010	60,300
Employee entitlements	15	1,524	1,402	945	907
Derivative financial instruments	21	1,185	3,462	1,128	2,975
Deferred tax liabilities	5(c)	17,102	16,443	12,412	12,386
		114,641	109,607	77,495	76,568
Total liabilities		128,739	124,804	88,224	87,237
Equity					
Share capital	19	20,000	20,000	20,000	20,000
Reserves	20	294,309	252,340	111,044	90,951
Total equity		314,309	272,340	131,044	110,951
Total equity and liabilities		**443,048**	**397,144**	**219,268**	**198,188**

For and on behalf of the Board of Directors

D J Faulkner
Chairman

E J Harvey
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2013

	Notes	Group		Parent Company	
		2013 $000	2012 $000 Restated	2013 $000	2012 $000 Restated
	2				
Cash flows from operating activities					
Cash was provided from:					
Receipts from port operations		63,989	59,915	63,520	59,612
Rental income		12,386	11,425	-	-
Dividends received		95	-	9,245	8,850
Interest received		47	289	2	3
Cash was disbursed to:					
Payments to employees and suppliers		(42,054)	(41,587)	(40,710)	(39,547)
Net GST received/(paid)		(169)	(132)	(154)	(143)
Interest paid		(5,510)	(5,950)	(4,347)	(4,699)
Subvention payments		(3,072)	(5,038)	(2,270)	(2,995)
Income tax paid		(4,569)	(1,511)	(2,490)	20
Net cash flows from (to) operating activities	22	**21,143**	**17,411**	**22,796**	**21,101**
Cash flows from investing activities					
Cash was provided from:					
Sale of property, plant and equipment		-	428	-	428
Property deposits received		514	-	-	-
Secured advances repaid	8	1,500	-	-	-
Advances received		-	-	7	80
Repayment of lessee improvements		139	126	-	-
Cash was applied to:					
Purchase of property, plant and equipment		(13,464)	(4,284)	(13,415)	(4,290)
Investments in associates		-	(685)	-	(685)
Secured advances	8	-	(1,500)	-	-
Interest capitalised	4	(584)	(497)	(73)	-
Improvements to investment property		(1,347)	(84)	-	-
Net cash flows from (to) investing activities		**(13,242)**	**(6,496)**	**(13,481)**	**(4,467)**
Cash flows from financing activities					
Cash was provided from:					
Proceeds from borrowings		19,950	33,290	10,910	2,940
Cash was applied to:					
Repayment of borrowings		(15,300)	(32,700)	(8,200)	(8,100)
Dividends paid	28	(12,000)	(11,750)	(12,000)	(11,750)
Net cash flows from (to) financing activities		**(7,350)**	**(11,160)**	**(9,290)**	**(16,910)**
Increase (decrease) in cash held		**551**	**(245)**	**25**	**(276)**
Cash held at beginning of period		679	924	235	511
Cash held at end of period		**1,230**	**679**	**260**	**235**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Port Otago Limited ("the Company") is a limited company incorporated and domiciled in New Zealand. The address of its registered office and principal place of business is disclosed in the directory of the annual report.

Port Otago Limited operates a full service container port at Port Chalmers and provides wharf facilities in Dunedin. The principal activities of the Company, its subsidiaries, associates and share of joint ventures ("the Group") are further described in note 23. The consolidated financial statements presented are those of Port Otago Limited, its subsidiaries, associates and share of joint ventures ("the Group"). The ultimate parent of the Group is the Otago Regional Council.

These financial statements have been prepared to comply with the Companies Act 1993, the Financial Reporting Act 1993 and the Port Companies Act 1988. The financial statements of Port Otago Limited are for the year ended 30 June 2013. The financial statements were authorised for issue by the Board on 3 September 2013.

2. Summary of significant accounting policies

Basis of Preparation

These annual consolidated financial statements of Port Otago Limited have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand.

Accounting policies applied in these annual financial statements comply with NZ IFRS interpretations issued and effective as at the time of preparing these statements (August 2013) as applicable to the Company as a profit-oriented entity. In complying with NZ IFRS the Company is simultaneously in compliance with International Financial Reporting Standards (IFRS).

Measurement base

These annual 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

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.

Associates

The Group's associate investment is accounted for in the group financial statements using the equity method. An associate is an entity which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount in the group financial statements is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment.

Joint ventures

Joint ventures are joint arrangements with other parties in which the Company has several liability in respect of costs and joint and several in respect of liabilities. The Company's share of the assets, liabilities, revenues and expenses of joint ventures is incorporated into the Company's 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.

NOTES TO THE FINANCIAL STATEMENTS continued

(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, 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.

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 are 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 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 the income statement for the period in which they arise. Independent investment property valuers are appointed on a 3 yearly rotational basis.

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 5 years. For resource consents the amortisation periods range from 10 to 25 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 or 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 are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

NOTES TO THE FINANCIAL STATEMENTS continued

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 held for sale
Property classified as held for sale is measured at:
- fair value, measured at the time of transfer, for items transferred from investment property, and
- fair value less estimated costs of disposal, measured at the time of transfer, for items transferred from property, plant and equipment.

Property is classified as held for sale if the carrying amount will be recovered through a sales transaction rather than through continuing use. Property is not depreciated or amortised while it is classified as held for sale.

Investment property in development
Property is classified as in development where an investment property undergoes a change in use evidenced by commencement of development. A property's deemed cost for subsequent accounting as investment property in development is its fair value as at the date of change of use. Further costs directly incurred through development activities are capitalised to the cost of the investment property in development. Investment property in development is valued annually and is measured at the lower of carrying and fair value. Where cost exceeds the fair value of property in development the resulting losses are included in the income statement in the period in which they arise.

Borrowing costs
Borrowing costs directly attributable to the acquisition and/or construction of plant and equipment and long term investment property development projects are capitalised as part of the cost of those assets. Other borrowing costs are expensed in the period in which they are incurred.

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.

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) 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.

(b) 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. Investments in listed companies are valued at selling price as at balance date.

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

NOTES TO THE FINANCIAL STATEMENTS continued

(c) 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.

(d) 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.

(e) 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 method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates hedges of highly probable forecast transactions as cash flow hedges. Changes in the fair value of derivatives qualifying as cash flow hedges are recognised in other comprehensive income and transferred to the cash flow hedge reserve in equity. The ineffective component of the fair value changes on the hedging instrument is recorded directly in the income statement.

When a hedging instrument expires or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

NOTES TO THE FINANCIAL STATEMENTS continued

For qualifying hedge relationships, the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

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.

(f) 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, superannuation contributions, 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.

NOTES TO THE FINANCIAL STATEMENTS continued

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

Net gains or losses on the sale of investments, investment property and property held for sale are recognised when an unconditional contract is in place and it is probable that the Group will receive the consideration due and significant risks and rewards of ownership of assets have been transferred to the buyer.

Taxation

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 substantively 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.

Critical estimates and accounting

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom, by definition, equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimate of Fair Value of Investment Property

At each balance date the Group obtains annual valuations of investment property, determined by registered independent valuers, in accordance with the accounting policy stated in the statement of accounting policies.

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information recent sales prices of similar properties in less active markets are used, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

Changes in property market values, including changes arising from alterations to proposed and existing planning rules, may result in the fair values of investment property being different from previous estimates. The carrying amount of investment property is detailed in note 10.

Property, plant and equipment

At each balance date, the Group reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful lives and residual value estimates of property, plant and equipment requires the Group to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Group, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life of residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the income statement, and

NOTES TO THE FINANCIAL STATEMENTS continued

carrying amount of the asset in the balance sheet. The Group minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programmes;
- Analysis of prior asset sales.

The Group has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amount of plant and equipment is disclosed in note 9.

Comparatives

Certain prior period revenue and expenditure has been reclassified between functional categories for consistency with the current period.

Restatement

For the year ended 30 June 2012, a $190,000 share of profit from associates was accounted for as an available for sale financial asset in the consolidated statement of comprehensive income. The share of profits from associates should have been accounted for in accordance with Group's accounting policy, and included in the Group consolidated income statement. This error has no effect on the Group total asset position as at 30 June 2012.

The financial statements for 2012, which are presented as comparative information in the 30 June 2013 financial statements, have been restated to correct this error. The effect of the restatement on the parent company financial statements is summarised below.

		Previously reported $000	Restatement $000	Restated $000
Consolidated Balance Sheet				
Investment in associates	30 June 2012	875	(190)	685
Consolidated Statement of Comprehensive Income				
Share of profit from associates	30 June 2012	190	(190)	-

The effect of the restatement on the Group financial statements is summarised below.

		Previously reported $000	Restatement $000	Restated $000
Consolidated Income Statement				
Share of profit from associates	30 June 2012	-	190	190
Consolidated Statement of Comprehensive Income				
Share of profit from associates	30 June 2012	190	(190)	-

Standards, amendments and interpretations issued but not yet effective

At the date of authorisation of these financial statements the following Standards and Interpretations were in issue but not yet effective, which are not expected to have a material impact but may affect presentation and disclosure:

- NZ IFRS 9 Financial Instruments (effective for accounting periods beginning 1 July 2015);

- IFRS 10 Consolidated Financial Statements (effective for accounting periods beginning 1 July 2013);

- IFRS 11 Joint Arrangements (effective for accounting periods beginning 1 July 2013);

- IFRS 12 Disclosures of Interests in Other Entities (effective for accounting periods beginning 1 July 2013);

NOTES TO THE FINANCIAL STATEMENTS continued

- IFRS 13 Fair Value Measurement (effective for accounting periods beginning 1 July 2013);
- Amendments to NZ IAS 19 Employee Benefits (effective for accounting periods beginning 1 July 2013).

Other Standards and Interpretations in issue but not yet effective are not expected to have an impact in the financial statements of the Group in the period of initial application.

The Group did not early adopt any new or amended standards in 2013.

3. Operating expenses

Expenses incurred in the financial year of $51.5 million for the Group (Parent: $49.6 million) include the following:

	Notes	Group		Parent Company	
		2013 $000	2012 $000	2013 $000	2012 $000
Auditors' remuneration					
Audit services – Audit New Zealand		103	98	77	70
Audit services – PricewaterhouseCoopers		32	4	20	-
Total auditors' remuneration		**135**	**102**	**97**	**70**
Bad and doubtful debts					
Bad debts recovered		(5)	-	(5)	-
Bad debts written off		1	42	1	42
Total bad and doubtful debts		**(4)**	**42**	**(4)**	**42**
Directors' remuneration		294	317	214	227
Defined contribution plan employer contributions		1,113	1,082	1,101	1,078
Donations and community sponsorship		26	33	26	33
Loss on disposal of assets		-	2	-	2
Operating leases		1,039	1,087	968	1,039
Depreciation and amortisation					
Depreciation of property, plant and equipment	9	7,013	7,095	6,985	7,064
Amortisation of intangibles	13	337	379	308	347
Amortised leasing costs		98	146	5	-
Total depreciation and amortisation		**7,448**	**7,620**	**7,298**	**7,411**

4. Borrowing costs

	Notes	Group		Parent Company	
		2013 $000	2012 $000	2013 $000	2012 $000
Interest income		47	289	2	3
Interest expense and bank facility fees		(6,050)	(6,416)	(4,392)	(4,674)
Foreign exchange gain/(loss)		(23)	-	(23)	-
Interest capitalised	18	584	497	73	-
		(5,442)	**(5,630)**	**(4,340)**	**(4,671)**

NOTES TO THE FINANCIAL STATEMENTS continued

5. Income taxes

(a) The total charge for the year can be reconciled to the accounting profit as follows:

	Notes	Group		Parent Company	
		2013 $000	2012 $000 Restated	2013 $000	2012 $000
Profit before tax		**41,118**	**13,409**	**17,249**	**12,538**
Imputation credits		36	-	36	-
		41,154	13,409	17,285	12,538
Prima facie tax expense at 28%		(11,523)	(3,755)	(4,840)	(3,511)
Non-deductible items		(1,799)	(1,985)	(1,427)	(1,244)
Non assessable income		46	54	2,562	2,479
Unrealised change in investment property		6,286	898	-	-
Tax loss offset (via subvention payment)		3,073	5,038	2,270	2,995
Prior year adjustment		-	45	-	35
Deferred tax expense relating to the origination and reversal of temporary differences		855	(915)	762	412
Benefit of imputation credits		36	-	36	-
Income tax expense		**(3,026)**	**(620)**	**(637)**	**1,166**
Allocated between:					
Current tax		(4,112)	(4,816)	(3,668)	(2,276)
Prior period adjustments to current tax		803	5,083	2,269	3,030
Deferred tax		283	(887)	762	412

(b) Imputation credits available for use in subsequent periods:

	Notes	Group	
		2013 $000	2012 $000
Balance at end of year		**16,551**	**14,814**

Port Otago Limited is part of a consolidated tax group including its subsidiary, Chalmers Properties Limited.

No adjustment has been made for credits associated with tax payable due to the uncertainty regarding loss transfers.

NOTES TO THE FINANCIAL STATEMENTS continued

5. Income taxes (continued)

(c) The following are the major deferred tax liabilities and assets and the movements thereon during the current and prior reporting periods.

Group	Notes	Property, Plant and Equipment $000	Investment Property $000	Financial Instruments $000	Other $000	Total $000
Balance 1 July 2012		15,370	4,180	(1,486)	(1,621)	16,443
Charged / (credited) to hedging reserve direct to equity		-	-	942	-	942
Charged / (credited) to income statement		(475)	580	(193)	(195)	(283)
Balance at 30 June 2013		**14,895**	**4,760**	**(737)**	**(1,816)**	**17,102**
Balance 1 July 2011		15,736	2,739	(1,301)	(1,648)	15,526
Charged / (credited) to hedging reserve direct to equity		-	-	30	-	30
Charged / (credited) to income statement		(366)	1,441	(215)	27	887
Balance at 30 June 2012		**15,370**	**4,180**	**(1,486)**	**(1,621)**	**16,443**

Parent Company	Notes	Property, Plant and Equipment $000	Investment Property $000	Financial Instruments $000	Other $000	Total $000
Balance 1 July 2012		15,370	-	(1,260)	(1,724)	12,386
Charged / (credited) to hedging reserve direct to equity		-	-	788	-	788
Charged / (credited) to income statement		(475)	-	(169)	(118)	(762)
Balance at 30 June 2013		**14,895**	**-**	**(641)**	**(1,842)**	**12,412**
Balance 1 July 2011		15,736	-	(1,069)	(1,734)	12,933
Charged / (credited) to hedging reserve direct to equity		-	-	(135)	-	(135)
Charged / (credited) to income statement		(366)	-	(56)	10	(412)
Balance at 30 June 2012		**15,370**	**-**	**(1,260)**	**(1,724)**	**12,386**

NOTES TO THE FINANCIAL STATEMENTS continued

6. Trade and other receivables

	Notes	Group		Parent Company	
		2013 $000	2012 $000	2013 $000	2012 $000
Trade receivables		9,835	8,362	7,535	6,203
Amount owing by subsidiaries and related parties		-	-	54	60
Prepayments		575	552	510	489
Balance at end of year		**10,410**	**8,914**	**8,099**	**6,752**

7. Finance leases

	Notes	Minimum Future Lease Payments Group		Present Value of Minimum Future Lease Receivables Group	
		2013 $000	2012 $000	2013 $000	2012 $000
Repayments due:					
No later than 1 year		214	214	154	139
Later than 1 year and not later than 5 years		587	801	515	669
Later than 5 years		-	-	-	-
Minimum future lease payments		801	1,015	669	808
Gross finance lease receivables		801	1,015	669	808
Less unearned finance income		(132)	(207)	-	-
Present value of minimum lease payments		**669**	**808**	**669**	**808**
Included in the financial statements as:					
Current				154	139
Non-current				515	669
				669	**808**

The finance lease receivable relates to the Group funding of tenant improvements to an investment property. A lease commenced in April 2007 for an initial period of 10 years and the finance lease receivable will be recovered over this period. The pre-tax interest rate applicable to the finance lease receivable is 10.2%. Interest income is recognised on a consistent basis to produce a constant rate of return on the net investment.

8. Secured advances

	Notes	Group		Parent Company	
		2013 $000	2012 $000	2013 $000	2012 $000
Balance at beginning of the year		1,500	-	-	-
Secured advances provided		-	1,500	-	-
Secured advances repaid		(1,500)	-	-	-
Balance at end of year		**-**	**1,500**	**-**	**-**

During 2012, Chalmers Properties Limited provided a $3,000,000 secured advance (Group share: $1,500,000) to The Hamilton Joint Venture. This advance was repaid during the year. Interest was payable by the borrower on a monthly basis. Security for the advance was a general security agreement and registered mortgages over land.

NOTES TO THE FINANCIAL STATEMENTS continued

9. Property, plant and equipment

Group

Current period to 30 June 2013

	Land $000	Buildings and Improvements $000	Wharves and Berth Dredging $000	Plant, Equipment and Vehicles $000	Capital Work in Progress $000	Total $000
Cost						
Balance 1 July 2012	33,992	37,682	49,814	79,590	2,539	203,617
Additions	312	1,232	1,866	727	13,450	17,587
Disposals	-	-	-	(1)	-	(1)
Transfers	-	-	-	-	(4,873)	(4,873)
Cost at 30 June 2013	**34,304**	**38,914**	**51,680**	**80,316**	**11,116**	**216,330**
Accumulated depreciation						
Balance 1 July 2012	-	9,346	10,811	36,126	-	56,283
Depreciation for period	-	1,380	1,486	4,147	-	7,013
Disposals	-	-	-	-	-	-
Depreciation at 30 June 2013	**-**	**10,726**	**12,297**	**40,273**	**-**	**63,296**
Net book value						
At 30 June 2012	33,992	28,336	39,003	43,464	2,539	147,334
At 30 June 2013	**34,304**	**28,188**	**39,383**	**40,043**	**11,116**	**153,034**

Comparative period to 30 June 2012

	Land $000	Buildings and Improvements $000	Wharves and Berth Dredging $000	Plant, Equipment and Vehicles $000	Capital Work in Progress $000	Total $000
Cost						
Balance 1 July 2011	33,992	37,257	49,355	79,469	3,642	203,715
Additions	-	429	459	917	4,107	5,912
Disposals	-	(4)	-	(796)	-	(800)
Transfers	-	-	-	-	(5,210)	(5,210)
Cost at 30 June 2012	**33,992**	**37,682**	**49,814**	**79,590**	**2,539**	**203,617**
Accumulated depreciation						
Balance 1 July 2011	-	8,001	9,406	32,377	-	49,784
Depreciation for period	-	1,349	1,405	4,341	-	7,095
Disposals	-	(4)	-	(592)	-	(596)
Depreciation at 30 June 2012	**-**	**9,346**	**10,811**	**36,126**	**-**	**56,283**
Net book value						
At 30 June 2011	33,992	29,256	39,949	47,092	3,642	153,931
At 30 June 2012	**33,992**	**28,336**	**39,003**	**43,464**	**2,539**	**147,334**

NOTES TO THE FINANCIAL STATEMENTS continued

9. Property, plant and equipment (continued)

Parent Company

Current period to 30 June 2013

	Land $000	Buildings and Improvements $000	Wharves and Berth Dredging $000	Plant, Equipment and Vehicles $000	Capital Work in Progress $000	Total $000
Cost						
Balance 1 July 2012	33,992	37,682	49,814	79,344	2,537	203,369
Additions	312	1,232	1,866	686	13,442	17,538
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	(4,873)	(4,873)
Cost at 30 June 2013	**34,304**	**38,914**	**51,680**	**80,030**	**11,106**	**216,034**
Accumulated depreciation						
Balance 1 July 2012	-	9,346	10,811	35,981	-	56,138
Depreciation for period	-	1,380	1,486	4,119	-	6,985
Disposals	-	-	-	-	-	-
Depreciation at 30 June 2013	**-**	**10,726**	**12,297**	**40,100**	**-**	**63,123**
Net book value						
At 30 June 2012	33,992	28,336	39,003	43,363	2,537	147,231
At 30 June 2013	**34,304**	**28,188**	**39,383**	**39,930**	**11,106**	**152,911**

Comparative period to 30 June 2012

	Land $000	Buildings and Improvements $000	Wharves and Berth Dredging $000	Plant, Equipment and Vehicles $000	Capital Work in Progress $000	Total $000
Cost						
Balance 1 July 2011	33,992	37,257	49,355	79,158	3,639	203,401
Additions	-	429	459	912	4,107	5,907
Disposals	-	(4)	-	(726)	-	(730)
Transfers	-	-	-	-	(5,209)	(5,209)
Cost at 30 June 2012	**33,992**	**37,682**	**49,814**	**79,344**	**2,537**	**203,369**
Accumulated depreciation						
Balance 1 July 2011	-	8,001	9,406	32,203	-	49,610
Depreciation for period	-	1,349	1,405	4,310	-	7,064
Disposals	-	(4)	-	(532)	-	(536)
Depreciation at 30 June 2012	**-**	**9,346**	**10,811**	**35,981**	**-**	**56,138**
Net book value						
At 30 June 2011	33,992	29,256	39,949	46,955	3,639	153,791
At 30 June 2012	**33,992**	**28,336**	**39,003**	**46,363**	**2,537**	**147,231**

NOTES TO THE FINANCIAL STATEMENTS continued

10. Investment property

	Notes	Group 2013 $000	Group 2012 $000
Balance at beginning of year		199,297	196,502
Property purchased		-	-
Property improvements during the period		364	66
Net movement in prepaid leasing costs		28	(129)
Net movement in incentives		179	-
Interest capitalised	18	406	497
Unrealised change in the value of investment property		24,095	2,361
Transfer to property in development	11	(5,539)	-
Transfer to property held for sale	12	(1,620)	-
Balance at end of year		**217,210**	**199,297**
Comprising:			
Property portfolio at cost		73,388	76,826
Revaluation		143,822	122,471
		217,210	**199,297**
Valued at 30 June balance date as determined by:			
At discounted contract selling price		1,860	-
Colliers International NZ Limited		197,038	173,684
Seagar & Partners (Manukau) Limited		18,312	25,613
Property recorded at fair value		**217,210**	**199,297**

The Group's investment properties are valued annually at fair value effective 30 June. Fair value reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of the current market conditions.

All valuations were completed by registered independent valuers who conform to the New Zealand Property Institute Practice Standards. The valuers have extensive market knowledge in the types of investment properties owned by the Group.

All investment properties were valued based on open market evidence including market rentals, land sales and yield information available to the valuers.

Included within the gross values for investment properties are capitalised leasing costs. These costs represent expenditure incurred by the Group in relation to letting of property. These costs are initially recorded as an asset and amortised over the life of the lease they relate to. At balance date $241,000 (last year: $213,000) of capitalised leasing costs are included in the gross balance of investment properties.

There were no significant contractual obligations of a capital and/or maintenance nature relating to the current investment property portfolio at balance date (last year: nil).

NOTES TO THE FINANCIAL STATEMENTS continued

11. Investment property in development

	Notes	Group 2013 $000	Group 2012 $000
Balance at beginning of year		-	-
Transfer from investment property	10	5,539	-
Development costs		1,007	-
Capitalised interest	18	104	-
Unrealised change in the value of property in development		(500)	-
Balance at end of year		**6,150**	**-**
Property portfolio cost component		4,864	-
Property revaluation component		1,286	-
		6,150	**-**

During the year, The Hamilton Joint Venture and the Hamilton Porter Joint Venture commenced development activity for stage 1 of an industrial subdivision. The carrying value of investment property in development at 30 June 2013 is based on the lower of cost or fair value where cost reflects the deemed cost when transferred from investment property at commencement of the development, as well as development expenditure and capitalised interest incurred during the year.

12. Property held for sale

	Notes	Group 2013 $000	Group 2012 $000
Balance at beginning of year		1,420	1,420
Transfer from investment property	10	1,620	-
Unrealised change in the value of property held for sale		(50)	-
Balance at end of year		**2,990**	**1,420**
Comprising:			
Property held for sale - at cost		912	250
Property held for sale - valuation component at the time of transfer		2,078	1,170
		2,990	**1,420**
Analysed as:			
Current		1,570	-
Non-current		1,420	1,420
		2,990	**1,420**

Property held for sale comprises:

(a) The Group holds a 50% interest in The Hamilton Joint Venture (HJV) which has contracted to sell 10% of its Newby 1 block to a related party. Note 26 (b) contains details of the contract terms. The Group's share of 10% of the Newby 1 block is reflected as Property held for sale since the land is to be sold in the ordinary course of business. The $1.42 million of property held for sale is expected to be recovered in more than 12 months after 30 June 2013.

(b) The Group holds a 50% share in the Ormiston Road Joint Venture which during the year entered into an unconditional sale and purchase agreement for the sale of 9,814 m2 of land held by the joint venture. The settlement date for the agreement is 16 December 2013 with a sales price of $3.14 million (Group share: $1.57 million). This compares to the 30 June 2012 carrying value of $3.24 million (Group share: $1.62 million), based on independent valuation.

NOTES TO THE FINANCIAL STATEMENTS continued

13. Intangible assets

Group

Current period to 30 June 2013

	Notes	Computer Software $000	Resource Consents $000	Total $000
Cost				
Balance 1 July 2012		5,341	3,297	8,638
Additions		210	608	818
Cost at 30 June 2013		**5,551**	**3,905**	**9,456**
Accumulated amortisation and impairment:				
Balance 1 July 2012		(4,616)	-	(4,616)
Amortisation expense	3	(337)	-	(337)
Amortisation at 30 June 2013		**(4,953)**	**-**	**(4,953)**
Net book value				
At 30 June 2012		725	3,297	4,022
At 30 June 2013		**598**	**3,905**	**4,503**

Group

Comparative period to 30 June 2012

	Notes	Computer Software $000	Resource Consents $000	Total $000
Cost				
Balance 1 July 2011		5,057	-	5,057
Additions		284	3,297	3,581
Cost at 30 June 2012		**5,341**	**3,297**	**8,638**
Accumulated amortisation and impairment:				
Balance 1 July 2011		(4,237)	-	(4,237)
Amortisation expense	3	(379)	-	(379)
Amortisation at 30 June 2012		**(4,616)**	**-**	**(4,616)**
Net book value				
At 30 June 2011		820	-	820
At 30 June 2012		**725**	**3,297**	**4,022**

NOTES TO THE FINANCIAL STATEMENTS continued

13. Intangible assets (continued)

Parent Company

Current period to 30 June 2013

	Notes	Computer Software $000	Resource Consents $000	Total $000
Cost				
Balance 1 July 2012		5,214	3,297	8,511
Additions		210	608	818
Cost at 30 June 2013		**5,424**	**3,905**	**9,329**
Accumulated amortisation and impairment:				
Balance 1 July 2012		(4,521)	-	(4,521)
Amortisation expense	3	(308)	-	(308)
Amortisation at 30 June 2013		**(4,829)**	**-**	**(4,829)**
Net book value				
At 30 June 2012		693	3,297	3,990
At 30 June 2013		**595**	**3,905**	**4,500**

Parent Company

Comparative period to 30 June 2012

	Notes	Computer Software $000	Resource Consents $000	Total $000
Cost				
Balance 1 July 2011		4,931	-	4,931
Additions		283	3,297	3,580
Cost at 30 June 2012		**5,214**	**3,297**	**8,511**
Accumulated amortisation and impairment:				
Balance 1 July 2011		(4,174)	-	(4,174)
Amortisation expense	3	(347)	-	(347)
Amortisation at 30 June 2012		**(4,521)**	**-**	**(4,521)**
Net book value				
At 30 June 2011		757	-	757
At 30 June 2012		**693**	**3,297**	**3,990**

NOTES TO THE FINANCIAL STATEMENTS continued

13. Intangible assets (continued)

Computer software

Computer software assets are stated at cost, less accumulated amortisation and impairment.

Resource consents

Resource consents relate to the granting of the Next Generation consents which will allow Port Otago to deepen and widen the channel in Otago Harbour so larger ships will be able to call at Port Chalmers. Consents were granted in January 2013. Amortisation of the carrying amounts will commence on the activation of the consents and will be amortised over the life of the consents which vary from 10 and 20 years.

14. Trade and other payables

	Notes	Group		Parent Company	
		2013 $000	2012 $000	2013 $000	2012 $000
Accounts payable		4,779	2,661	3,529	2,176
Other accrued charges		1,326	1,372	1,153	1,187
Balance at end of year		**6,105**	**4,033**	**4,682**	**3,363**

15. Employee entitlements

	Notes	Group		Parent Company	
		2013 $000	2012 $000	2013 $000	2012 $000
Accrued wages and salaries and other benefits		483	492	451	454
Annual leave		3,183	2,965	3,183	2,965
Long service leave		716	633	716	671
Retiring allowances		229	235	229	235
Sick leave		65	85	65	85
Related party incentive	26(b)	579	495	-	-
Balance at end of year		**5,255**	**4,905**	**4,644**	**4,410**
Analysed as:					
Current		3,731	3,503	3,699	3,503
Non-current		1,524	1,402	945	907
		5,255	**4,905**	**4,644**	**4,410**

NOTES TO THE FINANCIAL STATEMENTS continued

16. Borrowings

	Notes	Group		Parent Company	
		2013 $000	2012 $000	2013 $000	2012 $000
Bank borrowings		**95,592**	**90,800**	**63,010**	**60,300**
Analysed as:					
Current		762	2,500	-	-
Non-current		94,830	88,300	63,010	60,300
		95,592	**90,800**	**63,010**	**60,300**

(a) Port Otago Group facility

The Group has a $110 million committed facility with ANZ Bank New Zealand Limited. The Group may draw funding for terms ranging from call to the termination of the agreement, which is 31 December 2015.

The security for advances is a cross guarantee between Port Otago Limited and Chalmers Properties Limited in favour of the lender, general security agreement over the assets of the Group and registered first-ranking mortgages over land.

(b) The Hamilton Joint Venture facility

The Group has a 50% interest in The Hamilton Joint Venture (HJV) which has an $18 million (last year: $18 million) committed facility with ANZ Bank New Zealand Limited. HJV may draw funding for terms ranging from call to the termination of the facility, which is 31 December 2014. At 30 June 2013, HJV had drawn $18 million under its facility (last year: $18 million), with the Group's 50% share amounting to $9 million (last year: $9 million).

Security for bank advances under the Hamilton Joint Venture facility is as follows:

- A first registered mortgage over various joint venture land holdings.
- A general security agreement over the assets of both joint venture participants. Perpetual Property Limited is the Group's joint venture participant.
- Guarantees (each limited to $21 million) from the owners of both joint venture participants. Chalmers Properties Limited is the owner of the Group's joint venture participant.

(c) Hamilton Porter Joint Venture facility

The Group has a 33.3% interest in the Hamilton Porter Joint Venture (HPJV) which has a $7.5 million (last year: $7.5 million) committed facility with ANZ Bank New Zealand Limited. HPJV may draw funding for terms ranging from call to the termination of the facility, which is 31 December 2014. At 30 June 2013 HPJV had drawn $7.5 million under its facility (last year: $7.5 million), with the Group's 33.3% share amounting to $2.5 million (last year: $2.5 million).

In addition, the HPJV has a $6.5 million short term advances facility with the ANZ Bank New Zealand Limited. The joint venture may draw against the facility based upon development expenditure incurred as part of the industrial subdivision development being undertaken by the HPJV and HJV. At 30 June 2013 HPJV had drawn $1.86 million of the short term advances facility, with the Group share amounting to $0.762 million. The termination date of the facility is 20 May 2014.

Security for bank advances under the Hamilton Porter Joint Venture facility is as follows:

- A first registered mortgage over various joint venture land holdings.
- A general security agreement over the assets of the joint venture participants. Perpetual Property Limited is the Group's joint venture participant.
- Guarantees (each limited to $15 million) from the owners of the joint venture participants. Chalmers Properties Limited is the owner of the Group's joint venture participant.

The carrying amount of borrowings reflects fair value as the borrowing finance rates approximate market rates.

NOTES TO THE FINANCIAL STATEMENTS continued

17. Investment in associates

	Notes	Group		Parent Company	
		2013 $000	2012 $000	2013 $000	2012 $000
Ordinary shares at cost				685	685
Balance at beginning of year		875	-	-	-
Acquisition of associates		-	685	-	-
Share of after tax surplus		259	190	-	-
Distributions from associates		(95)	-	-	-
Balance at end of year		**1,039**	**875**	**685**	**685**

Port Otago Limited has a 50% shareholding in Icon Logistics Limited (2012: 50%) with Harbour Logistics Limited, holding the remaining 50%. Note 23 includes summarised financial information of the associate.

18. Capitalised borrowing costs

	Notes	Group		Parent Company	
		2013 $000	2012 $000	2013 $000	2012 $000
Borrowing costs capitalised during the year	4	584	497	73	-
Weighted average capitalisation rate on funds borrowed		5.69%	5.41%	6.85%	-

19. Share capital

	Notes	Group		Parent Company	
		2013 $000	2012 $000	2013 $000	2012 $000
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.

NOTES TO THE FINANCIAL STATEMENTS continued

20. Reserves

	Notes	Group 2013 $000	Group 2012 $000	Parent Company 2013 $000	Parent Company 2012 $000
Retained earnings					
Balance at beginning of year		137,704	139,026	99,641	97,687
Profit for the year		38,092	12,789	16,612	13,704
Less dividends paid	28	(12,000)	(11,750)	(12,000)	(11,750)
Transfers (to)/from property revaluation reserve:					
Unrealised change in the value of investment property	10,11,12	(23,545)	(2,361)	-	-
Balance at end of year		**140,251**	**137,704**	**104,253**	**99,641**
(a) Property revaluation reserve:					
Balance at beginning of year		123,642	121,281	-	-
Transfers from/(to) retained earnings:					
Change in value of investment property	10,11,12	23,545	2,361	-	-
Balance at end of year		**147,187**	**123,642**	**-**	**-**
(b) Available-for-sale revaluation reserve – shares in listed companies:					
Balance at beginning of year		(5,295)	(73)	(5,295)	(73)
Valuation gain/(loss) recognised		13,454	(5,222)	13,454	(5,222)
Balance at end of year		**8,159**	**(5,295)**	**8,159**	**(5,295)**
(c) Hedging reserve:					
Balance at beginning of year		(3,711)	(3,790)	(3,395)	(3,049)
Change in fair value of interest rate swaps		3,365	109	2,815	(481)
Deferred tax arising on fair value movement		(942)	(30)	(788)	135
Balance at end of year		**(1,288)**	**(3,711)**	**(1,368)**	**(3,395)**
Total Reserves		**294,309**	**252,340**	**111,044**	**90,951**

The available-for-sale revaluation reserve arises on the revaluation of shares in listed companies. Where a financial asset is sold that portion of the reserve which relates to that financial asset and is effectively realised is recognised in the income statement. Where a financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in the income statement.

The available-for-sale revaluation reserve has a credit balance of $8,159,000 (last year: debit balance $5,295,000). This reflects the difference at balance date between the market price of listed shares and their cost.

NOTES TO THE FINANCIAL STATEMENTS continued

21. Financial instruments

(a) Financial instrument categories

The accounting policies for financial instruments have been applied to the line items below:

	Group 2013 $000	Group 2012 $000	Parent Company 2013 $000	Parent Company 2012 $000
Financial assets				
Loans and receivables				
Cash and cash equivalents	1,230	679	260	235
Debtors and other receivables	10,410	8,914	8,099	6,752
Secured advances	-	1,500	-	-
Other financial assets:				
- finance leases	669	808	-	-
Total loans and receivables	**12,309**	**11,901**	**8,359**	**6,987**
Available for sale				
Listed shares	45,103	31,649	45,103	31,649
Total available for sale	**45,103**	**31,649**	**45,103**	**31,649**

	Group 2013 $000	Group 2012 $000	Parent Company 2013 $000	Parent Company 2012 $000
Financial liabilities				
Derivative financial instruments				
Hedge accounted	(1,409)	(4,281)	(1,521)	(3,953)
Non-hedge accounted derivatives	(1,239)	(1,045)	(770)	(549)
Total derivative financial instruments	**(2,648)**	**(5,326)**	**(2,291)**	**(4,502)**
Financial liabilities at amortised cost				
Creditors and other payables	(6,105)	(4,033)	(4,682)	(3,545)
Borrowings:				
- secured loans	(95,450)	(90,800)	(63,010)	(60,300)
Total financial liabilities at amortised cost	**(101,555)**	**(94,833)**	**(67,692)**	**(63,845)**

(b) Credit quality of financial assets

The maximum credit exposure for each class of financial asset is as follows:

	Group 2013 $000	Group 2012 $000	Parent Company 2013 $000	Parent Company 2012 $000
Cash at bank and term deposits (Credit rating AA-)	1,230	679	260	235
Debtors and other receivables (Non rated - nil defaults)	10,410	8,914	8,099	6,752
Finance leases (Non rated - nil defaults)	669	808	-	-
Secured advances (Non rated - nil defaults)	-	1,500	-	-
Total credit risk	**12,309**	**11,901**	**8,359**	**6,987**

Debtors and other receivables mainly arise from the Group's principal activities and procedures are in place to regularly monitor trade receivables to ensure that the credit exposure remains within the Group's normal terms of trade.

Regular monitoring of other financial assets is undertaken to ensure the credit exposure is appropriate for that class of asset.

Liquidity risk

Management of liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations.The Group evaluates its liquidity requirements on an ongoing basis.In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls and meet capital expenditure requirements.

NOTES TO THE FINANCIAL STATEMENTS continued

21. Financial instruments (continued)

(c) Contractual maturity analysis of financial instruments

Financial assets

The table below analyses financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

	Carrying Amount $000	Contractual Cash Flows $000	Less Than 1 Year $000	1 Year or Greater $000
Group 2013				
Cash and cash equivalents	1,230	1,230	1,230	-
Debtors and other receivables	10,410	10,410	10,410	-
Finance leases	669	801	214	587
Total	**12,309**	**12,441**	**11,854**	**587**
Parent Company 2013				
Cash and cash equivalents	260	260	260	-
Debtors and other receivables	8,099	8,099	8,099	-
Total	**8,359**	**8,359**	**8,359**	**-**
Group 2012				
Cash and cash equivalents	679	679	679	-
Debtors and other receivables	8,914	8,914	8,914	-
Secured advances	1,500	1,500	1,500	-
Finance leases	808	1,015	214	801
Total	**11,901**	**12,108**	**11,307**	**801**
Parent Company 2012				
Cash and cash equivalents	235	235	235	-
Debtors and other receivables	6,752	6,752	6,752	-
Total	**6,987**	**6,987**	**6,987**	**-**

Financial liabilities

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate of the instrument at the balance date.

The amounts disclosed are the contractual undiscounted cash flows.

	Carrying Amount $000	Contractual Cash Flows $000	Less Than 1 Year $000	1 Year or Greater $000
Group 2013				
Creditors and other payables	(6,105)	(6,105)	(6,105)	-
Net settled derivative liabilities	(2,648)	(3,006)	(1,814)	(1,192)
Secured loans	(95,450)	(108,999)	(20,782)	(88,217)
Total	**(104,203)**	**(118,110)**	**(28,701)**	**(89,409)**
Parent Company 2013				
Creditors and other payables	(4,682)	(4,682)	(4,682)	-
Net settled derivative liabilities	(2,291)	(2,629)	(1,476)	(1,153)
Secured loans	(63,010)	(73,581)	(14,180)	(59,401)
Total	**(69,983)**	**(80,892)**	**(20,338)**	**(60,554)**
Group 2012				
Creditors and other payables	(4,033)	(4,033)	(4,033)	-
Net settled derivative liabilities	(5,326)	(6,203)	(2,445)	(3,758)
Secured loans	(90,800)	(106,324)	(44,731)	(61,593)
Total	**(100,159)**	**(116,560)**	**(51,209)**	**(65,351)**
Parent Company 2012				
Creditors and other payables	(3,545)	(3,545)	(3,545)	-
Net settled derivative liabilities	(4,502)	(5,312)	(2,058)	(3,254)
Secured loans	(60,300)	(72,362)	(24,542)	(47,820)
Total	**(68,347)**	**(81,219)**	**(30,145)**	**(51,074)**

NOTES TO THE FINANCIAL STATEMENTS continued

21. Financial instruments (continued)

(d) Sensitivity analysis of financial instruments

The tables below illustrate the potential profit and equity (excluding retained earnings) impact for reasonably possible market movements where the impact is significant.

Group	2013				2012			
	-100bps		+100bps		-100bps		+100bps	
	Profit $000	Other Equity $000	Profit $000	Other Equity $000	Profit $000	Other Equity $000	Profit $000	Other Equity $000
Interest rate risk								
Financial liabilities								
Derivatives								
- hedge accounted	-	(1,424)	-	811	-	(1,647)	-	1,022
- non-hedge accounted	(346)	-	338	-	(263)	-	256	-
Borrowings	955	-	(955)	-	908	-	(908)	-
Total sensitivity to interest rate risk	**609**	**(1,424)**	**(617)**	**811**	**645**	**(1,647)**	**(652)**	**1,022**

	-10%		+10%		-10%		+10%	
	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity
Equity price risk								
Financial assets								
Shares in listed companies	-	(4,510)	-	4,510	-	(3,165)	-	3,165
Total sensitivity to equity price risk	**-**	**(4,510)**	**-**	**4,510**	**-**	**(3,165)**	**-**	**3,165**

Parent Company	2013				2012			
	-100bps		+100bps		-100bps		+100bps	
	Profit $000	Other Equity $000	Profit $000	Other Equity $000	Profit $000	Other Equity $000	Profit $000	Other Equity $000
Interest rate risk								
Financial liabilities								
Derivatives								
- hedge accounted	-	(1,562)	-	203	-	(1,851)	-	1,130
- non-hedge accounted	(208)	-	1,358	-	(126)	-	124	-
Borrowings	630	-	(630)	-	603	-	(603)	-
Total sensitivity to interest rate risk	**422**	**(1,562)**	**728**	**203**	**477**	**(1,851)**	**(479)**	**1,130**

	-10%		+10%		-10%		+10%	
	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity
Equity price risk								
Financial assets								
Shares in listed companies	-	(4,510)	-	4,510	-	(3,165)	-	3,165
Total sensitivity to equity price risk	**-**	**(4,510)**	**-**	**4,510**	**-**	**(3,165)**	**-**	**3,165**

NOTES TO THE FINANCIAL STATEMENTS continued

22. Reconciliation of consolidated operating cash flows

	Notes	Group		Parent Company	
		2013 $000	2012 $000	2013 $000	2012 $000
The reconciliation between profit & the cash flow from operations is:					
Profit for the year		38,092	12,789	16,612	13,704
Plus/(less) non cash items:					
Unrealised net change in the value of investment property		(23,545)	(2,361)	-	-
Depreciation and amortisation		7,448	7,620	7,298	7,411
Movement in the fair value of interest rate swaps		688	771	605	200
Movement in non-current employee entitlements		121	(57)	38	(30)
Movement in deferred tax		(283)	887	(762)	(412)
Plus/(less) items classified as investing activities:					
Loss/(gain) on sale of property, plant and equipment		-	(225)	-	(225)
Share of surpluses retained by associates		(164)	(190)	-	-
Movement in working capital items:					
Trade and other receivables		(1,710)	984	(1,347)	2,192
Trade and other payables		2,214	(349)	1,319	(390)
Current employee entitlements		228	(623)	196	(476)
Income tax		(1,260)	(1,776)	(1,091)	(733)
Inventories		(29)	(61)	(28)	(61)
Movement in working capital items classified as investing activities		(657)	2	(44)	(79)
Net cash flows from (to) operating activities		**21,143**	**17,411**	**22,796**	**21,101**

23. Investment in subsidiaries, associates and joint ventures

Port Otago Limited operates a full service container port at Port Chalmers and provides wharf facilities at Dunedin. The company also has substantial property holdings. The following tables detail the principal activities of the company's 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)
Fiordland Pilot Services Limited	100%	30 June	Shipping services
Associates			
Hamilton JV Investment Company Limited	50%	30 June	Property trustee (non trading)
Hamilton JV (N3) Limited	50%	30 June	Property trustee (non trading)
Hamilton Porter JV Company Limited	33.3%	30 June	Property trustee (non trading)
Ormiston Road JV Company Limited	50%	30 June	Property trustee (non trading)
Icon Logistics Limited	50%	30 June	Container transport & warehousing services

NOTES TO THE FINANCIAL STATEMENTS continued

23. Investment in subsidiaries, associates and joint ventures (continued)

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

The Group's interest in the jointly controlled entities are as follows:

Name	Percentage Owned	Balance Date	Principal Activity
Joint Ventures			
HarbourCold Dunedin	50%	30 June	Cold store operation
The Hamilton Joint Venture	50%	30 June	Property investment
Hamilton JV (N3)	50%	30 June	Property investment
Hamilton Porter Joint Venture	33.3%	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 Group's investment in the associate, Icon Logistics Limited, is accounted for in the group financial statement using the equity method.

The financial statements include the relevant interest in each joint venture's and associate assets and liabilities at 30 June 2013 along with the share of trading for the relevant period.

	Notes	Group		Parent Company	
		2013 $000	2012 $000	2013 $000	2012 $000
Current assets		9,080	1,021	236	194
Non current assets		22,278	27,574	13	12
Total assets		31,358	28,595	249	206
Current liabilities		(1,812)	(4,411)	(72)	(45)
Non current liabilities		(12,079)	(9,495)	-	-
Total liabilities		(13,891)	(13,906)	(72)	(45)
Net assets		**17,467**	**14,689**	**177**	**161**
Income (including unrealised items)		3,895	3,614	1,039	949
Expenses (including net borrowing costs and unrealised items)		(3,568)	(3,377)	(860)	(820)

Any capital commitments and contingent liabilities arising from the Group's interest in joint ventures are disclosed in notes 24 and 25 respectively.

NOTES TO THE FINANCIAL STATEMENTS continued

24. Capital expenditure commitments

At 30 June 2013 the Group had commitments/approvals for capital expenditure of $12.35 million (last year: $2.7 million) which relates to purchases and refurbishments of port assets.

Operating lease commitments as lessor

The Company has entered into commercial property leases. These non-cancellable leases have remaining non-cancellable lease terms of up to 21 years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	Notes	Group		Parent Company	
		2013 $000	2012 $000	2013 $000	2012 $000
Rentals receivable					
Within one year		13,128	12,631	1,647	1,202
After one year but not more than five years		40,287	35,943	3,076	2,019
More than five years		63,796	55,024	6,330	1,938
Minimum future lease receivable		**117,211**	**103,598**	**11,053**	**5,159**

25. Contingent liabilities

Apart from the matters noted below, there are no contingent liabilities at 30 June 2013 (30 June 2012: nil) other than those arising in the normal course of business.

Guarantees

The Group has a 50% interest in The Hamilton Joint Venture (HJV). As part of funding arrangements the Group has guaranteed joint venture borrowings from ANZ Bank New Zealand Limited to a limit of $21 million. Note 16 contains further details.

The Group has a 33.3% interest in the Hamilton Porter Joint Venture (HPJV). As part of funding arrangements the Group has guaranteed joint venture borrowings from ANZ Bank New Zealand Limited to a limit of $15 million. Note 16 contains further details

Contract for the sale of joint venture land

A joint venture in which the Group has a 33.3% share has entered into a long-term conditional contract to sell a subdivided site for $1.8 million. The purchaser may cancel the contract if an Approved Survey Plan is not lodged by 30 September 2013.

Tax deductibility of acoustic treatment expenditure

Port Otago incurs expenditure to acoustically treat residential properties in Port Chalmers to comply with obligations under the Port Noise Mitigation Plan. This expenditure has been claimed as deductible for income tax purposes as the on-going programme minimises the environmental impact of the existing port activity on the local community. Port Otago has obtained professional taxation advice to support the deductibility of the expenditure.

The Inland Revenue Department has indicated it considers the expenditure to be capital in nature. Assuming the Inland Revenue Department maintains this view and Port Otago is not successful following a formal dispute resolution process, an estimated additional income tax of $250,000 excluding interest and penalties, if any, would be payable.

Dredging and reclamation works performance security bond

Port Otago has entered into a contract to provide dredging services to Lyttelton Port Company Limited for a five year period. A $300,000 performance bond has been provided by Port Otago Limited, the principal, to Lyttelton Port Company Limited, the beneficiary, for the due performance of all obligations and liabilities under the contract. The expiry date of the performance bond is 21 December 2017. As at 30 June 2013, no claim under this bond has been received by the Guarantor, ANZ Bank New Zealand Limited.

NOTES TO THE FINANCIAL STATEMENTS continued

26. Transactions with related parties

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

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

	Group		Parent Company	
	2013 $000	2012 $000	2013 $000	2012 $000
• **Otago Regional Council**				
Contribution towards operation of Harbour Control Centre	60	60	60	60
Property rental	7	7	7	7
Rates expense	(34)	(34)	(34)	(34)
Supplier of goods and services	2	-	2	-
Capital expense	(60)	(185)	(60)	(185)
• **Chalmers Properties Limited Group**				
Administration services provided	-	-	250	213
Interest expense	-	-	(7)	(41)
Interest revenue	-	-	1	-
Rental costs	-	-	(46)	(3)
• **Harbourcold Dunedin**				
Property rental	-	-	551	553
Expenditure	-	-	(46)	(155)
• **Fiordland Pilot Services Limited**				
Administration fee	-	-	30	30
Pilot fee	-	-	102	89
• **Icon Logistics Limited**				
Property rental	177	219	177	219
Supplier of goods and services	(346)	(613)	(346)	(613)
Sales of goods and services	101	-	101	-

Amounts receivable from related parties are included in note 6.

During the year the Group and its shareholder, the Otago Regional Council (ORC), entered into an agreement for the ORC to transfer 2012 tax year losses to the Group. In conjunction with the tax loss transfer of $7,899,958 (2011 tax year: $11,756,136), by way of a tax loss offset, the Group made a subvention payment of $3,072,206 (2011 tax year: $5,038,345) to the ORC. The consequence of the tax loss transfer and the subvention payment was a $3,072,206 reduction in income tax payments in the current year (2012: $5,038,345).

Port Otago Limited's tax liability for 2012 was eliminated by tax losses of $8,105,796 (2011 tax year: $9,984,251) transferred from the Otago Regional Council by subvention payment of $2,269,623 (2011 tax year: $2,995,276) and loss offset of $5,836,173 (2011 tax year: $6,988,975).

Tax losses from Perpetual Property Limited are offset against the taxable income of Chalmers Properties Limited, both subsidiaries of the Company. A tax loss of $1,060,451 is to be offset for the 2013 year (2012: $977,000).

During the year, a $3,000,000 (Group share: $1,500,000) secured interest bearing advance was repaid from The Hamilton Joint Venture to Chalmers Properties Limited.

(b) Financial arrangement – The Hamilton Joint Venture

During the year ended 30 June 2008 The Hamilton Joint Venture agreed to sell 10% (of which the Group's half share amounts to 5%) of a 43.7 hectare block of joint venture land to Mr Andrew Duncan, who ceased employment with the Group during 2012.

NOTES TO THE FINANCIAL STATEMENTS continued

26. Transactions with related parties (continued)

The terms of the transaction with Mr Duncan are as follows:

- Sale price of $2.84 million (plus GST if any) with deposits totalling $0.28 million payable when certain conditions are met and the balance payable on the vendor providing title.
- The Hamilton Joint Venture participants will pay land development costs up to a maximum of $0.84 million plus tax, which amounts to $1.25 million after payroll taxes are added (the Group's share is $0.63 million).

  At 30 June 2013 a balance sheet provision (refer Note 14) reflects the Group's share of:
- the difference between the $2.84 nominal sale proceeds and the net present value of the sales proceeds, and;
- the earned portion of the net present value of incentives to be reimbursed by The Hamilton Joint Venture participants. The discounted incentives are recognised as earned on a straight-line basis over the period from February 2008 to March 2016 (last year: February 2008 to June 2014).

(c) Other related party transactions

Director(s)	Related Party	Nature of Relationship
D J Faulkner	Director of Gough Gough and Hamer Limited (and its wholly owned subsidiaries)	Supplier to the Group
D R Black	Director of Farra Engineering Limited	Supplier to the Group Lease of property from Group
E J Harvey	Chairman of Kathmandu Holdings Limited	Lease of property from Group
E G Johnson	Chairman of Fulton Hogan Limited (and its wholly owned subsidiaries)	Supplier to the Group Lease of property from Group
	Director of National Institute of Water and Atmospheric Research Limited	Supplier to the Group
V H Pooch	Director of Dynes Transport Tapanui Limited	Supplier to the Group

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

	Group 2013 $000	Group 2012 $000	Parent Company 2013 $000	Parent Company 2012 $000
Farra Engineering Limited				
Property rental	43	41	-	-
Maintenance expense	(35)	(52)	(35)	(52)
Fulton Hogan Limited (and it's wholly owned subsidiaries)				
Maintenance expense	(8)	(11)	(8)	(11)
Capital expenditure	(2,416)	-	(2,416)	-
Gough Gough and Hamer Limited (and it's wholly owned subsidiaries)				
Maintenance expense	(132)	(163)	(132)	(163)
Capital expenditure	(36)	-	(36)	-
Kathmandu Holdings Limited				
Property rental	230	223	-	-
National Institute of Water and Atmospheric Research Limited				
Capital expenditure	(59)	(58)	(59)	(58)
Dynes Transport Tapanui Limited				
Supplier of goods and services	(16)	-	(16)	-

NOTES TO THE FINANCIAL STATEMENTS continued

26. Transactions with related parties (continued)

Related party receivable/(payable) at year end:

	Group		Parent Company	
	2013 $000	2012 $000	2013 $000	2012 $000
• **Otago Regional Council**				
Accounts payable	-	(6)	-	(6)
Trade receivable	17	17	17	17
• **Farra Engineering Limited**				
Accounts payable	(31)	-	(31)	-
Trade receivable	12	12	-	-
• **Fulton Hogan Limited**				
Accounts payable	(157)	-	(157)	-
• **Gough Gough and Hamer Limited** (and it's wholly owned subsidiaries)				
Accounts payable	(18)	(4)	(18)	(4)
• **HarbourCold Dunedin**				
Accounts payable	-	-	-	(13)
Trade receivable	6	-	6	1

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.

27. Key management personnel compensation

The gross remuneration of Directors and key management personnel during the year was as follows:

	Group		Parent Company	
	2013 $000	2012 $000	2013 $000	2012 $000
Directors' fees	294	317	214	227
Salaries and other short-term employee benefits	1,896	1,916	1,690	1,292
	2,190	**2,233**	**1,904**	**1,519**

NOTES TO THE FINANCIAL STATEMENTS continued

28. Dividends – Group and Parent Company

	Notes	2013 $000	2012 $000
Declared and proposed in respect of the current financial year:			
Interim dividend		2,500	2,500
Second interim dividend		2,600	2,600
Special dividend		5,000	4,750
Final dividend		1,900	1,900
Dividends for the financial year		**12,000**	**11,750**
Adjust for dividends declared after year end:			
2013 Final dividend declared September 2013	30	(1,900)	-
2012 Final dividend declared September 2012		1,900	(1,900)
2011 Final dividend declared September 2011		-	1,900
Dividend distributed to owners as disclosed in the Consolidated Statement of Changes in Equity		**12,000**	**11,750**
Dividends per share (cents)		60.0	58.8

29. Operating leases - Group and Parent Company

The future minimum lease payments to be paid under non-cancellable operating leases are as follows:

	Notes	2013 $000	2012 $000
Minimum rental commitments for all non-cancellable operating leases are:			
Payable within one year		100	102
Payable within one to two years		100	100
Payable within two to five years		-	100
		200	**302**

30. Significant events after balance date

Dividends

On 3 September 2013 the directors declared a final dividend of $1.9 million for the year ended 30 June 2013. As the final dividend was approved after balance date, the financial effect of the dividend payable of $1.9 million has not been recognised in the balance sheet.

Investment property acquisition

A conditional sale and purchase agreement has been negotiated by the Group to purchase a 2.3 hectare site in Glenfield, Auckland, which includes a recently developed warehouse. The settlement and possession date for the $27.3 million purchase occurs in October 2013 and is subject to a 15 year leaseback.

AUDIT REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Port Otago Limited and Group's financial statements for the year ended 30 June 2013

The Auditor-General is the auditor of Port Otago Limited (the company) and group. The Auditor-General has appointed me, Bede Kearney, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company and group on her behalf.

We have audited the financial statements of the company and group on pages 11 to 45, that comprise the consolidated balance sheet as at 30 June 2013, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

Financial statements

In our opinion the financial statements of the company and group on pages 11 to 45:

- 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 2013; and
  - financial performance and cash flows for the year ended on that date.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 3 September 2013. This 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 our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain

AUDIT REPORT continued

reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' 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.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments; we consider internal control relevant to the preparation of the company and group's financial statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company and group's financial position, financial performance and cash flows.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Financial Reporting Act 1993 and the Port Companies Act 1988.

AUDIT REPORT continued

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 19 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 External Reporting Board.

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

Bede Kearney
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand

STATUTORY DISCLOSURE

The following disclosures are made pursuant to the Companies Act 1993 in respect of the financial year ended 30 June 2013.

Group activities

Port Otago Limited provides a full range of port facilities, cargo handling and warehousing services at the Port of Otago.

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

Financial results

The Group recorded a profit for the year of $38.1 million, compared to $12.8 million last year.

Dividends

A final dividend of $1.9 million will be paid on 6 September 2013, which brings total dividends for the year to $12 million.

Changes in accounting policies

Accounting policies have been applied on a consistent basis with the prior year.

Directors

In accordance with the Company's constitution at least one third of the Directors retire by rotation at each Annual Meeting. The Directors who retire in each year are those who have been longest in office since their last election or appointment.

At the Company's last Annual Meeting, held on 29 November 2012, Mr D R Black and Mr V H Pooch retired by rotation and were reappointed.

Directors remuneration

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

	Port Otago Limited $000	Chalmers Properties Limited $000	Total Group $000
D J Faulkner (Chairman)	59	25	84
D R Black (Deputy Chairman)	34	11	45
E J Harvey	31	11	42
E G Johnson	29	11	40
V H Pooch	29	11	40
P F Rea	31	11	42
D Rillstone *	1	-	1
	214	**80**	**294**

* Retired as Chairman of the Port Environment Liaison Committee during the year

STATUTORY DISCLOSURE continued

Directors interests

Directors have disclosed the following general interests for the year ended 30 June 2013 in accordance with Section 140 of the Companies Act 1993:

Director	Entity	Relationship
D J Faulkner	Brightwater Engineering Limited	Director
	Gough Gough and Hamer Limited (and its wholly owned subsidiaries)	Director
	Solar City Limited	Director
D R Black	Farra Engineering Limited	Chairman
	Forests Otago Limited	Chairman
	Healthcare Otago Charitable Trust	Chairman
	Otago Rescue Helicopter Trust	Chairman
E J Harvey	Ballance Agri-Nutrients Limited	Director
	DNZ Property Fund Limited	Director
	Heartland Bank Limited	Director
	Kathmandu Holdings Limited	Chairman
	Pomare Investments Limited	Director
E G Johnson	Bank of New Zealand (resigned June 2013)	Director
	Fulton Hogan Limited (and its wholly owned subsidiaries) (resigned December 2012)	Chairman
	Goldpine Group Limited (and its wholly owned subsidiaries)	Chairman
	Indevin Group Limited (and its wholly owned subsidiaries)	Chairman
	National Institute of Water and Atmospheric Research Limited (and its wholly owned subsidiaries)	Director
	Port Marlborough New Zealand Limited (and its wholly owned subsidiaries)	Chairman
	Stone Farm Holdings Limited	Director
V H Pooch	Craigpine Farming Limited (resigned March 2013)	Director
	Craigpine Timber Limited (resigned November 2012)	Director
	Dynes Transport Tapanui Limited	Director
	Key Business Partners Limited	Director
	Number Power Limited	Director
	Southern Hospitality Limited	Chairman

STATUTORY DISCLOSURE continued

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
430,001 – 440,000	1*
390,001 – 400,000	1
210,001 – 220,000	1
200,001 – 210,000	2
190,001 – 200,000	1
180,001 – 190,000	6
170,001 – 180,000	2
160,001 – 170,000	1
150,001 – 160,000	2
130,001 – 140,000	4
110,001 – 120,000	6
100,001 – 110,000	17

Remuneration includes salary, bonuses, motor vehicles and other sundry benefits received in the person's capacity as an employee.

* An employee finished working for the Group during the period and, due to redundancy and other termination payments, their normal levels of remuneration were exceeded.

Directors of subsidiary companies

Directors fees for Chalmers Properties Limited are shown under Directors remuneration. No Directors fees were paid by Fiordland Pilot Services Limited, Perpetual Property Limited and South Freight Limited.

The following persons held office as Directors of subsidiary companies at 30 June 2013:

Company	Director
Chalmers Properties Limited	D J Faulkner, D R Black, E J Harvey, E G Johnson, V H Pooch, P F Rea
Fiordland Pilot Services Limited	D J Faulkner, D R Black, E J Harvey, E G Johnson, V H Pooch, P F Rea
Perpetual Property Limited	D J Faulkner, D R Black, E J Harvey, E G Johnson, V H Pooch, P F Rea
South Freight Limited	D J Faulkner

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 2013 was $104,000 (last year: $98,000).

For and on behalf of the Board of Directors

D J Faulkner
Chairman
3 September 2013

E J Harvey
Director
3 September 2013

DIRECTORY

Directors

David Faulkner	Chairman
Ross Black	Deputy Chairman
John Harvey	Chairman Audit Committee
Ed Johnson	
Vincent Pooch	
Paul Rea	

Executive

Geoff Plunket	Chief Executive
Lynn Smillie	General Manager Human Resources
Peter Brown	General Manager Commercial
Lincoln Coe	General Manager Infrastructure
David Chafer	General Manager Property
Stephen Connolly	Chief Financial Officer

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Website	www.portotago.co.nz

Bankers

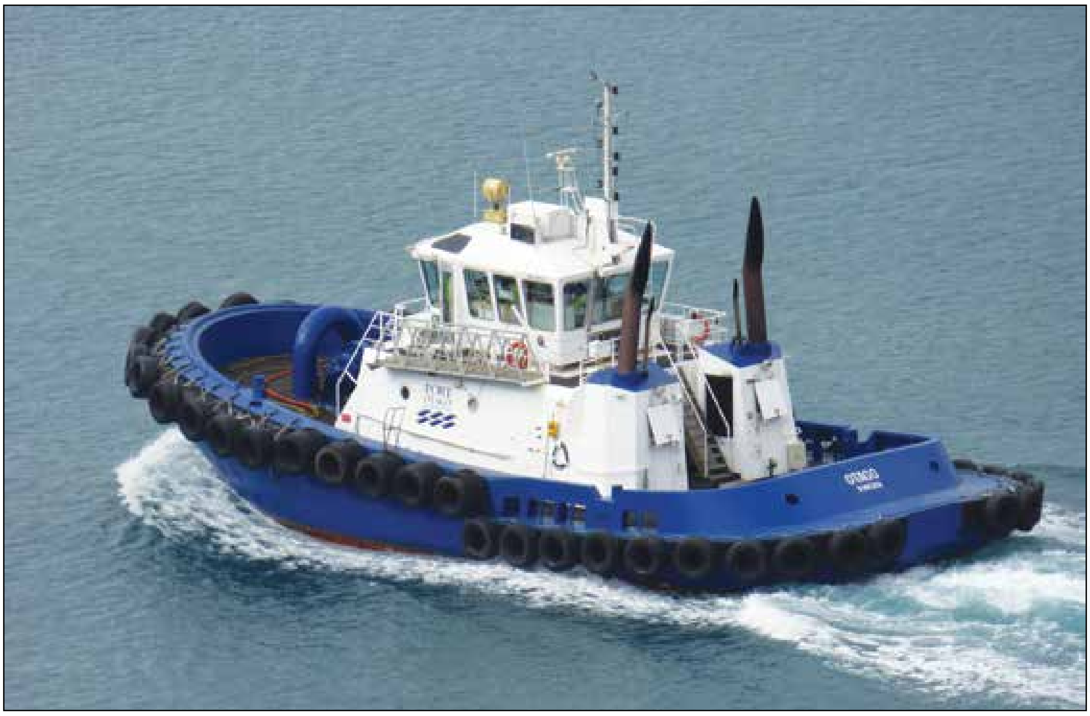
ANZ Bank New Zealand Limited

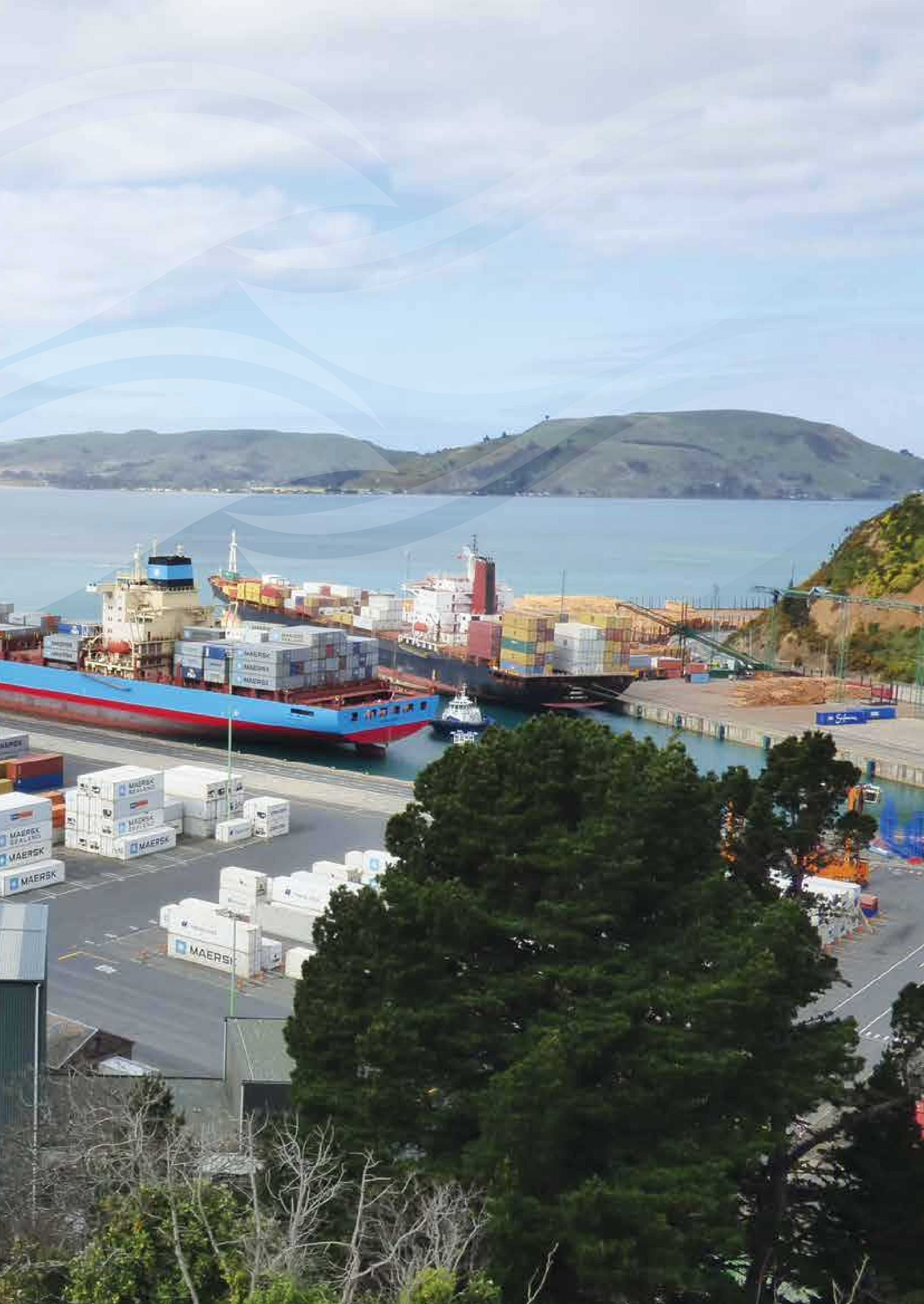
Solicitors

Anderson Lloyd

Auditors

Audit New Zealand on behalf of the Auditor-General

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PORT OTAGO LIMITED

www.portotago.co.nz