Condensed Statement of Cash Flows

For the six months ended 31 December 2010

	Unaudited 6 months Dec 2009 $000	Unaudited 6 months Dec 2010 $000	Audited Year to Jun 2010 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from port operations	27,017	27,406	58,378
Rental income	5,398	5,811	10,997
Dividend received	459	538	775
Interest received	131	104	267
Cash was disbursed to:			
Payment to employees and suppliers	(20,946)	(21,645)	(40,845)
Interest paid	(3,799)	(4,116)	(7,648)
Income tax paid	(1,650)	(2,484)	(4,114)
Net GST received/(paid)	907	290	(82)
Net cash flows from operating activities (Note 3)	**7,517**	**5,904**	**17,728**
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment	10	199	340
Sale of investment property	48	10,336	14,449
Advances received/(repaid)	1,370	6	(1,364)
Repayment of lessee improvements	55	50	103
Cash was applied to:			
Purchase of property, plant and equipment	(4,928)	(4,119)	(8,362)
Interest capitalised	(282)	(308)	(592)
Purchase of investment property	-	-	(10,407)
Improvements to investment property	(41)	(33)	(60)
Net cash flows used in investing activities	**(3,768)**	**6,131**	**(5,893)**
Cash flows from financing activities			
Cash was provided from:			
Proceeds from borrowings	710	22,610	48,447
Cash was applied to:			
Repayment of borrowings	(2,570)	(31,000)	(53,020)
Dividends paid	(1,900)	(1,900)	(7,000)
Net cash flows from financing activities	**(3,760)**	**(10,290)**	**(11,573)**
Increase (decrease) in cash held	(11)	1,745	262
Cash held at beginning of period	515	253	253
Cash held at end of period	**504**	**1,998**	**515**

The accompanying notes form part of these interim financial statements.

Notes to the Condensed Financial Statements

For the six months ended 31 December 2010

1. General information

The unaudited interim condensed financial statements presented are those of Port Otago Limited ("the Company"), its subsidiaries and share of joint ventures ("the Group"). The Company is a limited liability company incorporated in New Zealand and registered under the Companies Act 1993.

2. Summary of significant accounting policies

Basis of preparation

These unaudited condensed interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting. The unaudited interim financial statements have been prepared using the New Zealand Dollar as the functional and presentation currency.

The unaudited condensed interim financial statements should be read in conjunction with the consolidated financial statements and related notes in the Company's Annual Report for the year ended 30 June 2010.

Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2010, as described in those annual financial statements.

The Company and Group has not applied the following standards, amendments and interpretations that have been issued but are not yet effective:

- NZ IAS 24 Related Party Disclosures (revised 2009).
- NZ IFRS 9 Financial Instruments – Phase 1: Classification and Measurement.

To ensure consistency with the current period, comparative figures have been restated where appropriate.

Notes to the Condensed Financial Statements (Continued)

For the six months ended 31 December 2010

3. Reconciliation of consolidated operating cash flows

	Unaudited 6 months Dec 2010 $000	Unaudited 6 months Dec 2009 $000	Audited Year to Jun 2010 $000
The reconciliation between profit and the cash flow from operations is:			
Profit for the period	3,628	9,727	7,714
Plus/(less) non-cash items:			
Unrealised net change in the value of investment property	1,021	(4,036)	(3,198)
Depreciation and amortisation	3,617	3,524	7,006
Interest on deferred settlement	-	79	158
Movement in the fair value of interest rate swaps	182	148	1,537
Movement in non-current employee entitlements	(7)	13	(115)
Movement in deferred tax	342	187	6,166
Plus/(less) items classified as investing activities:			
Loss/(gain) on disposal of property, plant and equipment	(6)	20	112
Loss/(gain) on disposal of investment property	-	(1,169)	(1,283)
Movement in working capital items:			
Trade and other receivables	(1,721)	(1,389)	(126)
Trade and other payables	599	(102)	62
Current employee entitlements	(43)	(90)	(485)
Income tax	(50)	(837)	258
Inventories	4	26	(72)
Movement in working capital items classified as investing activities	(49)	(197)	(6)
Net cash flows from operating activities	**7,517**	**5,904**	**17,728**

4. Commitments

At 31 December 2010 the Group had commitments/approvals for capital expenditure of $0.5 million (31 December 2009: $8.2 million, 30 June 2010: $2.6 million) which relates to purchases of the port's assets.

Notes to the Condensed Financial Statements (Continued)

For the six months ended 31 December 2010

5. Contingencies

Apart from the matters noted below, there are no other material contingent liabilities at 31 December 2010 other than those arising in the normal course of business.

Guarantees

The Group has an interest in certain Hamilton Joint Ventures. As part of funding arrangements the Group has guaranteed joint venture borrowings from ANZ National Bank Limited to a limit of $30 million. At 31 December 2010 joint venture borrowings were $29 million (31 December 2009: $21 million, 30 June 2010: $29 million) with the Group's 50% interest in The Hamilton Joint Venture borrowings, amounting to $10.5 million, recorded as a current liability and the Group's 33.3% interest in The Hamilton Porter Joint Venture, amounting to $2.7 million, recorded as a non-current liability in the Balance Sheet.

Contract for the sale of joint venture land

A joint venture in which the Group has a 33.3% share has 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 April 2013.

6. Events after balance date

Dividends

On 15 February 2011 the Directors declared an interim dividend of $2.5 million.

Port Otago Limited – Directory

Directors

David Faulkner	Chairman
Ross Black	Deputy Chairman
John Harvey	
Ed Johnson	
Vincent Pooch	
Dougal Rillstone	

Executive

Geoff Plunket — Group Chief Executive

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Email	pol@portotago.co.nz
Website	www.portotago.co.nz

Bankers

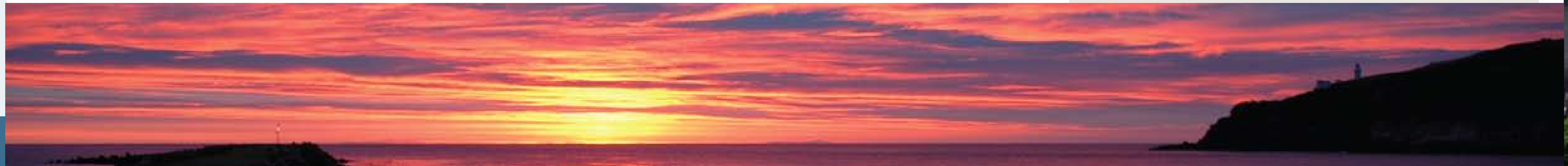
ANZ National Bank Limited

Solicitors

Anderson Lloyd

Auditors

Audit New Zealand on behalf of the Auditor-General



PORT OTAGO LIMITED

www.portotago.co.nz

Interim Report

For the six months ended 31 December 2010

Overview of Group Results

	6 months Dec 2010 $million	6 months Dec 2009 $million
Operating revenue	34.4	34.7
EBITDA*	14.1	14.1
Operating surplus before tax	6.8	6.7
Unrealised net change in value of investment property	(1.0)	4.0
Profit for the period	3.6	9.7
Net cash flows from operating activities	7.5	5.9
Total assets	408	409
Shareholder equity	274	280
Equity ratio	67%	68%
Net asset backing per share	$13.68	$14.02
Trade:		
Container throughput (TEU)	97,600	103,000
Conventional cargo volume (000 tonnes)	702	527
Number of vessel arrivals	238	240

Earnings before interest, tax, depreciation and amortisation

Chairman's Half Year Review

Financial results

The Port Otago Group which comprises port operations and the investment property business operated by Chalmers Properties Limited, has recorded an unaudited consolidated after tax profit of $3.6 million for the six months ended 31 December 2010 compared with $9.7 million in the previous year. This was achieved on total Group revenue of $34.4 million compared with $34.7 million in the previous year over the same period.

The operating surplus before tax of $6.8 million was 1% above last year's result of $6.7 million. Unusual items contributed a loss of $1.2 million to give a profit before tax of $5.6 million. In the previous interim period unusual items provided a profit contribution of $4.9 million, which enhanced the operating result.

A summary of the six month result follows:

Profits	Unaudited 6 months Dec 2010 $m	Unaudited 6 months Dec 2009 $m	Change %
EBITDA*	14.1	14.1	0%
Depreciation and amortisation	(3.6)	(3.5)	
Net interest expense	(3.7)	(3.9)	
Operating surplus before tax	6.8	6.7	+1%
Unusual items			
Gain on sale of property and plant	-	1.3	
Merger investigation costs	(0.1)	(0.3)	
Unrealised items			
Unrealised revaluation of investment property	(1.0)	4.0	
Unrealised change in value of interest rate swaps	(0.1)	(0.1)	
Profit before tax	5.6	11.6	-52%
Income tax expense	(2.0)	(1.9)	
Profit for the period	**3.6**	**9.7**	**-63%**

Earnings before interest, tax, depreciation and amortisation

The Group continues to provide strong operating cashflow with a cash surplus from operating activities of $7.5 million, an increase of $1.6 million (27%).

Interim dividend

An interim dividend of $2.5 million, the same as last year, will be paid on 25 February 2011. Fully imputed for tax, the dividend represents 50% of the Group's half-year operating surplus after tax.

Financial position

Port Otago remains in a strong financial position with shareholder equity at 31 December 2010 of $274 million comprising 67% of total assets. Borrowings increased by $1.9 million over the six months to $96 million, well within the $120 million committed bank facilities available to the Group.

PORT OPERATIONS
Trade volumes

After a number of years of strong growth the container volume over the past six months (98,000 TEU), was 5% less than last year's record throughput. The reduction reflected a combination of less tranship containers originating from other New Zealand ports and lower refrigerated exports.

The reduction in tranships was expected as it related to Fonterra's decision in September 2009 to use alternative ports for the export of its Clandeboye and New Plymouth production. This tranship volume boosted the throughput in the previous interim period.

Container volume in the next six month period is expected to be at similar levels to the previous year. Growth in dairy and timber exports is expected to be offset by lower meat exports due to the adverse weather in Southland and South Otago during lambing.

Conventional trades showed strong growth with the total tonnage up by 33% to a record 702,000 tonnes. The main contributors to this increase were higher log exports and increased fertiliser exports. With strong demand from the Asian region continuing throughout the period, log exports were 66% higher at 319,000 tonnes. In order to cater for the export demand, additional log storage capacity was added in Dunedin which enables logs to be handled through both Dunedin and Port Chalmers.

There were 238 vessel calls in the six month period which compares to 240 in the previous year. Increased visits by forestry, fertiliser vessels and cruise ship arrivals offset the reduction in container ship arrivals.

Financial results

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the port business improved to $9.7 million, a 4% increase, although the previous interim period included one-off restructuring costs of $1.3 million. Excluding the restructuring costs the interim result is 8% lower than in the previous period. This result was achieved on revenue of $28.5 million, which is unchanged from the previous interim period.

Port development

Capital expenditure in the interim period totalled $4.9 million, with the main item being the purchase of two new straddle carriers, as part of the ongoing plant replacement programme.

Planning continues for the future development required to enable the port to handle larger vessels. It is expected that container vessels will increase in size on an incremental or progressive basis, with the next step likely to be vessels with a capacity of between 4,500 to 5,000 TEU. Port Otago would need to deepen its shipping channel to 14 metres to handle these larger vessels. Application has been made to the Otago Regional Council for consent to deepen the shipping channel to 15 metres. This ensures that the port has in place the resource consents for its longer term development. The resource consents will be considered by independent commissioners during April 2011.

Health and safety

The Board and management are committed to a zero harm strategy and as part of this strategy the focus is on continuous improvement in the Company's health and safety performance.

There were 3 lost time injury (LTI) accidents recorded during the period which resulted in an LTI frequency rate of 0.7 lost time injuries per 100,000 hours worked (calculated on a rolling 12 month basis). This is a reduction from the June 2010 LTI frequency rate of 0.9.

Staff

The Board acknowledges the efforts of staff and management for their ongoing commitment to delivering superior standards of customer service and to improving levels of productivity.

PROPERTY INVESTMENT
Chalmers Properties Limited (CPL)

The operating profit before tax for the CPL investment property portfolio reduced by $0.1 million to $3.7 million for the six month period. This result was achieved from rental income of $5.4 million, a reduction of $0.4 million from the previous year. The lower rental revenue was due to the sale in the 2009/10 year of the 3.4 hectare Harrow Street portion of the Dunedin ground lease portfolio and tenant changes at the Dalgety Drive, Auckland warehouse property.

With the proceeds from the sale of the Harrow Street portfolio used to retire debt the lower rental income was offset by a $0.3 million reduction in interest costs.

CPL recorded a net $1.0 million decrease in the value of its investment property at the end of the period. The total value of the portfolio amounted to $204 million. This reduction, which is unrealised, was on the basis of valuation reviews performed by independent valuers. This is the first time that there has been a reduction in the value of the portfolio since the Company commenced trading in 1998.

Shareholding in Lyttelton Port Company (LPC)

The Company continues to hold its 15.5% stake in LPC on a long term basis. Possible merger discussions between LPC and our Company that had been underway for over 2 years were ended by LPC following the September 2010 earthquake that caused some damage to the Lyttelton port facilities.

The end of these merger discussions has not in any way changed our view regarding the long term ownership of these shares.

Directors

John Gilks retired as Chairman and from the Board in December 2010. John was appointed in 1987 by the Otago Harbour Board to the Establishment Unit which developed the plan for the establishment of Port Otago, which occurred in 1989. John was appointed to the Board at this time, initially as Deputy Chairman and he has been Chairman since 2001.

On behalf of the Board I would like to thank John for his outstanding contribution to the success of the Port Otago Group.

Outlook

At this stage we expect that the full year trading result will be in line with the 2010 result. Container volumes in January and February are slightly above the corresponding period last year. Log exports remain at record levels and in addition there is a higher number of cruise vessels.

In the long term Port Otago is well placed to benefit from the predicted growth in dairy, the increasing number of cruise vessels and continued growth within the forestry sector. This combined with a strong commitment to improving customer service and lifting productivity provides optimism for continued profitable growth.

David Faulkner
Chairman
15 February 2011

Condensed Income Statement

For the six months ended 31 December 2010

	Unaudited 6 months Dec 2010 $000	Unaudited 6 months Dec 2009 $000	Audited Year to Jun 2010 $000
Revenue			
Port operations	28,501	28,395	58,363
Investment property rental	5,422	5,774	11,157
Dividend income	459	538	775
	34,382	34,707	70,295
Other income			
Gain on disposal of property and plant	14	1,283	1,428
Total revenue and other income	34,396	35,990	71,723
Expenses			
Staff costs	(12,512)	(12,295)	(24,430)
Fuel and electricity	(1,512)	(1,411)	(2,960)
Purchased materials and services	(6,230)	(5,623)	(10,937)
Depreciation and amortisation	(3,617)	(3,524)	(7,006)
Restructuring costs	-	(1,275)	(1,674)
	(23,871)	(24,128)	(47,007)
Finance costs			
Finance income	131	104	267
Finance costs	(3,807)	(4,042)	(7,870)
	(3,676)	(3,938)	(7,603)
Non-operating income and expenses			
Merger investigation costs	(76)	(251)	(353)
Subvention payment	-	-	(169)
Unrealised net change in value of investment property	(1,021)	4,036	3,198
Unrealised net change in value of interest rate swaps	(182)	(148)	(1,537)
	(1,279)	3,637	1,139
Profit before income tax	5,570	11,561	18,252
Income tax benefit/(expense)			
Current tax	(1,600)	(1,647)	(4,373)
Deferred tax	(342)	(187)	(6,165)
	(1,942)	(1,834)	(10,538)
Profit for the period	**3,628**	**9,727**	**7,714**

Condensed Statement of Comprehensive Income

For the six months ended 31 December 2010

	Unaudited 6 months Dec 2010 $000	Unaudited 6 months Dec 2009 $000	Audited Year to Jun 2010 $000
Profit for the period	3,628	9,727	7,714
Other comprehensive income			
Available-for-sale financial assets			
Unrealised increase/(decrease) in the value of share investments	(1,108)	1,266	-
Cash flow hedges			
Unrealised movement in hedged interest rate swaps (net of tax)	458	1,183	1,596
Total comprehensive income for the period	**2,978**	**12,176**	**9,310**

The accompanying notes form part of these interim financial statements.

Condensed Statement of Changes in Equity

For the six months ended 31 December 2010

	Unaudited 6 months Dec 2010 $000	Unaudited 6 months Dec 2009 $000	Audited Year to Jun 2010 $000
Equity at the beginning of the period	272,498	270,188	270,188
Total comprehensive income for the period	2,978	12,176	9,310
Distribution to owners			
Dividends	(1,900)	(1,900)	(7,000)
Equity at the end of the period	**273,576**	**280,464**	**272,498**

Condensed Balance Sheet

As at 31 December 2010

	Unaudited Dec 2010 $000	Unaudited Dec 2009 $000	Audited Jun 2010 $000
Current assets			
Cash and cash equivalents	504	1,998	515
Trade and other receivables	8,553	8,097	6,832
Secured advances	-	-	1,370
Inventories	553	459	557
Property held for sale	1,420	4,058	1,420
Finance leases	120	108	114
	11,150	14,720	10,808
Non-current assets			
Property, plant and equipment	155,332	153,798	154,403
Investment property	204,100	200,588	204,421
Property deposit	-	248	-
Shares in listed companies	35,605	37,979	36,713
Finance leases	873	992	934
Intangible assets	645	676	643
	396,555	394,281	397,114
Total assets	**407,705**	**409,001**	**407,922**
Current liabilities			
Trade and other payables	4,632	3,867	4,033
Borrowings (secured)	10,500	-	10,500
Deferred settlement	-	4,621	-
Employee entitlements	3,703	4,141	3,746
Other financial instruments	2,070	2,883	2,230
Income tax	1,553	508	1,603
	22,458	16,020	22,112
Non-current liabilities			
Borrowings (secured)	85,757	94,300	87,617
Employee entitlements	1,326	1,462	1,333
Other financial instruments	2,547	1,566	2,936
Deferred tax liabilities	22,041	15,189	21,426
	111,671	112,517	113,312
Total liabilities	**134,129**	**128,537**	**135,424**
Equity			
Share capital	20,000	20,000	20,000
Reserves	253,576	260,464	252,498
Total equity	273,576	280,464	272,498
Total equity and liabilities	**407,705**	**409,001**	**407,922**

The accompanying notes form part of these interim financial statements.