Condensed Statement of Cash Flows
For the six months ended 31 December 2011

	Unaudited 6 months Dec 2011 $000	Unaudited 6 months Dec 2010 $000	Audited Year to Jun 2011 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from port operations	30,010	27,017	59,357
Rental income	5,760	5,398	11,291
Dividend received	-	459	459
Interest received	82	131	290
Cash was disbursed to:			
Payment to employees and suppliers	(21,757)	(20,946)	(41,445)
Interest paid	(3,044)	(3,799)	(7,277)
Subvention payments	-	-	(3,000)
Income tax (paid)/received	(776)	(1,650)	1,562
Net GST received	661	907	352
Net cash flows from operating activities (Note 5)	**10,936**	**7,517**	**21,589**
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment	412	10	476
Sale of investment property	-	48	5,207
Repayment of lessee improvements	61	55	114
Cash was applied to:			
Purchase of property, plant and equipment	(1,370)	(4,928)	(7,382)
Purchase of investment property	-	-	(55)
Improvements to investment property	(12)	(41)	(224)
Investments in associates	(790)	-	-
Advances received/(paid)	(1,500)	1,370	1,370
Interest capitalised	(242)	(282)	(529)
Net cash flows used in investing activities	**(3,441)**	**(3,768)**	**(1,023)**
Cash flows from financing activities			
Cash was provided from:			
Proceeds from borrowings	20,460	710	10,830
Cash was applied to:			
Repayment of borrowings	(25,900)	(2,570)	(18,737)
Dividends paid	(1,900)	(1,900)	(12,250)
Net cash flows from financing activities	**(7,340)**	**(3,760)**	**(20,157)**
Increase (decrease) in cash held	155	(11)	409
Cash held at beginning of period	924	515	515
Cash held at end of period	**1,079**	**504**	**924**

The accompanying notes form part of these interim financial statements.

Notes to the Condensed Financial Statements
For the six months ended 31 December 2011 (Unaudited)

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 2011.

Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2011, as described in those annual financial statements.

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

NZ IAS 12 Income Taxes

As described in the annual financial statements for the year ended 30 June 2011, the Group elected to early adopt the amendment to NZ IAS 12 which provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in NZ IAS 40 Investment Property. This has resulted in a restatement of the 31 December 2010 comparative position as detailed below.

	Previously reported $000	Restatement $000	Restated $000
Consolidated Balance Sheet			
Deferred tax – 31 December 2010	22,041	(5,948)	16,093
Consolidated Statement of Changes in Equity			
Equity at the beginning of the period – 31 December 2010	272,498	5,948	278,446

3. Investment property valuation

Investment properties are carried at valuations undertaken by independent registered valuers as at 30 June 2011. The Board has received and considered advice from management that there has been no material change to those valuations. Borrowing costs and other costs recognised in the accounting period that are directly attributable to the acquisition of long term investment property development projects are capitalised as part of the cost of those assets.

4. Derivative financial instruments

The Group uses derivative financial instruments (interest rate swaps) to economically hedge its exposure to interest rate risks arising from operational, financing and investment activities.

Notes to the Condensed Financial Statements (Continued)
For the six months ended 31 December 2011 (Unaudited)

5. Reconciliation of consolidated operating cash flows

	Unaudited 6 months Dec 2011 $000	Unaudited 6 months Dec 2010 $000	Audited Year to Jun 2011 $000
The reconciliation between profit and the cash flow from operating activities is:			
Profit for the period	5,037	3,628	9,400
Plus/(less) non-cash items:			
Unrealised net change in the value of investment property	-	1,021	5,178
Depreciation and amortisation	3,857	3,617	7,330
Movement in the fair value of interest rate swaps	(89)	182	553
Movement in non-current employee entitlements	(114)	(7)	126
Movement in deferred tax	(4)	342	(317)
Plus/(less) items classified as investing activities:			
Loss/(gain) on disposal of property, plant and equipment	(208)	(6)	(23)
Loss/(gain) on disposal of investment property	-	-	(1,714)
Movement in working capital items:			
Trade and other receivables	(622)	(1,721)	(3,066)
Trade and other payables	620	599	346
Current employee entitlements	(383)	(43)	380
Income tax	1,278	(50)	3,471
Inventories	(41)	4	(27)
Movement in working capital items classified as investing activities	1,605	(49)	(48)
Net cash flows from operating activities	**10,936**	**7,517**	**21,589**

6. Commitments

At 31 December 2011 the Group had commitments/approvals for capital expenditure of $2.9 million (31 December 2010: $0.5 million, 30 June 2011: $0.4 million) which relates to purchases and upgrades of the port's assets.

Notes to the Condensed Financial Statements (Continued)
For the six months ended 31 December 2011 (Unaudited)

7. Contingencies

Apart from the matters noted below, there are no other material contingent liabilities at 31 December 2011 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 2011 joint venture borrowings were $25.5 million (31 December 2010: $29 million, 30 June 2011: $28.5 million) with the Group's 50% interest in The Hamilton Joint Venture borrowings, amounting to $9 million, recorded as a non-current liability and the Group's 33.3% interest in The Hamilton Porter Joint Venture, amounting to $2.5 million, also 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.

8. Events after balance date

Dividends

On 14 February 2012 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	
Paul Rea	
Dougal Rillstone	

Executive

Geoff Plunket — Group Chief Executive

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Bankers

ANZ National Bank Limited

Solicitors

Anderson Lloyd

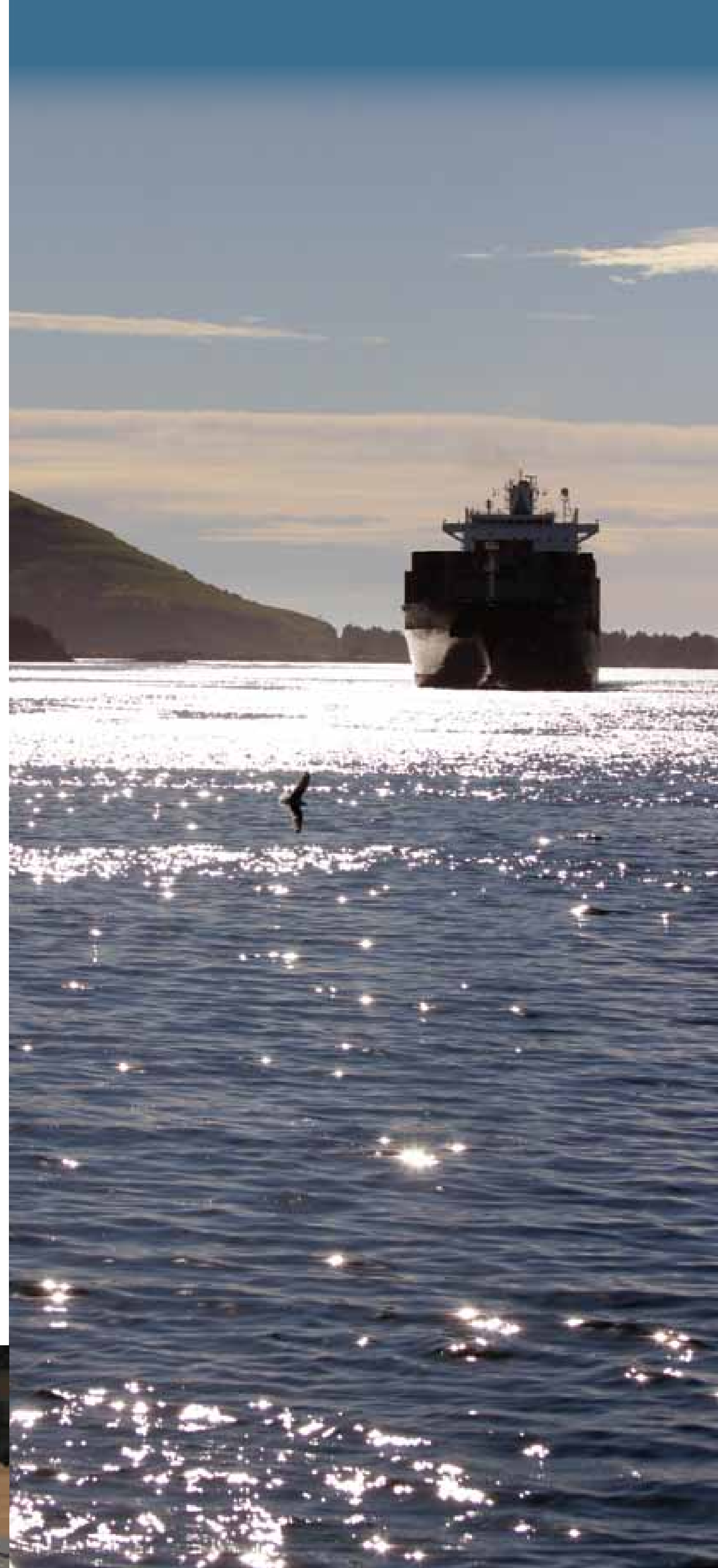
Auditors

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 2011



Overview of Group Results

	6 months Dec 2011 $million	6 months Dec 2010 $million
Total revenue and other income	34.4	34.4
Operating profit before income tax	7.0	6.8
Profit for the period	5.0	3.6
Net cash flows from operating activities	10.9	7.5
Total assets	396	408
Shareholder equity	273	280
Equity ratio	69%	69%
Net asset backing per share	$13.67	$13.98
Trade:		
Container throughput (TEU)	78,400	97,600
Conventional cargo volume (000 tonnes)	656	702
Number of vessel arrivals	242	238

Chairman's Half Year Review

Financial results

The Port Otago Group achieved an unaudited tax-paid profit of $5.0 million for the six months ended 31 December 2011. This is an increase of 39% compared to $3.6 million in the comparative period.

Operating profit before tax increased by 2% to $7.0 million, with rental income from the investment property business operated by Chalmers Properties Limited, increasing by 14%. Lower finance costs also contributed to the improved profit. Operating revenue reduced by 1% to $34.1 million with the increase in rental income offset by lower tranship and empty container volumes and the deferral of a dividend payment from the company's shareholding in Lyttelton Port Company.

Interim dividend

An interim dividend of $2.5 million, the same as last year, will be paid on 24 February 2012. 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 2011 of $273 million comprising 69% of total assets. The fair value of the investment in Lyttelton Port Company Limited has been valued at the interim reporting date trading price of $2.00 per share. This is a reduction in the carrying value of $5.2 million from the 30 June 2011 financial statements.

PORT OPERATIONS

Trade

The container throughput was down 20% to 78,400 TEU (twenty foot equivalent units) compared to the previous comparative period.

As previously reported, shipping line changes have seen a significant reduction in tranship cargo consolidated at Port Chalmers. This tranship cargo, which is produced in other regions, imported to Port Chalmers on smaller vessels for final export on larger ships, has reduced by 55% from the previous comparative period. The volume of empty containers further reduced by 22% offset by a 5% increase in direct full export and import volumes.

With the reduction in container trade a review of operations was undertaken resulting in a reduction of 17 staff members to ensure we have the appropriate balance between staff numbers and forecasted levels of activity.

There were 242 vessel port calls for the 6 months which compares to 238 in the previous corresponding period with cruise ship arrivals increasing from 24 to 33.

Conventional cargoes reduced by 7% to 656,000 tonnes. Log exports were consistently strong at 342,000 tonnes with a 10% increase in fuel imports offset by a 45% reduction in fertiliser volumes to 77,000 tonnes.

The 30 June 2011 merger of South Freight's transport operation with Harbour Logistics (a Dynes Transport Group company) to form Icon Logistics Limited has been very successful in providing an integrated service for shipping lines and shippers.

Financial

Trading revenue from port operations was down 2% to $28.0 million, reflecting reduced tranship and empty container volumes.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the port business reduced to $8.4 million, a 13% decrease due to the lower cargo volumes and cost associated with restructuring the workforce.

Capital expediture and port development

Capital expenditure totalled $1.3 million during the interim period. A $3 million upgrade of the oil wharf is planned to commence in February 2012.

Mediation is continuing with the various parties who have objected to the Next Generation consents granted in 2011. These consents will allow Port Otago to deepen and widen the channel in Otago Harbour so larger ships will be able to call at Port Chalmers.

Health and safety

Although a strong focus continues to be maintained to ensure we provide all staff with a safe working environment, there were 2 lost time injury (LTI) accidents recorded during the period. This resulted in an LTI frequency rate of 10.4 lost time injuries per million hours worked (calculated on a rolling 12 month basis) which is an improvement from the June 2011 LTI frequency rate of 11.8 injuries per million hours worked.

Staff

The Board acknowledges the commitment of staff to providing superior standards of customer service and the opportunity to reach higher levels of productivity. These are the key factors which differentiate Port Otago.

INVESTMENT PROPERTY

Chalmers Properties Limited (CPL)

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the CPL investment property portfolio increased by $0.9 million to $5.3 million for the six month period.

The CPL investment property portfolio has been maintained at 30 June 2011 values with the Board confident that there has been no material change to those valuations.

Following a review during the period, it was decided that CPL would be restructured and its office relocated from Wellington to Port Chalmers to oversee the portfolio's properties in Dunedin and Auckland. As a result of this review the Chief Executive position was no longer required.

On behalf of the Board I would like to thank the inaugural CPL Chief Executive Officer, Andrew Duncan for his contribution to the success of CPL during the past 12 years.

Directors

In December 2011, Paul Rea, was appointed to the Board. Paul was born and educated in Invercargill prior to attending University and joining Mobil Oil in Dunedin. During his 35 years with Mobil, Paul had many senior roles throughout the world prior to retiring to Arrowtown last year. This international experience will greatly add to the Boards mix of experience and skills.

Outlook

While we have seen a reduction in container volumes from less tranships and empty containers coming through the port, the expectation is for a busy export season in the second half of the financial year. The Board remains confident in the long term prospects of the Group. This confidence is underpinned by our commitment to improving vessel productivity and delivering great customer service in a safe working environment.

On behalf of the Board of Directors

DFaulkner

David Faulkner
Chairman
14 February 2012

Condensed Income Statement

For the six months ended 31 December 2011

	Unaudited 6 months Dec 2011 $000	Unaudited 6 months Dec 2010 $000	Audited Year to Jun 2011 $000
Revenue			
Port operations	27,945	28,501	62,390
Investment property rental	6,204	5,422	11,364
Dividend income	-	459	459
	34,149	34,382	74,213
Other income			
Gain on disposal of property and plant	210	14	1,750
Total revenue and other income	34,359	34,396	75,963
Expenses			
Staff costs	(12,197)	(12,512)	(25,868)
Fuel and electricity	(1,607)	(1,512)	(3,227)
Purchased materials and services	(5,908)	(6,230)	(12,675)
Depreciation and amortisation	(3,857)	(3,617)	(7,330)
Restructuring costs	(818)	-	-
	(24,387)	(23,871)	(49,100)
Finance costs			
Finance income	82	131	290
Finance costs	(3,056)	(3,807)	(7,355)
	(2,974)	(3,676)	(7,065)
Operating profit before taxation	**6,998**	**6,849**	**19,798**
Non-operating income and expenses			
Merger investigation costs	-	(76)	(76)
Subvention payment	-	-	(3,000)
Unrealised net change in value of investment property	-	(1,021)	(5,178)
Unrealised net change in value of interest rate swaps	89	(182)	(553)
	89	(1,279)	(8,807)
Profit before income tax	7,087	5,570	10,991
Income tax benefit/(expense)			
Current tax	(2,054)	(1,600)	(1,907)
Deferred tax	4	(342)	316
	(2,050)	(1,942)	(1,591)
Profit for the period	**5,037**	**3,628**	**9,400**

Condensed Statement of Comprehensive Income

For the six months ended 31 December 2011

	Unaudited 6 months Dec 2011 $000	Unaudited 6 months Dec 2010 $000	Audited Year to Jun 2011 $000
Profit for the period	5,037	3,628	9,400
Other comprehensive income			
Share of profit/(loss) of associates	105	-	-
Available-for-sale financial assets			
Unrealised increase/(decrease) in the value of share investments	(5,222)	(1,108)	158
Cash flow hedges			
Unrealised movement in hedged interest rate swaps (net of tax)	(1,099)	458	690
Total comprehensive income for the period	**(1,179)**	**2,978**	**10,248**

Condensed Statement of Changes in Equity

For the six months ended 31 December 2011

	Unaudited 6 months Dec 2011 $000	Unaudited 6 months Dec 2010 $000 Restated	Audited Year to Jun 2011 $000
Equity at the beginning of the period	276,444	278,446	278,446
Total comprehensive income for the period	(1,179)	2,978	10,248
Distribution to owners			
Dividends	(1,900)	(1,900)	(12,250)
Equity at the end of the period	**273,365**	**279,524**	**276,444**

Condensed Balance Sheet

As at 31 December 2011

	Unaudited Dec 2011 $000	Unaudited Dec 2010 $000 Restated	Audited Jun 2011 $000
Current assets			
Cash and cash equivalents	1,079	504	924
Trade and other receivables	9,021	8,553	9,898
Secured advances	1,500	-	-
Inventories	625	553	584
Finance leases	132	120	126
	12,357	9,730	11,532
Non-current assets			
Property, plant and equipment	148,100	155,332	153,931
Investment property	196,674	204,100	196,502
Property held for sale	1,420	1,420	1,420
Investment in associates	790	-	-
Shares in listed companies	31,649	35,605	36,871
Finance leases	740	873	808
Intangible assets	4,042	645	820
	383,415	397,975	390,352
Total assets	**395,772**	**407,705**	**401,884**
Current liabilities			
Trade and other payables	5,002	4,632	4,382
Borrowings (secured)	-	10,500	10,500
Employee entitlements	3,743	3,703	4,126
Other financial instruments	1,951	2,070	1,985
Income tax	6,351	1,553	5,073
	17,047	22,458	26,066
Non-current liabilities			
Borrowings (secured)	84,770	85,757	79,710
Employee entitlements	1,345	1,326	1,459
Other financial instruments	4,150	2,547	2,679
Deferred tax liabilities	15,095	16,093	15,526
	105,360	105,723	99,374
Total liabilities	**122,407**	**128,181**	**125,440**
Equity			
Share capital	20,000	20,000	20,000
Reserves	253,365	259,524	256,444
Total equity	273,365	279,524	276,444
Total equity and liabilities	**395,772**	**407,705**	**401,884**

The accompanying notes form part of these interim financial statements.