Condensed Statement of Cash Flows

For the six months ended 31 December 2012

	Unaudited 6 months Dec 2012 $000	Unaudited 6 months Dec 2011 $000	Audited Year to Jun 2012 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from port operations	25,911	30,010	60,105
Rental income	7,093	5,760	11,425
Interest received	95	82	289
Cash was disbursed to:			
Payment to employees and suppliers	(20,753)	(21,757)	(41,587)
Interest paid	(2,840)	(3,044)	(5,950)
Subvention payments	-	-	(5,038)
Income tax paid	(2,290)	(776)	(1,511)
Net GST received/(paid)	445	661	(132)
Net cash flows from operating activities (Note 5)	**7,661**	**10,936**	**17,601**
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment	-	412	428
Sale of investment property	79	-	-
Repayment of lessee improvements	68	61	126
Cash was applied to:			
Purchase of property, plant and equipment	(4,598)	(1,370)	(4,284)
Purchase of investment property	-	-	(9)
Improvements to investment property	(322)	(12)	(75)
Investments in associates	-	(790)	(875)
Advances received/(paid)	-	(1,500)	(1,500)
Interest capitalised	(252)	(242)	(497)
Net cash flows used in investing activities	**(5,025)**	**(3,441)**	**(6,686)**
Cash flows from financing activities			
Cash was provided from:			
Proceeds from borrowings	5,370	20,460	33,290
Cash was applied to:			
Repayment of borrowings	(3,600)	(25,900)	(32,700)
Dividends paid	(1,900)	(1,900)	(11,750)
Net cash flows from financing activities	**(130)**	**(7,340)**	**(11,160)**
Increase (decrease) in cash held	2,506	155	(245)
Cash held at beginning of period	679	924	924
Cash held at end of period	**3,185**	**1,079**	**679**

The accompanying notes form part of these interim financial statements.

Notes to the Condensed Financial Statements

For the six months ended 31 December 2012 (Unaudited)

1. General information

The unaudited interim condensed financial statements presented are those of Port Otago Limited ("the Company"), its subsidiaries, associates 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 2012.

Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2012, as described in those annual financial statements.

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

3. Investment property valuation

Investment properties are carried at valuations undertaken by independent registered valuers as at 30 June 2012. 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 2012 (Unaudited)

5. Reconciliation of consolidated operating cash flows

	Unaudited 6 months Dec 2012 $000	Unaudited 6 months Dec 2011 $000	Audited Year to Jun 2012 $000
The reconciliation between profit and the cash flow from operating activities is:			
Profit for the period	4,940	5,037	12,599
Plus/(less) non-cash items:			
Unrealised net change in the value of investment property	50	-	(2,361)
Depreciation and amortisation	3,741	3,857	7,620
Movement in the fair value of interest rate swaps	392	(89)	771
Movement in non-current employee entitlements	(13)	(114)	(57)
Movement in deferred tax	(249)	(4)	887
Plus/(less) items classified as investing activities:			
Loss/(gain) on disposal of property, plant and equipment	-	(208)	(225)
Movement in working capital items:			
Trade and other receivables	(2,362)	(622)	984
Trade and other payables	1,107	620	(349)
Current employee entitlements	151	(383)	(623)
Income tax	(76)	1,278	(1,776)
Inventories	(27)	(41)	(61)
Movement in working capital items classified as investing activities	7	1,605	192
Net cash flows from operating activities	**7,661**	**10,936**	**17,601**

6. Commitments

At 31 December 2012 the Group had commitments/approvals for capital expenditure of $6.9 million (31 December 2011: $2.9 million, 30 June 2012: $2.7 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 2012 (Unaudited)

7. Contingencies

Apart from the matters noted below, there are no other material contingent liabilities at 31 December 2012 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 Bank New Zealand Limited to a limit of $30 million. At 31 December 2012 joint venture borrowings were $25.5 million (31 December 2011: $25.5 million, 30 June 2012: $25.5 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 (HPJV), amounting to $2.5 million, recorded as a 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 12 February 2013 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	

Executive

Geoff Plunket — Chief Executive

Address

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Phone (03) 472-7890
Facsimile (03) 472-7891
Email pol@portotago.co.nz
Website www.portotago.co.nz

Bankers

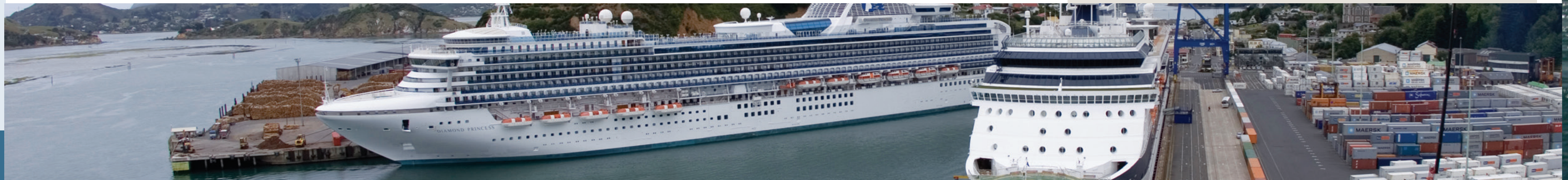
ANZ Bank New Zealand Limited

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 2012


Port Otago Limited's dredge "New Era".

Overview of Group Results

	6 months Dec 2012 $million	6 months Dec 2011 $million
Total revenue and other income	34.7	34.4
Operating profit before income tax	7.3	7.0
Profit for the period	4.9	5.0
Net cash flows from operating activities	7.7	10.9
Total assets	403	396
Shareholder equity	276	273
Equity ratio	68%	69%
Net asset backing per share	$13.81	$13.67
Trade:		
Container throughput (TEU)	84,000	78,400
Conventional cargo volume (000 tonnes)	633	656
Number of vessel arrivals	229	242

Chairman's Half Year Review

Financial results

The Port Otago Group, comprising the port activities of Port Otago and investment property business of Chalmers Properties, has enjoyed a steady start to the financial year with the consolidated first half tax-paid profit of $4.9 million compared to $5.0 million for the six months ended 31 December 2011.

Operating profit before tax increased 5% to $7.3 million, with revenue from port operations increasing by 2%. Operating expenses, when compared to the comparative period, were up 1% with increased purchased materials and services the result of higher container throughput.

The six months were underscored with two significant highlights. The first being the granting of the consents to deepen the channel between Port Chalmers and Taiaroa Head which sees Port Otago being the first port company in the country to have a fully-consented project to deepen its channel. The second was a significant improvement in our health and safety performance which saw no Lost Time Injuries during the period.

Interim dividend

An interim dividend of $2.5 million, the same as last year, will be paid on 22 February 2013. Fully imputed for tax, the dividend represents 51% 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 2012 of $276 million comprising 68% of total assets. The fair value of the investment in Lyttelton Port Company Limited remains unchanged from the 30 June 2012 valuation at the NZX market price of $2.00 per share.

PORT OPERATIONS

Trade

The container throughput of 84,000 TEU (twenty foot equivalent units) was up 7% compared to the previous comparative period. Direct full export and import volumes have increased by 15% with empty container volumes up 17%. Offsetting these increases were lower tranship cargo volumes to give the total increase of 7%.

As a result of shipping line changes at PrimePort Timaru, Port Otago initiated a round-trip rail link between Dunedin and Timaru. This service improves the supply chain efficiency for customers.

There were 229 vessel calls for the 6 months compared to 242 for the previous corresponding period. This reflects the lower conventional cargo tonnes through the port and a later cruise season with more cruise vessels scheduled for the second half of the year.

During the six month period 26 cruise vessels visited the Port with 3 visits cancelled due to adverse weather conditions.

The port handled 633,000 tonnes of conventional cargoes, a decrease of 4% on the comparative period. Increased volumes of log and woodchip exports offset a decline in fuel and fertiliser imports.

Financial

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the port business was maintained at $8.3 million, down 1% for the previous corresponding period. Trading revenue from port operations was up 2% to $28.6 million, reflecting increased container volumes.

Capital expenditure and port development

During the period the project to replace the container crane rail on the main container berth was successfully completed. Maintenance work is also underway below the main wharf and the upgrade of the Oil wharf continues.

Work also commenced on the land remediation, prior to the development of a 4,000 metre square warehouse at Sawyers Bay that will provide a storage and distribution facility for port-related activities.

Project Next Generation

The consents to extend the main wharf and deepen the channel between Port Chalmers and Taiaroa Head to 15 metres were also granted. These consents provide a 25 year window to deepen the channel should larger vessels of up to 8,000 TEU come to Port Chalmers. With half of the channel already around 14 metres and Port Otago owning our own dredging fleet, the Board and management are confident in being able to respond in a timely manner to changing shipping needs as they arise.

Health and safety

As highlighted above there were no lost time injury (LTI) accidents during the period. This resulted in the LTI frequency rate for the last twelve months reducing to 5.6 lost time injuries per million hours worked and is a significant improvement from the June 2012 frequency rate of 9.0.

Staff

The improvement in our health and safety performance is a credit to all staff. The Board acknowledges the commitment of staff to raise our health and safety performance whilst maintaining excellent productivity and service levels and looks forward to this improvement continuing towards the goal of Zero Harm.

INVESTMENT PROPERTY

Chalmers Properties Limited (CPL)

CPL, with its investment property portfolio located in Dunedin and Auckland continued to provide consistent rental income during the period. EBITDA increased by 4% to $5.5 million for the six month period. CPL continues to enjoy a high level of occupancy and has maintained the strategy of extending lease terms where possible. Rental income was in line with last year at $6.2 million.

Planning work has continued on the undeveloped land located in Hamilton with engineering works to commence during February this year.

Outlook

Trade through the Port for the first six months has been steady but already this calendar year we have seen an expected increase which will most likely carry through to the year-end allowing the business to meet its budgeted expectations.

CPL continues to trade in line with expectations. The commencement of the development of our jointly held land in Hamilton for sale is a milestone with sections being available for sale later this calendar year.

On behalf of the Board of Directors

David Faulkner
Chairman
12 February 2013

Condensed Income Statement

For the six months ended 31 December 2012

	Unaudited 6 months Dec 2012 $000	Unaudited 6 months Dec 2011 $000	Audited Year to Jun 2012 $000
Revenue			
Port operations	28,553	27,945	57,594
Investment property rental	6,189	6,204	12,554
	34,742	34,149	70,148
Other income			
Gain on disposal of property and plant	-	210	225
Total revenue and other income	34,742	34,359	70,373
Expenses			
Staff costs	(12,352)	(12,197)	(24,283)
Fuel and electricity	(1,551)	(1,607)	(3,361)
Purchased materials and services	(7,010)	(5,908)	(11,955)
Depreciation and amortisation	(3,741)	(3,857)	(7,620)
Restructuring costs	-	(818)	(857)
	(24,654)	(24,387)	(48,076)
Finance costs			
Finance income	95	82	289
Finance costs	(2,837)	(3,056)	(5,919)
	(2,742)	(2,974)	(5,630)
Operating profit before taxation	**7,346**	**6,998**	**16,667**
Non-operating income and expenses			
Subvention payment	-	-	(5,038)
Unrealised net change in value of investment property	(50)	-	2,361
Unrealised net change in value of interest rate swaps	(392)	89	(771)
	(442)	89	(3,448)
Profit before income tax	6,904	7,087	13,219
Income tax benefit/(expense)			
Current tax	(2,213)	(2,054)	267
Deferred tax	249	4	(887)
	(1,964)	(2,050)	(620)
Profit for the period	**4,940**	**5,037**	**12,599**

Condensed Statement of Comprehensive Income

For the six months ended 31 December 2012

	Unaudited 6 months Dec 2012 $000	Unaudited 6 months Dec 2011 $000	Audited Year to Jun 2012 $000
Profit for the period	4,940	5,037	12,599
Other comprehensive income			
Share of profit/(loss) of associates	86	105	190
Available-for-sale financial assets			
Unrealised increase/(decrease) in the value of share investments	-	(5,222)	(5,222)
Cash flow hedges			
Unrealised movement in hedged interest rate swaps (net of tax)	719	(1,099)	79
Total comprehensive income for the period	**5,745**	**(1,179)**	**7,646**

The accompanying notes form part of these interim financial statements.

Condensed Statement of Changes in Equity

For the six months ended 31 December 2012

	Unaudited 6 months Dec 2012 $000	Unaudited 6 months Dec 2011 $000	Audited Year to Jun 2012 $000
Equity at the beginning of the period	272,340	276,444	276,444
Total comprehensive income for the period	5,745	(1,179)	7,646
Distribution to owners			
Dividends	(1,900)	(1,900)	(11,750)
Equity at the end of the period	**276,185**	**273,365**	**272,340**

Condensed Balance Sheet

As at 31 December 2012

	Unaudited Dec 2012 $000	Unaudited Dec 2011 $000	Audited Jun 2012 $000
Current assets			
Cash and cash equivalents	3,185	1,079	679
Trade and other receivables	11,170	9,021	8,914
Secured advances	1,500	1,500	1,500
Inventories	673	625	646
Property held for sale	1,570	-	-
Finance leases	147	132	139
	18,245	12,357	11,878
Non-current assets			
Property, plant and equipment	148,361	148,100	147,334
Investment property	198,205	196,674	199,297
Property held for sale	1,420	1,420	1,420
Investment in associates	866	790	875
Shares in listed companies	31,649	31,649	31,649
Receivables and prepayments	106	-	-
Finance leases	594	740	669
Intangible assets	3,907	4,042	4,022
	385,108	383,415	385,266
Total assets	**403,353**	**395,772**	**397,144**
Current liabilities			
Trade and other payables	5,140	5,002	4,033
Borrowings (secured)	2,500	-	2,500
Employee entitlements	3,654	3,743	3,503
Other financial instruments	1,679	1,951	1,864
Income tax	3,221	6,351	3,297
	16,194	17,047	15,197
Non-current liabilities			
Borrowings (secured)	90,070	84,770	88,300
Employee entitlements	1,390	1,345	1,402
Other financial instruments	3,040	4,150	3,462
Deferred tax liabilities	16,474	15,095	16,443
	110,974	105,360	109,607
Total liabilities	**127,168**	**122,407**	**124,804**
Equity			
Share capital	20,000	20,000	20,000
Reserves	256,185	253,365	252,340
Total equity	276,185	273,365	272,340
Total equity and liabilities	**403,353**	**395,772**	**397,144**

The accompanying notes form part of these interim financial statements.