Condensed Statement of Cash Flows
For the six months ended 31 December 2013

	Unaudited 6 months Dec 2013 $000	Unaudited 6 months Dec 2012 $000	Audited Year to Jun 2013 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from port operations	28,345	25,911	63,989
Rental income	7,499	7,093	12,386
Dividends received	-	-	95
Interest received	270	95	47
Cash was disbursed to:			
Payments to employees and suppliers	(23,374)	(20,753)	(42,054)
Interest paid	(2,818)	(2,840)	(5,510)
Subvention payments	-	-	(3,072)
Income tax paid	(4,413)	(2,290)	(4,569)
Net GST received/(paid)	578	445	(169)
Net cash flows from operating activities (Note 6)	**6,087**	**7,661**	**21,143**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment	210	-	-
Proceeds from sale of investment property	7,197	79	-
Property deposits received	-	-	514
Advances received	-	-	1,500
Repayment of lessee improvements	75	68	139
Cash was applied to:			
Acquisition of property, plant and equipment	(4,308)	(4,598)	(13,464)
Acquisition and improvements to investment property	(29,397)	(322)	(1,347)
Interest capitalised	(282)	(252)	(584)
Net cash flows used in investing activities	**(26,505)**	**(5,025)**	**(13,242)**
Cash flows from financing activities			
Cash was provided from:			
Proceeds from borrowings	33,173	5,370	19,950
Cash was applied to:			
Repayment of borrowings	(11,000)	(3,600)	(15,300)
Dividends paid	(1,900)	(1,900)	(12,000)
Net cash flows from financing activities	**20,273**	**(130)**	**(7,350)**
Increase (decrease) in cash held	(145)	2,506	551
Cash held at beginning of period	1,230	679	679
Cash held at end of period	**1,085**	**3,185**	**1,230**

The accompanying notes form part of these interim financial statements.

Notes to the Condensed Financial Statements
For the six months ended 31 December 2013 (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 2013.

Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2013, 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 2013. 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.

5. Commitments

At 31 December 2013 the Group had commitments/approvals for capital expenditure of $10.8 million (31 December 2012: $6.9 million, 30 June 2013: $12.35 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 2013 (Unaudited)

6. Reconciliation of consolidated operating cash flows

	Unaudited 6 months Dec 2013 $000	Unaudited 6 months Dec 2012 $000	Audited Year to Jun 2013 $000
The reconciliation between profit and the cash flow from operating activities is:			
Profit for the period	5,746	4,940	38,092
Plus/(less) non-cash items:			
Unrealised net change in the value of investment property	-	50	(23,545)
Depreciation and amortisation	3,810	3,741	7,448
Movement in the fair value of interest rate swaps	664	392	688
Movement in non-current employee entitlements	(59)	(13)	121
Movement in deferred tax	(412)	(249)	(283)
Plus/(less) items classified as investing activities:			
Loss/(gain) on disposal of property, plant and equipment	14	-	-
Loss/(gain) on disposal of investment property	(405)	-	-
Share of surpluses retained by associates	(42)	-	(164)
Movement in working capital items:			
Trade and other receivables	(825)	(2,362)	(1,710)
Trade and other payables	21	1,107	2,214
Current employee entitlements	(157)	151	228
Income tax	(1,985)	(76)	(1,260)
Inventories	13	(27)	(29)
Movement in working capital items classified as investing activities	(296)	7	(657)
Net cash flows from operating activities	**6,087**	**7,661**	**21,143**

Notes to the Condensed Financial Statements (Continued)
For the six months ended 31 December 2013 (Unaudited)

7. Contingencies

Apart from the matters noted below, there are no other material contingent liabilities at 31 December 2013 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 $36 million (31 December 2012: $30 million, 30 June 2013: $36 million). At 31 December 2013 joint venture borrowings were $32.0 million (31 December 2012: $25.5 million, 30 June 2013: $27.4 million) with the Group's 50% interest in The Hamilton Joint Venture borrowings, amounting to $10.6 million and the Group's 33.3% interest in The Hamilton Porter Joint Venture, amounting to $3.6 million.

8. Events after balance date

Dividends

On 12 February 2014 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

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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 2013

Overview of Group Results

	6 months Dec 2013 $million	6 months Dec 2012 $million
Total revenue and other income	36.6	34.7
Operating profit before income tax	8.4	7.4
Profit for the period	5.7	5.0
Net cash flows from operating activities	6.1	7.7
Total assets	470	403
Shareholder equity	322	276
Equity ratio	69%	68%
Net asset backing per share	$16.11	$13.81
Trade:		
Container throughput (TEU)	80,400	84,000
Conventional cargo volume (000 tonnes)	673	633
Number of vessel arrivals	233	229

Chairman's Half Year Review

Financial results

The Port Otago Group achieved an unaudited tax-paid profit of $5.7 million for the six months ended 31 December 2013. This is an increase of 14% compared to $5.0 million in the comparative six month period last year.

Operating profit before tax increased by 13% to $8.4 million driven by increased revenue from port operations and the investment property business operated by Chalmers Properties Limited. Also contributing to the result was a $0.4 million gain on the disposal of an Auckland investment property.

Interim dividend

An interim dividend of $2.5 million, the same as last year, will be paid on 20 February 2014. Fully imputed for tax, the dividend represents 45% of the Group's half-year profit for the period.

Financial position

Total assets of the Port Otago Group have increased to $470 million during the period with the purchase by Chalmers Properties of the Bunnings Warehouse in Glenfield, Auckland for $27 million and the investment in Lyttelton Port Company increasing to $47 million. The Group continues to be in a strong financial position with an equity ratio of 69%.

PORT OPERATIONS

Trade

The container throughput of 80,400 TEU (twenty foot equivalent units) was down 4% compared to the previous comparative period. The lower volume was due to lower dairy exports in July 2013, with a higher export volume occurring prior to 30 June than in the previous year and an 8% reduction in the movement of empty containers. Excluding the effect of the lower dairy volume exports in July, the overall export and import volume in the interim period was in line with the previous year.

There were 233 vessel calls for the 6 months compared to 229 for the previous corresponding period. During the six month period, 25 cruise vessels visited the Port with 3 visits cancelled due to adverse weather conditions in Otago and other parts of the country. This is in line with cruise vessel arrivals during the previous comparative period.

The port handled 673,000 tonnes of conventional cargo, an increase of 6% on the comparative period. This includes a 15% increase in log exports to 397,000 tonnes.

Financial

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the port business were $8.8 million, up 6% on the comparative period. Revenue from external dredging services and an increase in conventional cargo tonnes offset lower container handling revenue to result in port operations revenue increasing by 4%.

Capital expenditure and port development

Construction of our new tug, Taiaroa, is proceeding as planned and it is expected to arrive at Port Chalmers during August 2014. This new tug, with a bollard pull of 68 tonnes, will replace two of our older tugs and will provide additional towage capacity as vessel sizes increase.

Two new 4-over-3 diesel electric straddle carriers were also purchased during the period as part of the ongoing plant replacement programme.

Paving of the log storage yard in Dunedin commenced during the period. This will improve the storage facilities and productivity for log exporters.

Project Next Generation

Tenders from several international dredging contractors to undertake the first stage of the channel deepening project are currently being considered. Stage One will be to deepen the channel by 1 metre to 14 metres depth at chart datum or low tide. The expected cost to deepen to 14 metres is significantly lower than that indicated by any other New Zealand port. A deeper channel will provide the greatest operating window in New Zealand for the larger vessels that the shipping lines are planning to deploy in the future. The Board will make the final decision on the timing of any deepening work during the first quarter of 2014.

Health and safety

The period of just under twenty months without a lost time injury (LTI) accident came to an end during November when 3 separate LTIs occurred in quick succession. This highlights that health and safety requires constant focus and vigilance. The resulting LTI frequency rate is 5.3 per million hours worked (calculated on a rolling 12 month basis). The Total Injury Frequency Rate has continued its previous downward trend.

Following our commitment to improve health and safety management systems and an external audit of our safety systems work is underway to achieve full compliance with the Australian / New Zealand standard AS/NZS 4804:2001.

During the period the Board of Directors established and held the initial meeting of the Health and Safety Committee chaired by Paul Rea. This committee, which includes all Board members, is to oversee the effectiveness of health and safety programs and initiatives across the Group.

Staff

Our key strategy of delivering outstanding customer service, continuing to improve health and safety and productivity, is only possible with a high level of staff participation and engagement across all areas of the business.

INVESTMENT PROPERTY

Chalmers Properties Limited (CPL)

CPL delivered an EBITDA of $5.6 million, which was up 2% on the previous corresponding period.

The key acquisition this period was the purchase of the Bunnings Warehouse in Glenfield, Auckland for $27 million. This purchase is subject to a 15 year leaseback and delivers on CPL's continuing strategy of investing in quality properties.

To partly fund this acquisition, an existing Auckland property was sold. This sale realised a $0.4 million gain over the 30 June 2013 carrying value.

Development of the first stage of the industrial land subdivision in Hamilton is nearing completion and it is anticipated that the first sections will be available for sale over the next few months.

Outlook

The full year result for port operations in the current year is likely to be a little down on that of the previous year. Container volumes will be lower but this is offset to some extent by higher volumes of conventional cargo, especially log exports which are 15% higher for the period.

CPL will be ahead of the previous year in its trading result with the additional income from our recent acquisition in Auckland which will mean the consolidated operating result for Port Otago, before property revaluations, will be similar to the previous year.

CPL will continue the strategy of developing a diversified property portfolio, with further investment when the opportunity arises, to improve the quality and returns from the property portfolio.

Now that Lyttelton Port Company has resolved their earthquake insurance issues and their share price has risen significantly we will be evaluating our options for our share in that port during the first half of 2014.

On behalf of the Board of Directors

David Faulkner
Chairman
12 February 2014

Condensed Income Statement

For the six months ended 31 December 2013

	Unaudited 6 months Dec 2013 $000	Unaudited 6 months Dec 2012 $000	Audited Year to Jun 2013 $000
Revenue			
Port operations	29,563	28,553	65,318
Investment property rental	6,645	6,189	12,708
	36,208	34,742	78,026
Other income			
Gain on disposal of property and plant	406	-	-
Total revenue and other income	36,614	34,742	78,026
Expenses			
Staff costs	(12,860)	(12,352)	(25,779)
Fuel and electricity	(1,632)	(1,551)	(3,556)
Purchased materials and services	(7,297)	(7,010)	(14,496)
Depreciation and amortisation	(3,810)	(3,741)	(7,448)
Restructuring costs	-	-	(231)
	(25,599)	(24,654)	(51,510)
Finance costs			
Finance income	280	95	47
Finance costs	(2,914)	(2,837)	(5,466)
Foreign exchange gain / (loss)	3	-	(23)
	(2,631)	(2,742)	(5,442)
Share of profit from associates	42	86	259
Operating profit before taxation	**8,426**	**7,432**	**21,333**
Non-operating income and expenses			
Subvention payment	-	-	(3,072)
Unrealised net change in value of investment property	-	(50)	23,545
Unrealised net change in value of interest rate swaps	(664)	(392)	(688)
	(664)	(442)	19,785
Profit before income tax	7,762	6,990	41,118
Income tax benefit/(expense)			
Current tax	(2,428)	(2,213)	(3,309)
Deferred tax	412	249	283
	(2,016)	(1,964)	(3,026)
Profit for the period	**5,746**	**5,026**	**38,092**

Condensed Statement of Comprehensive Income

For the six months ended 31 December 2013

	Unaudited 6 months Dec 2013 $000	Unaudited 6 months Dec 2012 $000	Audited Year to Jun 2013 $000
Profit for the period	5,746	5,026	38,092
Available-for-sale financial assets			
Unrealised increase in the value of share investments	2,374	-	13,454
Cash flow hedges			
Unrealised movement in hedged interest rate swaps (net of tax)	1,765	719	2,423
Total comprehensive income for the period	**9,885**	**5,745**	**53,969**

Condensed Statement of Changes in Equity

For the six months ended 31 December 2013

	Unaudited 6 months Dec 2013 $000	Unaudited 6 months Dec 2012 $000	Audited Year to Jun 2013 $000
Equity at the beginning of the period	314,309	272,340	272,340
Total comprehensive income for the period	9,885	5,745	53,969
Distribution to owners			
Dividends	(1,900)	(1,900)	(12,000)
Equity at the end of the period	**322,294**	**276,185**	**314,309**

Condensed Balance Sheet

As at 31 December 2013

	Unaudited Dec 2013 $000	Unaudited Dec 2012 $000	Audited Jun 2013 $000
Current assets			
Cash and cash equivalents	1,085	3,185	1,230
Trade and other receivables	11,118	11,170	10,410
Secured advances	-	1,500	-
Inventories	661	673	674
Property held for sale	-	1,570	1,570
Investment property in development	8,117	-	6,150
Finance leases	162	147	154
	21,143	18,245	20,188
Non-current assets			
Property, plant and equipment	152,998	148,361	153,034
Investment property	239,914	198,205	217,210
Property held for sale	1,420	1,420	1,420
Investment in associates	1,081	866	1,039
Shares in listed companies	47,476	31,649	45,103
Receivables and prepayments	279	106	36
Finance leases	501	594	515
Intangible assets	4,949	3,907	4,503
	448,618	385,108	422,860
Total assets	**469,761**	**403,353**	**443,048**
Current liabilities			
Trade and other payables	5,749	5,140	6,105
Borrowings (secured)	2,671	2,500	762
Employee entitlements	3,574	3,654	3,731
Other financial instruments	1,078	1,679	1,463
Income tax	52	3,221	2,037
	13,124	16,194	14,098
Non-current liabilities			
Borrowings (secured)	115,470	90,070	94,830
Employee entitlements	1,465	1,390	1,524
Other financial instruments	32	3,040	1,185
Deferred tax liabilities	17,376	16,474	17,102
	134,343	110,974	114,641
Total liabilities	**147,467**	**127,168**	**128,739**
Equity			
Share capital	20,000	20,000	20,000
Reserves	302,294	256,185	294,309
Total equity	322,294	276,185	314,309
Total equity and liabilities	**469,761**	**403,353**	**443,048**

The accompanying notes form part of these interim financial statements.