ANNUAL REPORT
2013

DELTA
THINK.INFRASTRUCTURE

CONTENTS

OUR VALUES

DO IT FIRST. DO IT RIGHT. DO IT TOGETHER.

SUMMARY

FINANCIAL HIGHLIGHTS

- Turnover of $104.2 million
- Increased EBITDA before impairment charges of $11.8 million
- Increased operating profit before income tax and impairment charges of $3.7 million
- Net surplus of $4.6 million after tax
- Total assets of $77.1 million
- Paid dividends of $2.0 million to our shareholder, Dunedin City Holdings Limited. Delta has returned total dividends of $48.0 million to our shareholder since the company was formed in 1998

OPERATIONAL HIGHLIGHTS

- Following strategic review, confirmed exit from the civil construction market
- Achieved lost time injury frequency rate of 1.97 per million hours worked
- Managed $18.5 million of capital projects on the Aurora Energy electricity network
- Significant progress on rebuild of Aurora Energy's Roxburgh and Queenstown substations and the Anderson's Bay 33 kilovolt underground cable replacement
- Completion of transformer replacement project at Aurora Energy's Halfway Bush substation
- Completion of $3.9 million in overhead line reconstruction and vegetation management for improved reliability on Aurora Energy networks
- Completion of high-voltage capital works for Transpower at the Benmore hydropower station
- Provided engineering and project management support on Genesis Energy's Tekapo A hydro generation project
- Installed Stage 2 of the Mossburn to Athol 66/22 kilovolt electricity supply line for PowerNet
- Managed smart metering deployment in Dunedin, Christchurch and Central Otago
- First full year of integrated solid waste management services for Clutha District Council
- Completed two-kilometre extension to shared pathway alongside Dunedin harbour
- Upgraded playing surface at Mainpower Oval in Rangiora
- New vegetation control and grounds maintenance contracts in Tasman and Waimate districts

CHAIRMAN AND CHIEF EXECUTIVE'S REPORT

We are pleased to report on a year of significant progress towards the re-alignment of Delta's strategic objectives as we took actions in the face of changed market conditions to secure long-term value for our shareholder.

Delta's asset management, electricity services, solid waste and greenspace businesses continued to perform strongly throughout the financial year ended 30 June 2013 (FY13), resulting in overall improved earnings and stronger cash flows for the period under review.

We made one of the most significant changes in our 15 year history by exiting the civil construction market. We took this decision following a strategic review of our geographical focus, the sectors we operate in and the services we provide, together with the risk profile required by our shareholder, Dunedin City Holdings Limited.

The Group recorded an operating profit before income tax and impairment charges of $3.7 million, an increase of 72 per cent on the previous year (FY12: $2.1 million).

Earnings before interest, tax, depreciation and amortisation (EBITDA) before impairment charges were $11.8 million for FY13, an increase of 12 per cent on the previous year (FY12: $10.5 million).

Turnover was $104.2 million for FY13, a decrease of 4 per cent on the previous year (FY12: $108.6 million).

The Group recorded a net surplus of $4.6 million for the year under review (FY12: net loss $5.9 million).

As a member of the Dunedin City Council group of companies, Delta is committed to providing financial returns to our shareholder Dunedin City Holdings Limited and to ensuring projected dividend levels are maintained. Including FY13, Delta has returned total dividends of $48.0 million to our shareholder since the company was formed in July 1998.

During FY13, we paid dividends of $2.0 million, lower than the $4.5 million dividend forecast in our 2012/13 Statement of Intent. In setting the dividend, the Board adopted a conservative approach in balancing shareholder returns with the need to retain earnings within the business as we work through structural changes and adapt to challenging market conditions.

STRATEGIC REFOCUS

As set out in our 2012 annual report, Delta carried out a strategic review across the business of our geographical focus, sectors and services. The purpose of the review was to meet the challenges of weakened market demand, address loss-making parts of our business and adopt a more conservative risk profile in line with our shareholder's requirement to generate stable cash flows.

The basis for our strategy is to refocus Delta on long term services that provide more predictable and lower risk returns and that harness our specialist expertise in essential infrastructure. We signalled further changes would result from the review, and these have recently culminated in the decision to exit our entire civil and water construction business. This decision was confirmed in July 2013.

The decision was a tough one, but necessary to reduce our exposure to the volatility of the construction market and to ensure profitability across all the trading divisions. We faced a situation where we lacked long term maintenance contracts to underpin civil construction project work.

We are progressively exiting the individual business units on completion of current project commitments. Our Christchurch water and civil business unit closed in July 2013 and the Dunedin unit in August 2013. We plan to close the Central Otago and Southland units in September 2013 and January 2014 respectively.

We want to acknowledge everyone in our water and civil teams for their contribution to the company and to building and maintaining infrastructure for our communities. The outcome was no reflection on the civil construction teams or their outstanding effort and contribution in building, maintaining and operating water and waste water infrastructure in Dunedin, Christchurch, Central Otago and Southland over the past decade. They can take lasting pride in their work.

Our core infrastructure businesses of asset management, energy and environmental services continued to perform well, underpinned by long term contracts and steady demand. Our commitment, capability and capacity to continue to meet our customers' requirements is unchanged.

Following the strategy revision and exit from civil construction, we are in a better position for stable, profitable growth in the future. While we expect immediate, one-off gains from the disposal of assets and a reduction in overheads associated with the civil construction businesses, we will continue to focus on making sustained business improvements that enhance productivity and achieve operating efficiencies.

DELTA INVESTMENTS LIMITED

Delta Investments Limited is a wholly-owned Delta subsidiary for the purposes of property investment and development. In FY12, the company decided to exit development property ownership in line with the desired risk profile of its shareholder and began the process of moving to sell its holdings in Jack's Point, Queenstown and Luggate as market conditions would allow.

The sale of the Luggate Park development property was confirmed in August 2013 giving rise to a pre-tax impairment of $288,000 and a favourable tax adjustment of $1.481 million in FY13. The Luggate Park Development joint venture will be dis-established during FY14 and Delta holds no further interest in the Luggate development.

During FY13, Delta sold 13 properties at Jack's Point and confirmed sale and purchase agreements for a further 12 properties. Delta is continuing to market the remainder of its Jacks Point land holding, which comprises 24 developed and the equivalent of 49 undeveloped sections.

In November 2012, the Auditor-General commenced an inquiry into decisions in 2008 and 2009 by Delta to acquire land for residential development at Luggate and at Jack's Point. Delta welcomed the opportunity for an independent review of the decision-making processes and is continuing to cooperate fully with the Office of the Auditor-General. We will ensure any recommendations for improvement are adopted. At the time of writing, the inquiry is still in progress.

ENERGY

We continued to deliver asset management and distribution services to the Aurora Energy electricity network. During FY13, we managed $18.5 million of capital projects including upgrades to the Roxburgh, Queenstown and Halfway Bush (Dunedin) substations and work on the last stages of undergrounding power lines along Kaikorai Valley Road in Dunedin. We also made significant progress on replacement of 33-kilovolt underground cables to Anderson's Bay, Dunedin to future-proof power supply to the surrounding area.

We developed a revised asset management plan for Aurora Energy that is aligned to international best practice consistent with the PAS 55 standard (Publicly Available Specification for the optimised management of physical assets). We also implemented new connection management and revenue billing software to remove the risk associated with legacy systems and ensure compliance with new regulations.

As part of a proactive asset management approach, Delta continued the preventative maintenance and rebuild programme on the Aurora Energy network started in FY12. During FY13, we cleared vegetation around more than 12 kilometres of overhead power lines and replaced more than 450 power poles and equipment, primarily in the Wanaka and Port Chalmers areas. A total of $3.9 million in overhead line reconstruction and vegetation management was completed to improve the reliability of the Aurora Energy network.

We have grown market share in all our chosen electricity services sectors of transmission, generation and distribution, reflecting the depth of our technical capability and the success of our partnership approach with customers.

In the transmission sector, we completed our involvement in the construction of pole 3 of the high voltage direct current link for Transpower at the Benmore hydropower station. We won our first transmission upgrade contracts directly with Transpower to design and build 11 line crossings on the Roxburgh to Clyde 220-kilovolt transmission line. In Tasman, we were awarded fibre installation and 33-kilovolt cable replacement projects for Transpower.

Delta delivered smart thinking to electricity generators. We provided engineering and project management support on Genesis Energy's Tekapo A hydro generation project. For TrustPower, we began replacement and maintenance of the power lines originally installed in the early twentieth century, before the national grid existed, to transmit electricity from the Waipori hydro generation scheme to Dunedin city.

Delta's expertise on distribution networks was to the fore in completing the Stage 2 Mossburn to Athol 66/22-kilovolt electricity supply line for PowerNet. FY13 saw us grow the operations and maintenance services provided to the Nelson and Tasman electricity networks, in the second full year of our long term contract.

We continued to maintain our dominant position in South Island metering services. During FY13, Delta deployed 14,500 advanced meters in Dunedin, Christchurch and Central Otago. The trend of smart meters replacing legacy meters continued during the year as electricity meter owners look to meet their recertification requirements by April 2015. Accordingly, the mix of metering services we provide to owners and retailers is progressively shifting away from traditional meter-reading services to smart meter installation, maintenance and testing.

WATER

Delta was recently unsuccessful in its bid to retain the long term contract for delivery of 3 waters services to Central Otago District Council, as we have done proudly for the past decade or so. We remain focused on continuing to provide a reliable, quality service and smooth transition for the Council through to our handover date of 30 September 2013.

We made excellent progress on a major upgrade to the main water supply between Invercargill and Bluff for Invercargill City Council. We installed 13.5 kilometres out of a total length of 22 kilometres of new water pipe during FY13.

Prior to exiting from our Christchurch civil construction business in July 2013, we completed three projects to rebuild earthquake-damaged infrastructure in the city – a $2.8 million project in Shirley, a $1.3 million project in St Albans and a $1.4 million project in Charleston. The work involved replacing broken and misaligned sewer pipelines and waste water pump stations.

The proposed 6,000-hectare Tarras Water Limited irrigation scheme did not proceed as planned in FY13 as the scheme owners were unable to secure sufficient investor funding. Given our exit from the water and civil construction market, Delta will not be participating in the future civil construction of irrigation schemes, though will continue to seek electrical service opportunities.

WASTE

Our long-term services contract with Dunedin City Council for the day-to-day operation of the city's Green Island landfill was extended for another year to 30 June 2014. The landfill is the first landfill in New Zealand to have gained EnviroMark® Gold certification.

We continued as integrated solid waste provider to Clutha District Council. In our first full year of operation, we delivered kerbside rubbish and recycling collection and managed the Mount Cooee landfill.

We continued to manage the transfer stations for Waitaki District Council as part of a long term services contract.

COMMUNICATIONS

The Government's nation-wide ultrafast broadband initiative is the largest fibre network build project in New Zealand's history. During FY13, we provided fibre installation services to Chorus - responsible for nearly 70 per cent of the network rollout - and its build partners in Dunedin and in Gore.

We carried out a significant six-month fibre project on the Network Tasman, Marlborough District Council, Nelson City Council and Police closed circuit television network including fibre network extensions, camera installations, commissioning and testing.

TRANSPORT

The transport infrastructure sector is dominated by large national companies competing for reduced roading investment outside Auckland and Christchurch. During FY13, Delta progressively exited the roading construction and maintenance market as part of its wider business refocus.

We continued, through our greenspace business, to provide vegetation control on state highway and local authority networks throughout the South Island. New Zealand Transport Agency extended our existing contract for vegetation control services in Southland. We again secured vegetation control maintenance across the urban and rural roading network for Dunedin City Council.

We completed construction of the two-kilometre extension to the shared pathway alongside the Dunedin harbour, from Maia to St Leonards.

Our asset management team commenced a project to support Taieri Gorge Railway in developing a long term asset renewal and maintenance framework, starting with its rolling stock.

LAND

Our greenspace and sports turf management business continued its solid performance. Early in FY13, we expanded our geographic coverage through new vegetation control and grounds maintenance contracts with the Waimate and Tasman District Councils. Delta now operates greenspace services in Southland, Otago, Canterbury and Tasman.

We carried out maintenance for the Canterbury Earthquake Recovery Authority in the Kaiapoi region in areas red-zoned following the Canterbury earthquakes. Our services included property maintenance, mowing and re-establishing open spaces following building demolition.

We continued to provide sports turf management services to local authorities and sports clubs in Dunedin and Waimakariri. In FY13, we upgraded the playing surface at Rangiora's Mainpower Oval to meet increased demand for regional cricket facilities following the Canterbury earthquakes. Our team also prepared the cricket pitch at the University Oval in Dunedin for the test match between New Zealand and England played in March.

OUR PEOPLE

Our ability to deliver smart thinking for our customers relies on our people going above and beyond ordinary expectations. This year we introduced new Minds at Work employee awards to recognise and encourage employees who demonstrate our core values through leadership, initiative or innovation.

The category winners for the 2012 Minds at Work Awards were Graeme "Inky" Smith (Do It First award for effective innovation), Emma Paul (Do It Right award for thorough, high quality work) and the Benmore project team (Do It Together award for skill development and teamwork). A special award was made to electrical engineers Meeral Patel, Lingsong Zheng and Peter Cowan for their proactive involvement in the Future in Tech programme in local schools.

Safety

Throughout the company, we have a clear focus on workplace safety with the goal of making sure everyone gets home safe, every day. We pay careful attention to the safety of our people, contractors and the general public.

Our success in making ongoing safety improvements was recognised in continued accreditation at the highest level of ACC's Workplace Safety Management Programme (tertiary). We were also a national finalist in the Human Resources Institute of New Zealand awards for our work to incorporate health and safety-related behaviours into our day-to-day business.

The outcome of those behavioural changes is evidenced by Delta maintaining its lost time injury rate at 1.97 per million hours worked (FY12: 1.84), well below our target rate of 6 or less, putting our safety performance at or better than our industry peers.

New safety initiatives introduced during FY13 included implementation of a vehicle location and worker-down safety system designed to provide rapid emergency notification should a worker be in trouble. Our work often takes us to remote areas without cellphone or radio coverage. In-field trials have proved the system is effective in such locations and has the potential to halve response times.

We also commenced a pilot literacy scheme with a small number of our people to improve their reading and writing skills. Improving literacy gives individuals and their families the chance to reach their potential, enabling them to contribute fully while enhancing workplace safety and productivity.

Our communities

Our Charity Challenge campaign raises safety awareness among employees by encouraging regular reporting of close calls (also known as "near misses"). We encourage the monitoring and reporting of close calls as an important way to identify potential hazards and take preventative action.

The Charity Challenge fund accrues each time an employee reports a close call or identifies a new hazard. During the year, Delta made donations from the safety fund to Child Cancer Foundation, Dog Rescue Dunedin, St Johns (in Wakatipu and Dunedin), The Friends of Dunstan Hospital and Tamaha Sea Scouts (Nelson).

In FY13 we were again a sponsorship partner to the Super 15 rugby franchise, the Highlanders. We have been proud to support the Highlanders and pleased with the success of the community, customer and employee initiatives we did together, including, in December, joining forces with Highlanders' players and management and Taskforce Green to remove graffiti from a prominent public space in Caversham, Dunedin. We decided not to renew our partnership with the Highlanders for the 2014 season as we work through recent organisational changes.

GOVERNANCE

Directors Ross Liddell, Mike Coburn and Dr Norman Evans resigned from the Board in October 2012 following a governance review by Dunedin City Council of directorships on Council-owned companies. We acknowledge the substantial contributions made by these Directors to Delta during their tenures.

Dave Frow and Dr Ian Parton joined the Board as non-executive directors in November 2012. Dave has an extensive background in the energy industry and was formerly chief executive of the state-owned enterprise Electricity Corporation of New Zealand (ECNZ). A professional company director, Ian has an extensive background in consulting engineering and was formerly managing director of consulting engineering firm Meritec Group Limited.

OUR THANKS

The year has been one of difficult change. As an organisation we have made tough decisions that have impacted on our people. We have bade farewell to well-respected and well-liked colleagues, many of whom we have worked with for years.

We want to acknowledge the contribution made by everyone at Delta to put the business on a more secure footing. We are proud of our people's achievements in delivering an improved result while keeping each other safe at work.

We will continue to be focused on delivering the great service and technical expertise our energy and environmental customers demand.

Ray Polson
CHAIRMAN

Grady Cameron
CHIEF EXECUTIVE

16 September 2013

DIRECTORS' REPORT

The Directors of the Delta Utility Services Limited consolidated group (the Group) are pleased to report on the financial results and associated matters for the year ended 30 June 2013.

The financial accounts in this report include the activities of Delta Utility Services Limited (Parent) and of the Group which is a full consolidation of Delta Utility Services Limited and its wholly owned subsidiary, Delta Investments Limited. Lakes Contract Services Limited is a non-trading company and a wholly owned subsidiary of Delta Utility Services Limited and is not consolidated.

DIRECTORS' REPORT

for the year ended 30 June 2013

PRINCIPAL ACTIVITIES OF THE GROUP

The principal activities of the Group are the management, construction, operation and maintenance of infrastructure assets and the provision of contracting and related services.

	GROUP	PARENT
RESULTS FOR THE YEAR ENDED 30 JUNE 2013	**$000**	**$000**
Operating profit before income tax	3,385	3,314
Less income tax expense (refund)	(1,221)	152
Net profit for year	4,606	3,162

STATE OF AFFAIRS

The Directors believe that the state of affairs of the Company and Group are satisfactory.

DIVIDENDS

Dividends of $2.0 million were declared and paid during the year.

RESERVES

The following net transfers have been made to or from reserves:

	$000	$000
Retained earnings - to (from)	2,606	1,162
Cash flow hedge reserve to (from)	296	296

DIRECTORS' REPORT

for the year ended 30 June 2013 – continued

REVIEW OF OPERATIONS

Delta continued to grow its asset management, energy and environmental divisions throughout the year under review; however economic conditions were such that the continued weak demand for water and civil construction services led to a strategic review of the Company's interest in this sector. The decision was taken firstly to close Delta's Christchurch water and civil branch during June 2013 and subsequently to commence a phased exit from the remainder of its water and civil business units.

The Group's net profit/(loss) before income tax of $3.385 million (2012: -$6.913 million) provided a return on average Shareholder's equity of 33% (2012: -49%).

FINANCIAL STATEMENTS

The audited financial statements for the year ended 30 June 2013 are attached to this report.

DIRECTORS' INTERESTS IN CONTRACTS

Disclosures of interests made by Directors are recorded in the Company's interests register. These general disclosures of interests are made in accordance with S140 (2) of the Companies Act 1993 and serve as notice that the Directors may benefit from any transaction between the Company and any of the disclosed entities. Details of these declarations are included in the Information on Directors section of this report.

Any significant contracts involving Directors' interests that were entered into during the year ended 30 June 2013 or existed at that date are disclosed in the related parties section of this report.

DIRECTORS' BENEFITS

No Director has received or become entitled to receive a benefit since the end of the previous financial period other than a benefit included in the total remuneration received or due and receivable by the Directors as shown in the financial statements.

There were no notices from Directors requesting to use Company information received in their capacity as Directors that would not otherwise have been available to them.

CHANGE OF DIRECTORS

Long-serving directors Ross Liddell, Michael Coburn and Dr Norman Evans resigned from the Board in October 2012 following a governance review by Dunedin City Council. The Company acknowledges the substantial contribution made by these Directors during their tenures.

DIRECTORS' REPORT

for the year ended 30 June 2013 – continued

DIRECTORS' INSURANCE

In accordance with the Constitution, the Company has arranged policies of Directors' Liability Insurance, which ensure generally that the Directors will incur no monetary loss as a result of actions undertaken by them as Directors, provided that they operate within the law.

DIRECTORS' REMUNERATION

The remuneration paid to Directors during the year was:

Raymond S Polson	$	44,308
Stuart J McLauchlan	$	25,783
David J Frow	$	15,000
Dr Ian M Parton	$	15,000
Ross D Liddell	$	11,479
Michael O Coburn	$	7,117
Dr Norman G Evans	$	6,950
	$	125,637

EMPLOYEES' REMUNERATION

The number of employees and former employees who received remuneration and benefits above $100,000:

$100,001 - $110,000	18
$110,001 - $120,000	9
$120,001 - $130,000	7
$130,001 - $140,000	5
$140,001 - $150,000	4
$150,001 - $160,000	2
$160,001 - $170,000	3
$180,001 - $190,000	1
$200,001 - $210,000	1
$220,001 - $230,000	2
$240,001 - $250,000	1
$250,001 - $260,000	1
$450,001 - $460,000	1
	55

DIRECTORS' REPORT

for the year ended 30 June 2013 – continued

AUDIT AND RISK COMMITTEE

Stuart McLauchlan, Ray Polson and Ross Liddell were members of the Audit and Risk Committee of the Board during the year. Mr Liddell resigned on 31 October 2012. The Audit and Risk Committee has the responsibility for agreeing the arrangements for audit of the Company's financial accounts. Its responsibilities include ensuring that appropriate audit consideration is given to the following issues:

- effectiveness of systems and standards of internal control
- quality of management controls
- management of business risk
- compliance with legislation, standards, policies and procedures
- appointing and monitoring the internal audit function.

WHK Taylor Limited continues as internal auditor to the Company. Specific areas for its review were identified and a number of reviews have been completed, with the results reported to the Audit and Risk Committee and the Board. Review of further areas is on-going and progress is satisfactory.

REMUNERATION COMMITTEE

Ray Polson, Dr Norman Evans and Ross Liddell were members of the Remuneration Committee of the Board until Mr Liddell and Dr Evans resigned in October 2012. Since the resignations of Mr Liddell and Dr Evans, all Directors have been members of the Remuneration Committee. The Remuneration Committee's role is to develop and implement policies relating to the remuneration and other terms and conditions of service of the Chief Executive and senior staff and to oversee remuneration practices.

AUDITOR

The Auditor-General is appointed as Auditor pursuant to S70 of the Local Government Act 2002. The Auditor-General has contracted the audit to Audit New Zealand.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matter or circumstance since the end of the financial period, not otherwise dealt with in this report or the Company's financial statements, that has significantly or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company.

On behalf of the Directors

Ray Polson
CHAIRMAN

Stuart McLauchlan
DIRECTOR

16 September 2013

TREND STATEMENT

Years ended 30 June	Note	2013 $000	2012 $000	GROUP 2011 $000	2010 $000	2009 $000
Safety first - lost time injuries	1	1.97	1.84	12.17	7.29	12.45
Turnover		104,233	108,633	103,679	87,008	87,891
EBITDA before impairment charges		11,795	10,529	13,484	11,466	13,265
EBIT before impairment charges		6,411	4,699	7,933	5,983	6,734
Profit before tax and impairment charges		3,673	2,131	6,059	4,879	5,324
Impairment charges	2	288	9,044	-	-	-
Net surplus	3	4,606	(5,880)	5,423	2,929	3,866
Total assets		77,104	75,725	77,792	57,221	48,466
Ordinary dividends		2,000	4,500	4,000	3,500	2,500
Cash flow from operating activities		7,018	863	7,182	9,011	7,931
Shareholder's equity		11,675	8,773	19,167	17,744	18,482
Term debt		44,375	50,925	41,000	23,790	17,945
Return on average Shareholder's equity before impairment charges		18%	30%	16%	21%	11%
EBIT before impairment charges / average funds employed		8%	6%	12%	11%	15%
Equity to assets		15%	12%	25%	31%	38%
Average number of employees		632	675	657	571	527

NOTES:

1 Number of lost time injuries per 1 million hours worked. The lost time injury rate of 1.84 for 2012 includes 1 lost time injury that was reported during 2013 but relates back to an incident in the prior year.

2 The aftermath of the Global Financial Crisis continues to impact negatively on the water and civil construction and regional property development sectors. The Group reduced the carrying value of its development property investments by $0.288 million (before tax) during 2013 (2012: $7.5 million). A decision was taken to write-off goodwill of $1.544 million during 2012.

3 The Group net surplus of $4.606 million for 2013 includes a favourable income tax adjustment of $1.481 million upon recognising the deductibility of impairment charges booked in 2012 and 2013.

STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2013

GENERAL OBJECTIVES / OUTCOMES

1 To review the Statement of Intent and Strategic Plan for consistency with the objectives of Dunedin City Council.

ACHIEVED.

The Statement of Intent and Strategic Plan were reviewed and confirmed as being consistent with the objectives of Dunedin City Council.

2 To review the operating activities of the Group for compliance with the goals and objectives stated in the Statement of Intent and Strategic Plan.

ACHIEVED.

The operating activities are in accordance with the goals and objectives stated in the Statement of Intent and Strategic Plan.

3 To report all matters of substance to the Shareholder within five days of occurrence.

ACHIEVED.

Matters of substance were reported to the Shareholder within the required timeframe.

ECONOMIC OBJECTIVES / OUTCOMES

1 To achieve all financial projections.

NOT ACHIEVED.

	PARENT	
	Actual $000	Target $000
EBITDA	11,436	15,675
EBITDA before impairment charges	12,696	15,675
Net surplus after income tax	3,162	5,264
Net surplus after income tax before impairment charges	4,422	5,264
Shareholder's funds	10,565	20,332
Dividends	2,000	4,500
Shareholder's funds to total assets	15%	35%

2 To obtain management of an additional group of utility assets.

NOT ACHIEVED.

In spite of continuous promotion of contracting out as a best-practice option for asset owners to access large-scale solutions, limited opportunities arose for Delta to bid.

3 To monitor the economic value added and financial performance against rates of returns established by Dunedin City Holdings Limited.

ACHIEVED.

Regular monitoring of financial performance and EVA is conducted.

4 To ensure that the reporting requirements of the Group and the Shareholder are met.

ACHIEVED.

Group reporting was undertaken within the timeframes as stated in the Statement of Intent.

STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2013 - continued

SOCIAL AND ENVIRONMENTAL OBJECTIVES	OUTCOMES
1 Compliance with all employment legislation.	ACHIEVED. All employment legislation has been complied with.
2 No complaints of discrimination are received.	ACHIEVED. No complaints were received during the year.
3 Operates open and non-discriminatory employment practices.	ACHIEVED. The Group operates employment practices that are open and non-discriminatory.
4 No transgression of environmental and resource laws occurs.	ACHIEVED. No notification of any breaches of any resource laws has been received.
5 To review the activities undertaken by the Company for purposes of being a good corporate citizen.	ACHIEVED. The Group regularly reviews its contribution to the community to ensure it acts as good corporate citizen.
6 Employee safety target.	ACHIEVED.

	Actual	Target
Lost time injuries per 1 million hours worked.	1.97	6.00

INFORMATION ON THE DIRECTORS

DIRECTOR	QUALIFICATIONS	DATE APPOINTED	DECLARATIONS OF INTERESTS
Raymond S Polson Non-Executive Chairman	BCom, FCA, AF.Inst.D.	October 1994	Chairman – Aurora Energy Limited Chairman – Delta Investments Limited Chairman – Mactodd Chairman – Ophir Gold Limited Director – Luggate Nominee Limited Director – Marsh Advisory Board Director – Mountainview Holdings Timaru Limited (resigned May 2013)
Stuart J McLauchlan Non-Executive Director	BCom, FCA (PP), AF.Inst.D.	June 2007	Chairman – Dunedin International Airport Limited Chairman – NZ Sports Hall of Fame Chairman – Pharmac Chairman – Scott Technology Limited Chairman – UDC Finance Limited Director – AD Instruments Pty Limited Director – Aurora Energy Limited Director – Cargill Hotel 2002 Limited Director – Delta Investments Limited Director – Dunedin Casinos Limited Director – Energy Link Limited Director – HTS 110 Limited Director – Lund South Limited Director – Otago & Southland Employers Association Director – Roxdale Foods Limited Director – Scenic Circle Hotels Limited and subsidiaries Director – University of Otago Foundation Studies Limited Director – University of Otago Holdings Limited Director – USC Investments Limited Director – XRock Automation Pty Limited Partner – G S McLauchlan & Co Pro Chancellor – University of Otago Director – City Forests Limited (resigned 31 October 2012)
David J Frow Non Executive Director	M.Inst.D. F.IPENZ, B.Sc.Eng	October 2012	Director – Aurora Energy Limited Director – Bathurst Resources (New Zealand) Limited Director – Delta Investments Limited Director – ETEL Limited Director – ETEL Transformers Pty Ltd (Aus) Director – Holmes Fire & Safety Limited Director – Holmes GP Fire Limited Senior Consultant - Strata Energy Consulting

INFORMATION ON THE DIRECTORS – continued

DIRECTOR	QUALIFICATIONS	DATE APPOINTED	DECLARATIONS OF INTERESTS
Dr Ian M Parton Non Executive Director	BE (Hons), PhD, Dist.F.IPENZ, F.Inst.D.	October 2012	Director – Auckland Transport Limited Director – Aurora Energy Limited Director – Construction Techniques Group Limited Director – Delta Investments Limited Director – Skellerup Holdings Limited Chancellor– University of Auckland
Ross D Liddell Non-Executive Deputy Chairman	BCom, CA (PP), ACIS, AF.Inst.D.	June 1998 Resigned 31 October 2012	Chairman – Browns Barkly Limited Chairman – City Forests Limited Chairman – Dunedin City Treasury Limited Chairman – James Maurice Properties Limited Chairman – Palmer & Son Limited Chairman – Palmer MH Limited Chairman – Palmers Mechanical Limited Chairman – Viblock Limited Chairman – Victory Lime 2000 Limited Director – A B Lime Limited Director – Hunterfields Investments Limited Director – McMahon Investments Limited Director – Aurora Energy Limited (resigned 31 October 2012)
Michael O Coburn Non-Executive Director	FNZIM, AF.Inst.D.	October 2003 Resigned 31 October 2012	Deputy Chairman – City Forests Limited Director – Arthur Barnett Limited Director – Jack Tewa Foundation Appointer Limited Director – Lake Hayes Estate Limited Director – New Zealand Aquifer Limited Director – New Zealand Land Fund Limited and subsidiaries Director – Ruboc Holdings Limited Shareholder (as Trustee) – Locations Realty Queenstown Limited Trustee – Hayes Trustees Limited Director – Aurora Energy Limited (resigned 31 October 2012) Director – Delta Investments Limited (resigned 31 October 2012) Director – Lakes Environmental Limited (resigned 11 April 2013)
Dr Norman G Evans Non-Executive Director	DBA, NZCE, M.Inst.D.	July 2005 Resigned 31 October 2012	Chairman – Enabling Pty Limited (Aus) Director – Lifetime Health Diary Limited Director – Halo Investment Management Limited Director – Halo Fund No 1 Limited Director – Aurora Energy Limited (resigned 31 October 2012) Director – City Forests Limited (resigned 31 October 2012)


DELTA
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FINANCIAL STATEMENTS

for the year ended 30 June 2013

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STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2013

		GROUP		PARENT	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
Operating revenue	3	104,179	107,974	102,233	108,070
Financial revenue	4	54	659	729	1,377
Total revenue		104,233	108,633	102,962	109,447
Less expenses					
Operating expenses	5	98,110	112,978	96,910	114,371
Financial expenses	6	2,738	2,568	2,738	2,568
Total expenses		100,848	115,546	99,648	116,939
Profit before tax and subvention		3,385	(6,913)	3,314	(7,492)
Subvention payment provided		0	0	0	0
Profit before tax		3,385	(6,913)	3,314	(7,492)
Income tax expense/(refund)	9	(1,221)	(1,033)	152	(92)
Net profit/(loss) for the year		4,606	(5,880)	3,162	(7,400)
Other comprehensive income					
Cash flow hedges		296	(14)	296	(14)
Total other comprehensive income		296	(14)	296	(14)
Total comprehensive income		4,902	(5,894)	3,458	(7,414)

The accompanying notes and accounting policies form an integral part of these audited financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2013

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Equity at beginning of the year		8,773	19,167	9,107	21,021
Total comprehensive income		4,902	(5,894)	3,458	(7,414)
Less distribution to owner	8	2,000	4,500	2,000	4,500
Equity at end of the year		11,675	8,773	10,565	9,107

The accompanying notes and accounting policies form an integral part of these audited financial statements.

BALANCE SHEET

as at 30 June 2013

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
EQUITY					
Share capital	10	17,000	17,000	17,000	17,000
Cash flow hedge reserve	11	(256)	(552)	(256)	(552)
Retained earnings	12	(5,069)	(7,675)	(6,179)	(7,341)
Total equity		11,675	8,773	10,565	9,107
CURRENT LIABILITIES					
Trade and other payables	13	8,165	8,186	7,955	8,172
Westpac loan (secured)	15	857	868	0	0
Payable to Luggate Properties Limited		347	162	0	0
Payable to Luggate Park Developments Joint Venture		5,288	0	0	0
GST payable		779	757	777	765
Cash flow hedge instruments	14	356	767	356	767
Provisions	16	4,639	4,889	4,639	4,889
Taxation payable		234	0	234	0
Total current liabilities		20,665	15,629	13,961	14,593
NON-CURRENT LIABILITIES					
Term borrowings	17	44,375	50,925	44,375	50,925
Provisions	16	389	398	389	398
Total non-current liabilities		44,764	51,323	44,764	51,323
Total liabilities		65,429	66,790	58,725	65,916
TOTAL EQUITY AND LIABILITIES		77,104	75,725	69,290	75,023

The accompanying notes and accounting policies form an integral part of these audited financial statements.

BALANCE SHEET

as at 30 June 2013 – continued

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
CURRENT ASSETS					
Cash and cash equivalents	22	384	237	371	229
Trade and other receivables	23	25,298	24,956	25,349	25,025
Inventories	24	5,237	5,132	5,237	5,132
Prepayments		141	122	141	122
Vendor mortgage	32	0	11	0	0
Development property held for sale	29	7,584	9,275	0	0
Investment in joint venture	28	5,288	288	0	0
Advance to subsidiary	30	0	0	6,716	9,136
Taxation receivable		0	526	0	277
Total current assets		43,932	40,547	37,814	39,921
NON-CURRENT ASSETS					
Intangible assets	26	332	64	332	64
Deferred tax asset	18	3,001	1,116	1,302	1,038
Advance to subsidiary	30	0	0	0	0
Property, plant and equipment	25	29,839	33,998	29,841	34,000
Total non-current assets		33,172	35,178	31,476	35,102
TOTAL ASSETS		77,104	75,725	69,290	75,023

For and on behalf of the Board of Directors

Ray Polson
CHAIRMAN

Stuart McLauchlan
DIRECTOR

16 September 2013

The accompanying notes and accounting policies form an integral part of these audited financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2013

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from					
Receipts from customers		101,477	103,687	100,273	103,758
Interest received		54	659	729	1,377
		101,531	104,346	101,002	105,135
Cash was disbursed to					
Payments to suppliers and employees		91,393	99,562	89,993	99,451
Interest paid		2,771	2,563	2,705	2,549
Income tax paid		20	460	20	460
Net GST paid		329	898	330	963
		94,513	103,483	93,048	103,423
Net cash inflows/(outflows) from operating activities	27	**7,018**	**863**	**7,954**	**1,712**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from					
Development property held for sale		2,155	36	0	0
Sale of property, plant and equipment		2,370	635	2,370	635
Repayments from subsidiaries		0	0	2,033	0
		4,525	671	4,403	635
Cash was disbursed to					
Development property		48	66	0	0
Purchase of property, plant and equipment		2,787	7,050	2,792	7,445
Advance to subsidiaries		0	0	873	413
		2,835	7,116	3,665	7,858
Net cash inflows/(outflows) from investing activities		**1,690**	**(6,445)**	**738**	**(7,223)**

The accompanying notes and accounting policies form an integral part of these audited financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2013 - continued

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from					
Receipts from borrowings		70,945	70,028	70,850	69,925
		70,945	70,028	70,850	69,925
Cash was disbursed to					
Repayment of borrowings		77,506	60,036	77,400	60,000
Dividends paid		2,000	4,500	2,000	4,500
		79,506	64,536	79,400	64,500
Net cash inflows/(outflows) from financing activities		**(8,561)**	**5,492**	**(8,550)**	**5,425**
Net increase/(decrease) in cash, cash equivalents and bank overdraft		**147**	**(90)**	**142**	**(86)**
Cash and cash equivalents at the beginning of the year		237	327	229	315
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22	**384**	**237**	**371**	**229**

The accompanying notes and accounting policies form an integral part of these audited financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

1 REPORTING ENTITY

The financial statements presented are for the reporting entity Delta Utility Services Limited and the Group.

The Group consists of Delta Utility Services Limited and full consolidation of subsidiary, Delta Investments Limited. Lakes Contract Services Limited is a non-trading company and a wholly owned subsidiary of Delta Utility Services Limited and is not consolidated.

Delta Utility Services Limited is a Council Controlled Trading Organisation as defined in the Local Government Act 2002. The Company, incorporated in New Zealand under the Companies Act 1993, is a wholly owned subsidiary of Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, the Companies Act 1993 and the Financial Reporting Act 1993.

The financial statements are presented in New Zealand dollars and have been rounded to the nearest thousand.

2 SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

These annual financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand Equivalents to IFRS, and other applicable Financial Reporting Standards, as appropriate for profit orientated entities.

The financial statements were authorised for issue by the Directors on 16 September 2013.

BASIS OF ACCOUNTING

The financial statements have been prepared on the historic cost basis, except for the revaluation of certain assets including derivatives. The going concern assumption has been applied.

The accounting policies set out below have been applied consistently by group entities to all periods in these financial statements.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, each entity has made judgements, estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

SUBSIDIARIES

Subsidiaries are those entities controlled, directly or indirectly, by the Company (Parent). The financial statements of consolidated subsidiaries are included in the financial statements using the purchase method of consolidation.

JOINT VENTURES

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Group recognises in its financial statements the assets it controls, the liabilities and expenses it incurs, and the share of income that it earns from the joint venture.

Delta Investments Limited has a 50% interest in Luggate Park Developments joint venture. The financial statements have been prepared using the proportionate method of consolidation.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and good and services tax (GST).

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity.

Sales of goods are recognised when significant risks and rewards of owning the goods are transferred to the buyer, when the revenue can be measured reliably and when management effectively ceases involvement or control.

CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

LEASING

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

EMPLOYEE ENTITLEMENTS

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date at current rates of pay.

Entitlements to long service leave and retirement gratuities are calculated on an actuarial basis and are based on the reasonable likelihood that they will be earned by employees and paid by the Group.

The Group recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The calculation is based on the value of excess sick leave taken within the previous twelve months.

GOODS AND SERVICES TAX (GST)

Revenues, expenses assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST. The Statement of Cashflows is inclusive of GST.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Current tax and deferred tax is charged or credited to the income statement except when deferred tax relates to items charged directly to equity, in which case the tax is dealt with in equity.

The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are those assets held by the entity for the purpose of carrying on its business activities on an ongoing basis.

All property, plant and equipment is stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Self constructed assets include the direct cost of construction to the extent that they relate to bringing the fixed assets to the location and condition for their intended service.

Depreciation is charged so as to write off the costs of assets, other than land, properties under construction and capital work in progress, on a straight-line basis. Rates used have been calculated to allocate the assets' costs less estimated residual values over their estimated remaining useful lives.

Depreciation of these assets commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation rates and methods used are as follows:

	RATE	METHOD
Buildings	1% to 2%	straight line
Metering equipment	10% to 100%	straight line
Plant and equipment	2.5% to 25%	straight line
Motor vehicles	5% to 30%	straight line
Office equipment and fittings	5% to 25%	straight line
Construction in progress	no depreciation charged	

INTANGIBLE ASSETS

Goodwill represents the excess of the purchase consideration over the fair value of the net tangible and identifiable intangible assets, acquired at the time of acquisition of a business or an equity interest in a subsidiary or associate Company. Goodwill is tested annually for impairment which is expensed to the Income Statement.

Software is recognised at cost and amortised to the Income Statement on a straight-line basis over the estimated useful life – which is a maximum period of five years.

IMPAIRMENT OF ASSETS

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable amount. Any impairment loss is immediately expensed to the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset, or cash-generating unit, in prior years. A reversal of an impairment loss is recognised as income immediately.

INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

DEVELOPMENT PROPERTY HELD FOR SALE

Development property intended for resale is stated at the Directors' valuation which reflects estimated fair value less costs to sell and is the lessor of cost or net realisable value. Operating costs including interest are expensed as incurred.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to financial assets or liabilities that are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are classified as financial assets at fair value less any allowances for estimated irrecoverable amounts.

INVESTMENTS

Investments include long term equity in joint ventures. These are measured at cost and are assessed annually for impairment. Any resultant loss or impairment is recognised in the income statement for the period in which it occurs.

BORROWINGS

Borrowings are initially recorded net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

CASH FLOW HEDGE INSTRUMENTS AND HEDGE ACCOUNTING

The Group's activities expose it to the financial risks of changes in interest rates and foreign currency exchange rates. The Group uses cash flow hedge instruments (interest rate swap contracts) and foreign exchange forward contracts to protect itself from these risks.

The Group does not use cash flow hedge instruments for speculative purposes. Any derivatives that do not qualify for hedge accounting, under the specific NZ IFRS Rules, are accounted for as trading instruments with fair value gains and losses recognised directly in the income statement.

The use of cash flow hedge instruments is governed by policy approved by the board of directors. Cash flow hedge instruments are recognised as a current asset or liability.

Cash flow hedge instruments are recognised at fair value on the date the hedge is entered into and are subsequently re-measured to their fair value. The fair value on initial recognition is the transaction price. Subsequent fair values are based on independent bid prices quoted in active markets for these instruments.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity. Any ineffective portion is recognised immediately in the income statement. Hedges that do not result in the recognition of an asset or a liability are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the year.

Any financial derivatives or cash flow hedge instruments embedded in other financial instruments or other host contracts are treated as separate instruments when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

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.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the financial year. Certain comparatives in the Income Statement and Balance Sheet have been restated to reclassify development property sale transactions to ensure the treatment is consistent with the current financial year. The reclassification has had no impact on net profit after taxation.

	30 June 2012 $000 Reported	30 June 2012 $000 Restated
Income Statement		
Operating revenue	38	77
Operating expenses	7,683	7,722
Balance Sheet		
Development property	9,445	9,607
Payable to Luggate Properties Limited	0	162

The notes to the financial statement have also been restated to conform to the current reporting period's presentation.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following accounting standards are relevant to the Group, but as they are not yet compulsory have not been adopted.

STANDARD	BRIEF OUTLINE
Amendment to NZ IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* Adoption date: Year ended 30 June 2014	These amendments introduce disclosures, which provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position.
NZ IFRS 10 *Consolidated Financial Statements*/ NZ IAS 27 Adoption date: Year ended 30 June 2014	NZ IFRS 10 establishes a new control model. It replaces parts of NZ IAS 27 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. The new control model broadens the situations when an entity is considered to control another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority of voting rights may give control.
NZ IFRS 11 *Joint Arrangements*/ NZ IAS 31 Adoption date: Year ended 30 June 2014	NZ IFRS 11 replaces NZ IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Ventures*. NZ IFRS 11 uses the principle of control in NZ IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition NZ IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves are accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method.
NZ IFRS 12 *Disclosure of Interests in Other Entities*/ NZ IAS 27,28 and NZ IAS 31 Adoption date: Year ended 30 June 2014	NZ IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.
NZ IFRS 13 *Fair Value Measurement* Adoption date: Year ended 30 June 2014	NZ IFRS 13 establishes a single source of guidance under NZ IFRS for determining the fair value of assets and liabilities. NZ IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under NZ IFRS when fair value is required or permitted by NZ IFRS. NZ IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

STANDARD	BRIEF OUTLINE
Amendment to NZ IAS 28 *Investment in Associates and Joint Ventures* Adoption date: Year ended 30 June 2014	NZ IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) supersedes NZ IAS 28 Investments in Associates (2004), as a result of the issue of NZ IFRS 11 Joint Arrangements and NZ IFRS 12 Disclosure of Interests in Other Entities. NZ IAS 28 (as amended in 2011) prescribes the accounting for investments in associates and joint ventures, and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. Disclosure requirement relating to these investments are now contained in NZ IFRS 12.
Amendments to NZ IFRS arising from the Annual Improvements Project (2009-2011) Adoption date: Year ended 30 June 2014	The following standards are amended by this standard: NZ IAS 1 - Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. NZ IAS 16 - Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. NZ IAS 32 - Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with NZ IAS 12 Income Taxes.
NZ IFRS 9 *Financial Instruments* Adoption date: Year ended 30 June 2016	NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000

3 OPERATING REVENUE

Sales revenue	104,179	107,974	102,233	108,070
	104,179	107,974	102,223	108,070

4 FINANCIAL REVENUE

Interest received	54	659	729	1,377
	54	659	729	1,377

5 OPERATING EXPENSES

Included in the operating expenses are the following items:				
Audit fees - for audit of financial statements	58	57	48	48
Employee remuneration and benefits	42,939	44,473	42,939	44,473
Materials	20,833	27,367	20,927 2	27,367
Land cost of sales	2,137	68	0	0
Depreciation	5,384	5,830	5,384	5,826
Impairment charges	(5,000)	9,044	1,260	10,489
Loss on development activities	5,288	0	0	0
Rental expense	1,275	1,516	1,275	1,552
Directors' fees	126	160	126	160
Bad debts written off	4	45	4	45
Increase/(decrease) in impairment provision for trade and other receivables	406	16	406	16
Donations	40	38	40	38
(Gain)/loss on sale/disposal assets	(1,235)	(122)	(1,235)	(122)
Minimum lease payments	992	1,126	1,076	1,126

6 FINANCIAL EXPENSES

Interest/facility fees - related parties	2,736	2,568	2,736	2,568
Interest - other	2	0	2	0
Total financial expenses	**2,738**	**2,568**	**2,738**	**2,568**

The accompanying notes and accounting policies form an integral part of these audited financial statements.

	GROUP		PARENT	
	2013	2012	2013	2012

7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit/(loss) attributable to the Shareholder of the Group by the weighted average number of ordinary shares on issue during the year

	2013	2012	2013	2012
NUMBER OF SHARES				
Weighted average number of ordinary shares	17,000,000	17,000,000	17,000,000	17,000,000
Basic earnings per share before impairment charges	20.08 cents	14.50 cents	26.01 cents	18.17 cents
Basic earnings per share	27.09 cents	(34.59) cents	18.60 cents	(43.53) cents

8 DIVIDENDS

			2013 $000	2012 $000	2013 $000	2012 $000
Interim dividend	December 2012	0.0 cents/share	0	2,000	0	2,000
(December 2011: 11.8 cents/share)						
Final dividend	June 2013	11.8 cents/share	2,000	2,500	2,000	2,500
(June 2012: 14.7 cents/share)						
			2,000	**4,500**	**2,000**	**4,500**
		Cents per share	11.76	26.47	11.76	26.47

9 INCOME TAX

	2013 $000	2012 $000	2013 $000	2012 $000
Operating profit before income tax	3,385	(6,913)	3,315	(7,492)
Tax thereon at 28%	948	(1,936)	928	(2,098)
Plus / (Less) the Tax Effect of Differences				
Expenditure (deductible) non-deductible for taxation	24	1,879	319	2,982
Under/(over) tax provision in prior years	(29)	(256)	(294)	(256)
Deferred taxation	(1,469)	0	0	0
Current year DCC Group tax losses utilised	(694)	(671)	(801)	(671)
Current year tax consolidation adjustment	0	(49)	0	(49)
Tax effect of differences	(2,169)	903	(776)	2,006
Tax expense	(1,221)	(1,033)	152	(92)

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000

9 INCOME TAX - continued

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Represented by				
Current tax provision	812	23	812	23
Prior period adjustments to current tax	(33)	(70)	(281)	(70)
Deferred tax provision	(2,005)	(986)	(366)	(45)
Prior period adjustments to deferred tax	5	0	(13)	0
Income tax	(1,221)	(1,033)	152	(92)
Effective tax rate	**(36.1)%**	**14.9%**	**4.6%**	**1.2%**

Delta Utility Services Limited is a member of an Income Tax Consolidated Group. Tax losses of $2,478,782 (tax effect of $694,059) for the current year in other companies in the Dunedin City Council Group were utilised.

10 EQUITY - SHARE CAPITAL

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
ISSUED CAPITAL				
17,000,000 ordinary shares	17,000	17,000	17,000	17,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
11 RESERVES				
Cash flow hedge reserve				
Balance at beginning of the year	(552)	(538)	(552)	(538)
Net revaluations	296	(14)	296	(14)
Deferred tax arising on hedges (see Note 18)	0	0	0	0
Balance at the end of the year	(256)	(552)	(256)	(552)

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments relating to interest payments that have not yet occurred.

12 RETAINED EARNINGS

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Balance at the beginning of the year	(7,675)	2,705	(7,341)	4,559
Net profit for the year	4,606	(5,580)	3,162	(7,400)
Dividend distributions	(2,000)	(4,500)	(2,000)	(4,500)
Balance at the end of the year	(5,069)	(7,675)	(6,179)	(7,341)

13 TRADE AND OTHER PAYABLES

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Trade payables	3,743	3,929	3,727	3,929
Due to related parties	303	419	303	419
Land sale deposits	149	0	0	0
Other creditors	3,970	3,838	3,925	3,824
	8,165	8,186	7,955	8,172

The Directors consider that the carrying amount of trade payables approximates their fair value. There are no payables past due.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
14 CASH FLOW HEDGE INSTRUMENTS				
Interest rate swap revaluations – payable	(356)	(767)	(356)	(767)
Analysed as:				
Current	(356)	(767)	(356)	(767)
15 WESTPAC LOAN (secured)				
Westpac Loan	857	868	0	0
	857	868	0	0

The Westpac term loan is secured by a registered first mortgage over all the assets of the Luggate Park Developments Joint Venture. The facility expired on 31 December 2011. Interest is charged on the loan at the floating rate, currently 6.38% plus a default margin rate of 5.00%.

The Westpac Loan balance was fully repaid in August 2013.

16 PROVISIONS

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
(i) Current liabilities				
Long service leave	141	161	141	161
Annual leave	3,858	4,008	3,858	4,008
Gratuities	175	259	175	259
Sick leave	103	108	103	108
Other provisions	362	353	362	353
	4,639	4,889	4,639	4,889
(ii) Non-current liabilities				
Long service leave	270	280	270	280
Gratuities	119	118	119	118
	389	398	389	398

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
17 TERM BORROWINGS (secured)				
Dunedin City Treasury Limited – related party	44,375	50,925	44,375	50,925
	44,375	50,925	44,375	50,925
The term borrowings are secured by a General Security Agreement over all the assets of the Group. The facility available is $59.575 million. The repayment period on the term borrowings is as follows:				
Repayable between one to two years	0	0	0	0
Repayable between two to five years	44,375	50,925	44,375	50,925
	44,375	50,925	44,375	50,925

The weighted average interest rate for the loan, inclusive of any current portion, was 4.35% (2012: 4.48%).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

18 DEFERRED TAX

	Opening Balance Sheet	Charged to Equity	Charged to Income	Closing Balance Sheet Assets	Closing Balance Sheet Liabilities	Closing Balance Sheet Net
	$000	$000	$000	$000	$000	$000
				GROUP		
YEAR ENDED 30 JUNE 2013:						
Property, plant and equipment	(21)	0	(72)	0	(93)	(93)
Employee benefits	1,457	0	(112)	1,345	0	1,345
Provisions	(613)	0	563	0	(50)	(50)
Revaluations of cash flow hedge instruments	215	(115)	0	100	0	100
Development costs	78	0	1,621	1,699	0	1,699
Balance at the end of the year	1,116	(115)	519	3,144	(143)	3,001
YEAR ENDED 30 JUNE 2012:						
Property, plant and equipment	(76)	0	55	0	(21)	(21)
Employee benefits	1,273	0	184	1,457	0	1,457
Provisions	(419)	0	(194)	0	(613)	(613)
Revaluations of cash flow hedge instruments	209	6	0	215	0	215
Development costs	(615)	0	693	78	0	78
Balance at the end of the year	372	6	738	1,750	(634)	1,116

18 DEFERRED TAX - continued

	Opening Balance Sheet $000	Charged to Equity $000	Charged to Income $000	Closing Balance Sheet Assets $000	Closing Balance Sheet Liabilities $000	Closing Balance Sheet Net $000
				PARENT		
YEAR ENDED 30 JUNE 2013:						
Property, plant and equipment	(21)	0	(72)	0	(93)	(93)
Employee benefits	1,457	0	(112)	1,345	0	1,345
Provisions	(613)	0	563	0	(50)	(50)
Revaluations of cash flow hedge instruments	215	(115)	0	100	0	100
Balance at the end of the year	1,038	(115)	327	1,445	(143)	1,302
YEAR ENDED 30 JUNE 2012:						
Property, plant and equipment	(76)	0	55	0	(21)	(21)
Employee benefits	1,273	0	184	1,457	0	1,457
Provisions	(419)	0	(194)	0	(613)	(613)
Revaluations of cash flow hedge instruments	209	6	0	215	0	215
Balance at the end of the year	987	6	45	1,672	(634)	1,038

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
19 CONTINGENT LIABILITIES				
Performance bonds	3,748	3,557	3,748	3,557
	3,748	3,557	3,748	3,557

The performance bonds issued are principally in favour of South Island Local Authorities for contract work. There is no indication that any of these contingent liabilities will crystallise in the foreseeable future.

20 CAPITAL EXPENDITURE COMMITMENTS

Plant and equipment	375	113	375	113
	375	113	375	113

21 LEASE COMMITMENTS

Non-cancellable operating lease commitments:				
payable within one year	954	834	954	834
payable between one to five years	1,856	1,306	1,856	1,306
payable later than five years	202	180	202	180
	3,021	**2,320**	**3,021**	**2,320**

22 CASH AND CASH EQUIVALENTS

Cash and bank	384	237	371	229

Cash and short-term deposits comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Short-term deposits are made at call deposit rates.

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000

23 TRADE AND OTHER RECEIVABLES

		GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Trade receivables		20,694	19,698	20,678	19,651
Less estimated doubtful debts		(432)	(26)	(432)	(26)
		20,262	19,672	20,246	19,625
Due from related parties					
– other related parties		5,036	5,284	5,103	5,400
		25,298	24,956	25,349	25,025
Age analysis:	30 - 60 days	219	1,209	219	1,209
	60 - 90 days	127	88	127	88
	90 days plus	461	354	461	354
		807	1,651	807	1,651

All past due balances are considered collectable.

24 INVENTORIES

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Materials and stores	2,257	2,178	2,257	2,178
Work in progress - construction contracts	776	281	776	281
Work in progress - other	2,204	2,673	2,204	2,673
	5,237	5,132	5,237	5,132
Work in progress - construction contracts				
Gross construction work in progress plus margin to date	39,211	40,663	39,211	40,663
Progress billings	(38,435)	(40,382)	(38,435)	(40,382)
Total construction work in progress	776	281	776	281
Retentions held by customers	555	898	555	898
Due from customers under construction contracts	11,985	14,266	11,985	14,266

Included in sales is $38.4 million of construction contract revenue (June 2012: $40.3 million).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

25 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Meters	Plant and Equipment	Motor Vehicles	Office Equipment	Construction	Total
	$000	$000	$000	$000	$000	$000	$000	$000
	GROUP							
YEAR ENDED 30 JUNE 2013:								
Cost								
Balance at the beginning of the year	5,896	5,058	7,475	15,077	40,337	964	0	74,807
Purchases	0	1	282	600	1,670	6	0	2,559
Sales/disposals	0	0	0	(492)	(5,939)	(3)	0	(6,434)
Total cost	5,896	5,059	7,757	15,185	36,068	967	0	70,932
Accumulated depreciation								
Balance at the beginning of the year	0	934	7,120	9,090	22,999	666	0	40,809
Depreciation	0	142	117	1,357	3,660	59	0	5,335
Sales/disposals	0	0	0	(305)	(4,743)	(3)	0	(5,051)
Total accumulated depreciation	0	1,076	7,237	10,142	21,916	722	0	41,093
Balance at the end of the year	5,896	3,983	520	5,043	14,152	245	0	29,839
YEAR ENDED 30 JUNE 2012:								
Cost								
Balance at the beginning of the year	5,896	5,052	7,243	14,074	36,297	954	11	69,527
Purchases	0	6	232	2,031	4,681	21	0	6,971
Sales/disposals	0	0	0	(1,028)	(641)	(11)	(11)	(1,691)
Total cost	5,896	5,058	7,475	15,077	40,337	964	0	74,807
Accumulated depreciation								
Balance at the beginning of the year	0	792	6,739	8,314	19,821	615	0	36,281
Depreciation	0	142	381	1,374	3,735	62	0	5,694
Sales/disposals	0	0	0	(598)	(557)	(11)	0	(1,166)
Total accumulated depreciation	0	934	7,120	9,090	22,999	666	0	40,809
Balance at the end of the year	5,896	4,126	355	5,971	17,338	298	0	33,998

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

25 PROPERTY, PLANT AND EQUIPMENT – continued

	Land $000	Buildings $000	Meters $000	Plant and Equipment $000	Motor Vehicles $000	Office Equipment $000	Construction $000	Total $000
				PARENT				
YEAR ENDED 30 JUNE 2013:								
Cost								
Balance at the beginning of the year	5,896	5,053	7,475	15,077	40,337	964	0	74,802
Purchases	0	1	282	600	1,670	6	0	2,559
Sales/disposals	0	0	0	(492)	(5,939)	(3)	0	(6,434)
Total cost	5,896	5,054	7,757	15,185	36,068	967	0	70,927
Accumulated depreciation								
Balance at the beginning of the year	0	927	7,120	9,090	22,999	666	0	40,802
Depreciation	0	142	117	1,357	3,660	59	0	5,335
Sales/disposals	0	0	0	(305)	(4,743)	(3)	0	(5,051)
Total accumulated depreciation	0	1,069	7,237	10,142	21,916	723	0	41,086
Balance at the end of the year	5,896	3,985	520	5,043	14,152	245	0	29,841
YEAR ENDED 30 JUNE 2012:								
Cost								
Balance at the beginning of the year	5,706	4,842	7,243	14,074	36,297	954	11	69,127
Purchases	190	211	232	2,031	4,681	21	0	7,366
Sales/disposals	0	0	0	(1,028)	(641)	(11)	(11)	(1,691)
Total cost	5,896	5,053	7,475	15,077	40,337	964	0	74,802
Accumulated depreciation								
Balance at the beginning of the year	0	789	6,739	8,314	19,821	615	0	36,278
Depreciation	0	138	381	1,374	3,735	62	0	5,690
Sales/disposals	0	0	0	(598)	(557)	(11)	0	(1,166)
Total accumulated depreciation	0	927	7,120	9,090	22,999	666	0	40,802
Balance at the end of the year	5,896	4,126	355	5,987	17,338	298	0	34,000

The Directors assess the fair value of land and buildings as the carrying value shown above.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
26 INTANGIBLES				
SOFTWARE				
Cost				
Balance at beginning of year	3,813	3,721	3,813	3,721
Purchases	315	92	315	92
Total cost	4,128	3,813	4,128	3,813
ACCUMULATED AMORTISATION				
Balance at beginning of year	3,749	3,613	3,749	3,613
Amortisation	47	136	47	136
Total amortisation	3,796	3,749	3,796	3,749
Balance at end of year	332	64	332	64
GOODWILL				
Cost				
Balance at beginning of year	0	2,588	0	2,588
Purchases/(Sales)	0	(18)	0	(18)
Total cost	0	2,570	0	2,570
ACCUMULATED IMPAIRMENT				
Balance at beginning of year	0	1,026	0	1,026
Impairment	0	1,544	0	1,544
Total impairment	0	2,570	0	2,570
Balance at end of year	0	0	0	0
Total Intangibles	322	64	332	64

During the 2012 year, impairment charges of $1.544 million were recorded against the value of goodwill, which was written down to nil.

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
27 RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASHFLOWS FROM OPERATING ACTIVITIES				
Net profit/(loss) for the year	4,606	(5,880)	3,162	(7,400)
Items not involving cash flows				
Depreciation	5,384	5,830	5,384	5,826
Impairment charges	(5,000)	9,044	1,260	10,489
Loss on development activities	5,288	0	0	0
Deferred tax	(2,001)	(986)	(380)	(45)
Other non-cash items	410	86	410	86
Impact of changes in working capital items				
(Increase)/decrease in trade and other receivables	(750)	(4,936)	(735)	(4,964)
(Increase)/decrease in inventories	(105)	(111)	(105)	(111)
(Increase)/decrease in pre-payments	(20)	66	(20)	66
Increase/(decrease) in trade and other payables	(26)	(2,089)	(216)	(2,079)
Increase/(decrease) in provision for tax	760	(507)	512	(507)
Increase/(decrease) in employee entitlements	(258)	492	(258)	492
Increase/(decrease) in GST payable	21	(25)	12	(18)
Items classified as investing or financing activities				
Net (gain)/loss on sale of property, plant and equipment	(1,235)	(90)	(1,235)	(122)
Items related to development property	(252)	0	0	0
Movement of capital creditors in accounts payable	196	(31)	163	(1)
Net cash inflows/(outflows) from operating activities	7,018	863	7,954	1,712
28 INVESTMENT IN JOINT VENTURE				
Investment in Joint Venture	5,288	288	3,748	3,557
	5,288	288	3,748	3,557

This investment represents the carrying value of an advance equal to a 50% share in the land value of the Luggate Park Developments Joint Venture. At the end of the 2013 financial year, Delta Investments Limited re-assessed the recoverable amount of this advance and concluded that a settlement of the sums payable by the Joint Venture participants would result in the advance being fully recovered during the 2014 financial year.

28 INVESTMENT IN JOINT VENTURE – continued

The investment in Joint Venture is secured by a second mortgage over the land to be developed by Luggate Park Developments Joint Venture.

The sum of $5.288 million was payable by the Company to the Joint Venture as at 30 June 2013.

29 DEVELOPMENT PROPERTY HELD FOR SALE

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Land	5,104	6,320	0	0
Land development in progress	2,480	2,955	0	0
Balance at end of year	7,584	9,275	0	0

Land development in progress includes legal fees, valuation fees, resource consent fees, planning and feasibility costs incurred up to balance date.

During the 2012 financial year, Delta Investments Limited reassessed the recoverable amount of its Development Property, upon taking into account the relatively depressed residential property market in the Queenstown Lakes District. This reassessment resulted in an impairment of $2.5 million to the estimated fair value less costs to sell of the Development Property land held for sale as at 30 June 2012.

30 ADVANCE TO SUBSIDIARY

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Advance to Delta Investments Limited	0	0	11,571	12,731
Impairment of advance	0	0	(4,855)	(3,595)
Balance at end of year	0	0	6,716	9,136

The loan to Delta Investments Limited is unsecured and is on call. Interest is charged on the loan at the floating rate Delta is charged. At 30 June 2013, this was 4.35% (2012: 4.48%).

As a result of write-downs to the carrying value of development property and investment in joint venture by the Subsidiary Company, Delta Investments Limited, the Parent Company has also written down the carrying value of its advance to subsidiary to reflect the current financial position of the subsidiary. The Parent Company's advance to the Subsidiary Company was written down by $1.260 million (2012: $3.595 million). During the 2012 financial year, the Parent Company's investment in the Subsidiary Company was written down by $5.350 million.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

31 INTEREST IN JOINT VENTURE

Included in the financial statements are the following items that represent the Group's interest in the assets and liabilities of the Luggate Park Developments Joint Venture.

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
CURRENT ASSETS				
Cash balances	2	2	0	0
Trade receivables	0	35	0	0
Vendor mortgage	0	11	0	0
Development property	680	606	0	0
GST refund due	0	1	0	0
Total current assets	682	655	0	0
Total assets	**682**	**655**	**0**	**0**
CURRENT LIABILITIES				
Westpac loan	857	868	0	0
Payable to Luggate Properties Ltd	347	162		
Other current liabilities	23	5	0	0
Total current liabilities	1,227	1,035	0	0
Total liabilities	**1,227**	**1,035**	**0**	**0**
EQUITY				
Retained earnings	(545)	(380)	0	0
Total equity and liabilities	**682**	**655**	**0**	**0**

In addition to this interest, the Group is carrying an Investment in the Luggate Park Developments joint venture, which relates to a 50% share in the value of the unimproved land. The Group also recognised a current liability to the joint venture at the end of the 2013 financial year. The carrying value of the Investment in joint venture and the sum payable to the joint venture were both $5.288 million as at 30 June 2013.

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
31 INTEREST IN JOINT VENTURE - continued				
Included in the financial statements are the following revenues and expenses that relate to the activities of the Luggate Park Developments Joint Venture:				
Revenues	107	2	0	0
Expenses	272	79	0	0
Net profit/(loss) before income tax	(165)	(77)	0	0
32 VENDOR MORTGAGE				
The mortgage resulted from the sale of a residential lot in the Luggate Park Developments Joint Venture and is secured by a second mortgage over the land sold. No interest is charged on the loan. Repayment of the loan in full occurred during September 2012.				
Current assets				
Vendor mortgage	0	11	0	0

33 RELATED PARTY TRANSACTIONS

The Parent in the consolidated group is Delta Utility Services Limited which is a wholly owned subsidiary of Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

TRANSACTIONS WITH DUNEDIN CITY COUNCIL

The Group undertakes transactions with Dunedin City Council and other Dunedin City Council controlled entities. These transactions are made on commercial terms and conditions and at market rates.

During the year, the Group provided services and traded with the Dunedin City Council Group in respect of the following transactions:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

33 RELATED PARTY TRANSACTIONS - continued

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
SALES OF SERVICES TO DUNEDIN CITY COUNCIL GROUP ENTITIES:				
Capital works constructed	14,247	12,441	14,247	12,441
Network management and operations	15,567	15,617	15,567	15,617
Contracting services provided	1,857	2,063	1,864	2,150
Administration and accounting	357	342	402	423
Rent	20	0	20	0
Interest	0	0	675	719
	32,048	30,463	32,775	31,350
SALES OF SERVICES TO DUNEDIN CITY COUNCIL:				
Other contracting	10,394	11,488	10,394	11,488
AT YEAR END THE AMOUNTS RECEIVABLE BY THE COMPANY FROM DUNEDIN CITY COUNCIL ENTITIES:				
Receivable from Dunedin City Council	1,336	1,483	1,336	1,483
Receivable from Dunedin City Council Group entities	3,700	3,801	3,752	3,917
Work in Progress for Dunedin City Council Group entities	1,040	1,111	1,040	1,111
Interest	2,737	2,568	2,737	2,568
Contracting services and supplies	114	144	114	144
Rent	23	26	23	62
	2,874	**2,738**	**2,874**	**2,774**
PURCHASES OF GOODS AND SERVICES FROM DUNEDIN CITY HOLDINGS LIMITED:				
Management fee	50	50	50	50

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
33 RELATED PARTY TRANSACTIONS - continued				
PURCHASES OF GOODS AND SERVICES FROM DUNEDIN CITY COUNCIL:				
Contracting services and supplies	252	564	252	564
Rent	0	11	0	11
Rates	194	73	194	73
	446	648	446	648
AT YEAR END THE AMOUNTS PAYABLE TO DUNEDIN CITY COUNCIL ENTITIES EXCLUSIVE OF DEBT SHOWN IN NOTE 17 ARE:				
Payable to Dunedin City Council	43	109	43	109
Payable to Dunedin City Holdings Limited	14	14	14	14
Payable to Dunedin City Council Group entities	246	296	246	296

No related party debts have been written off or forgiven during the year and no provision has been required for impairment of any receivables to related parties.

TRANSACTIONS WITH COMPANIES IN WHICH DIRECTORS HAVE AN INTEREST:

The Delta Group undertakes transactions with related parties in the normal course of business on an arms-length commercial basis.

Mr R S Polson is the Chairman of Mactodd. During the financial period covered by this report, services valued at $456 were purchased from Mactodd (2012: $232). No monies were outstanding as at 30 June 2013 (2012: nil).

Mr S J McLauchlan is the Pro Chancellor of the University of Otago. During the financial period covered by this report, contracting services to the value of $22,659 were provided to the University of Otago (2012: nil). No monies were outstanding as at 30 June 2013 (2012: nil). During the financial period covered by this report, services valued at $26,299 were purchased from the University of Otago (2012: $34,409). An amount of $4,370 was outstanding at 30 June 2013 (2012: nil).

Mr McLauchlan is the Chairman of Scott Technology Limited. During the financial period covered by this report, contracting services to the value of $80 were provided to Scott Technology Limited (2012: nil). No monies were outstanding at 30 June 2013 (2012: nil).

Mr McLauchlan is a Director of Otago & Southland Employers Association. During the financial period covered by this report, training services valued at $6,516 were purchased from Otago & Southland Employers Association (2012: $13,565). No monies were outstanding at 30 June 2013 (2012: nil).

Mr McLauchlan is a Director of Lund South Limited. During the financial period covered by this report, contracting services valued at $25,335 and credits related to 2012 of $(60,435) were provided to Lund South Limited (2012: $675,331). No monies were outstanding at 30 June 2013 (2012: $309,680).

Mr McLauchlan is a Director of Cargill Hotel 2002 Limited. During the financial period covered by this report, services of $3,361 were purchased from Cargill Hotel 2002 Limited (2012: $2,970). No monies were outstanding at 30 June 2013 (2012: nil).

33 RELATED PARTY TRANSACTIONS - continued

Mr McLauchlan is a Director of Scenic Circle Hotels Limited. During the financial period covered by this report, electrical training services to the value of $74 were provided to Scenic Circle Hotels Limited (2012: nil). No monies were outstanding as at 30 June 2013 (2012: nil).

Mr McLauchlan is a Director of Roxdale Foods Limited. During the financial period covered by this report, no contracting services were provided to Roxdale Foods Limited. (2012: $719). No monies were outstanding as at 30 June 2013 (2012: nil).

Mr D Frow is a Director of ETEL Limited. During the financial period covered by this report, materials and services to the value of $1,030,569 were purchased from ETEL. An amount of $31,464 was outstanding as at 30 June 2013.

Mr R D Liddell was a Director of Blackhead Quarries Limited, during the financial year to 2012. During the financial period covered by this report, materials valued at $264,484 were purchased from Blackhead Quarries Limited (2012: $361,509). $14,852 was outstanding at 30 June 2013 (2012: $41,067). No contracting services were provided to Blackhead Quarries Limited, during the 2013 financial year (2012: $113,006). No monies were outstanding at 30 June 2013 (2012: nil).

Mr Liddell is the Chairman of Palmers Mechanical Limited. During the financial period covered by this report, no materials and services were purchased from Palmers Mechanical Limited (2012: $5,378). No monies were outstanding as at 30 June 2013 (2012: nil). Contracting services of $52,314 were provided to Palmers Mechanical Limited (2012: $349). No monies were outstanding as at 30 June 2013 (2012: nil).

Mr M O Coburn is a Director of Ruboc Holdings Limited. During the financial period covered by this report, consultancy services and materials of $12,484 were purchased from Ruboc Holdings Limited (2012: $24,971). No monies were outstanding as at 30 June 2013 (2012: nil).

Mr Coburn is a Director of Lake Hayes Estate Limited. During the financial period covered by this report, no contracting services were provided to Lake Hayes Estate Limited (2012: $5,497). No monies were outstanding as at 30 June 2013 (2012: nil).

Mr Coburn was a Director of Lakes Environmental Limited. During the financial period covered by this report, materials and services to the value of $9,370 were provided to Lake Hayes Estate Limited (2012: nil). No monies were outstanding as at 30 June 2013 (2012: nil).

TRANSACTIONS WITH EXECUTIVE STAFF

Mr G Cameron is an employee of Delta Utility Services Limited. During the period covered by this report, no contracting services were provided to Mr Cameron (2012: $4,673). No monies were outstanding as at 30 June 2013 (2012: nil).

KEY MANAGEMENT PERSONNEL REMUNERATION

	2013 $000	2012 $000
Short-term employment benefits	1,593	1,858
Post-employment benefits	0	0
Other long-term benefits	0	0
Termination benefits	0	0
Share-based payments	0	0

34 FINANCIAL INSTRUMENTS RISKS

Dunedin City Treasury Limited, which is part of Dunedin City Holdings Group, co-ordinates access to domestic markets for all group members and provides advice on the management of financial instrument risks to the Group. These risks include market risk, credit risk and liquidity risk.

INTEREST RATE RISK

The Group uses interest rate swaps to manage its exposure to interest rate movements on its multi-option facility borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The treasury policy requires that the level of the fixed interest hedge should be limited to a series of ranges within set debt time periods.

The interest rate agreements are held with independent and high credit quality financial institutions in accordance with group credit policy.

The notional principal outstanding with regard to the interest rate swaps is:

	GROUP		PARENT	
YEAR ENDED 30 JUNE	2013 $000	2012 $000	2013 $000	2012 $000
Maturing in less than one year	2,500	2,500	2,500	2,500
Maturing between one and five years	5,000	5,000	5,000	5,000
Maturing after five years	2,500	2,500	2,500	2,500
	10,000	10,000	10,000	10,000

CREDIT RISK

Credit risk on cash flow hedge instruments is limited through the counterparties being banks with high credit ratings assigned by international credit rating agencies. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for impairments.

The Group has no significant concentration of credit risk. The exposure is spread over a large number of counterparties and customers.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000

34 FINANCIAL INSTRUMENTS RISKS – continued

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
The maximum credit risk for each class of financial instrument is:				
Cash and cash equivalents	384	237	371	229
Trade and other receivables	25,298	24,956	25,349	25,025
Prepayments	141	122	141	122
Short term investments	2,979	2,954	2,979	2,954
Advance to subsidiaries	0	0	6,716	9,136
	28,802	28,269	35,556	37,466

CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
COUNTERPARTIES WITH CREDIT RATINGS				
Cash and cash equivalents				
AA-	384	237	371	229
Trade and other receivables				
AA-	1,336	1,483	1,336	1,483
COUNTERPARTIES WITHOUT CREDIT RATINGS				
Trade and other receivables				
Existing counterparties with no defaults in the past	24,394	23,499	24,445	23,568
Investment in joint venture				
Existing counterparties with no defaults in the past	5,288	288	0	0

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. The Group maintains credit management and accounts receivable processes aimed at collecting all trade debtors and other receivable balances in cash by their agreed date(s) for payment.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

34 FINANCIAL INSTRUMENTS RISKS – continued

The following tables detail the exposure to liquidity risk:

	GROUP						
	Maturity Dates Less than 1 Month $000	1 - 3 Months $000	3 Months to 1 Year $000	1 - 5 Years $000	More than 5 Years $000	No Maturity $000	Total $000
AS AT 30 JUNE 2013:							
Financial assets							
Cash and cash equivalents	384	0	0	0	0	0	384
Trade and other receivables	19,184	0	6,144	0	0	0	25,298
	19,538	0	6,144	0	0	0	25,682
Financial liabilities							
Trade and other payables	8,165	0	0	0	0	0	8,165
Westpac loan (secured)	857	0	0	0	0	0	857
Payable to Luggate Properties Ltd	347	0	0	0	0	0	347
Payable to Luggate Park Developments Joint Venture	5,288	0	0	0	0	0	5,288
GST payable	779	0	0	0	0	0	779
Cash flow hedge instruments	0	0	356	0	0	0	356
Term borrowings	0	0	0	44,375	0	0	44,375
	15,436	0	356	44,375	0	0	60,167
AS AT 30 JUNE 2012:							
Financial assets							
Cash and cash equivalents	237	0	0	0	0	0	237
Trade and other receivables	24,956	0	0	0	0	0	24,956
	25,193	0	0	0	0	0	25,193
Financial liabilities							
Trade and other payables	8,186	0	0	0	0	0	8,186
Westpac loan (secured)	868	0	0	0	0	0	868
Payable to Luggate Properties Ltd	162	0	0	0	0	0	162
Payable to Luggate Park Developments Joint Venture	5,288	0	0	0	0	0	5,288
GST payable	757	0	0	0	0	0	757
Cash flow hedge instruments	0	0	767	0	0	0	767
Term borrowings	0	0	0	50,925	0	0	50,925
	15,261	0	767	50,925	0	0	66,953

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

34 FINANCIAL INSTRUMENTS RISKS – continued

	PARENT						
	Maturity Dates Less than 1 Month	1 - 3 Months	3 Months to 1 Year	1 - 5 Years	More than 5 Years	No Maturity	Total
	$000	$000	$000	$000	$000	$000	$000
AS AT 30 JUNE 2013:							
Financial assets							
Cash and cash equivalents	371	0	0	0	0	0	371
Trade and other receivables	19,205	0	6,144	0	0	0	25,349
Advance to subsidiaries	0	0	0	0	0	6,716	6,716
	19,576	0	6,144	0	0	6,716	32,436
Financial liabilities							
Trade and other payables	7,954	0	0	0	0	0	7,954
Other current liabilities	777	0	0	0	0	0	777
Term borrowings	0	0	0	44,375	0	0	44,375
Cash flow hedge instruments	0	0	0	356	0	0	356
	8,731	0	356	44,375	0	0	53,462
AS AT 30 JUNE 2012:							
Financial assets							
Cash and cash equivalents	229	0	0	0	0	0	229
Trade and other receivables	25,025	0	0	0	0	0	25,025
Advance to subsidiaries	0	0	0	0	0	9,136	9,136
	25,254	0	0	0	0	9,136	34,390
Financial liabilities							
Trade and other payables	8,172	0	0	0	0	0	8,172
Other current liabilities	765	0	0	0	0	0	765
Term borrowings	0	0	0	50,925	0	0	50,925
Cash flow hedge instruments	0	0	767	0	0	0	767
	8,937	0	767	50,925	0	0	60,629

34 FINANCIAL INSTRUMENTS RISKS – continued

SENSITIVITY ANALYSIS

The table below illustrates the potential profit and loss and equity (excluding retained earnings) impact for the reasonably possible market movements, with all other variables held constant, based on the Group's financial instrument exposures at the balance date.

Based on historic movements and volatilities, market interest rates movements of plus or minus 1% (100bps) have been used in this analysis.

		+100bps		-100bps	
	Fair Value at Balance Date	Profit	Equity	Profit	Equity
	$000	$000	$000	$000	$000
			GROUP		
AS AT 30 JUNE 2013:					
Financial liabilities					
Cash flow hedge instruments	356	0	278	0	(290)
Term borrowings (hedged)	10,000	0	(278)	0	290
Term borrowings (unhedged)	34,375	(343)	0	343	0
	44,731	(343)	0	343	0
			PARENT		
AS AT 30 JUNE 2013:					
Financial liabilities					
Cash flow hedge instruments	356	0	278	0	(290)
Term borrowings (hedged)	10,000	0	(278)	0	290
Term borrowings (unhedged)	34,375	(343)	0	343	0
	44,731	(343)	0	343	0

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

34 FINANCIAL INSTRUMENTS RISKS – continued

		+100bps		-100bps	
	Fair Value at Balance Date $000	Profit $000	Equity $000	Profit $000	Equity $000
			GROUP		
AS AT 30 JUNE 2012:					
Financial liabilities					
Cash flow hedge instruments	767	0	266	0	(265)
Term borrowings (hedged)	10,000	0	(266)	0	265
Term borrowings (unhedged)	40,925	(409)	0	409	0
	51,692	(409)	0	409	0
			PARENT		
AS AT 30 JUNE 2012:					
Financial liabilities					
Cash flow hedge instruments	767	0	266	0	(265)
Term borrowings (hedged)	10,000	0	(266)	0	265
Term borrowings (unhedged)	40,925	(409)	0	409	0
	51,692	(409)	0	409	0

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements recognised in the statement of financial position.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013 - continued

34 FINANCIAL INSTRUMENTS RISKS – continued

	2013			
	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial liabilities				
Derivative financial liabilities	0	356	0	356
	0	356	0	356

	2012			
	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial liabilities				
Derivative financial liabilities	0	767	0	767
	0	767	0	767

35 CAPITAL MANAGEMENT STRATEGY

The capital of the Group is its equity, which is comprised of subscribed capital, retained earnings and cashflow hedge reserves. Equity is represented by net assets. The Group manages its capital to ensure that it will be able to continue to operate as a going concern and optimises the balance of debt to equity on a prudent basis.

The Directors perform continual reviews of operating strategies and financial performance, and include in those reviews, any strategies required to protect the capital of each entity. The Parent Board seeks to maximise overall returns to the Shareholder of the Group and to maintain the Group's financial strength.

The Group is required to provide to its Shareholder an annual Statement of Intent. This Statement of Intent includes information on planned distributions by way of dividend for the following three years.

36 EVENTS AFTER BALANCE DATE

Subsequent to balance date, the Luggate Park Developments Joint Venture completed the sale of its remaining development property. Delta Investments Limited has a 50% interest in the joint venture. The property was sold on the 5th of August 2013, and Delta's share of the joint venture's Westpac loan balance was fully repaid.

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of
Delta Utility Services Limited and group's
financial statements and statement of service performance
for the year ended 30 June 2013

The Auditor General is the auditor of Delta Utility Services Limited (the company) and group. The Auditor General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company and group on her behalf.

We have audited:

- the financial statements of the company and group on pages 20 to 62, that comprise the balance sheet as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and 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; and
- the statement of service performance of the company and group on pages 14-15.

Opinion

Financial statements and statement of service performance

In our opinion:

- the financial statements of the company and group on pages 20 to 62:
  - 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;
- the statement of service performance of the company and group on pages 14 to 15:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2013.

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 16 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 reasonable assurance about whether the financial statements and statement of service performance 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 and statement of service performance. 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 and statement of service performance. The procedures selected depend on our judgement,

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

including our assessment of risks of material misstatement of the financial statements and statement of service performance 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 and statement of service performance 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 statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

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

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 and a statement of service performance that:

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

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance 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 and statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

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.

Ian Lothian

Ian Lothian
Audit New Zealand
On behalf of the Auditor General
Christchurch, New Zealand

COMPANY DIRECTORY

DIRECTORS

Raymond S Polson (Chair) – BCom, FCA, AF.Inst.D.

Stuart J McLauchlan – BCom, FCA (PP), AF.Inst.D.

David J Frow – M.Inst.D. F.IPENZ, B.Sc.Eng (Appointed 25 October 2012)

Dr Ian M Parton – BE (Hons), PhD, Dist.F.IPENZ, F.Inst.D. (Appointed 25 October 2012)

Ross D Liddell – BCom, CA (PP), ACIS, AF.Inst.D. (Resigned 31 October 2012)

Michael O Coburn – FNZIM, AF.Inst.D. (Resigned 31 October 2012)

Dr Norman G Evans – DBA, NZCE, M.Inst.D. (Resigned 31 October 2012)

MANAGEMENT

Chief Executive – Grady Cameron – BE, MEM

Chief Financial Officer/General Manager Finance and Systems – Gary Dixon – BCom, CA

General Manager Asset Management – Adam Fletcher – NZCE (Elec), MBA

General Manager Energy and Communication – Kewal Bagal – BE

General Manager People and Performance – Rachel Walker – MA (Hons), BA, Reg.Psyc.

General Manager Utilities and Environment – Michael Cooper – NZCE (Civil), MBA

REGISTERED OFFICE

10 Halsey Street
Dunedin
New Zealand

BANKER

Westpac Banking Corporation

SOLICITORS

Gallaway Cook Allan

Anderson Lloyd

Kensington Swan

AUDITOR

Audit New Zealand on behalf of The Controller and Auditor-General

TAXATION ADVISOR

Deloitte

DELTA

THINK.INFRASTRUCTURE