
DELTA INVESTMENTS LIMITED

Annual Report
for the Year Ended
30 June 2012

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COMPANY PARTICULARS
as at 30 June 2012

DIRECTORS

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

Grady W Cameron – BE, MEM

Michael O Coburn – FNZIM, AF.Inst.D.

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

REGISTERED OFFICE

10 Halsey Street
Dunedin
New Zealand

BANKER

Westpac Banking Corporation

SOLICITORS

Galloway Cook Allan

AUDITOR

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

TAXATION ADVISOR

Deloitte

**DIRECTORS' REPORT
for the Year Ended 30 June 2012**

The Directors of Delta Investments Limited report on the activities and results of the Company for the year ended 30 June 2012.

Luggate Nominee Limited is a non-trading Trustee Company and a 50% owned subsidiary of Delta Investments Limited.

Principal Activities of the Company

The Company is holding land for sale at Jacks Point, and is a participant in a joint venture operation, which is holding land for sale at Luggate.

Results for the Year Ended 30 June 2012

	\$000
Operating profit/ (loss) before income tax and impairment charge	(864)
Less impairment charge	<u>(7,500)</u>
Operating profit/ (loss) before income tax	(8,364)
Less income tax expense (refund)	<u>(941)</u>
Net profit/ (loss) for the year	<u><u>(7,423)</u></u>

State of Affairs

The Directors believe that with the support of the Parent Company, the state of affairs of the Company is satisfactory.

Reserves

The following net transfers have been made to or from reserves:	\$000
Retained earnings - to (from)	(7,423)

Review of Operations

The continuing weakness in residential property markets in the Queenstown Lakes District caused the Company to re-assess its current strategy and the carrying value of its development property. As a result, the decision was taken to exit from development property ownership and book a \$7.5 million pre-tax write down to the carrying value of the Company's property holdings. The decision to exit from development property ownership is consistent with the Delta Group's positioning as infrastructure specialist, particularly in the sectors of energy, water and waste. It also reflects the current investment risk profile of our shareholder and is intended to release the capital presently employed within development property investments.

DIRECTORS' REPORT

For the Year Ended 30 June 2012 - continued

The Company sold its Invercargill industrial building during the year.

The Company recorded an operating loss before tax and impairment charges of \$864,000, which reflects the holding cost of its property investments for the year ended June 2012.

Financial Statements

The audited financial statements for the year ended 30 June 2012 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 2012 or existed at that date are disclosed in the related parties section of this report.

Directors' Benefits and Remuneration

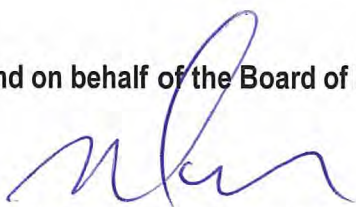
No Director has received or become entitled to receive a benefit since the end of the previous financial period other than a benefit included in the total remuneration received or due and receivable by the Directors as shown in the financial statements.

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.

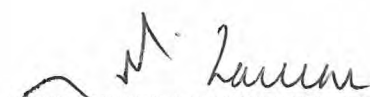
Directors' Insurance

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.

For and on behalf of the Board of Directors



R S Polson
CHAIRMAN



S J McLauchlan
DIRECTOR

26 September 2012

DELTA INVESTMENTS LIMITED

INFORMATION ON THE DIRECTORS

Director	Qualifications	Date Appointed	Declarations of Interests
Raymond S Polson Non-Executive Chairman	BCom, FCA, AF.Inst.D.	June 2007	Chairman – Aurora Energy Limited Chairman – Delta Utility Services Limited Chairman – Macalister Todd Phillips Chairman – Ophir Gold Limited Chairman – Selwyn Plantation Board Limited Director – Luggate Nominee Limited Director – Marsh Advisory Board
Grady W Cameron Executive Director	BE, MEM	July 2009	Chief Executive – Delta Utility Services Limited Chief Executive – Aurora Energy Limited Director – Dunedin City Treasury Limited (appointed 1 Nov 2011)
Michael O Coburn Non-Executive Director	FNZIM, AF.Inst.D.	July 2009	Deputy Chairman – City Forests Limited Director – Arthur Barnett Limited Director – Aurora Energy Limited Director – Delta Utility Services Limited Director – Jack Tewa Foundation Appointer Limited Director – Lake Hayes Estate Limited Director – Lakes Environmental Limited Director – New Zealand Aquifer Limited Director – New Zealand Land Fund Limited and subsidiaries Director – Ruboc Holdings Limited Shareholder – Locations Realty Queenstown Limited Trustee – Hayes Trustees Limited Director – Dunedin City Holdings Limited (resigned 31 Oct 2011) Director – Islington Park Limited (resigned 6 Mar 2012)
Stuart J McLauchlan Non-Executive Director	BCom, FCA (PP), AF.Inst.D.	July 2009	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 – Delta Utility Services Limited Director – Cargill Hotel 2002 Limited Director – City Forests Limited Director – Dunedin Casinos 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 – South Canterbury Finance subsidiaries Director – University of Otago Foundation Studies Limited Director – USC Investments Limited Director – XRock Automation Pty Limited Partner – G S McLauchlan & Co Pro Chancellor – University of Otago Director – Dunedin City Holdings Limited (resigned 31 Oct 2011) Director – Islington Park Limited (resigned 6 Mar 2012)

STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended 30 June 2012

	Note	2012 \$000	2011 \$000
Revenue			
Operating revenue	3	38	64
Financial revenue	4	0	1
Total revenue		<u>38</u>	<u>65</u>
Less expenses			
Operating expenses	5	7,683	150
Financial expenses	6	719	717
Total expenses		<u>8,402</u>	<u>867</u>
Profit/(loss) before tax and subvention		(8,364)	(802)
Subvention receipts		0	0
Profit/(loss) before tax		(8,364)	(802)
Income tax expense (credit)	7	(941)	668
Total comprehensive income		<u><u>(7,423)</u></u>	<u><u>(1,470)</u></u>

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 2012

	Note	2012 \$000	2011 \$000
Equity at beginning of the year		<u>3,828</u>	<u>5,298</u>
Recognised income and expense			
Total comprehensive income		<u>(7,423)</u>	<u>(1,470)</u>
Shares issued	8	<u>0</u>	<u>0</u>
Equity at end of the year		<u><u>(3,595)</u></u>	<u><u>3,828</u></u>

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

DELTA INVESTMENTS LIMITED

BALANCE SHEET as at 30 June 2012

	Note	2012 \$000	2011 \$000
Equity			
Share capital	8	5,350	5,350
Retained earnings	9	(8,945)	(1,522)
Total equity		(3,595)	3,828
Current liabilities			
Trade and other payables	10	115	96
Westpac loan (secured)	11	868	801
Shareholder's advance	16	12,731	12,318
Total current liabilities		13,714	13,215
Non-current liabilities			
Deferred taxation	17	0	615
Total non-current liabilities		0	615
Total liabilities		13,714	13,830
TOTAL EQUITY AND LIABILITIES		10,119	17,658

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

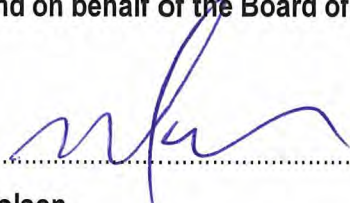
DELTA INVESTMENTS LIMITED

BALANCE SHEET

as at 30 June 2012 – continued

	Note	2012 \$000	2011 \$000
Current assets			
Taxation receivable	7	248	0
Cash and cash equivalents	13	8	12
Investment in joint venture	14	288	0
Development property	15	9,445	11,458
Trade and other receivables	18	34	32
GST refund due		7	1
Vendor mortgage	19	11	0
Total current assets		10,041	11,503
Non-current assets			
Investment in joint venture	14	0	5,288
Development property	15	0	459
Deferred tax	17	78	0
Vendor mortgage	19	0	11
Property plant and equipment	20	0	397
Total non-current assets		78	6,155
TOTAL ASSETS		10,119	17,658

For and on behalf of the Board of Directors


.....
R S Polson
CHAIRMAN


.....
S J McLauchlan
DIRECTOR

26 September 2012

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 2012

	Note	2012 \$000	2011 \$000
Cash flows from operating activities			
<i>Cash was provided from</i>			
Interest received		0	1
Receipts from customers		38	35
Subvention receipt		0	0
Income tax refund		0	1
		<u>38</u>	<u>37</u>
<i>Cash was disbursed to</i>			
Payments to suppliers		166	88
Interest paid		732	717
Net GST		(6)	6
		<u>892</u>	<u>811</u>
Net cash inflows/(outflows) from operating activities	21	(854)	(774)
Cash flows from investing activities			
<i>Cash was provided from</i>			
Development property sale		37	79
Sale of Property plant & equipment		395	0
Investment in joint venture		0	10
		<u>432</u>	<u>89</u>
<i>Cash was disbursed to</i>			
Investment in joint venture		0	0
Purchase of property plant and equipment		0	400
Development property		62	1,096
		<u>62</u>	<u>1,496</u>
Net cash inflows/(outflows) from investing activities		370	(1,407)
Cash flows from financing activities			
<i>Cash was provided from</i>			
Receipts from borrowings		911	5,490
		<u>911</u>	<u>5,490</u>
<i>Cash was disbursed to</i>			
Repayment of borrowings		431	3,320
		<u>431</u>	<u>3,320</u>

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 2012 - continued

	Note	2012 \$000	2011 \$000
Net cash inflows/(outflows) from financing activities		480	2,170
Net increase/(decrease) in cash, cash equivalents and bank overdraft		(4)	(11)
Cash and cash equivalents at the beginning of the year		<u>12</u>	<u>23</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	<u><u>8</u></u>	<u><u>12</u></u>

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 2012

1 REPORTING ENTITY

The financial statements presented are for the reporting entity Delta Investments Limited (the Company).

The Company 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 Delta Utility Services Limited. Delta Utility Services Limited is wholly owned by 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 represent the results of the Company's development of land for sale at Jacks Point, together with the Company's involvement in the Luggate Park Developments Joint Venture. Luggate Park Developments is a Joint Venture with Luggate Properties Limited for the developing and selling of land at Luggate.

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 condensed annual financial statements are general purpose financial reports which have been prepared in accordance with NZIAS34, additional information as requested by Directors, and 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 28 August 2012.

Basis of Accounting

The financial statements have been prepared on the historic cost basis.

The following particular accounting policies, which materially affect the measurement of the results and financial position, have been applied.

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 Company 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. The Company has a 50% interest in Luggate Park Developments Joint Venture. The financial statements have been prepared using the proportionate method of consolidation.

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2012 – continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Critical Accounting Judgements, Estimates and Assumptions

In preparing these financial statements, the Company 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.

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 GST.

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

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.

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.

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 cash flows is GST inclusive.

Taxation

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period.

Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

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.

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2012 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

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 Company'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.

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:

	<i>Rate</i>	<i>Method</i>
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	

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2012 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Development Property

Development property intended for resale is stated at the Directors valuation which reflects estimated fair value less costs to sell.

Cash and Cash Equivalents

Cash and cash equivalents is comprised of cash in 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 Company becomes a party to the contractual provisions of the instrument.

Trade and Other Receivables

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

Trade and Other Payables

Trade and other payables are stated at cost.

Investments

Investments include long-term equity in joint ventures. These are measured at cost and are assessed annually for impairment. Any resultant loss on 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.

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2012 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Provisions

A provision is recognised in the balance sheet when the Company 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 Company has a detailed formal plan for the restructuring that has been communicated to affected parties.

Changes to Accounting Policies

There have been no changes in accounting policies during the financial year.

The Company has adopted the following revisions to accounting standards during the financial year, which have had only a disclosure effect:

- Amendments to NZ IAS 1 *Presentation of Financial Statements* - The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item.
- FRS-44 *New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments)* – The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The main effect of the amendments on the Company is that certain information about property valuations is no longer required to be disclosed.
- Amendments to NZ IFRS 7 *Financial Instruments: Disclosures* - The amendment reduces the disclosure requirements relating to credit risk.

Standards Issued but not yet Effective

The new accounting standard that is relevant to the Company, NZ IFRS 9 “Financial Instruments”, has been issued but, as it is not yet compulsory, has not been adopted. NZ IFRS 9 will replace NZ IAS 39 “Financial Instrument: Recognition and Measurement”. 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 assets (its business model) and the contractual cash flow characteristics of the financial assets. 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 income statement. The new standard is required to be adopted for the year ended 30 June 2014. The Company has not yet assessed the effect of the new standard and does not expect to early adopt.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2012 - continued

	2012	2011
	\$000	\$000
3 OPERATING REVENUE		
Sales revenue	<u>38</u>	<u>64</u>
4 FINANCIAL REVENUE		
Interest received	<u>0</u>	<u>1</u>
5 OPERATING EXPENSES		
Included in the operating expenses are the following items:		
Audit fees	9	5
Depreciation	4	3
Management fee	18	21
Rates	18	18
Legal expenses	33	10
Property maintenance expenses	5	12
Treatment plant maintenance	(3)	14
Loss/(gain) on sale	29	15
Impairment charges	7,500	0
Other expenses	70	52
	<u>7,683</u>	<u>150</u>
6 FINANCE EXPENSES		
Interest/facility fees	<u>719</u>	<u>717</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2012 - continued

	2012 \$000	2011 \$000
7 INCOME TAX		
Net profit/(loss) before tax	(8,364)	(802)
Tax at 28% (2011: 30%)	(2,342)	(241)
<i>Plus/(less) the tax effect of differences</i>		
Expenditure not deductible for taxation	1,401	1
Consolidated deferred tax	0	158
Loss benefit transferred	0	254
Revenue not assessable for taxation	0	0
Under-provision for tax in prior years	0	496
Tax expense/(credit)	(941)	668
Represented by		
Current tax	(248)	0
Adjustments to current tax in prior periods	0	531
Deferred tax	(693)	137
Income tax	(941)	668

The Company is a member of the Aurora Energy Consolidated Tax Group, and any of its income tax losses are offset against taxable income of other group members.

Imputation Credit Account

The Company is a member of an Income Tax Consolidated Group and does not maintain its own imputation credit account.

8 EQUITY - Share Capital

Issued capital

5,350,100 ordinary shares	5,350	5,350
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NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2012 – continued

	2012 \$000	2011 \$000
9 RETAINED EARNINGS		
Balance at the beginning of the year	(1,522)	(52)
Total comprehensive income	(7,423)	(1,470)
Balance at the end of the year	<u>(8,945)</u>	<u>(1,522)</u>

10 TRADE AND OTHER PAYABLES

Trade payables	14	23
Due to related parties – other	101	73
	<u>115</u>	<u>96</u>

The Directors consider that the carrying amount of trade payables approximates their fair value.

11 WESTPAC TERM LOAN - (secured)

Westpac loan	868	801
	<u>868</u>	<u>801</u>

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 6.36%.

12 CAPITAL EXPENDITURE COMMITMENTS

Land development	<u>0</u>	<u>0</u>
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NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2012 – continued

	2012 \$000	2011 \$000
13 CASH AND CASH EQUIVALENTS		
Cash and bank	8	12
	<u>8</u>	<u>12</u>

Cash and short-term deposits comprise cash held by the Company 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.

14 INVESTMENT IN JOINT VENTURE

Investment in joint venture	288	5,288
	<u>288</u>	<u>5,288</u>

This investment represents a 50% share in the land value of the Luggate Park Developments Joint Venture. During the financial year under review, Delta Investments Limited reassessed the recoverable amount of its investment in this Joint Venture upon taking into account the relatively depressed residential property market in the Queenstown Lakes District. This reassessment resulted in an impairment of \$5 million to the estimated fair value less costs to sell of its Investment in the Joint Venture at balance date. This investment is secured by a second mortgage over the land to be developed by the Luggate Park Developments Joint Venture.

15 DEVELOPMENT PROPERTY

(i) Current assets		
Land	6,320	8,820
Land development in progress	3,125	2,638
	<u>9,445</u>	<u>11,458</u>
Balance at end of the year	<u>9,445</u>	<u>11,458</u>
(ii) Non-current assets		
Land development in progress	0	459
	<u>0</u>	<u>459</u>
Balance at end of the year	<u>0</u>	<u>459</u>

Land development in progress includes legal fees, valuation fees, resource consent fees, planning and feasibility costs incurred up to balance date. During the financial year under review, Delta Investments Limited reassessed the recoverable amount of its development property upon taking into account the relatively depressed market for section sales 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 its development property land that was held for sale at balance date.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2012 – continued

	2012 \$000	2011 \$000
16 SHAREHOLDER ADVANCE		
Advance from Delta Utility Services Limited	12,731	12,318
Balance at end of the year	<u>12,731</u>	<u>12,318</u>

The loan from Delta Utility Services Limited is unsecured and is on call. Interest is charged on the loan at the floating rate Delta is charged, currently 4.48%.

17 DEFERRED TAX

	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
Year ended 30 June 2012:						
Development costs	(615)	0	693	78	0	78
Balance at the end of the year	<u>(615)</u>	<u>0</u>	<u>693</u>	<u>78</u>	<u>0</u>	<u>78</u>
Year ended 30 June 2011:						
Development costs	(478)	0	(137)	0	(615)	(615)
Balance at the end of the year	<u>(478)</u>	<u>0</u>	<u>(137)</u>	<u>0</u>	<u>(615)</u>	<u>(615)</u>
				2012 \$000		2011 \$000

18 TRADE AND OTHER RECEIVABLES

Trade receivables	<u>34</u>	<u>32</u>
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NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2012 – continued

	2012	2011
	\$000	\$000
19 VENDOR MORTGAGE		
Vendor mortgage	<u>11</u>	<u>11</u>
This mortgage is for 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 is due in September 2012.		
20 PROPERTY PLANT AND EQUIPMENT		
Land		
Cost		
Balance at beginning of year	190	0
Purchases	0	190
Sales/disposals	(190)	0
	<u>0</u>	<u>190</u>
Balance at end of the year	<u>0</u>	<u>190</u>
Buildings		
Cost		
Balance at beginning of year	210	0
Purchases	0	210
Sales/disposals	(210)	0
	<u>0</u>	<u>210</u>
Balance at end of the year	<u>0</u>	<u>210</u>
Accumulated Depreciation		
Balance at beginning of the year	3	0
Depreciation	4	3
Sales/disposals	(7)	0
	<u>0</u>	<u>3</u>
Total Property, Plant and Equipment	<u><u>0</u></u>	<u><u>397</u></u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2012 – continued

	2012	2011
	\$000	\$000
21 RECONCILIATION OF NET PROFIT/ (LOSS) FOR THE YEAR TO CASHFLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income	(7,423)	(1,470)
<i>Items not involving cash flows</i>		
Depreciation	4	3
Deferred tax	(693)	137
Impairment charges	7,500	0
<i>Impact of changes in working capital items</i>		
(Increase) / decrease in GST refund due	(6)	(7)
(Increase) / decrease in trade and other receivables	(2)	(32)
Increase / (decrease) in trade and other payables	19	(278)
Increase / (decrease) in provision for tax	(248)	531
<i>Items classified as investing or financing activities</i>		
Movement in capital creditors in accounts payable	(34)	326
Net (gain)/loss on sale of development property and property, plant and equipment	29	16
	<u> </u>	<u> </u>
Net cash inflows / (outflows) from operating activities	<u>(854)</u>	<u>(774)</u>
22 CONTINGENT LIABILITIES/ASSETS		
There are no contingent liabilities or assets as at 30 June 2012	<u>0</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2012 – continued

	2012	2011
	\$000	\$000

23 RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of Delta Utility Services Limited, which is wholly owned by Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

The Company is a member of the Aurora Energy Consolidated Tax Group, and any of its income tax losses are offset against taxable income of other group members

The Company 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 Company provided services and traded with the Dunedin City Council Group in respect of the following transactions:

Purchases of goods and services from Dunedin City Council Group entities

Contracting services	86	598
Administration and accounting services	52	31
Interest	719	675
	857	1,304
	857	1,304

At year end the amounts payable by the Company to Dunedin City Council entities

Payable to Dunedin City Council Group entities	101	73
	101	73
	101	73

Sales of goods and services to Dunedin City Council Group entities

Contracting services	0	0
Land and buildings	395	0
Rent	36	27
	431	27
	431	27

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2012 –continued

	2012 \$000	2011 \$000
23 RELATED PARTY TRANSACTIONS - continued		
At year end the amounts receivable by the Company from Dunedin City Council entities		
Receivable from Dunedin City Council Group entities	0	0
	<u>0</u>	<u>0</u>

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

Mr Coburn is a Director of Ruboc Holdings Limited. During the financial period covered by this report, consultancy services of \$736 were purchased from Ruboc Holdings Limited (2011: \$49,388). \$0 was outstanding as at 30 June 2012 (2011: \$6,693).

24 INTEREST IN JOINT VENTURE

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

Current assets

Cash balances	2	8
Trade receivables	35	32
GST refund due	1	1
Vendor mortgage	11	0
Development property	444	0
	<u>493</u>	<u>41</u>

Non-current assets

Development property	0	459
Vendor mortgage	0	11
	<u>0</u>	<u>470</u>
Total assets	<u>0</u>	<u>511</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2012 –continued

	2012	2011
	\$000	\$000
24 INTEREST IN JOINT VENTURE - continued		
Current liabilities		
Trade creditors	5	13
Westpac term loan	868	801
Total current liabilities	873	814
Equity		
Retained earnings	(380)	(303)
Total equity and liabilities	<u>493</u>	<u>511</u>

In addition to this interest, the Company has a \$288,000 loan to Luggate Properties Limited in connection with the land to be developed by the Luggate Park Developments Joint Venture. During the year, the carrying value of the Company's interest in the Joint Venture was written down by \$5 million. This investment is secured by a second mortgage over the land.

Included in the financial statements are the following revenues and expenses that relate to the activities of the Luggate Park Developments Joint Venture.

Revenues	2	37
Expenses	79	110
Net profit/(loss) before income tax	<u>(77)</u>	<u>(73)</u>

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2012 –continued

25 FINANCIAL INSTRUMENTS

Interest Rate Risk

Interest rate risk is the risk that the value of the Company's assets and liabilities will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk primarily through its cash balances and advances, investments, bank overdrafts and borrowings.

The following tables detail the exposure to interest risk:

	Weighted Average Effective Interest Rate	Variable Interest Rate	Maturity Dates Less than 1 Year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years	Non- Interest Bearing	Total
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
As at 30 June 2012:										
Financial assets										
Cash and cash equivalents		8	0	0	0	0	0	0	0	8
Vendor mortgage		0	0	0	0	0	0	0	11	11
Trade and other receivables		0	0	0	0	0	0	0	34	34
Investment in joint ventures		0	0	0	0	0	0	0	288	288
		<u>8</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>333</u>	<u>341</u>
Financial liabilities										
Trade and other payables		0	0	0	0	0	0	0	115	115
Westpac loan	6.36%	0	868	0	0	0	0	0	0	868
Shareholder's loans		0	12,731	0	0	0	0	0	0	12,731
		<u>0</u>	<u>13,599</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>115</u>	<u>13,714</u>
As at 30 June 2011:										
Financial assets										
Cash and cash equivalents		12	0	0	0	0	0	0	0	12
Vendor mortgage		0	0	0	0	0	0	0	11	11
Trade and other receivables		0	0	0	0	0	0	0	32	32
Investment in joint ventures		0	0	0	0	0	0	0	5,288	5,288
		<u>12</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,331</u>	<u>5,343</u>
Financial liabilities										
Trade and other payables		0	0	0	0	0	0	0	96	96
Westpac loan	5.86%	0	801	0	0	0	0	0	0	801
Shareholder's loans		0	12,318	0	0	0	0	0	0	12,318
		<u>0</u>	<u>13,119</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>96</u>	<u>13,215</u>

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2012 –continued

25 FINANCIAL INSTRUMENTS - continued

Credit risk

The Company has no significant concentration of credit risk. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

The Company's maximum credit risk for each class of financial instrument is:

	2012 \$000	2011 \$000
Cash and cash equivalents	8	12
Vendor mortgage	11	11
Trade and other receivables	34	32
Investment in joint ventures	288	5,288
	<u>341</u>	<u>5,343</u>

Liquidity risk

Liquidity risk represents the Company's ability to meet its contractual obligations. The joint venture evaluates its liquidity requirements on an on-going basis. In general the joint venture 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 following tables detail the exposure to liquidity risk:

	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 2012:							
Financial assets							
Cash and cash equivalents	8	0	0	0	0	0	8
Vendor mortgage	0	11	0	0	0	0	11
Trade and other receivables	34	0	0	0	0	0	34
Investment in joint ventures	0	0	0	0	0	288	288
	<u>42</u>	<u>11</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>288</u>	<u>341</u>
Financial liabilities							
Trade and other payables	115	0	0	0	0	0	115
Westpac loan	868	0	0	0	0	0	868
Shareholder's loans	0	0	0	0	0	12,731	12,731
	<u>983</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,731</u>	<u>13,714</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2012 –continued

25 FINANCIAL INSTRUMENTS - continued

	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 2011:							
Financial assets							
Cash and cash equivalents	12	0	0	0	0	0	12
Vendor mortgage	0	0	0	11	0	0	11
Trade and other receivables	32	0	0	0	0	0	32
Investment in joint ventures	0	0	0	0	0	5,288	5,288
	<u>44</u>	<u>0</u>	<u>0</u>	<u>11</u>	<u>0</u>	<u>5,288</u>	<u>5,343</u>
Financial liabilities							
Trade and other payables	96	0	0	0	0	0	96
Westpac loan	0	0	801	0	0	0	801
Shareholders Loans	0	0	0	0	0	12,318	12,318
	<u>96</u>	<u>0</u>	<u>801</u>	<u>0</u>	<u>0</u>	<u>12,318</u>	<u>13,215</u>

26 EVENTS AFTER BALANCE DATE

There were no significant events after balance date.

STATEMENT OF SERVICE PERFORMANCE for the Year Ended 30 June 2012

SPECIFIC OBJECTIVES

GENERAL OBJECTIVES

- | | |
|--|---|
| 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

- | | |
|---|----------------------|
| 1 To achieve all financial projections. | Not achieved. |
|---|----------------------|

	Actual \$000	Target \$000
EBITDA – before impairment charges	(141)	1,127
EBITDA	(7,641)	1,127
Net surplus after income tax	(7,423)	(372)
Shareholder's funds	(3,595)	4,400
Dividends	0	0
Shareholder's funds to total assets	(36%)	14%
EVA	(8,661)	(2,302)

- | | |
|--|---|
| 2 To pursue additional development opportunities. | Achieved.
A number of opportunities have been identified; however, after due consideration, none were proceeded with. |
| 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 2012 - continued

SPECIFIC OBJECTIVES

SOCIAL AND ENVIRONMENTAL OBJECTIVES

- | | |
|--|--|
| 1 No transgression of environmental and resource laws occurs. | Achieved.
No notification of any breaches of any resource laws has been received. |
| 2 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. |

Independent Auditor's Report

To the readers of Delta Investments Limited's financial statements and statement of service performance for the year ended 30 June 2012

The Auditor-General is the auditor of Delta Investments Limited (the company). 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 on her behalf.

We have audited:

- the financial statements of the company on pages 5 to 28, that comprise the statement of financial position as at 30 June 2012, 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 on pages 29 to 30.

Opinion

Financial statements and statement of service performance

In our opinion:

- the financial statements of the company on pages 5 to 28:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the company's:

- . financial position as at 30 June 2012; and
 - . financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company on pages 29 to 30:
 - 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 2012.

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 as far as appears from an examination of those records.

Our audit was completed on 26 September 2012. 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 would affect a reader's 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, 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'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'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. 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's financial position, financial performance and cash flows; and
- give a true and fair view of its 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' 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 New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the company.



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