
DELTA INVESTMENTS LIMITED

Annual Report
for the Year Ended
30 June 2014

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COMPANY PARTICULARS
as at 30 June 2014

DIRECTORS

Dr Ian M Parton (Chair) – BE (Hons), PhD, Dist.F.IPENZ, F.Inst.D

David J Frow – M.Inst.D. F.IPENZ, B.Sc.Eng

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

Raymond S Polson (Chair) – BCom, FCA, AF.Inst.D. (resigned 1 November 2013)

REGISTERED OFFICE

10 Halsey Street

Dunedin

New Zealand

BANKER

Westpac Banking Corporation

SOLICITORS

Gallaway 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 2014

The Directors of Delta Investments Limited report on the activities and results of the Company for the year ended 30 June 2014.

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

The Company previously held a 50% interest in Luggate Park Developments Joint Venture which was consolidated into the accounts. As at 30 June 2014, the assets and liabilities of Luggate Park Developments Joint Venture have been fully liquidated and the joint venture is dissolved.

Principal Activities of the Company

During the year the Company ceased trading, all Company assets were distributed in accordance with the Companies Act and the Company's constitution and all liabilities were paid or settled. Tax balances were settled or assigned to the Company's parent Delta Utility Services Limited.

A special resolution was passed on 1 May 2014 by Delta Utility Services Limited to have the Company removed from the Companies register. Confirmation has since been received that Delta Investments Limited was removed from the Companies Register on 11 July 2014.

The Company previously participated in the Luggate Park Developments Joint Venture, which was holding land for sale at Luggate. The last of this land was sold in August 2013.

The Company has also previously held development land at Jacks Point. During the year the Company negotiated unconditional contracts for the sale of all of its remaining properties at Jacks Point and concluded a number of settlements with third parties. As at 31 March 2014, the last of the Company's remaining Jacks Point sections and third party sale contracts were sold to Delta Utility Services Ltd at market value.

Results for the Year Ended 30 June 2014

	\$000
Operating profit before income tax	3,100
Plus income tax benefit	405
Net profit for the year	<u>3,505</u>

State of Affairs

The Directors believe that with the support of the Parent Company, the state of affairs of the Company are satisfactory. As at 30 June 2014 the Company had a nil balance sheet and was awaiting confirmation from the Companies Office that it had been removed from the Companies Register.

Confirmation has since been received that Delta Investments Limited was removed from the Companies Register on 11 July 2014.

Reserves

The following net transfers have been made to or from reserves:	\$000
Retained earnings – to	3,505

DIRECTORS' REPORT

For the Year Ended 30 June 2014 - continued

Review of Operations

The Company recorded total comprehensive income of \$3,505,000 for the year ended June 2014 (Year ended June 2013: \$90,000).

Financial Statements

The audited financial statements for the year ended 30 June 2014 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 2014 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



I M Parton
CHAIRMAN



S J McLauchlan
DIRECTOR

2 September 2014

INFORMATION ON THE DIRECTORS

Director	Qualifications	Date Appointed	Declarations of Interests
Dr Ian M Parton Non-Executive Chairman	BE (Hons), PhD, Dist.F.IPENZ, F.Inst.D.	April 2013	Chairman – Aurora Energy Limited Chairman – Delta Utility Services Limited Director – Auckland Transport Limited Director – Construction Techniques Group Limited Director – Skellerup Holdings Limited Chancellor – University of Auckland
David J Frow Non-Executive Director	B.Sc.Eng, F.IPENZ, M.Inst.D.	April 2013	Chairman – Bathurst Resources (New Zealand) Limited Director – Aurora Energy Limited Director – Delta Utility Services Limited Director – ETEL Limited Director – ETEL Transformers Pty Ltd (Aus) Director – Holmes Fire & Safety Limited Director – Holmes GP Fire Limited Director and Shareholder – Major Consulting Group Limited Senior Consultant – Strata Energy Consulting
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 – Cargill Hotel 2002 Limited Director – Delta Utility Services Limited Director – Dunedin Casinos Limited Director – Energy Link Limited Director – HTS 110 Limited Director – Lund South Limited Director – Otago & Southland Employers Association 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 Member – Marsh Advisory Board Partner – G S McLauchlan & Co Pro Chancellor – University of Otago Director – Roxdale Foods Limited (resigned 7 April 2014)
Raymond S Polson Non-Executive Chairman	BCom, FCA, AF.Inst.D.	June 2007 (Resigned 1 November 2013)	Chairman – Mactodd Chairman – Ophir Gold Limited Director – Ophir Gold Exploration Limited Director – Luggate Nominee Limited (resigned 1 November 2013) Director – Marsh Advisory Board Chairman – Aurora Energy Limited (resigned 1 November 2013) Chairman – Delta Utility Services Limited (resigned 1 November 2013)

STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended 30 June 2014

	Note	2014 \$000	2013 \$000
Revenue			
Operating revenue	3	7,170	1,996
Financial revenue	4	13	1
Total revenue		<u>7,183</u>	<u>1,997</u>
Less expenses			
Operating expenses	5	3,686	2,606
Financial expenses	6	397	675
Total expenses		<u>4,083</u>	<u>3,281</u>
Profit/(loss) before tax		3,100	(1,284)
Income tax credit	7	405	1,374
Total comprehensive income		<u><u>3,505</u></u>	<u><u>90</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 2014

	2014 \$000	2013 \$000
Equity at beginning of the year	<u>(3,505)</u>	<u>(3,595)</u>
Recognised income and expense		
Total comprehensive income	<u>3,505</u>	<u>90</u>
Equity at end of the year	<u><u>0</u></u>	<u><u>(3,505)</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 2014

	Note	2014 \$000	2013 \$000
Equity			
Share capital	8	0	5,350
Retained earnings	9	0	(8,855)
Total equity		0	(3,505)
Current liabilities			
Trade and other payables	10	0	262
Westpac loan (secured)	11	0	857
Shareholder's advance	16	0	11,571
Payable to Luggate Properties Limited	21	0	347
Payable to joint venture	21	0	5,288
GST Payable		0	2
Total current liabilities		0	18,327
Total liabilities		0	18,327
TOTAL EQUITY AND LIABILITIES		0	14,822
Current assets			
Cash and cash equivalents	13	0	13
Investment in joint venture	14	0	5,288
Development property held for sale	15	0	7,822
Total current assets		0	13,123
Non-current assets			
Deferred tax	17	0	1,699
Total non-current assets		0	1,699
TOTAL ASSETS		0	14,822

For and on behalf of the Board of Directors



I M Parton
CHAIRMAN



S J McLauchlan
DIRECTOR

2 September 2014

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 2014

	Note	2014 \$000	2013 \$000
Cash flows from operating activities			
<i>Cash was provided from</i>			
Interest received		13	0
Receipts from customers		0	2
		<u>13</u>	<u>2</u>
<i>Cash was disbursed to</i>			
Payments to suppliers		386	96
Interest paid		397	680
Net GST		11	(6)
		<u>794</u>	<u>770</u>
Net cash outflows from operating activities	18	(781)	(768)
Cash flows from investing activities			
<i>Cash was provided from</i>			
Realisation of investment in Joint Venture		5,288	0
Development property held for sale		7,022	2,155
		<u>12,310</u>	<u>2,155</u>
<i>Cash was disbursed to</i>			
Repayment of loan from Joint Venture		5,288	0
Development property held for sale		6	211
		<u>5,294</u>	<u>211</u>
Net cash inflows from investing activities		7,016	1,944
Cash flows from financing activities			
<i>Cash was provided from</i>			
Receipts from borrowings		853	968
		<u>853</u>	<u>968</u>
<i>Cash was disbursed to</i>			
Repayment of borrowings		7,101	2,139
		<u>7,101</u>	<u>2,139</u>
Net cash outflows from financing activities		(6,248)	(1,171)

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 2014 - continued

	Note	2014 \$000	2013 \$000
Net increase/(decrease) in cash, cash equivalents and bank overdraft		(13)	5
Cash and cash equivalents at the beginning of the year		<u>13</u>	<u>8</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	<u><u>0</u></u>	<u><u>13</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 2014

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.

During the year the Company ceased trading, all Company assets were distributed in accordance with the Companies Act and the Company's constitution and all liabilities have been paid or settled. Tax balances were settled or assigned to the Company's parent Delta Utility Services Limited.

A special resolution was passed on the 1 May 2014 by Delta Utility Services Limited to have the Company removed from the Companies Register. The Company was subsequently removed from the Companies Register on 11 July 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These annual financial statements are general purpose financial reports which have been prepared in accordance with NZIAS1, additional information as requested by Directors, and in accordance with NZ GAAP. The Company is a Tier 2 for-profit entity and has elected to report in accordance with Tier 2 For-profit Accounting Standards. The Company is eligible to report in accordance with Tier 2 For-profit Accounting Standards on the basis that it does not have public accountability and its expenses are less than \$30 million. The financial statements comply with New Zealand Equivalents to IFRS Reduced Disclosure Regime and other applicable Financial Reporting Standards, as appropriate for for-profit orientated entities.

The financial statements were authorised for issue by the Directors on 2 September 2014.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2014 – continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Accounting

These financial statements are prepared on a dissolution basis rather than a normal going-concern basis as a special resolution was passed on 1 May 2014 by Delta Utility Services Ltd to have the Company removed from the Companies Register.

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. The assets and liabilities of this joint venture were fully liquidated as at 31 December 2013 and the joint venture is now dissolved.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2014 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

Development Property Held for Sale

Development property held for sale 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.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2014 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2014 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Standards Issued but not yet Effective

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

Standard	Brief Outline
Amendments to NZ IAS 32 <i>Offsetting Financial Assets and Financial Liabilities</i> Adoption date: year ended 30 June 2015	The key change from the amendment is the introduction of additional criterion that must be met to demonstrate that an entity "currently has legally enforceable right to set off the recognised amounts" and that an entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously". The amendment only changed the application guidance. There were no other changes to the standard.
Amendments to NZ IFRS 10, NZ IFRS 11, NZ IFRS 12 and NZ IAS 27 Adoption date: year ended 30 June 2015	The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with NZ IFRS 9 Financial Instruments in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in NZ IFRS 12 and NZ IAS 27.
Amendments to NZ IFRSs arising from the Annual Improvements Project (2010-2012) Adoption date: year ended 30 June 2015	The following standards have been amended: NZ IFRS 3 – Clarifies the classification requirements for contingent consideration in a business combination by removing all references to NZ IAS 37. NZ IFRS 13 – Amendments to clarify the measurement requirements for those short-term receivables and payables. NZ IAS 16 & NZ IAS 38 – Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. NZ IAS 24 – Defines a management entity providing Key Management Personnel (KMP) services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of NZ IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be disclosed separately.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2014 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Amendments to NZ IFRSs
arising from the Annual
Improvements Project (2011-
2013)

Adoption date: year ended
30 June 2015

The following standards have been amended:

NZ IFRS 3 – Amends to the scope paragraph for the formation of a joint arrangement.

NZ IFRS 13 - Clarifies that the portfolio exception in paragraph 52 of NZ IFRS 13 applies to all contracts within the scope of NZ IAS 39 or NZ IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in NZ IAS 32.

NZ IAS 40 – Clarifies that judgement is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of NZ IFRS 3 that includes an investment property. That judgement is based on guidance in NZ IFRS 3.

NZ IFRS 9 *Financial Instruments*

Adoption date: year ended
30 June 2018

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 and most of Phase 3 has been completed. 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 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 2014 - continued

	2014	2013
	\$000	\$000
3 OPERATING REVENUE		
Sales revenue	<u>7,170</u>	<u>1,996</u>
4 FINANCIAL REVENUE		
Interest received	<u>13</u>	<u>1</u>
5 OPERATING EXPENSES		
Included in the operating expenses are the following items:		
Audit fees	9	13
Loss on development activities	0	5,288
Cost of sales	7,037	2,137
Impairment charges	(3,637)	(5,000)
Other expenses	277	168
	<u>3,686</u>	<u>2,606</u>
6 FINANCE EXPENSES		
Interest/facility fees	<u>397</u>	<u>675</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2014 - continued

	2014 \$000	2013 \$000
7 INCOME TAX		
Net profit/(loss) before tax	3,100	(1,284)
Tax at 28%	868	(360)
<i>Plus/(less) the tax effect of differences</i>		
Expenditure not deductible for taxation	0	83
Income not assessable for taxation	(1,146)	0
Deferred tax	0	(1,469)
Loss benefit transferred	0	107
Under-provision for tax in prior years	(127)	265
Tax credit	(405)	(1,374)
Represented by		
Current tax	(2,102)	0
Adjustment to current tax in prior periods	(106)	247
Adjustment to deferred tax in prior periods	(21)	18
Deferred tax	1,824	(1,639)
Income tax	(405)	(1,374)

The Company is a member of the Dunedin City 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	0	5,350
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During the period ended 30 June 2014 the Company liquidated all of its assets and liabilities and paid back share capital invested. The share capital distribution of \$5,350,000 offset the liquidating dividend of -\$5,350,000 and therefore the net distribution to the shareholder was nil (see note 9).

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2014 – continued

	2014 \$000	2013 \$000
9 RETAINED EARNINGS		
Balance at the beginning of the year	(8,855)	(8,945)
Total comprehensive income	3,505	90
Liquidating dividend (see note 8)	5,350	0
Balance at the end of the year	<u>0</u>	<u>(8,855)</u>
10 TRADE AND OTHER PAYABLES		
Trade payables	0	62
Due to related parties	0	52
Land sale deposits	0	148
	<u>0</u>	<u>262</u>
11 WESTPAC TERM LOAN - (secured)		
Westpac loan	0	857
	<u>0</u>	<u>857</u>

Delta Investments Limited repaid its share of the Westpac joint venture term loan on 6 August 2013. The Westpac term loan was previously secured by a registered first mortgage over all the assets of Luggate Park Developments Joint Venture. Interest was charged on the loan at the floating rate which was 6.38% plus a default margin rate of 5.00%.

12 CAPITAL EXPENDITURE COMMITMENTS

There are no capital expenditure commitments as at 30 June 2014 (2013: none).

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2014 – continued

	2014	2013
	\$000	\$000
13 CASH AND CASH EQUIVALENTS		
Cash and bank	0	13
	<u>0</u>	<u>13</u>

Cash and short-term deposits comprised 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. The Company's bank account was closed on the 31 March 2014.

14 INVESTMENT IN JOINT VENTURE		
Investment in joint venture	0	5,288
	<u>0</u>	<u>5,288</u>

This investment represents a 50% share in the land value of the Luggate Park Developments Joint Venture. As at 30 June 2014 the assets and liabilities of the joint venture had been fully liquidated and the joint venture had been dissolved.

15 DEVELOPMENT PROPERTY HELD FOR SALE		
(i) Current assets		
Land	0	5,104
Land development in progress	0	2,718
	<u>0</u>	<u>7,822</u>
Balance at end of the year	0	7,822
	<u>0</u>	<u>7,822</u>

Land development in progress includes legal fees, valuation fees, resource consent fees, planning and feasibility costs incurred. During the year the Company negotiated unconditional contracts for the sale of all of its remaining properties at Jacks Point and concluded a number of settlements with third parties. As at 31 March 2014, the last of the Company's remaining Jacks Point sections and third party sale contracts were sold to Delta Utility Services Ltd at market value.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2014 – continued

	2014 \$000	2013 \$000
16 SHAREHOLDER ADVANCE		
Advance from Delta Utility Services Limited	0	11,571
	<u>0</u>	<u>11,571</u>
Balance at end of the year	<u>0</u>	<u>11,571</u>

The loan from Delta Utility Services Limited was unsecured and on call. Interest was charged on the loan at the interest rate Delta was charged on its own term debt facility which was 4.64% (2013: 4.35%). The loan was repaid in full on 31 March 2014.

17 DEFERRED TAX

	Opening Balance Sheet \$000	Charged to Equity \$000	Charged to Income \$000	Transferred to Delta Utility Services \$000	Closing Balance Sheet Assets \$000	Closing Balance Sheet Liabilities \$000	Closing Balance Sheet Net \$000
Year ended 30 June 2014:							
Development costs	1,699	0	(1,803)	104	0	0	0
	<u>1,699</u>	<u>0</u>	<u>(1,803)</u>	<u>104</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance at the end of the year	<u>1,699</u>	<u>0</u>	<u>(1,803)</u>	<u>104</u>	<u>0</u>	<u>0</u>	<u>0</u>
Year ended 30 June 2013:							
Development costs	78	0	1,621	0	1,699	0	1,699
	<u>78</u>	<u>0</u>	<u>1,621</u>	<u>0</u>	<u>1,699</u>	<u>0</u>	<u>1,699</u>
Balance at the end of the year	<u>78</u>	<u>0</u>	<u>1,621</u>	<u>0</u>	<u>1,699</u>	<u>0</u>	<u>1,699</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2014 – continued

	2014	2013
	\$000	\$000
18 RECONCILIATION OF NET PROFIT/ (LOSS) FOR THE YEAR TO CASHFLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income	3,505	90
<i>Items not involving cash flows</i>		
Deferred tax	1,699	(1,621)
Impairment charges	(3,637)	(5,000)
<i>Impact of changes in working capital items</i>		
(Increase) / decrease in GST refund due	(2)	9
(Increase) / decrease in trade and other receivables	0	34
Increase / (decrease) in trade and other payables	(114)	(1)
Increase / (decrease) in provision for tax	(1,013)	247
Increase / (decrease) in Subvention Receivable	(1,091)	0
<i>Items classified as investing or financing activities</i>		
Movement in capital creditors in accounts payable	5	33
Net (gain)/loss on sale of development property and property, plant and equipment	(133)	153
Loss on developmental activities	0	5,288
Net cash outflows from operating activities	<u>(781)</u>	<u>(768)</u>
19 CONTINGENT LIABILITIES/ASSETS		
There are no contingent liabilities or assets as at 30 June 2014 (2013: nil).		

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2014 – continued

	2014	2013
	\$000	\$000

20 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 Dunedin City 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	6	11
Administration and accounting services	25	45
Interest	444	675
	475	731
	475	731

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

Payable to Dunedin City Council Group entities	0	52
	0	52

**Sales of goods and services to Dunedin City Council Group
entities**

Administration	0	1
	0	1
	0	1

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2014 –continued

	2014	2013
	\$000	\$000

20 RELATED PARTY TRANSACTIONS - continued

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 Polson was the Chairman of Mactodd during his tenure as Chairman of Delta Investments Ltd. During the financial period covered by this report, no services were provided by Mactodd (2013: \$456). No monies were outstanding as at 30 June 2014 (2013: nil).

There were no other transactions with Companies in which a Director has an interest.

21 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. As at 30 June 2014, the assets and liabilities of the joint venture have been fully liquidated and the joint venture is now dissolved.

Current assets

Cash balances	0	2
Development property	0	680
	0	682
Total assets	0	682

Current liabilities

Trade creditors	0	17
Payable to Luggate Properties Limited	0	347
GST payable	0	6
Westpac term loan	0	857
	0	1,227

Equity

Retained earnings	0	(545)
Total equity and liabilities	0	682

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2014 –continued

2014
\$000 **2013**
\$000

21 INTEREST IN JOINT VENTURE - continued

In addition to this interest the Company had an investment over land, which was to be developed by Luggate Park Developments Joint Venture, which is disclosed in note 14. The investment of \$5.288 million which existed at 30 June 2013 was fully repaid in August 2013.

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

Revenues	501	107
Expenses	381	272
	<u>120</u>	<u>(165)</u>
Net profit/(loss) before income tax	<u>120</u>	<u>(165)</u>

22 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 table details the exposure to interest risk for 2013. Any remaining assets and liabilities of the Company were liquidated on the 31 March 2014 and therefore there is no 2014 information shown as the balances are nil.

	Weighted Average Effective Interest Rate	Variable Interest Rate \$000	Maturity Dates Less than 1 Year \$000	1 – 2 years \$000	2 – 3 years \$000	3 – 4 years \$000	4 – 5 years \$000	More than 5 years \$000	Non- Interest Bearing \$000	Total \$000
As at 30 June 2013:										
Financial assets										
Cash and cash equivalents		13	0	0	0	0	0	0	0	13
Investment in joint ventures		0	0	0	0	0	0	0	5,288	5,288
		<u>13</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,288</u>	<u>5,301</u>
Financial liabilities										
Trade and other payables		0	0	0	0	0	0	0	113	113
Westpac loan	6.38%	0	857	0	0	0	0	0	0	857
Shareholder's loans		0	11,571	0	0	0	0	0	0	11,571
Payable to Luggate Properties Ltd		0	0	0	0	0	0	0	347	347
Payable to joint venture		0	0	0	0	0	0	0	5,288	5,288
		<u>0</u>	<u>12,428</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,748</u>	<u>18,176</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2014 –continued

	2014	2013
	\$000	\$000

22 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:

Cash and cash equivalents	0	13
Investment in joint ventures	0	5,288
	0	5,301
	0	5,301

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 & Poor's credit ratings (if available) or to historical information about counterparty default rates.

Counterparties with credit ratings

Cash and cash equivalents		
AA-	0	13

Counterparties without credit ratings

Investment in joint venture		
Existing counterparty with no defaults in the past	0	5,288

Liquidity risk

Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an on-going basis. In general, the Company 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 Company maintains credit management and accounts receivable processes aimed at collecting all trade and other receivable balances in cash by the agreed due dates for payment.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2014 –continued

22 FINANCIAL INSTRUMENTS - continued

The following table details the exposure to liquidity risk. No 2014 information is shown as the Company's assets and liabilities were liquidated on or before 31 March 2014:

	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	13	0	0	0	0	0	13
Investment in joint ventures	0	0	0	0	0	5,288	5,288
	<u>13</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,288</u>	<u>5,301</u>
Financial liabilities							
Trade and other payables	113	0	0	0	0	0	113
Westpac loan	857	0	0	0	0	0	857
Shareholder's loans	0	0	0	0	0	11,571	11,571
Payable to Luggate Properties Ltd	0	0	0	0	0	347	347
Payable to joint venture	0	0	0	0	0	5,288	5,288
	<u>970</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,206</u>	<u>18,176</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2014 –continued

22 FINANCIAL INSTRUMENTS - 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 Company'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.

No 2014 information is disclosed as all assets and liabilities of the Company were liquidated on or before the 31 March 2014.

	Fair Value at Balance Date \$000	+100bps		-100bps	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
As at 30 June 2013:					
Financial liabilities					
Term borrowings (unhedged)	11,571	(116)	0	116	0
	<u>11,571</u>	<u>(116)</u>	<u>0</u>	<u>116</u>	<u>0</u>

23 EVENTS AFTER BALANCE DATE

Delta Investments Limited was removed from the Companies Register on 11 July 2014.

There were no other significant post balance sheet date events.

STATEMENT OF SERVICE PERFORMANCE for the Year Ended 30 June 2014

SPECIFIC OBJECTIVES

GENERAL OBJECTIVES

- | | |
|--|--|
| 1 To review the Statement of Intent and Strategic Plan for consistency with the objectives of Dunedin City Holdings Limited. | Achieved.
The Statement of Intent and Strategic Plan were reviewed and confirmed as being consistent with the objectives of Dunedin City Holdings Limited. |
| 2 To review the operating activities of the Company 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. | Achieved | | |
| | | Actual | Target |
| | | \$000 | \$000 |
| EBITDA | | 3,484 | 1,173 |
| Net surplus after income tax | | 3,505 | 478 |
| Shareholder's funds | | 0 | (4,307) |
| Dividends | | 0 | 0 |
| Shareholder's funds to total assets | | Nil | Nil |
| 2 To ensure the reporting requirements of the Company and the Shareholder are met. | Achieved.
Company reporting was undertaken within the timeframes as stated in the Statement of Intent. | | |

SOCIAL AND ENVIRONMENTAL OBJECTIVES

- | | |
|---|---|
| 1 To ensure no transgression of environmental and resource laws. | Achieved.
No notification of any breaches of any environmental or resource law was reported. |
| 2 To review the activities undertaken by the Company for the purposes of being a good socially and environmentally responsible corporate citizen. | Achieved.
The Company reviewed its contribution to the community and the activities of the company to ensure it was a socially and environmentally responsible 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 2014

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 27, that comprise the balance sheet as at 30 June 2014, 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 page 28.

Opinion

Financial statements and statement of service performance

In our opinion:

- the financial statements of the company on pages 5 to 27 that are prepared on a dissolution basis:
 - 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 2014; and
 - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company on page 28:
 - 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 2014.

The financial statements are appropriately prepared on a dissolution basis

Without modifying our opinion, we draw your attention to note 1 on page 10 and note 2 on page 11 about the financial statements being prepared on a dissolution basis because the company has ceased trading and was deregistered on 11 July 2014. We consider the dissolution basis of the preparation of the financial statements, and the related disclosures, to be appropriate to the company's circumstances.

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 2 September 2014. 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, 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. 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's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance.

The Board of Directors is 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.



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