DELTA UTILITY SERVICES LIMITED

Six Monthly Report
for the Period Ended
31 December 2014

CONTENTS

COMPANY PARTICULARS
as at 31 December 2014

DIRECTORS

Dr Ian M Parton (Chair) – BE (Hons), PhD, Dist.F.IPENZ, CF.Inst.D.
Stuart J McLauchlan – BCom, FCA (PP), CF.Inst.D.
David J Frow – B.Sc.Eng, CF.Inst.D.
Mr Trevor J Kempton – BE (Hons), M.IPENZ, F.NZIM, CM.Inst.D.

MANAGEMENT

Chief Executive – Grady Cameron – BE, MEM, F.IPENZ, CM.Inst.D.
Chief Financial Officer/General Manager Finance and Systems – Gary Dixon – BCom, CA
General Manager Energy and Communication – Kewal Bagal – BEE
General Manager Asset Management – Derek Todd – BE (Hons), BBS, DipBusAdmin (Mgmt)
General Manager Capability and Risk – Matt Ballard – MBA, MIndRel

REGISTERED OFFICE

10 Halsey Street
Dunedin
New Zealand

BANKER

Westpac Banking Corporation

SOLICITORS

Gallaway Cook Allan
Anderson Lloyd
Chapman Tripp

AUDITOR

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

TAXATION ADVISOR

Deloitte

DIRECTORS' REPORT
for the Six Months Ended 31 December 2014

The Directors of the Delta Utility Services Limited consolidated group are pleased to report on the activities and results of the Group for the six months ended 31 December 2014.

The financial accounts in this report include the activities of Delta Utility Services Limited (Parent). The prior year comparative includes a full consolidation of Delta Utility Services Limited and its wholly-owned subsidiary Delta Investments Limited (formerly Newtons Coachways (1993) Limited). Delta Investments Limited did not trade in the 2015 financial year and was removed from the Companies Register on 11 July 2014.

Principal Activities of the Company

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

Results for the Six Months Ended 31 December 2014

	$000
Operating profit before income tax	2,970
Less income tax expense	675
Net profit for the period	2,295

State of Affairs

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

Dividends

A dividend of $1.25 million was declared and paid during the period.

Reserves

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

	$000
Retained earnings - to (from)	2,295
Cash flow hedge reserve to (from)	(46)

DIRECTORS' REPORT
for the Six Months Ended 31 December 2014 - continued

Review of Operations

Employee and contractor safety remains a prime focus. A Total Recordable Injury Frequency Rate of 5.5 (target 4.6) per 200,000 hours worked was achieved for the period. While above target this is comparable with industry best practice and reflects an improving trend from the previous year. Considerable effort continues to be applied by management on employee safety issues.

The Group's net profit before income tax of $ 2.970 million (30 June 2014: $5.700 million and 31 December 2013: $3.515 million) provided a return on average Shareholder's equity of 32% (30 June 2014: 34% and 31 December 2013: 51%).

The Directors expect a satisfactory result at year-end. Delta has continued to grow its asset management, energy and environmental divisions, during the period under review.

Financial Statements

The unaudited financial statements for the six months ended 31 December 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 period ended 31 December 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.

DIRECTORS' REPORT
for the Six Months Ended 31 December 2014 - continued

Change of Directors

There were no changes in directorship during the period.

Events Subsequent to Balance Date

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

On behalf of the Directors

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I M Parton	**S J McLauchlan**
CHAIRMAN	**DIRECTOR**

23 February 2015

INFORMATION ON THE DIRECTORS

Director	Qualifications	Date Appointed	Declarations of Interests
Dr Ian M Parton Non-Executive Chairman	BE (Hons), PhD, Dist.F.IPENZ, CF.Inst.D.	October 2012	Chairman – Aurora Energy 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 CF.Inst.D.	October 2012	Chairman and shareholder – Major Consulting Group Limited Director – Aurora Energy Limited Director – ETEL Limited Director – ETEL Transformers Pty Limited (Aus) Director – Holmes Fire LP Senior Consultant – Strata Energy Consulting Chairman – Bathurst Resources (New Zealand) Limited (resigned 13 November 2014)
Trevor J Kempton Non-Executive Director	BE (Hons), M.IPENZ, F.NZIM, CM.Inst.D.	November 2013	Director – Aurora Energy Limited Director – Constructing Excellence (NZ) Limited Director – Long Beach Consulting Limited Director – The Academy of Construction Excellence (NZ) Limited Director – Trevian Properties Limited Councillor – Otago Regional Council Shareholder – Naylor Love Enterprise Group of companies
Stuart J McLauchlan Non-Executive Director	BCom, FCA (PP), CF.Inst.D.	June 2007	Chairman – Dunedin International Airport Limited Chairman – NZ Sports Hall of Fame Chairman – Pharmac Chairman – Scott Technology Limited Chairman – UDC Finance Limited Director – AD Instruments Pty Limited Director – Aurora Energy Limited Director – Cargill Hotel 2002 Limited Director – Dunedin Casinos Limited Director – Energy Link Limited Director – HTS 110 Limited Director – Otago & Southland Employers Association Director – Rosebery Holdings Limited Director – Scenic Circle Hotels Limited and subsidiaries Director – University of Otago Foundation Studies Limited Director – University of Otago Holdings Limited Director – USC Investments Limited Director – XRock Automation Pty Limited Member – Marsh Advisory Board Partner – G S McLauchlan & Co Pro Chancellor – University of Otago Director – Lund South Limited (resigned 28 July 2014)

TREND STATEMENT

	GROUP				
	Six months ended 31 Dec:		12 months ended 30 June:		
	2014	2013	2014	2013	2012
	$000[4]	$000[4]	$000[4]	$000[4]	$000[4]
TRIFR[1]	5.5	N/A[2]	N/A[2]	N/A[2]	N/A[2]
Turnover	49,511	48,433	96,624	105,733	108,633
EBITDA before impairment charges	5,456	7,295	12,455	11,795	10,529
EBIT before impairment charges	3,787	5,108	8,239	6,411	4,699
Profit before tax and impairment charges	2,970	3,970	6,155	3,673	2,131
Impairment charges[3]	0	455	455	288	9,044
Net surplus	2,295	2,765	4,377	4,606	(5,880)
Total assets	55,945	62,260	56,530	77,104	75,725
Ordinary dividends	1,250	1,250	2,500	2,000	4,500
Cash flow from operating activities	3,426	2,951	5,553	7,018	863
Shareholder’s equity	14,756	13,384	13,757	11,675	8,773
Term debt	25,275	36,875	29,775	44,375	50,925
Return on average Shareholder’s equity before impairment charges (annualised)	32%	51%	34%	33%	18%
EBIT before impairment charges / average funds employed (annualised)	13%	15%	12%	8%	6%
Equity to assets	26%	22%	24%	15%	12%
Average number of employees	523	553	510	632	675

Notes:

(1) Total recordable injuries per 200,000 hours worked.

(2) Delta changed its harm reporting metric from LTIFR in the current financial year to align with industry best practice.

(3) The aftermath of the Global Financial Crisis affected civil contracting activities and the residential property market, and decisions were taken during the year ended June 2012, to write off goodwill of $1.544 million and reduce the carrying value of the Company’s property investments by $7.5 million. The carrying value of the Company’s property investments was written down by a further $0.1 million as at 31 December 2012 and $0.455 million as at 31 December 2013.

(4) These trend statement figures include items from both continuing and discontinuing operations.

STATEMENT OF COMPREHENSIVE INCOME
for the Six Months Ended 31 December 2014

		GROUP			PARENT		
	Note	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000
Operating revenue	**3**	48,076	86,214	42,285	48,076	86,239	42,301
Financial revenue	**4**	1,435	2,024	968	1,435	2,421	1,277
Total revenue		49,511	88,238	43,253	49,511	88,860	43,578
Less expenses							
Operating expenses	**5**	45,724	79,796	38,083	45,724	79,117	38,085
Financial expenses	**6**	817	2,065	1,128	817	2,065	1,128
Total expenses		46,541	81,861	39,211	46,541	81,182	39,213
Profit before tax		2,970	6,377	4,042	2,970	7,478	4,365
Income tax expense/(refund)	**10**	675	1,673	930	675	1,790	1,021
Net profit from continuing operations		2,295	4,704	3,112	2,295	5,688	3,344
Net loss from discontinuing operations	**7**	0	(327)	(347)	0	(201)	(41)
Net profit for the period		2,295	4,377	2,765	2,295	5,487	3,303
Other comprehensive income							
Cash flow hedges		(46)	205	194	(46)	205	194
Total other comprehensive income		(46)	205	194	(46)	205	194
Total comprehensive income		2,249	4,582	2,959	2,249	5,692	3,497

The results and operations of the group for the six months ended 31 December 2013 have been restated to include Delta Investments Limited as a discontinued operation.

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

STATEMENT OF CHANGES IN EQUITY
for the Six Months Ended 31 December 2014

		GROUP			*PARENT*		
	Note	**Six mths ended 31 Dec 14 $000**	**Year ended 30 Jun 14 $000**	**Six mths ended 31 Dec 13 $000**	**Six mths ended 31 Dec 14 $000**	**Year ended 30 Jun 14 $000**	**Six mths ended 31 Dec 13 $000**
Equity at the beginning of the period		13,757	11,675	11,675	13,757	10,565	10,565
Total comprehensive income		2,249	4,582	2,959	2,249	5,692	3,497
Less distribution to owners	**9**	1,250	2,500	1,250	1,250	2,500	1,250
Equity at the end of the period		**14,756**	**13,757**	**13,384**	**14,756**	**13,757**	**12,812**

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

BALANCE SHEET
as at 31 December 2014

		GROUP			PARENT		
	Note	31 Dec 14 $000	30 Jun 14 $000	31 Dec 13 $000	31 Dec 14 $000	30 Jun 14 $000	31 Dec 13 $000
Equity							
Share capital	**11**	17,000	17,000	17,000	17,000	17,000	17,000
Cash flow hedge reserve	**12**	(97)	(51)	(62)	(97)	(51)	(62)
Retained earnings	**13**	(2,147)	(3,192)	(3,554)	(2,147)	(3,192)	(4,126)
Total equity		14,756	13,757	13,384	14,756	13,757	12,812
Current liabilities							
Trade and other payables	**14**	8,560	7,297	6,169	8,560	7,297	5,783
GST payable		1,232	863	1,295	1,232	863	1,318
Cash flow hedge instruments	**15**	134	70	87	134	70	87
Provisions	**16**	4,127	3,963	3,673	4,127	3,963	3,673
Taxation payable		1,541	474	422	1,541	474	1,513
Total current liabilities		15,594	12,667	11,646	15,594	12,667	12,374
Non-current liabilities							
Term borrowings	**17**	25,275	29,775	36,875	25,275	29,775	36,875
Provisions	**16**	320	331	355	320	331	355
Total non-current liabilities		25,595	30,106	37,230	25,595	30,106	37,230
Total liabilities		41,189	42,773	48,876	41,189	42,773	49,604
TOTAL EQUITY AND LIABILITIES		**55,945**	**56,530**	**62,260**	**55,945**	**56,530**	**62,416**

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

BALANCE SHEET
as at 31 December 2014 – continued

		GROUP			PARENT		
	Note	31 Dec 14 $000	30 Jun 14 $000	31 Dec 13 $000	31 Dec 14 $000	30 Jun 14 $000	31 Dec 13 $000
Current assets							
Cash and cash equivalents	**22**	125	104	140	125	104	126
Trade and other receivables	**23**	24,326	24,834	22,997	24,326	24,834	23,050
Inventories	**24**	7,136	4,516	6,990	7,136	4,516	6,990
Prepayments		350	173	456	350	173	456
Related party advances		175	0	0	175	0	0
Development property held for sale	**28**	0	1,380	5,025	0	1,380	0
Assets held for sale	**29**	0	0	114	0	0	114
Advance to subsidiary	**30**	0	0	0	0	0	6,007
Total current assets		32,112	31,007	35,722	32,112	31,007	36,743
Non-current assets							
Intangible assets	**26**	1,017	527	532	1,017	527	532
Deferred tax asset	**18**	2,796	2,192	2,176	2,796	2,192	1,309
Property, plant and equipment	**25**	20,020	22,804	23,830	20,020	22,804	23,832
Total non-current assets		23,833	25,523	26,538	23,833	25,523	25,673
TOTAL ASSETS		**55,945**	**56,530**	**62,260**	**55,945**	**56,530**	**62,416**

For and on behalf of the Board of Directors

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I M Parton
CHAIRMAN

S J McLauchlan
DIRECTOR

23 February 2015

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

STATEMENT OF CASH FLOWS
for the Six Months Ended 31 December 2014

	Note	GROUP Six mths ended 31 Dec 14 $000	GROUP Year ended 30 Jun 14 $000	GROUP Six mths ended 31 Dec 13 $000	PARENT Six mths ended 31 Dec 14 $000	PARENT Year ended 30 Jun 14 $000	PARENT Six mths ended 31 Dec 13 $000
Cash flows from operating activities							
Cash was provided from							
Receipts from customers		46,071	80,499	42,599	46,071	83,150	40,723
Interest received		3	2	0	3	399	309
Net GST refund		389	0	257	389	0	258
		46,463	80,501	42,856	46,463	83,549	41,290
Cash was disbursed to							
Payments to suppliers and employees		41,864	71,653	39,504	41,864	71,873	37,615
Interest paid		804	1,745	1,136	804	1,990	1,135
Inter-group tax payments		0	559	0	0	558	0
Income tax paid		194	0	4	194	0	4
Related party advance		175	0	0	175	0	0
Tax asset purchased from Subsidiary		0	0	0	0	2,104	0
Net GST paid		0	452	0	0	276	0
		43,037	74,409	40,644	43,037	76,801	38,754
Net cash inflows from operating activities from continuing operations		3,426	6,092	2,212	3,426	6,748	2,536
Net cash inflows from operating activities from discontinued operations		0	(539)	739	0	242	1,042
Net cash inflows from operations	**27**	**3,426**	**5,553**	**2,951**	**3,426**	**6,990**	**3,578**
Cash flows from investing activities							
Cash was provided from							
Sale of development property		1,218	1,553	0	1,218	1,553	0
Sale of property, plant and equipment		3,319	850	151	3,319	850	151
Repayments from subsidiaries		0	0	0	0	8,331	1,442
Repayments from investment in financial Instrument		0	35	18	0	35	18
		4,537	2,438	169	4,537	10,769	1,611
Cash was disbursed to							
Development property		0	1	0	0	2,760	0
Purchase of property, plant and equipment		2,192	3,909	2,261	2,192	3,909	2,260
Advance to subsidiaries		0	0	0	0	853	733
Investment in financial instrument		0	1,200	1,200	0	1,200	1,200
		2,192	5,110	3,461	2,192	8,722	4,193

The results and operations of the group for the six months ended 31 December 2013 have been restated to include Delta Investments Limited as a discontinued operation.

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

STATEMENT OF CASH FLOWS
for the Six Months Ended 31 December 2014 - continued

	Note	GROUP			PARENT		
		Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000
Net cash inflows/(outflows) from investing activities from continuing operations		2,345	(2,672)	(3,292)	2,345	2,047	(2,582)
Net cash inflows/(outflows) from investing activities from discontinued operations		0	14,812	9,721	0	7,796	7,509
Net cash inflows/(outflows) from investing activities		**2,345**	**12,140**	**6,429**	**2,345**	**9,843**	**4,927**
Cash flows from financing activities							
Cash was provided from							
Receipts from borrowings		35,350	69,625	37,725	35,350	69,625	37,725
		35,350	69,625	37,725	35,350	69,625	37,725
Cash was disbursed to							
Repayment of borrowings		39,850	76,712	36,672	39,850	76,712	36,672
Dividends paid		1,250	2,500	1,250	1,250	2,500	1,250
		41,100	79,212	37,922	41,100	79,212	37,922
Net cash inflows/(outflows) from financing activities from continuing operations		(5,750)	(9,587)	(197)	(5,750)	(9,587)	(197)
Net cash inflows/(outflows) from financing activities from discontinued operations		0	(8,386)	(9,427)	0	(7,513)	(8,553)
Net cash inflows/(outflows) from financing activities		**(5,750)**	**(17,973)**	**(9,624)**	**(5,750)**	**(17,100)**	**(8,750)**
Net increase/(decrease) in cash, cash equivalents and bank overdraft		21	(280)	(244)	21	(267)	(245)
Cash and cash equivalents at the beginning of the period		104	384	384	104	371	371
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**22**	**125**	**104**	**140**	**125**	**104**	**126**

The results and operations of the group for the six months ended 31 December 2013 have been restated to include Delta Investments Limited as a discontinued operation.

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

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014

1 REPORTING ENTITY

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

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

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

Delta Investments Limited was a wholly owned subsidiary of Delta Utility Services Limited and a Council Controlled Trading Organisation as defined in the Local Government Act 2002. Delta Investments Limited was removed from the Companies Register on 11 July 2014.

The shares of Lakes Contract Services Limited were transferred to Dunedin City Holdings Limited on 17 December 2014.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The Company is a Tier 1 for–profit entity as defined by the External Reporting Board (expenses over $30 million) and has reported in accordance with Tier 1 For-profit Accounting Standards. 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. 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 23 February 2015.

The interim financial statements are to be read in conjunction with the most recent annual financial statements.

Basis of Accounting

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - 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. The critical accounting judgements, estimates and assumptions of the company are contained within the following policies.

Classification of business units as held for sale

The Group exercises judgement to determine when groups of assets are actively marketed in accordance with IFRS 5 “Non-current assets held for sale and discontinued operations. Assets, or groups of assets, are considered to be actively marketed once there is a board approval and an expectation of the disposal has been raised in those directly affected by the disposal.

Subsidiaries

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

Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The 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. Delta Investments Limited had a 50% interest in Luggate Park Developments Joint Venture. The financial statements were prepared using the proportionate method of consolidation from 1 July 2013 until 31 December 2013, the date at which the assets and liabilities of this joint venture were fully liquidated. The joint venture is now dissolved.

IFRS 11 Joint Arrangements effective for annual periods beginning on or after 1 January 2013 only allows the equity method of consolidation. Given the joint venture was dissolved as at 31 December 2013 this accounting standard change has no material impact on the results for the year ending 30 June 2014 or the period ending 31 December 2014.

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 entity.

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

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Construction Contracts

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

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

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

Leasing

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

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

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

Borrowing Costs

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

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

Employee Entitlements

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

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

The Group recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The calculation is based on the value of excess sick leave taken within the previous 12 months.

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 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 inclusive of GST.

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

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

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

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

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

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

Property, Plant and Equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

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:

	Rate	*Method*
Buildings (including fit-outs)	1% to 2%	straight line
Metering equipment	10% to 100%	straight line
Plant and equipment	2.5% to 25%	straight line
Motor vehicles	5% to 30%	straight line
Office equipment and fittings	5% to 25%	straight line
Construction in progress	no depreciation charged	

Intangible Assets

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

Impairment of Assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

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

Development Property Held for Sale

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

Cash and Cash Equivalents

Cash and cash equivalents comprise 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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Borrowings

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

Cash Flow Hedge Instruments and Hedge Accounting

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

Discontinued Operations

Discontinued operations consist of business units and other non-core assets that have either been sold or discontinued during the year or are classified as held-for-sale at period end.

Changes in Accounting Policies

There have been no changes in accounting policies during the period, as the below standards introduced or amended did not materially impact the Company.

Comparative periods Financial Revenue and Operating Expenses have been restated to include interest on impaired financial assets which is consistent with the treatment in the current period. This reclassification has had no impact on net profit for the comparative periods.

Standards Amended or Issued During the Period

During the year the following accounting standards became effective or were amended.

Standard	Brief Outline
Amendments to IAS 32 *Offsetting Financial Assets and Liabilities*	These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group have any offsetting arrangements.
Amendments to NZ IFRS 10, NZ IFRS 12 and NZ IAS 27	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. These amendments have no impact on the Group, since none of the Group qualifies to be an investment entity under IFRS 10.

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Standard	Brief Outline
Amendments to NZ IFRSs arising from the Annual Improvements Project (2010-2012)	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. This change had no impact on the Group in the current period, as the Group has no business combinations. NZ IFRS 13 – Amendments to clarify the measurement requirements for short-term receivables and payables. This change has had no impact on the Group. 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. This change has had no impact on the Group. 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. This change has had no impact on the Group, as this information was already disclosed.
Amendments to NZ IFRSs arising from the Annual Improvements Project (2011-2013)	NZ IFRS 1 – Application changes for First-time adoption of International Reporting Standards. This change has had no impact on the Group given it is already an NZ IFRS preparer. NZ IFRS 3 – Amends the scope paragraph for the formation of a joint arrangement. This is not applicable to the Group, as it currently has no investments in a Joint Venture. 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. This change has had no impact on the Group, as it holds no group of financial assets and financial liabilities. 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. There were no Investment property purchases during the period, therefore this has had no impact on the Group.
Novation of Derivatives and Continuation of Hedge Accounting	These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have had no impact on the Group as Dunedin City Treasury Ltd, who manages the Group's derivatives, has not novated any derivatives during the current or prior periods.

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Standards Issued but not yet Effective

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

Standard	Brief Outline
NZ IFRS 9 *Financial Instruments* Adoption date: Year ended 30 June 2016	NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit.
NZ IFRS 15 *Revenue Contracts* Adoption date: Year ended 30 June 2018	IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.
NZ IFRS 11 *Joint Arrangements* Adoption date: Year ended 30 June 2017	The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Standard	Brief Outline
NZ IAS 16 and IAS 38 Adoption date: Year ended 30 June 2017	The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.
NZ IAS 27 Adoption date: Year ended 30 June 2017	The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements as going forward there will be no consolidation.

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

	GROUP			PARENT		
	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000
3 OPERATING REVENUE						
Sales revenue	48,076	86,214	42,285	48,076	86,239	42,301
	48,076	86,214	42,285	48,076	86,239	42,301
4 FINANCIAL REVENUE						
Interest received	1,435	2,024	968	1,435	2,421	1,277
	1,435	2,024	968	1,435	2,421	1,277
5 OPERATING EXPENSES						
Included in the operating expenses are the following items						
Audit fees for audit of financial statements	27	53	27	27	53	27
Employee remuneration and benefits	19,269	35,006	17,403	19,269	35,006	17,403
Materials	9,273	14,538	7,648	9,273	15,918	7,648
Land cost of sales	1,380	1,380	0	1,380	0	0
Depreciation	1,669	3,834	1,809	1,669	3,834	1,809
Impairment charges/(gains)	0	0	0	0	(762)	0
Rental expense	969	1,227	608	969	1,227	608
Directors' fees	51	107	56	51	107	56
Bad debts written off	0	8	6	0	8	6
Increase/(decrease) in impairment provision for trade and other receivables	1,178	3,274	825	1,178	3,274	825
Donations	25	31	19	25	31	19
(Gain) on sale/disposal assets	(366)	(76)	(87)	(366)	(74)	(87)
Minimum lease payments	1,210	1,063	992	1,210	1,063	992
6 FINANCIAL EXPENSES						
Interest/facility fees - related parties	817	2,063	1,126	817	2,063	1,126
Interest - other	0	2	2	0	2	2
Total financial expenses	817	2,065	1,128	817	2,065	1,128

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 – continued

7 DISCONTINUED OPERATIONS

Discontinued operations represent components of the Group that have been disposed of or classified as held-for-sale during the period. In accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', the results and cash flows of these "disposal business units" are reported separately from the performance of continuing operations at each reporting date.

On 12 July 2013, the Group announced plans to cease operations in the civil construction sector. All Civil construction business units completed their contracts before exiting the sector by the end of June 2014. The civil construction business units are reported as discontinued operations.

A special resolution was passed on 1 May 2014 by Delta Utility Services Limited to have its subsidiary Delta Investments Limited removed from the Companies Register. The subsidiary was removed from the register on 11 July 2014. Delta Investments Limited's operations are included as discontinued operations

The results from discontinued operations which are included in the consolidated income statement have been disclosed below. The discontinued civil construction business units were within the parent entity Delta Utility Services Limited and, hence, the Group results. Delta Investments Limited's operations are within the Group results only, as it is a subsidiary of Delta Utility Services Limited.

Net profit from discontinued operations

	GROUP			*PARENT*		
	Six mths ended 31 Dec 14 $000	**Year ended 30 Jun 14 $000**	**Six mths ended 31 Dec 13 $000**	**Six mths ended 31 Dec 14 $000**	**Year ended 30 Jun 14 $000**	**Six mths ended 31 Dec 13 $000**
Operating revenue	0	8,371	5,180	0	3,961	3,195
Interest revenue	0	15	0	0	2	0
Total Revenue	0	8,386	5,180	0	3,963	3,195
Less Expenses						
Operating expenses	0	9,044	5,697	0	4,208	3,239
Financial expenses	0	19	10	0	19	10
Total expenses	0	9,063	5,707	0	4,227	3,249
Profit / (loss) before tax from discontinued operations	**0**	**(677)**	**(527)**	**0**	**(264)**	**(54)**
Income tax benefit	0	350	(180)	0	63	13
Net profit / (loss) from discontinued operations	**0**	**(327)**	**(347)**	**0**	**(201)**	**(41)**

The net assets held for sale relating to the civil construction sector have been disclosed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 – continued

	GROUP			PARENT		
	Six mths ended 31 Dec 14	Year ended 30 Jun 14	Six mths ended 31 Dec 13	Six mths ended 31 Dec 14	Year ended 30 Jun 14	Six mths ended 31 Dec 13
8 EARNINGS PER SHARE						

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

Number of shares						
Weighted average number of ordinary shares	17,000,000	17,000,000	17,000,000	17,000,000	17,000,000	17,000,000
Basic earnings per share	13.51 cents	25.75 cents	16.26 cents	13.51 cents	32.27cents	19.43 cents

		GROUP			PARENT		
		Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000
9 DIVIDENDS							
Interim dividend							
December 2014	7.4 cents/share	1,250			1,250		
December 2013	7.4 cents/share		1,250	1,250		1,250	1,250
Final dividend							
June 2014	7.4 cents/share		1,250			1,250	
		1,250	2,500	1,250	1,250	2,500	1,250

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

	GROUP			PARENT		
	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000
10 INCOME TAX						
Operating profit before income tax from continuing activities	2,970	6,377	4,042	2,970	7,478	4,365
Operating loss before income tax from discontinuing activities	0	(677)	(527)	0	(264)	(54)
Total operating profit before income	2,970	5,700	3,515	2,970	7,214	4,311
Tax thereon at 28%	832	1,596	984	832	2,020	1,207
Plus/(less) the tax effect of differences						
Expenditure non-deductible for taxation	44	28	4	44	94	26
Non-assessable income	(54)	(160)	(225)	(54)	(373)	(225)
Under/(over) tax provision in prior years	(71)	(43)	(26)	(71)	84	(13)
Deferred taxation	0	0	13	0	0	13
Current year tax consolidated adjustment	(76)	(98)	0	(76)	(98)	0
Tax effect of differences	(157)	(273)	(234)	(157)	(293)	(199)
Tax expense/(benefit)	675	1,323	750	675	1,727	1,008
Represented by						
Continued operations	675	1,673	930	675	1,790	1,021
Discontinued operations	0	(350)	(180)	0	(63)	(13)
Income tax	675	1,323	750	675	1,727	1,008
Represented by						
Current tax provision	1,237	475	0	1,237	2,576	1,090
Prior period adjustments to current tax	24	119	0	24	225	0
Deferred tax provision	(491)	924	776	(491)	(900)	(69)
Prior period adjustments to deferred tax	(95)	(195)	(26)	(95)	(174)	(13)
Income tax	675	1,323	750	675	1,727	1,008
Effective tax rate	22.7%	23.2%	21.3%	22.7%	23.9%	23.3%

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 – continued

	GROUP			PARENT		
	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000
11 EQUITY - Share Capital						
Issued Capital						
17,000,000 ordinary shares	17,000	17,000	17,000	17,000	17,000	17,000
12 RESERVES						
Cash Flow Hedge Reserve						
Balance at the beginning of the period	(51)	(256)	(256)	(51)	(256)	(256)
Net revaluations	(64)	285	269	(64)	285	269
Deferred tax arising on hedges (see Note 18)	18	(80)	(75)	18	(80)	(75)
Balance at the end of the period	(97)	(51)	(62)	(97)	(51)	(62)

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

13 RETAINED EARNINGS

Balance at the beginning of the period	(3,192)	(5,069)	(5,069)	(3,192)	(6,179)	(6,179)
Net profit for the period	2,295	4,377	2,765	2,295	5,487	3,303
Dividend distributions	(1,250)	(2,500)	(1,250)	(1,250)	(2,500)	(1,250)
Balance at the end of the period	(2,147)	(3,192)	(3,554)	(2,147)	(3,192)	(4,126)

14 TRADE AND OTHER PAYABLES

Trade payables	4,075	3,404	2,901	4,075	3,404	2,652
Due to related parties	934	180	242	934	180	242
Land sale deposits	0	173	381	0	173	0
Other creditors	3,551	3,540	2,645	3,551	3,540	2,889
	8,560	7,297	6,169	8,560	7,297	5,783

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

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 – continued

	GROUP			PARENT		
	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000

15 CASH FLOW HEDGE INSTRUMENTS

	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000
Interest rate swap revaluations - payable	(134)	(70)	(87)	(134)	(70)	(87)
Analysed as:						
Current	(134)	(70)	(87)	(134)	(70)	(87)

16 PROVISIONS

	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000
(i) **Current Liabilities**						
Long service leave	132	132	124	132	132	124
Annual leave	3,430	3,301	3,168	3,430	3,301	3,168
Gratuities	350	315	208	350	315	208
Sick leave	115	115	74	115	115	74
Other provisions	100	100	99	100	100	99
	4,127	3,963	3,673	4,127	3,963	3,673
(ii) **Non-Current Liabilities**						
Long service leave	231	231	238	231	231	238
Gratuities	89	100	117	89	100	117
	320	331	355	320	331	355

17 TERM BORROWINGS (secured)

	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000
Dunedin City Treasury Ltd - related party	25,275	29,775	36,875	25,275	29,775	36,875
	25,275	29,775	36,875	25,275	29,775	36,875

The term borrowings are secured by a General Security Agreement over all the assets of the Group. The facility available is $32.5 million. The repayment period on the term borrowings is:

	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000
Repayable between one to two years	0	0	0	0	0	0
Repayable between two to five years	25,275	29,775	36,875	25,275	29,775	36,875
	25,275	29,775	36,875	25,275	29,775	36,875

The weighted average interest rate for the loan, inclusive of any current portion, was 4.55% (30 June 2014: 4.64% and 31 December 2013: 4.22%).

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

18 DEFERRED TAX

	GROUP					
	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
Six months ended 31 December 2014:						
Property, plant and equipment	(162)	0	100	0	(62)	(62)
Employee benefits	1,136	0	29	1,165	0	1,165
Provisions	1,250	0	405	1,942	(287)	1,655
Revaluations of cash flow hedge instruments	20	18	0	38	0	38
Development costs	(52)	0	52	0	0	0
Balance at the end of the period	2,192	18	586	3,145	(349)	2,796
Year ended 30 June 2014:						
Property, plant and equipment	(93)	0	(69)	0	(162)	(162)
Employee benefits	1,345	0	(209)	1,136	0	1,136
Provisions	(50)	0	1,300	1,534	(284)	1,250
Revaluations of cash flow hedge instruments	100	(80)	0	20	0	20
Development costs	1,699	0	(1,751)	0	(52)	(52)
Balance at the end of the year	3,001	(80)	(729)	2,690	(498)	2,192
Six months ended 31 December 2013:						
Property, plant and equipment	(93)	0	(12)	0	(105)	(105)
Employee benefits	1,345	0	(528)	817	0	817
Provisions	(50)	0	623	573	0	573
Revaluations of cash flow hedge instruments	100	(75)	0	25	0	25
Development costs	1,699	0	(1,099)	600	0	600
Tax losses	0	0	266	266	0	266
Balance at the end of the period	3,001	(75)	(750)	2,281	(105)	2,176

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

18 DEFERRED TAX - continued

	PARENT						
	Opening Balance Sheet $000	Charged to Equity $000	Charged to Income $000	Transferred from Subsidiary	Closing Balance Sheet Assets $000	Closing Balance Sheet Liabilities $000	Closing Balance Sheet Net $000
Six months ended 31 December 2014:							
Property, plant and equipment	(162)	0	100	0	0	(62)	(62)
Employee benefits	1,136	0	29	0	1,165	0	1,165
Provisions	1,250	0	405	0	1,942	(287)	1,655
Revaluations of cash flow hedge instruments	20	18	0	0	38	0	38
Development costs	(52)	0	52	0	0	0	0
Balance at the end of the period	2,192	18	586	0	3,145	(349)	2,796
Year ended 30 June 2014:							
Property, plant and equipment	(93)	0	(69)	0	0	(162)	(162)
Employee benefits	1,345	0	(209)	0	1,136	0	1,136
Provisions	(50)	0	1,300	0	1,534	(284)	1,250
Revaluations of cash flow hedge instruments	100	(80)	0	0	20	0	20
Development Costs	0	0	52	(104)	0	(52)	(52)
Balance at the end of the year	1,302	(80)	1,074	(104)	2,690	(498)	2,192
Six months ended 31 December 2013:							
Property, plant and equipment	(93)	0	(12)	0	0	(105)	(105)
Employee benefits	1,345	0	(529)	0	816	0	816
Provisions	(50)	0	623	0	573	0	573
Revaluations of cash flow hedge instruments	100	(75)	0	0	25	0	25
Balance at the end of the period	1,302	(75)	82	0	1,414	(105)	1,309

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

	GROUP			PARENT		
	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000
19 CONTINGENT LIABILITIES						
Performance bonds	1,658	2,106	3,616	1,658	2,106	3,616

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

20 CAPITAL EXPENDITURE COMMITMENTS						
Plant and equipment	2,099	656	214	2,099	656	214
21 LEASE COMMITMENTS						
Non-cancellable operating lease commitments:						
payable within one year	1,112	975	909	1,112	975	909
payable between one to five years	1,852	1,453	1,397	1,852	1,453	1,397
payable later than five years	134	121	120	134	121	120
	3.098	2,549	2,426	3,098	2,549	2,426
22 CASH AND CASH EQUIVALENTS						
Cash and bank	125	104	140	125	104	126

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

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

	GROUP			PARENT		
	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000
23 TRADE AND OTHER RECEIVABLES						
Trade receivables	24,423	23,848	22,427	24,423	23,848	22,428
Less estimated doubtful debts	(6,015)	(4,837)	(2,754)	(6,015)	(4,837)	(2,754)
	18,408	19,011	19,673	18,408	19,011	19,674
Due from related parties	5,918	5,823	3,284	5,918	5,823	3,336
Other receivables	0	0	40	0	0	40
	24,326	24,834	22,997	24,326	24,834	23,050
24 INVENTORIES						
Materials and stores	2,522	2,121	2,145	2,522	2,121	2,145
Work in progress	4,614	2,395	4,845	4,614	2,395	4,845
	7,136	4,516	6,990	7,136	4,516	6,990

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 – continued

25 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Meters	Plant Equipment	Motor Vehicles	Office Equipment	Total
	$000	$000	$000	$000	$000	$000	$000
				GROUP			
31 December 2014:							
Cost							
Balance at the beginning of the period	5,396	5,031	7,918	10,241	25,473	937	54,996
Purchases	0	23	137	541	959	28	1,688
Sales/disposals	(712)	0	0	(13)	(6,663)	(1)	(7,389)
Total cost	4,684	5,054	8,055	10,769	19,769	964	49,295
Accumulated depreciation							
Balance at the beginning of the period	0	1,154	7,288	7,427	15,589	734	32,192
Depreciation	0	66	28	414	984	26	1,518
Sales/disposals	0	0	0	(13)	(4,421)	(1)	(4,435)
Total accumulated depreciation	0	1,220	7,316	7,828	12,152	759	29,275
Balance at the end of the period	4,684	3,834	739	2,941	7,617	205	20,020
30 June 2014:							
Cost							
Balance at the beginning of the year	5,896	5,059	7,757	15,185	36,068	967	70,932
Purchases	0	281	161	554	2,344	24	3,364
Sales/disposals	(500)	(309)	0	(5,498)	(12,939)	(54)	(19,300)
Total cost	5,396	5,031	7,918	10,241	25,473	937	54,996
Accumulated depreciation							
Balance at the beginning of the year	0	1,076	7,237	10,142	21,916	722	41,093
Depreciation	0	163	51	916	2,931	53	4,114
Sales/disposals	0	(85)	0	(3,631)	(9,258)	(41)	(13,015)
Total accumulated depreciation	0	1,154	7,288	7,427	15,589	734	32,192
Balance at the end of the year	5,396	3,877	630	2,814	9,884	203	22,804
31 December 2013:							
Cost							
Balance at the beginning of the period	5,896	5,059	7,757	15,185	36,068	967	70,932
Purchases	0	210	98	218	1,235	3	1,764
Sales/disposals	0	(70)	0	(5,110)	(12,221)	(84)	(17,485)
Transfer to assets held for sale	0	0	0	(91)	(698)	(15)	(804)
Total cost	5,896	5,199	7,855	10,202	24,384	871	54,407
Accumulated depreciation							
Balance at the beginning of the period	0	1,076	7,237	10,142	21,916	722	41,093
Depreciation	0	81	28	496	1,531	27	2,163
Sales/disposals	0	(36)	0	(3,264)	(8,631)	(58)	(11,989)
Transfer to assets held for sale	0	0	0	(75)	(607)	(8)	(690)
Total accumulated depreciation	0	1,121	7,265	7,299	14,209	683	30,577
Balance at the end of the period	5,896	4,078	590	2,903	10,175	188	23,830

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 – continued

25 PROPERTY, PLANT AND EQUIPMENT - continued

	Land	Buildings	Meters	Plant Equipment	Motor Vehicles	Office Equipment	Total
	$000	$000	$000	$000	$000	$000	$000
				PARENT			
31 December 2014:							
Cost							
Balance at the beginning of the period	5,396	5,031	7,918	10,241	25,473	937	54,996
Purchases	0	23	137	541	959	28	1,688
Sales/disposals	(712)	0	0	(13)	(6,663)	(1)	(7,389)
Total cost	4,684	5,054	8,055	10,769	19,769	964	49,295
Accumulated depreciation							
Balance at the beginning of the period	0	1,154	7,288	7,427	15,589	734	32,192
Depreciation	0	66	28	414	984	26	1,518
Sales/disposals	0	0	0	(13)	(4,421)	(1)	(4,435)
Total accumulated depreciation	0	1,220	7,316	7,828	12,152	759	29,275
Balance at the end of the period	4,684	3,834	739	2,941	7,617	205	20,020
30 June 2014:							
Cost							
Balance at the beginning of the year	5,896	5,054	7,757	15,185	36,068	967	70,927
Purchases	0	281	161	554	2,344	24	3,364
Sales/disposals	(500)	(304)	0	(5,498)	(12,939)	(54)	(19,295)
Total cost	5,396	5,031	7,918	10,241	25,473	937	54,996
Accumulated depreciation							
Balance at the beginning of the year	0	1,069	7,237	10,142	21,915	722	41,086
Depreciation	0	163	51	916	2,931	53	4,114
Sales/disposals	0	(78)	0	(3,631)	(9,258)	(41)	(13,008)
Total accumulated depreciation	0	1,154	7,288	7,427	15,589	734	32,192
Balance at the end of the year	5,396	3,877	680	2,814	9,884	203	22,804
31 December 2013:							
Cost							
Balance at the beginning of the period	5,896	5,054	7,757	15,185	36,068	967	70,927
Purchases	0	210	98	218	1,235	3	1,764
Sales/disposals	0	(70)	0	(5,109)	(12,221)	(84)	(17,484)
	0	0	0	(91)	(698)	(15)	(804)
Total cost	5,896	5,194	7,855	10,203	24,384	871	54,403
Accumulated depreciation							
Balance at the beginning of the period	0	1,069	7,237	10,142	21,916	723	41,087
Depreciation	0	81	28	496	1,531	27	2,163
Sales/disposals	0	(36)	0	(3,264)	(8,631)	(58)	(11,989)
	0	0	0	(75)	(607)	(8)	(690)
Total accumulated depreciation	0	1,114	7,265	7,299	14,209	684	30,571
Balance at the end of the period	5,896	4,080	590	2,904	10,175	187	23,832

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

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

26 INTANGIBLES

	GROUP			PARENT		
	Dec 2014	Jun 2014	Dec 2013	Dec 2014	Jun 2014	Dec 2013
	$000	$000	$000	$000	$000	$000
Software						
Cost						
Balance at the beginning of the period	4,423	4,128	4,128	4,423	4,128	4,128
Purchases	641	295	224	641	295	224
Total cost	5,064	4,423	4,352	5,064	4,423	4,352
Accumulated amortisation						
Balance at the beginning of the period	3,896	3,796	3,796	3,896	3,796	3,796
Amortisation	151	100	24	151	100	24
Total amortisation	4,047	3,896	3,820	4,047	3,896	3,820
Balance at the end of the period	1,017	527	532	1,017	527	532

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

27 RECONCILIATION OF NET PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP			PARENT		
	Dec 2014 $000	Jun 2014 $000	Dec 2013 $000	Dec 2014 $000	Jun 2014 $000	Dec 2013 $000
Net profit for the period	2,295	4,377	2,765	2,295	5,487	3,303
Items not involving cash flows						
Depreciation	1,669	4,216	2,187	1,669	4,216	2,187
Impairment charges	0	455	455	0	(762)	0
Deferred tax	(586)	729	750	(586)	(970)	(82)
Other non-cash items	1,178	3,291	(90)	1,178	3,291	(90)
Impact of changes in working capital items						
(Increase) / decrease in trade and other receivables	(672)	(2,827)	3,620	(672)	(2,775)	3,621
(Increase) / decrease in inventories	(2,619)	720	(1,753)	(2,619)	720	(1,754)
(Increase) / decrease in pre-payments	(179)	(30)	(314)	(179)	(30)	(314)
(Increase) / decrease in related party advances	(175)	0	0	(175)	0	0
Increase / (decrease) in trade and other payables	1,262	(868)	(1,997)	1,262	(658)	(2,174)
Increase / (decrease) in provision for tax	1,068	240	188	1,068	240	1,279
Increase / (decrease) in employee entitlements	153	(735)	(1,000)	153	(735)	(1,001)
Increase / (decrease) in other current liabilities	369	87	(688)	369	87	541
Items classified as investing or financing activities						
Net (gain)/loss on sale of property, plant and equipment	(366)	(2,118)	(1,827)	(366)	(2,116)	(1,827)
Items related to development property	173	(1,992)	(113)	173	992	0
Repayment of Westpac loan related to financing	0	0	874	0	0	0
Capitalised interest on financial instrument	0	0	(138)	0	0	(138)
Movement in capital creditors in accounts payable	(144)	8	32	(144)	3	27
Net cash inflows from operating activities	3,426	5,553	2,951	3,426	6,990	3,578

The above numbers are based on combined operations and include continuing and discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

28 DEVELOPMENT PROPERTY HELD FOR SALE

	GROUP			PARENT		
	Dec 2014 $000	Jun 2014 $000	Dec 2013 $000	Dec 2014 $000	Jun 2014 $000	Dec 2013 $000
Land	0	762	3,714	0	762	0
Land development in progress	0	618	1,311	0	618	0
Balance at the end of the period	0	1,380	5,025	0	1,380	0

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

29 ASSETS HELD FOR SALE

	GROUP AND PARENT
	Six months ended 31 Dec 2014 $000
Property, plant and equipment	114

On 12 July 2013, the Group announced plans to cease operations in the civil construction sector. All civil construction business units completed their contracts before exiting the sector by the end of June 2014. The civil construction business units are reported as discontinued operations. The net assets of the civil construction business unit have therefore been classified as held-for-sale at 31 December 2013. The results and performance of discontinued operations have been disclosed in Note 7.

30 ADVANCE TO SUBSIDIARY

	GROUP			PARENT		
	Dec 2014 $000	Jun 2014 $000	Dec 2013 $000	Dec 2014 $000	Jun 2014 $000	Dec 2013 $000
Advance to Delta Investments Limited	0	0	0	0	0	10,862
Impairment of advance	0	0	0	0	0	(4,855)
Balance at the end of the period	0	0	0	0	0	6,007

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

30 ADVANCE TO SUBSIDIARY - continued

Delta Investments Limited was liquidated as at 31 March 2014 and all advances were settled at that time. Delta Investments Limited was removed from the Company Register on Friday 11 July 2014.

The advance to Delta Investments Limited was unsecured and on call. Interest was charged on the loan at the floating rate Delta was charged. During the year ended 30 June 2014, this floating rate was 4.64% (six months to December 2013: 4.35%).

31 RELATED PARTY TRANSACTIONS

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

Transactions with Dunedin City Council

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

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

	GROUP			*PARENT*		
	Dec 2014	**Jun 2014**	**Dec 2013**	**Dec 2014**	**Jun 2014**	**Dec 2013**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Sales of services to the Dunedin City Council Group entities:						
Capital works constructed	9,203	15,661	6,472	9,203	15,661	6,472
Network management and operations	9,156	17,501	8,000	9,156	17,501	8,000
Contracting services provided	805	1,740	1,581	805	1,740	1,582
Administration and accounting	180	363	183	180	363	199
Rent	0	16	11	0	16	11
Interest	0	0	0	0	0	309
	19,344	35,281	16,247	19,344	35,281	16,573
Sales of services to Dunedin City Council:						
Other contracting	3,748	7,973	4,310	3,748	7,973	4,310

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

31 RELATED PARTY TRANSACTIONS - continued

At period end, the amounts receivable by the Company from Dunedin City Council entities:

	GROUP			PARENT		
	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000
Receivable from Dunedin City Council	416	790	345	416	790	345
Receivable from Dunedin City Council Group entities	5,502	5,033	2,939	5,502	5,033	2,991
Work in progress for Dunedin City Council Group entities	2,232	709	1,677	2,232	709	1,677
Purchases of goods and services from Dunedin City Council Group entities:						
Interest	811	2,083	1,137	811	2,083	1,137
Contracting services and supplies	242	120	90	242	120	90
Rent	13	26	13	13	26	13
	1,066	2,229	1,240	1,066	2,229	1,240
Management fee	25	50	25	25	50	25
Purchases of goods and services from Dunedin City Council:						
Contracting services and supplies	71	185	109	71	185	109
Rates	32	75	37	32	75	37
	103	260	146	103	260	146

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

31 RELATED PARTY TRANSACTIONS - continued

At period end, the amounts payable by the Company to Dunedin City Council entities exclusive of debt shown in note 17 are:

	GROUP			PARENT		
	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000	Six mths ended 31 Dec 14 $000	Year ended 30 Jun 14 $000	Six mths ended 31 Dec 13 $000
Payable to Dunedin City Council	3	9	0	3	9	0
Payable to Dunedin City Holdings Limited	0	0	0	0	0	0
Payable to Dunedin City Council Group entities	931	171	242	931	171	242

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

Transactions with companies in which Directors have an interest

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

Mr S J McLauchlan is Pro Chancellor of the University of Otago. During the financial period covered by this report, contracting services of $57,522 were provided to the University of Otago (30 June 2014: $27,650 and 31 December 2013: $10,515). $1,425 was outstanding as at 31 December 2014 (30 June 2014: $6,869 and 31 December 2013: $305). Services valued at $7,600 were purchased from the University of Otago (30 June 2014: $17,935 and 31 December 2013: $4,521). No monies were outstanding at 31 December 2014 (30 June 2014 and 31 December 2013: $nil).

Mr McLauchlan is Chairman of Scott Technology Limited. During the financial period covered by this report no contract services were provided to Scott Technology Limited (30 June 2014: $109 and 31 December 2013: $109). No monies were outstanding as at 31 December 2014 (30 June 2014 and 31 December 2013: $nil).

Mr McLauchlan is a Director of Cargill Hotel 2002 Limited. During the financial period covered by this report, services of $348 were purchased from Cargill Hotel 2002 Limited (30 June 2014: $1,113 and 31 December 2013: $1,113). No monies were outstanding as at 31 December 2014 (30 June 2014 and 31 December 2013: $nil).

Mr McLauchlan is a Director of Otago & Southland Employers Association. During the financial period covered by this report, services of $12,519 were purchased from Otago & Southland Employers Association (30 June 2014: $14,107 and 31 December 2013: $9,934). No monies were outstanding as at 31 December 2014 (30 June 2014 and 31 December 2013: $nil).

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

31 RELATED PARTY TRANSACTIONS – continued

Mr McLauchlan was a Director of Lund South Limited up until the 28 July 2014. During the financial period covered by this report, contracting services of $20,360 (30 June 2014: $2,925 and 31 December 2013: $2,245) were provided to Lund South Limited. No monies were outstanding as at 31 December 2014 (30 June 2014: $782 and 31 December 2013: $nil).

Mr McLauchlan is a Director of Rosebery Holdings Limited and during the financial period covered by this report directors fees of $11,750 were paid to Rosebery Holdings Limited for Mr McLauchlan's services (30 June 2014: $24,375 and 31 December 2013: $12,625). No monies were outstanding as at 31 December 2014 (30 June 2014: $nil and 31 December 2013: $6,756).

Mr D J Frow is a Director of ETEL Limited. During the financial period covered by this report, materials and services of $969,217 were purchased from ETEL Limited (30 June 2014: $1,543,993 and 31 December 2013: $987,395). $113,468 was outstanding as at 31 December 2014 (30 June 2014: $nil and 31 December 2013: $60,274).

Mr T J Kempton is a Councillor on the Otago Regional Council. During the financial period covered by this report, contracting services of $65,721 were provided to Otago Regional Council (30 June 2014: $330,237 and 31 December 2013: $199,205). No monies were outstanding as at 31 December 2014 (30 June 2014: $4,934 and 31 December 2013: $nil). During the financial period covered by this report, rates of $4,226 were charged to the Group by the Otago Regional Council (30 June 2014: $4,220 and 31 December 2013: $5,965). No monies were payable as at 31 December 2014 (30 June 2014 and 31 December 2013: $nil).

Mr Kempton is a Director of Long Beach Consulting Limited and during the financial period covered by this report, directors fees of $10,250 were paid to Long Beach Consulting Limited for Mr Kempton's services (30 June 2014: $13,667 and 31 December 2013: $3,417). No monies were outstanding as at 31 December 2014 (30 June 2014: $nil and 31 December 2013: $3,929).

Transactions with Executive Staff

There were no significant transactions with Executive staff during the period covered by this report. In the period ended 30 June 2014 contracting services valued at $728 were provided to Mr G Cameron the Chief Executive of Delta Utility Services Limited (31 December 2013: $nil).

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

32 FINANCIAL INSTRUMENT RISKS

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

Interest Rate Risk

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

The interest rate agreements are held with independent and high credit quality financial institutions in accordance with the Group's credit policy.

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

	GROUP			*PARENT*		
	Six mths ended 31 Dec 14 $000	**Year ended 30 Jun 14 $000**	**Six mths ended 31 Dec 13 $000**	**Six mths ended 31 Dec 14 $000**	**Year ended 30 Jun 14 $000**	**Six mths ended 31 Dec 13 $000**
Maturing in less than one year	2,500	2,500	2,500	2,500	2,500	2,500
Maturing between one and five years	5,000	5,000	5,000	5,000	5,000	5,000
Maturing after five years	0	0	2,500	0	0	2,500
	7,500	7,500	10,000	7,500	7,500	10,000

Credit Risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

32 FINANCIAL INSTRUMENTS RISKS - continued

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

	GROUP			*PARENT*		
	Six mths ended 31 Dec 14 $000	**Year ended 30 Jun 14 $000**	**Six mths ended 31 Dec 13 $000**	**Six mths ended 31 Dec 14 $000**	**Year ended 30 Jun 14 $000**	**Six mths ended 31 Dec 13 $000**
Cash and cash equivalents	125	104	140	125	104	126
Trade and other receivables	24,326	24,834	21,677	24,326	24,834	21,730
Prepayments	350	173	456	350	173	456
Short term investments	4,614	2,395	4,845	4,614	2,395	4,845
Related party advances	175	0	0	175	0	0
Advance to subsidiaries	0	0	0	0	0	6,007
	29,590	27,506	27,118	29,590	27,506	33,164

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-	125	104	140	125	104	126
Trade and other receivables						
AA-	416	790	345	416	790	345
Counterparties without credit ratings						
Trade and other receivables						
Existing counterparties with no defaults in the past	10,897	11,307	25,406	10,898	11,307	25,459
Existing counterparties with defaults in the past[1]	19,028	17,574	0	19,028	17,574	0

[1] This receivable is secured by a mix of mortgage securities and general security agreements. The counter-party to the debt recently defaulted on its obligations to pay a principal sum of $6.350 million by 30 April 2014 and is now also in breach of other obligations. Delta has reassessed the fair value of its secured debt receivable from the counterparty in default, by reference to market valuations and an assessment of the most likely means by which its security interests will be realised at year end. As is generally the case with valuations, there are inherent assumptions and uncertainties that were built in to the methodologies that were applied. The secured debts receivable have been classified as current as at 31 December 2014, on the basis that Delta expects to have enforced its security interests within 12 months of balance date.

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

32 FINANCIAL INSTRUMENTS RISKS - continued

Liquidity Risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

	GROUP						
	Maturity Dates Less than 1 Month $000	1 – 3 Months $000	3 Months to 1 Year $000	1 – 5 Years $000	More than 5 Years $000	Contractual Value $000	Carrying Value $000
As at 31 December 2014:							
Financial assets							
Cash and cash equivalents	125	0	0	0	0	125	125
Trade and other receivables	10,988	0	19,353	0	0	30,341	24,326
Related party advances	0	0	175	0	0	175	175
	11,113	0	19,528	0	0	30,641	24,626
Financial liabilities							
Trade and other payables	8,560	0	0	0	0	8,560	8,560
GST payable	1,232	0	0	0	0	1,232	1,232
Cash flow hedge instruments	1	0	0	133	0	134	134
Term borrowings	0	0	0	25,275	0	25,275	25,275
	9,793	0	0	25,408	0	35,201	35,201

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

32 FINANCIAL INSTRUMENTS RISKS - continued

	GROUP						
	Maturity Dates Less than 1 Month $000	1 – 3 Months $000	3 Months to 1 Year $000	1 – 5 Years $000	More than 5 Years $000	Contractual Value $000	Carrying Value $000
As at 30 June 2014:							
Financial assets							
Cash and cash equivalents	104	0	0	0	0	104	104
Trade and other receivables	11,563	0	18,108	0	0	29,671	24,834
	11,667	0	18,108	0	0	29,775	24,938
Financial liabilities							
Trade and other payables	7,297	0	0	0	0	7,297	7,297
GST payable	863	0	0	0	0	863	863
Cash flow hedge instruments	0	0	0	70	0	70	70
Term borrowings	0	0	0	29,775	0	29,775	29,775
	8,160	0	0	29,845	0	38,005	38,005
As at 31 December 2013:							
Financial assets							
Cash and cash equivalents	140	0	0	0	0	0	140
Trade and other receivables	21,585	0	1,412	0	0	25,751	22,997
	21,725	0	1,412	0	0	25,751	23,137
Financial liabilities							
Trade and other payables	6,169	0	0	0	0	0	6,169
GST payable	1,219	0	0	0	0	0	1,219
Cash flow hedge instruments	0	0	87	0	0	0	87
Term borrowings	0	0	0	36,875	0	0	36,875
	7,388	0	87	36,875	0	0	44,350

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

32 FINANCIAL INSTRUMENTS RISKS - continued

	PARENT						
	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	Contractual Value $000	Carrying Value $000
As at 31 December 2014:							
Financial assets							
Cash and cash equivalents	125	0	0	0	0	125	125
Trade and other receivables	10,988	0	19,353	0	0	30,341	24,326
Related party advances	0	0	175	0	0	175	175
	11,113	0	19,528	0	0	30,641	24,626
Financial liabilities							
Trade and other payables	8,560	0	0	0	0	8,560	8,560
Other current liabilities	1,232	0	0	0	0	1,232	1,232
Term borrowings	1	0	0	133	0	134	134
Cash flow hedge instruments	0	0	0	25,275	0	25,275	25,275
	9,793	0	0	25,408	0	35,201	35,201
As at 30 June 2014:							
Financial assets							
Cash and cash equivalents	104	0	0	0	0	104	104
Trade and other receivables	11,563	0	18,108	0	0	29,671	24,834
	11,667	0	18,108	0	0	29,775	24,938
Financial liabilities							
Trade and other payables	7,297	0	0	0	0	7,297	7,297
Other current liabilities	863	0	0	0	0	863	863
Term borrowings	0	0	0	29,775	0	29,775	29,775
Cash flow hedge instruments	0	0	0	70	0	70	70
	8,160	0	0	29,845	0	38,005	38,005

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

32 FINANCIAL INSTRUMENTS RISKS - continued

	PARENT						
	Maturity Dates Less than 1 Month	1 – 3 Months	3 Months to 1 Year	1 – 5 Years	More than 5 Years	No Maturity	Total
	$000	$000	$000	$000	$000	$000	$000
As at 31 December 2013:							
Financial assets							
Cash and cash equivalents	126	0	0	0	0	0	126
Trade and other receivables	21,638	0	1,412	0	0	0	23,050
Advance to subsidiaries	0	0	0	0	0	6,007	6,007
	21,764	0	1,412	0	0	6,007	29,183
Financial liabilities							
Trade and other payables	5,783	0	0	0	0	0	5,783
Other current liabilities	1,318	0	0	0	0	0	1,318
Term borrowings	0	0	0	36,875	0	0	36,875
Cash flow hedge instruments	0	0	87	0	0	0	87
	7,101	0	87	36,875	0	0	44,063

Fair value of financial instruments

Fair value measurements recognised in the statement of financial position:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

32 FINANCIAL INSTRUMENTS RISKS - continued

Group

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
31 December 2014:				
Financial liabilities				
Derivative financial liabilities	0	134	0	134
30 June 2014:				
Financial assets				
Development property held for sale	1,380	0	0	1,380
Financial liabilities				
Derivative financial liabilities	0	70	0	70
31 December 2013:				
Financial assets				
Development property held for sale	5,025	0	0	5,025
Assets held for sale	114	0	0	114
Financial liabilities				
Derivative financial liabilities	0	87	0	87

NOTES TO THE FINANCIAL STATEMENTS
for the Six Months Ended 31 December 2014 - continued

32 FINANCIAL INSTRUMENTS RISKS - continued

Parent

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
31 December 2014:				
Financial liabilities				
Derivative financial liabilities	0	134	0	134
30 June 2014:				
Financial assets				
Development property held for sale	1,380	0	0	1,380
Financial liabilities				
Derivative financial liabilities	0	70	0	70
31 December 2013:				
Financial assets				
Assets held for sale	114	0	0	114
Financial liabilities				
Derivative financial liabilities	0	87	0	87

33 CAPITAL MANAGEMENT STRATEGY

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

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

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

34 EVENTS AFTER BALANCE DATE

There were no significant events after balance date.