

ANNUAL REPORT
2022



DELTA
THINK.INFRASTRUCTURE



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WE ARE DELTA

WHO WE ARE

At Delta, we make communities better for people to live, work and play in – keeping the lights on, the trees trimmed and the parks green.

WHAT WE DO

Delta is an infrastructure specialist providing a range of contracting services to local authority and private sector customers. We construct, manage and maintain essential energy and environmental infrastructure largely in the South Island. Headquartered in Dunedin, with regional depots in Nelson, Christchurch, Rangiora, Cromwell, Alexandra, Wānaka, Queenstown and Auckland.

OUR VISION

Great people shaping better communities together.

OUR PURPOSE

Local professionals with innovative ideas, passionate about serving our communities.

OUR VALUES

DO IT FIRST.

DO IT RIGHT.

DO IT TOGETHER.

WHERE WE ARE



OUR YEAR

Q1 / JUL-SEP 2021

Q2 / OCT-DEC 2021

Q3 / JAN-MAR 2022

Q4 / APR-JUN 2022

Q1



Operations impacted by National Level 4 COVID-19 Lockdown



Demobilised from Outram to Berwick 33kV B-Line Project following FY21 completion of Stage 1



Appointed new General Manager Metering & Field Operations



Commenced Unit Rate trial for Maintenance Activities



Commenced Dunedin City Council Parks and Reserves Maintenance contract



Assisted Mainpower in network repairs following a major windstorm



Expanded services in Dunedin and opened new depot in Mosgiel



Led multiple community plantings for Dunedin City Council



Commenced Motueka 11kV Feeder Project



Hosted Super Smash cricket in Dunedin and Queenstown

Q2



Awarded power supply upgrades contract at Manapouri, Aviemore and Benmore Power Stations



Offered 1-Year extension on the Clyde Dam Tunnel Maintenance



Completed Outram Substation Upgrade project



Awarded 10-Year McKenzie District Roading contract with Fulton Hogan



Awarded Tender for Aurora Energy Arrowtown Substation Upgrade



Charity Challenge donation of \$4,000 to The Ark Preschool



Commenced work at Twizel Substation



Appointed new director and intern director to Delta Board



Hosted ICC Women's World Cup at the University Oval



Managed training grounds in Queenstown for Super Rugby Pacific teams

Q3



Charity Challenge donation of \$4,500 to Heart Kids Otago



Launched domestic recruitment campaign 'Powering Futures'



Restored Aurora Energy assets after major fire in Glendu Bay caused extensive damage



Hosted multiple ODI's and a T20 international at the John Davies Oval in Queenstown



Awarded the Intellihub Field Services Framework Agreement



Awarded the Trustpower Field Services Agreement

Q4



Awarded Aurora Energy Frankton GXP contract for Tree Services department



Awarded Vector BAU Services Agreement



Partnered with NZ Arboricultural Association to launch the first-ever Rākau o te tau / Tree of the Year 2022



Commenced turf resurfacing work at Caledonian Ground for the 2023 Women's FIFA World Cup



Expanded services in Christchurch and established a new warehouse



Completed major maintenance work in Westhaven



Completed 79% of ripple control upgrades for Aurora Energy



Completed major tree risk project for Invercargill City Council



Awarded Contact Energy Legacy Meter and Field Services Agreement



Secured new maintenance agreement for a Capacitor bank in Mosgiel, Dunedin



Awarded Tender for Aurora Energy Fibre Cable Installation at Kaikorai Valley Substation

KEY



POWER & COMMUNICATION SERVICES



METERING & FIELD OPERATIONS



GREENSPACE SERVICES



COMMUNITY/ GENERAL

CHAIRMAN AND CHIEF EXECUTIVE'S REPORT

for the year ended 30 June 2022

Delta faced many challenges during the financial year ended 30 June 2022 (FY22). We continued to experience strong demand for our services and remained well connected with the communities we operate in. The COVID-19 pandemic coupled with the war in Ukraine has resulted in all areas of our business coming under significant pressure towards the later parts of the year. Inflationary pressures, staffing constraints, stock shortages and staff sick leave all had a major impact on our operations.



Despite these pressures, Delta continued to uphold its commitments to its customers and its communities. The commencement of new contracts with Network Tasman, Nelson Electricity and the Dunedin City Council were all completed to a high standard, while continuing full work schedules and capital projects with existing customers.

Quality and safety did not suffer at the expense of a challenging year. Total recordable injuries per 200,000 hours worked (TRIFR) was below our expected target and we've seen a significant reduction in injury severity during the year. Busy work schedules and consistent demand for our services reinforced our technical expertise and secured forward work. Furthermore, Delta achieved two of its major Statement of Intent objectives in achieving both ISO 14001 (Environmental Management Systems) and ISO 45001 (Health & Safety Management Systems) accreditations, while retaining ISO 9001 (Quality Management Systems). The ISO framework is regarded as one of the most widely recognised international standards and highlights Delta's commitment to robust processes and continuous improvement. This was a major

milestone for FY22, and although proud of our achievements, global challenges tested our adaptability and made the year particularly challenging on many fronts.

Company operations came to a grinding halt during the August/September 2021 lockdown, and unlike the FY20 lockdown, the wage subsidy received only covered a small portion of fixed costs. Upon exiting the lockdown, the Company had to reset a number of work programmes and reschedule a number of major projects as we looked to catch up on lost work and meet customer workplans. Border closures and an excess of work in the Electrical industry across NZ made it increasingly difficult to find skilled staff. To meet the needs of our customers and fit a much larger schedule of work into a shorter space of time, required large levels of subcontractor use as well as increased work at penal rates by our employees at significantly reduced margins.

The Company recorded a net profit after tax of \$2.919 million in FY22, well down on budget/targets as well as FY21's profit of \$4.540 million. This amounted to a return on Shareholders' funds of 11% - slightly below the target of 13%.

FINANCIAL SNAPSHOT

\$108.9m

Total Revenue

\$2.919m

Net Profit

11%

Return on Shareholders Funds

\$7.2m

Cash Flows

\$65.6m

Total Assets

40%

Equity Ratio

\$13.0m

Company Borrowings

\$2.600m

Dividend Payment

Operating revenue was \$108.9 million for FY22, an increase of 5 per cent on the previous year (FY21: \$103.5 million), underpinned by growth in services provided to existing and new energy and environmental customers despite COVID-19 disruptions.

Our debt with Infinity Yaldhurst Limited was fully repaid in September 2021. As reported in previous years, this debt arose from the supply of infrastructure services on a Christchurch subdivision. In August 2016, the subdivision was purchased by property development group Infinity Yaldhurst Limited at which time the Company entered a new loan agreement to replace the historical debt owed by the previous developer. The subdivision has progressed very well this year with the historical issues previously impeding the development now resolved. During the year the Company received \$12.2 million, \$4.5 million of which were surplus sale proceeds from the development.

Cash flows from operations at \$7.2 million were well below target and the previous year and are reflective of the unfavourable trading results during the year.

Total assets remained relatively unchanged increasing slightly from \$65.4 million to \$65.6 million. Increases in the company's right of use assets (long term property and vehicle leases), property, plant and equipment, intangible assets (new ERP system) and working capital were offset by reductions in our term receivable (discussed earlier).

The Company's borrowings reduced substantially during the year, down \$3.5 million to \$13.0 million (FY21 \$16.5 million). This is again mainly due to reductions in the term receivable.

Despite continuing challenges related to the COVID-19 pandemic, the Company was pleased to pay a dividend of \$2.600 million, \$600k higher than targeted in its FY22 Statement of Intent. The higher than budgeted dividend reflected the favourable borrowings position and the early repayment of the term receivable. Equity also increased by 1% to \$26.2 million with the Company's equity ratio remaining at 40%. In approving the dividend payment, the Board carefully considered the prudent balance between shareholder returns and retained earnings. As one of the Dunedin City Council's group of companies, the Company's financial returns and dividends ultimately benefit its community owners.

POWER & COMMUNICATION SERVICES

Our electrical contracting business continued to deliver distribution services to Aurora Energy, Network Tasman, and Nelson Electricity networks during FY22. Busy work programmes saw Delta deliver a diverse range of services and despite COVID-19 lockdown periods, Delta successfully provided continuity of services to all its electrical customers.





5,665

Electricity faults attended to in Dunedin, Central Otago and Tasman

Delta delivered more than \$66 million worth of electrical contracting services to its key customers. This included faults response, pole and crossarm replacements, conductor replacements and upgrades, zone substations upgrades, installation of new 11kV and 33kV cables, fibre cable installations, asset inspections, maintenance services, subdivision reticulation, and numerous upgrade projects at generation sites.

As the dedicated fault response provider to our electricity distribution customers, our crews are called upon to repair damage and restore power as quickly and safely as possible. During FY22, Delta responded to approximately 5,700 faults. Natural events and extreme weather are often the cause - requiring our staff to work in all conditions and at any time. During the reported year, Delta responded to a major fire event in Wānaka which caused extensive damage to the Aurora Energy network. Also, two crews from Tasman went to Canterbury to assist MainPower with network repairs following a major windstorm event.

Delta continued its longstanding relationship with Aurora Energy during the year. FY22 saw Delta meet its obligations under the Aurora Energy Field Services Agreement (FSA), as well as successfully delivering a number of large capital projects secured through competitive tendering processes.

Delta commenced new contracts with Network Tasman and Nelson Electricity during FY22, which strengthened the long-term



\$66M+

of electrical contracting services delivered for key customers

relationships we hold in the region. Scheduled maintenance for both Network Tasman and Nelson Electricity networks were completed to a high standard in FY22.

MAJOR PROJECTS

Major project work for FY22 saw Delta complete the Outram Substation Upgrade Project and demobilise from the Outram to Berwick 33kV B-Line Project, which was completed at the end of FY21. Both projects were in Dunedin and on behalf of Aurora Energy.

In Central Otago, Delta completed the Camp Hill 33kV Feeder Project, dubbed 'The Big Day Out', which saw approximately 90 staff replace poles and network assets on 41 sites across Wānaka and Hāwea in a single day! The project, which was commissioned by Aurora Energy and led by Delta with the help of other contractors, was a major success and was completed safely and within the outage timeframe.

In Tasman, we completed a major maintenance package of work in Cowan Road, Whanganui Inlet (formally known as Westhaven, a remote area of the West Coast/ Tasman region). Additionally, we commenced work on the Motueka 11kV Feeder Project, which saw Delta install approximately 7km of new 11kV cable to provide network reinforcement to Motueka CBD. This project is now in the commissioning stages.

Delta also commissioned a new 11kV switchboard in Dunedin for Ravensdown, and commenced work at the Twizel Substation on behalf of Meridian Energy. In addition to completed work, Delta was successfully awarded several



30

Electrical apprentices as of 30 June 2022

contracts for various distribution and electrical projects in FY22.

GENERATION

In the generation market, Delta continues to provide technical expertise in power generation and electrical services to Contact Energy, Meridian Energy, Pioneer Energy, and Manawa Energy. During FY22, Delta secured an extension of Contact Energy's Master Services Agreement and Meridian Energy's Preferred Supplier Panel Contract.

OTHER

Our Dunedin-based test laboratories provide a highly skilled and specialised service. We test, calibrate, and refurbish precision instruments, smart meters, and personal protective equipment (PPE), used throughout the electrical industry. Delta has maintained its Class A and Class B Test House accreditation (ISO 17025).

Our engineering workshops also provide a specialised service. During FY22 Delta completed a number of truck builds and refurbishments for Delta crews and external customers.

Delta continued its commitment to train more people in the Electrical Industry. During FY22, a number of our Trainee Line Mechanics and Cable Jointers became qualified, many of our employees commenced cross-skilling, and some of our Technicians obtained their Level 5 qualification as Power System Technicians or a Diploma in Electrical Engineering. During FY22, Delta increased the number of its current electrical trainees to 30.

METERING & FIELD OPERATIONS

Delta has grown its share of the metering services industry and continues to work with all major Metering Equipment Providers (MEP). We have significant working relations with SmartCo and other South Island Electricity Distribution Businesses (EDB). We have experienced year-on-year growth and as a result, have added additional resources in Auckland and Christchurch.





57,379

Dispatch calls handled



36,546

Smart meters installed



24,716

Reconnections and disconnections undertaken

During FY22, Delta was awarded major 3-year contracts with both Contact Energy and Vector Metering. For Contact Energy, Delta carries out nationwide disconnection/reconnection and metering services, as well as facilitating new connections. For the Vector Metering contract, which started in June 2022, we expanded our presence in Christchurch, hiring a number of support staff and new technicians for work on the Orion network. Once fully operational, this depot will eventually service the upper South Island and the West Coast.

Smart meter installation work continued to grow for Delta this year, with more than 36,000 smart meters placed into homes and businesses for major customers including Intellihub and Vector Metering. Delta also carried out smart meter maintenance work for several EDB and MEP (Meter Equipment Provider) customers, as well as maintaining its own meter fleet around New Zealand.

Since 2010, Delta has been upgrading the relay units for ripple control on the Aurora Energy network in Dunedin. Ripple control is responsible for regulating things such as hot water into homes and businesses. The upgrade allows for the units to run at a better and more reliable frequency rate, which is important for the asset's lifecycle. Delta has completed over 35,000 upgrades during this time and is set to complete this extensive project in 2026.

Our Auckland operation (which is Delta's only North Island operation), was heavily impacted by the 2021 Auckland lockdown and subsequent COVID-19 outbreaks in 2022. However, we are pleased to have seen significant growth in the market, especially in the new connection space. Christchurch has also seen growth in its new connections and Dunedin has had an increase in the fault and safety disconnection/reconnection services.

GREENSPACE SERVICES

Delta's greenspace services business continued to perform well during FY22, despite COVID-19 continuing to impact our business operations. We delivered a wide range of services in sports turf management, ecological and horticultural services, roadside vegetation control, tree services and park and reserve maintenance throughout the South Island.





4,010

Hectares of vegetation maintained for local authority customers

In FY22, Delta's longstanding relationship with the Dunedin City Council was strengthened with the commencement of the Dunedin Parks and Reserves 10-Year Maintenance Contract. Delta successfully delivered all greenspace requirements for the City, as its primary service provider. With the inclusion of tree services and a significantly larger delivery area, Delta expanded into a Mosgiel depot during the year. Approximately 15 staff work out of this location and service the Southern part of Dunedin.

Normal business requirements during the year continued to be successful with quality maintenance of high-profile sites including Dunedin Railway Station, Dunedin Airport, Olveston Historic Home, and the Lan Yuan Chinese Gardens. Delta also further developed its relationship with Dunedin Venues Management Limited, being recognised as an excellent provider of sports turf management work. In July 2022, Delta became the supplier of turf management services for the maintenance and management of the playing and amenity surfaces at Forsyth Barr Stadium, the only covered stadium in New Zealand.

Elsewhere, Delta's turf management teams continued to provide high quality services to the benefit of the wider community. In Dunedin, the University of Otago Oval turf team provided international standard grounds for the Women's ICC World Cup, while at the Caledonian Ground, significant resurfacing works began



46,931

Metres of vegetation cleared from power lines

on a training field for the 2023 FIFA Women's World Cup. Delta managed and maintained multiple training grounds and sports fields for Super Rugby competition teams in Queenstown. Additionally, the John Davies Oval played a T20 International between New Zealand and India and multiple one-day Internationals. Throughout Central Otago, Delta continued to provide presentation and maintenance works of community open spaces on behalf of the Central Otago District Council.

Throughout FY22, Delta's strong relationship with the Waimakariri District Council continued. We provided extensive support for severe flooding in the area and further flood bank retention work was completed on behalf of the Council. Additionally, we expanded our services for cemetery and burial sites. General garden, parks and reserves maintenance continued across the Waimakariri district including multiple playground reinstatements.

In the Canterbury region, Delta was awarded the 10-Year McKenzie District Roding contract as a sub-contractor to Fulton Hogan for vegetation control work, thus expanding and solidifying Delta's presence across this region and providing long-term security for staff. Further north, Delta continued to supply roadside vegetation control services to Fulton Hogan and Downer on behalf of the Murchison, Golden Bay, Waka Kotahi NZ, Nelson NOC and the Tasman District Council.



584

Customers received Greenspace services

TREE SERVICES

Delta successfully delivered the first year of the Dunedin City Council tree management component of the wider Parks and Reserves maintenance contract with 200 street and reserve tree plantings - the most significant planting that the Dunedin City Council has undertaken in a number of years.

During FY22, Aurora Energy divided its vegetation control component of the FSA agreement with Delta retaining the ongoing FSA agreement vegetation control component - however, we were required to tender for the Frankton GXP section. Delta was awarded this 7-year contract beginning in April 2022, thus continuing to maintain our services and strengthening our relationship with Aurora Energy.

In the Canterbury region, Delta continued to successfully deliver established vegetation work for Orion Energy. Additionally, Delta worked with Orion to develop a different style of contracting arrangement which will look to be implemented in due course. Further south, Delta completed a major tree risk project for the Invercargill City Council and continued to maintain excellent relationships with other local authorities and private customers.

SAFETY AND RISK

Our safety vision of 'Everyone Home Safe. Every Day' is the backbone of our commitment and is lived throughout the business consistently. Delta is committed to ensuring a safe and healthy work environment for all our staff, contractors, and the public. Given the energy present in the hazards we manage and work with every day, it is essential that the health and safety of our people is a strategic and operational priority across the business. Delta is proud to have achieved ISO 45001 (Health & Safety Management Systems) accreditation during FY22, and this solidifies our commitments.



2.83

TRIFR rate against 3.50 target



25%

Of all Delta drivers are 5-star rated ROAD drivers



93%

Total reduction in injury severity

FY22 has been one of Delta's busiest years, with 56,000 more hours worked than FY21 - the busiest year on record. To ensure that the health, safety, and wellbeing of our people were at the forefront of our activities, we focused on good planning and preventative measures. Our critical risk audits remain a functional and evolving tool within the business. We use these and other forms of audit as a measure of capacity, controls, and defences to determine our resilience. We've made good progress with these over the years and understanding our workplace is dynamic, we continue to refine our processes to confirm effectiveness.

Our health and safety targets for the year were as follows: total recordable injuries per 200,000 hours worked (TRIFR) was 2.83, against a target of 3.50. Total lost time injuries per 200,000 hours worked (LTIFR) was 1.35, against a target of 1.00. Despite our LTIFR target not being met this year, we have been consistent in reducing harm over the past 4 years, with an injury severity (lost days incurred) reduction of 93%. Our ACC levy discount is the highest it's ever been, at 30%, and directly reflects our commitment to high quality planning and how we manage risk.

Delta made the shift to EROAD during FY22. With a fleet of approximately 500 vehicles and over 7.7 million kilometres travelled during FY22, driver safety is a top priority at Delta. In-cab notifications, through our Driver Buddy units, have significantly

decreased speeding events - with a reduction of 44% since 2020. Additionally, 5-star rated drivers made up 25% of all Delta drivers in FY22. EROAD has enabled a better understanding of our driving behaviour and allowed us to adjust accordingly. Delta will continue to actively seek areas of improvement with EROAD and ensure our drivers remain safe on the road.

Alongside the rest of the world, Delta continued to respond to the COVID-19 pandemic. During FY22, New Zealand entered several lockdowns of varying degrees, moved from its original Alert Level system to the Traffic Light model, and made the COVID-19 vaccine a strongly-encouraged requirement. Delta managed the situation closely and ensured all staff were well informed - releasing timely updates and informative work packs, regularly. Delta kept all staff employed and on 100% full pay during lockdown periods, and when it became available and encouraged, Delta carried out a thorough risk assessment and underwent an extensive consultation period with staff regarding the COVID-19 vaccine. In December 2021, Delta determined a Vaccination Standard was required, as it would ensure the safety of our staff and others, while flattening the curve internally to allow business continuity. Remarkable acceptance and support were shown by our people, and Delta is thankful for their resilience throughout this pandemic.

OUR PEOPLE

At Delta, it's the people who make the difference. We're a team of 600 skilled professionals with a dedication and passion for the industries we work in. Providing sustainable career paths is important at Delta. During FY22, we had an average of 35 trainees enrolled in various greenspace and electrical trainee programmes across our locations.



Diversity in our gender balance has also been a focus. Delta prides itself on providing an environment where everyone is valued for the work they do. Among Delta staff, the gender balance was 81% male and 19% female. Within the Leadership Group, it was 90% male and 10% female and amongst the Board of Directors, it was 75% male and 25% female.

This year's Staff Engagement Survey saw a record-high response rate with 71% of Delta staff taking part. The survey was conducted at the end of FY22, and the results are due within the first quarter of FY23. Once received, Delta is committed to using the feedback to shape our future developments.

Skill shortages within our industries, especially in our electrical business, have continued to negatively impact our operations. Delta launched its Powering Futures domestic recruitment campaign at the beginning of May 2022. In order to combat an increasingly competitive employment market, our campaign focused on our work culture and the benefits of joining our team. Our employee value proposition has been a focus for us during FY22 and we are proud of the benefits we have on offer. During the year, we introduced the Best Bonus Ever Bonus (BBEB) scheme through our recruitment campaign, established an internal employee referral scheme, secured an extensive Life Insurance package for all Delta employees, achieved accreditation for the Accredited Employer Work Visa (AEWV) scheme introduced by Immigration NZ, and ensured that all Delta employees were paid the living wage as a minimum.



AVERAGE TRAINEE NUMBERS

35



STAFF ENGAGEMENT SURVEY RESPONSE RATE

71%



EMPLOYEES BY GENDER

	Male	Female
Board of Directors	3	1
Leadership Group	9	1
Delta Total	489	111

OUR COMMUNITIES



The Ark Preschool

We are proud to support the communities in which we operate and provide essential infrastructure services. In FY22, Delta played a major role in the first-ever Rākau o te tau / Tree of the Year Aotearoa. Six trees were short-listed as finalists in this year's competition and the public voted on their favourite tree. Delta is the only corporate sponsor and provided funds that contributed to the development of the Tree of the Year website, the security of the voting platform, and the PR campaign to encourage voting across Aotearoa.

Monday - Friday
8.00am - 4.00pm

Phone 544
arkpres



The competition has been regarded as a success, with over 6,000 individual votes. The winning tree was the sacred Pōhutukawa Tangi Te Korowhiti from the Tainui area of the Waikato, and was appropriately announced on Arbor Day (5 June). The 2023 competition has started taking public nominations already. Delta is looking forward to continuing its support for the years to come.

For the past two years, the Alexandra Blossom Festival and the Connexis Annual Connection have been postponed due to COVID-19. Both events have been major sponsorship initiatives for Delta. With changes to our COVID-19 settings, both events are scheduled to recommence in September 2022. The LUMA Southern Light Project was also postponed due to COVID-19 in FY22, but they hope to be back up and running in 2023. Delta is looking forward to supporting these events once again, as they resume.

Our long-standing Charity Challenge has seen Delta provide thousands of dollars to local charities over the years. The Charity Challenge is a company-wide safety initiative that helps raise safety awareness among staff while making a difference to worthy causes in the communities in which we operate. Each time an employee reports a close call or identifies a new hazard, the Charity Challenge fund increases. When the fund reaches a certain threshold, the best entry is selected, and that member of staff nominates a charity of their choice. In FY22, Delta donated \$8,500 through this initiative to Heart Kids Otago and Ark Preschool in Tasman.



TOTAL TREE OF THE YEAR NZ VOTES

6,268



TOTAL DONATED TO HEART KIDS OTAGO

\$4,500

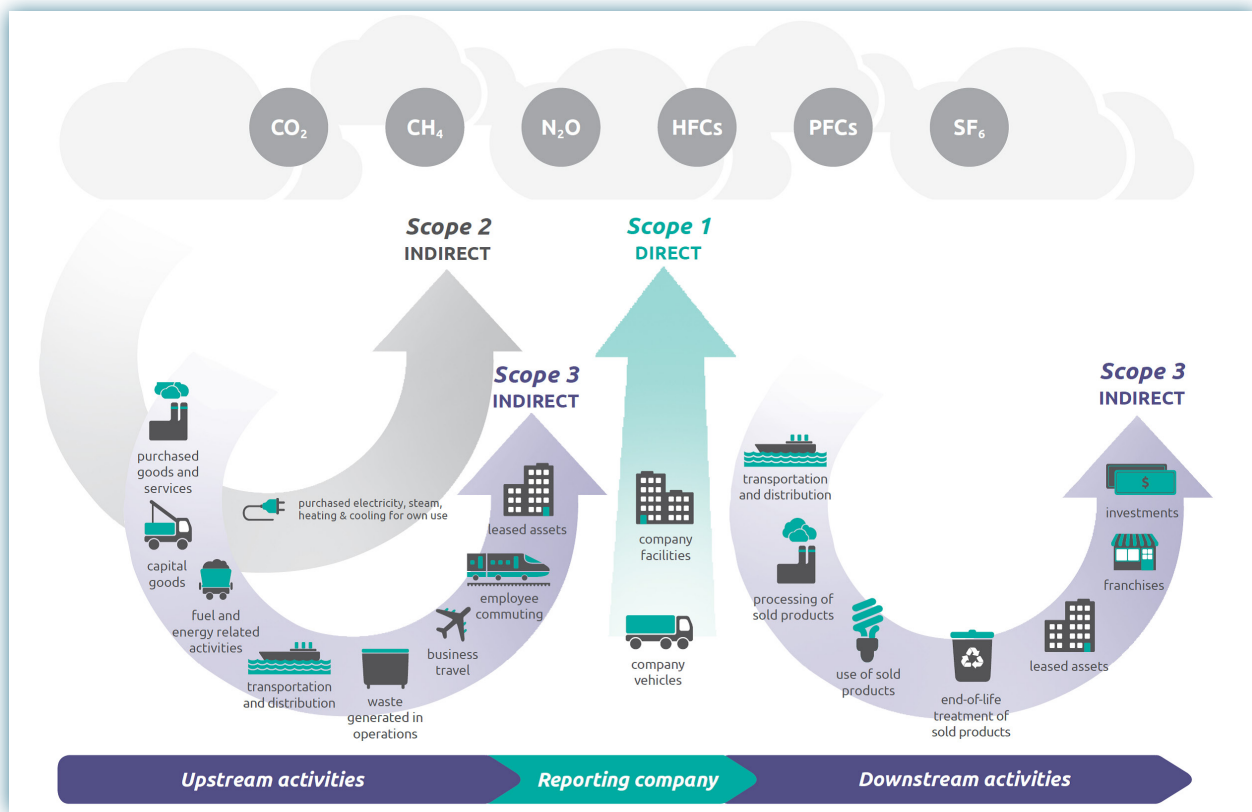


TOTAL DONATED TO TASMAN ARK PRESCHOOL

\$4,000

OUR SUSTAINABILITY

Delta is committed to its environmental performance and continuing sustainable work practices. During FY22 Delta transitioned away from Enviromark Gold to the more widely recognised ISO 14001 (Environmental Management Systems) accreditation. As New Zealand responds to climate change, Delta also established a 7-year Carbon Emission and Waste Reduction Strategy designed to take immediate action on our waste and emissions as a business.



From our FY21 baseline measurement, Delta is committed to reducing its Scope 1 emissions by 45%, Scope 2 emissions by 100%, and Scope 3 emissions by 20% (which includes: waste, travel, and freight), over the 7-year period.

During FY22 we again assessed and measured our Greenhouse Gas (GHG) emissions. We continued to complete this process internally, alongside guidelines established with external advisors, and in accordance with the requirements of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and ISO 14064-1:2006 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

We have continued to focus on measuring our Scope 1 and 2 emissions and an agreed selection of Scope 3 (indirect, or value chain) emissions.

Scope 1 - direct emissions that are operationally controlled by Delta, including:

- Mobile consumption emissions related to fleet vehicles and trucks, owned or operated by Delta.
- Stationary combustion emissions related to machinery and equipment.

Scope 2 - indirect GHG emissions from imported energy, including:

- Purchased electricity that is consumed at sites we operate.

Scope 3 - we have aligned with the Dunedin City Holdings Limited (DCHL) group of companies. It was agreed that the companies would report on a minimum set of Scope 3 emissions which are waste, freight, and travel.

Our Scope 3 emissions include the following:

- Waste generated from our own operations (the waste owned by our customers has not been measured).
- Upstream transportation (the freighting of goods purchased by Delta).
- Business travel (primarily flights and accommodation).
- Electricity transmission and distribution losses.

At this stage, we have not captured emissions relating to our suppliers and contractors.

We will review which Scope 3 emissions are relevant and appropriate on an ongoing basis, as we continue to measure and report our carbon footprint.

RESULTS

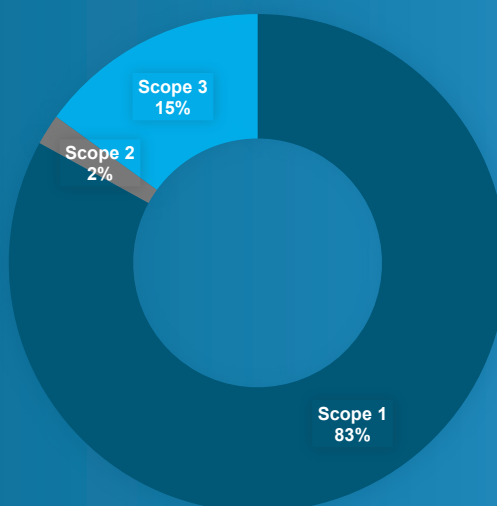
Emissions are reported as tonnes (t) of Carbon Dioxide (CO₂) equivalent (e), or tCO₂-e. "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another greenhouse gas.

Emissions	2022		2021	
	t CO ₂ -e	%	t CO ₂ -e	%
Scope 1	3,692	83%	3,692	90%
Scope 2	104	2%	106	3%
Scope 3	645	15%	288	7%
Total	4,441	100%	4,086	100%

EMISSIONS BY SCOPE

Delta's measure of GHG emissions for the year-end June 2022 is: **4,441 tCO₂-e**.

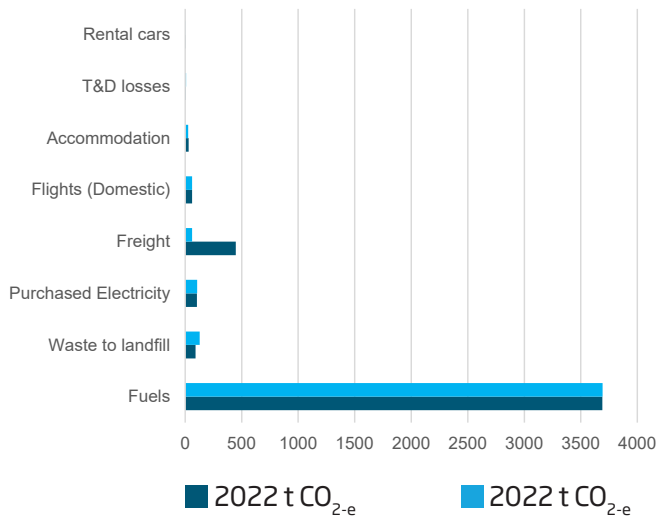
Unsurprisingly for a contracting company, our primary source of emissions is associated to Scope 1, mainly related to fuel used for our fleet.



EMISSIONS BY ACTIVITY

Category emission source	2022 t CO _{2-e}	2021 t CO _{2-e}
Fuels	3,692	3,692
Waste to landfill	93	128
Purchased Electricity	104	106
Freight	447	63
Flights (Domestic)	62	61
Accommodation	30	26
T&D losses	8	8
Rental cars	5	2

EMISSIONS (kg CO_{2-e})



CONCLUSION

We will continue to measure and manage our footprint on an ongoing basis and to report on this annually.

This year has seen a slight increase in CO_{2-e} compared to the 2021 year. This is due to the following:

- Increased accuracy in calculations, particularly in regard to freight. Due to COVID-19, we have seen a larger volume of hardwood cross arms from Australia, and hardwood poles and concrete busk poles from the North Island and Canterbury - previously these came from Invercargill. These changes were outside of our control.
- An overall increase in revenue and workload of 5%.
- An increase in staff numbers from 566 to 600.
- Increased size of the light fleet vehicles by 26. This was due to new contract starts and an increase in plant, such as mowers etc.

Delta is confident that our Carbon Emission and Waste Reduction Strategy will help tackle consumption head-on and make a significant impact going forward.

OUR THANKS

We wish to extend our thanks and appreciation to our people, our customers, and our communities. We continue to adapt to new environments and build resilience in our operations. As an organisation, our focus is on stabilising our financial results to deliver sustainable, healthy, long-term returns. Major challenges such as COVID-19 and ongoing inflationary pressures will continue to make this difficult. A number of initiatives are being implemented to help combat the impact on Delta. We look forward to FY23 and what the year ahead has in store.





A handwritten signature in black ink, appearing to read 'Peter Carnahan'.

Peter Carnahan
CHAIRMAN

A handwritten signature in black ink, appearing to read 'Mike Costelloe'.

Mike Costelloe
CHIEF EXECUTIVE

30 November 2022



DIRECTORS' REPORT

The Directors of Delta Utility Services Limited are pleased to report on the financial results and associated matters for the year ended 30 June 2022.

The financial accounts in this report include the activities of Delta Utility Services Limited only as the Company has no subsidiaries.

DIRECTORS' REPORT

for the year ended 30 June 2022 - continued

PRINCIPAL ACTIVITIES OF THE COMPANY

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

RESULTS FOR THE YEAR ENDED 30 JUNE 2022

	\$000
Operating profit before income tax	3,732
Income tax expense	813
Net profit for the period	2,919

STATE OF AFFAIRS

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

DIVIDENDS

Dividends of \$2.600 million were declared and paid during the year.

RETAINED EARNINGS

The net transfers to retained earnings during the year was \$319,000.

DIRECTORS' REPORT

for the year ended 30 June 2022 - continued

REVIEW OF OPERATIONS

The company remained one of the South Island's leading electricity network and environmental services contractors throughout the year. COVID-19 continued to disrupt operations and impact our ability to function efficiently, with inflation, attracting and retaining staff, and high levels of sick leave, just some of the pandemic related pressures which increasingly had an impact on our business throughout the year.

Delta's net surplus of \$2.919 million (2021: \$4.540 million) provided a return on average Shareholder's equity of 11% (2021: 19%).

FINANCIAL STATEMENTS

The audited financial statements for the year ended 30 June 2022 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 2022 or existed at that date are disclosed in the related parties section of the financial statements.

DIRECTORS' BENEFITS

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

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

CHANGE OF DIRECTORS

Mr T J Kempton retired as a Director with effect from 31 October 2021.
Ms J George was appointed as a Director with effect from 1 November 2021.

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 year ended 30 June 2022 - continued

DIRECTORS' REMUNERATION

The remuneration paid to Directors during the year was:

Brian J Wood	\$	79,713
Jane George	\$	29,523
Steve W Grave	\$	44,285
Tony D Allison	\$	44,285
Trevor J Kempton	\$	14,762
	\$	<u>212,568</u>

EMPLOYEES' REMUNERATION

The number of employees and former employees, whose remuneration and benefits exceeded \$100,000 for the year ended 30 June 2022 is listed below. Remuneration includes all non-cash benefits and redundancy payments at total cost to the company, where applicable:

\$100,001 - \$110,000	34
\$110,001 - \$120,000	38
\$120,001 - \$130,000	20
\$130,001 - \$140,000	17
\$140,001 - \$150,000	9
\$150,001 - \$160,000	8
\$160,001 - \$170,000	6
\$170,001 - \$180,000	4
\$180,001 - \$190,000	1
\$190,001 - \$200,000	3
\$200,001 - \$210,000	2
\$240,001 - \$250,000	1
\$300,001 - \$310,000	1
\$360,001 - \$370,000	1
\$450,001 - \$460,000	1
	<u>146</u>

In the year ended 30 June 2022 the Chief Executive received a base remuneration of \$433,759 and superannuation of \$19,519. The Chief Executive's remuneration does not include any other short-term or long term incentives or performance based payments.

DIRECTORS' REPORT

for the year ended 30 June 2022 - continued

AUDIT AND RISK COMMITTEE

All Directors were members of the Audit and Risk Committee throughout their tenure as directors of the Company. The Audit and Risk Committee has the responsibility for agreeing the arrangements for audit of the Company's financial accounts. Its responsibilities include ensuring that appropriate audit consideration is given to the following issues:

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

Various specialist third party consultants were engaged to review specific areas throughout the year, with the results reported to the Audit and Risk Committee and the Board.

HEALTH AND SAFETY COMMITTEE

All Directors were members of the Health and Safety Committee throughout their tenure as directors of the Company. The Committee's principal responsibility is to review and make recommendations to the Board on the appropriateness and effectiveness of the Company's health and safety strategy, performance and governance.

AUDITOR

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

EVENTS SUBSEQUENT TO BALANCE DATE

There were no significant post balance sheet date events.

Mr B J Wood retired from the Board on the 16 October 2022 and was replaced by Mr P J Carnahan who was appointed as a Director with effect from 1 August 2022 and Chair with effect from 16 October 2022.

On behalf of the Directors



Peter Carnahan
CHAIRMAN



Tony Allison
DIRECTOR

30 November 2022



STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2022

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
THE SHAREHOLDER			
Consult with the Shareholder on matters to be included in the Company's Statement of Intent	Shareholder approval of the Company's Statement of Intent	Achieved	Several iterations of the Statement of Intent are provided to Dunedin City Holdings for review and feedback. The final Statement of Intent for the 2023 financial year was submitted to and accepted by DCHL prior to 30 June 2022.
Consult with the Shareholder at the earliest possible time on matters where conflict may or could result	No unnotified potential conflicts	Achieved	Monthly KPI reports and financial information was provided to DCHL in line with the agreed timetable.
Keep the Shareholder informed of all substantive matters	Report all substantive matters to the Shareholder within 24 hours	Achieved	Board reports were produced, and meetings were held each month to review the Company's compliance with goals and objectives stated in the SOI and Strategic Plan.
COMMUNITY			
Maintain community support through local sponsorship/donations	\$25,000 of sponsorship/donations per annum	Achieved	Over \$27,000 in sponsorship / donations was provided to community groups during the year.
Support community recreation and visitor experience in Dunedin	Achieve KPIs on service contracts	Achieved	Target KPIs were maintained or exceeded on average throughout the year.
Maintain essential infrastructure to support Dunedin City Council's strategy to be one of the world's great small cities	Deliver maintenance services per contractual arrangements	Achieved	Delta generally met or exceeded its KPI's on maintenance contracts held with Aurora Energy and the Dunedin City Council throughout the year.
PEOPLE			
Reduce harm to employees and contractors	≤ 3.50 total recordable injury frequency rate (TRIFR) per 200,000 hours worked	Achieved	TRIFR for the year was 2.83 per 200,000 hours worked.
	≤ 1.00 total lost time injury frequency rate (LTIFR) per 200,000 hours worked	Not achieved	LTIFR for the year was 1.35 per 200,000 hours worked. This metric was impacted by a number of low severity injury incidents, resulting in lost time.

STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2022 - continued

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
Implement and maintain a certified and well recognised occupational health and safety management system	Implement / maintain ISO 45001 Occupational Health and Safety Management System	Achieved	The Company achieved ISO 45001 Occupational Health and Safety Management System accreditation in August 2021.
Maintain the health and wellbeing of staff	Lower than 2.5% sick leave based on hours	Not achieved	Staff sick leave was 2.8% of total hours during the year. The COVID-19 pandemic as well as the increase of sick days to 10 for all employees impacted this metric. Staff who tested positive for COVID-19 were given additional sick leave over and above contractual requirements.
	Maintain an employee wellbeing programme	Achieved	An employee wellbeing programme was maintained throughout the year.
Develop skill sets and succession planning through Delta's apprenticeship scheme	Average number of apprentices in the scheme of 20 or more per annum	Achieved	The average apprentices in the scheme was over 35 during the period.
Maintain a positive and satisfying working environment with low levels of voluntary staff turnover	Below 13.0% staff turnover	Achieved	Voluntary staff turnover was 12.54% over the 2021/22 year.

As at 30 June 2022, 100% (2021: 86%) of the staff employed by the Company received at or above the living wage (as calculated by the New Zealand Family Centre Social Policy Unit).

ENVIRONMENT

Ensure a well recognised environmental accreditation is maintained	Maintain Enviro-Mark Gold accreditation for all Delta depots. Transition to the more widely recognised International Organisation for Standardisation (ISO) 14001 Environmental Management Systems	Achieved	The Company achieved ISO 14001 Environmental Management accreditation in August 2021. Enviro-Mark Gold accreditation was held up until this time and was not renewed upon expiry in January 2022.
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STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2022 - continued

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
ENVIRONMENT			
Maintain full compliance with the Resource Management Act (RMA)	0 - number of breaches	Achieved	There were no breaches of the RMA during the 2021/22 year.
Maintain or lower fuel efficiency in the Company's light commercial / passenger fleet	≤ 9.25 litres fuel used per 100 kilometres	Achieved	Fuel efficiency across the Delta light commercial /passenger fleet was calculated at 9.21 litres per 100 kilometres.
Contribute to the Dunedin City Council's Carbon Neutrality initiatives	<p>Systems for measuring and publicly reporting carbon emissions are established. The company will develop an emissions reduction strategy and associated targets for inclusion in its 2022/2023 Statement of Intent.</p> <p>The company will develop a waste reduction strategy and associated targets for inclusion in the 2022/2023 Statement of Intent.</p>	Achieved	During the year the Company developed a Carbon Emission and Waste Reduction Strategy which includes target/focus areas for the FY22/23 year.

STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2022 - continued

FINANCIAL OBJECTIVES

PERFORMANCE MEASURE	TARGET	OUTCOME	RESULT
	\$000		\$000
EBITDA	≥12,742	Not achieved	11,384
Net profit after income tax	≥3,273	Not achieved	2,919
Shareholder's equity	≥25,641	Achieved	26,153
Return on Shareholder's funds	≥13%	Not achieved	11%
Cash flow from operations	≥10,145	Not achieved	7,227
Capital expenditure	≤5,995	Not achieved	6,342
Term debt	≤14,600	Achieved	13,000
Dividends	≥2,000	Achieved	2,600
Shareholder's equity to total assets	≥41%	Not achieved	40%

The Company's financial results were directly and indirectly impacted by the August/September 2021 lockdown. Company operations came to a grinding halt during this period and unlike the first lockdown in 2020 the wage subsidy for that period only covered a small portion of fixed costs.

Following the lockdown, the Company had to reset a number of work programmes and reschedule a number of major projects. Catching up on August/September work came at a cost and required cramming a much larger level of work into a shorter space of time with less resource. Border closures and an excess of work in the Power industry across NZ made it increasingly difficult to find skilled staff. To meet the needs of our customer in the short term required higher levels of subcontractor use at reduced margins as well as increased remedial time by our employees.

Inflationary pressures also increasingly impacted the business over the course of the year. Large cost increases in fuel, oil, materials and plant lease costs were in part absorbed/worn by the company.

The Company made the conscious decision to pay a higher dividend than targeted due to lower than anticipated term debt levels following the earlier than forecast repayment of term debt. Had the Company not paid this additional dividend the Company would have achieved its equity ratio target.



INFORMATION ON THE DIRECTORS

DIRECTOR	QUALIFICATIONS	DATE APPOINTED	DECLARATIONS OF INTERESTS
Brian J Wood Non-Executive Chairman	MBA (Otago) FNZIM CF.Inst.D	December 2016	Chairman - Buller Holdings Limited - retired 8 December 2021 Chairman - Buller Recreation Limited - retired 8 December 2021 Chairman - Canterbury Linen Services Limited - retired 23 March 2022 Chairman - Westreef Services Limited - retired 8 December 2021 Director - Harrison Grierson Holdings Limited Group of companies Director - Mainpower New Zealand Chairman - Invercargill City Holdings Limited Director - E-Spatial Limited Director - Mt Cass Wind Farm Limited Director - Greenpower New Zealand Limited Director - HWCP Management Limited Director - Invercargill Central Limited Chairman - New Zealand Upgrade Programme Oversight Group - resigned 30 September 2021
Steven W Grave Non-Executive Director		July 2017	Chairman - CORDE Limited Chairman - Whitestone Contracting Limited Shareholder - SW Grave - Fulton Hogan Limited Chairman - Buller Holdings Limited Chairman - Westreef Services Limited Chairman - Buller Recreation Limited
Tony D Allison Non-Executive Director	BCom, BA, CA, CM.Inst.D.	November 2017	Director - AA Cleaners (Otago) Limited Director - Smiths City Finance Limited Director - Smiths City (2020) Limited Director and Shareholder - Smiths City Holdings (2020) Limited Director - Smiths Kitchens Director and Shareholder - Yabbie Creek Trustees Limited Director and Shareholder - Visionalli Limited Director - One House Away Limited
Jane George Non-Executive Director		November 2021	Director - A.G. Foleys Limited Director - Invercargill Airport Limited Director and Shareholder - Jane George Consulting
Trevor J Kempton Non-Executive Director	BE (Hons), M.IPENZ, F.NZIM, CM.Inst.D.	November 2013 (Resigned October 2021)	Director and Shareholder - Long Beach Consulting Limited Chairman and Shareholder - Naylor Love Enterprise Group of companies





FINANCIAL STATEMENTS

for the year ended 30 June 2022

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STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2022

	Note	2022 \$000	2021 \$000
Operating revenue	3	108,915	103,474
Financial revenue	5	89	1,074
Other revenue	4	6,118	843
Total revenue		115,122	105,391
Less expenses			
Operating expenses*	6	110,758	99,126
Financial expenses	7	632	741
Total expenses		111,390	99,867
Profit before tax		3,732	5,524
Income tax expense / (credit)*	10	813	984
Net profit		2,919	4,540
Other comprehensive income		-	-
Total comprehensive income		2,919	4,540

*Comparative balances have been restated to reflect a change in accounting policy. Refer to the Significant Accounting Policies note 2.

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 2022

	Note	Share Capital \$000	Retained Earnings \$000	Total \$000
Balance at 30 June 2021		17,000	8,834	25,834
Total comprehensive income		-	2,919	2,919
Less dividends paid	9	-	2,600	2,600
Balance at 30 June 2022		17,000	9,153	26,153

	Note	Share Capital \$000	Retained Earnings \$000	Total \$000
Balance at 1 July 2020		17,000	6,044	23,044
Total comprehensive income*		-	4,540	4,540
Less dividends paid	9	-	1,750	1,750
Balance at 30 June 2021		17,000	8,834	25,834

*Comparative balances have been restated to reflect a change in accounting policy. Refer to the Significant Accounting Policies note 2.

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

	Note	2022 \$000	2021 \$000
EQUITY			
Share capital	11	17,000	17,000
Retained earnings*		9,153	8,834
Total equity		26,153	25,834
CURRENT LIABILITIES			
Trade and other payables	12	8,989	7,698
Borrowings	15	35	22
GST payable		589	720
Provisions	14	5,189	4,950
Taxation payable*		976	1,093
Lease liabilities	13	2,538	2,387
Total current liabilities		18,316	16,870
NON-CURRENT LIABILITIES			
Borrowings	15	13,000	16,500
Lease liabilities	13	7,765	5,685
Provisions	14	412	471
Total non-current liabilities		21,177	22,656
Total liabilities		39,493	39,526
TOTAL EQUITY AND LIABILITIES		65,646	65,360

*Comparative balances have been restated to reflect a change in accounting policy. Refer to the Significant Accounting Policies note 2.

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2022 - continued

	Note	2022 \$000	2021 \$000
CURRENT ASSETS			
Cash and cash equivalents	18	405	147
Trade and other receivables	19	11,650	14,268
Work in progress	20	9,917	5,974
Inventories - materials and stores		4,037	3,504
Prepayments*		1,186	975
Total current assets		27,195	24,868
NON-CURRENT ASSETS			
Term receivable	19	-	6,021
Intangible assets*	22	3,013	2,465
Deferred tax asset*	10	741	999
Right-of-use asset	23	10,122	7,846
Property, plant and equipment	21	24,575	23,161
Total non-current assets		38,451	40,492
TOTAL ASSETS		65,646	65,360

*Comparative balances have been restated to reflect a change in accounting policy. Refer to the Significant Accounting Policies note 2.

For and on behalf of the Board of Directors



Peter Carnahan
CHAIRMAN



Tony Allison
DIRECTOR

30 November 2022

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 2022

	Note	2022 \$000	2021 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from			
Receipts from customers		106,776	105,203
Interest received		3,663	-
COVID-19 Wage Subsidy		684	-
COVID-19 Leave Support Scheme		84	-
Net GST received / (paid)		71	128
		111,278	105,331
Cash was disbursed to			
Payments to suppliers and employees*		103,029	93,627
Intra-group tax payments		672	1,463
Interest paid		350	574
		104,051	95,664
Net cash inflows/(outflows) from operating activities	24	7,227	9,667
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from			
Sale of property, plant and equipment		55	172
Receipts from loans		8,510	4,698
		8,565	4,870
Cash was disbursed to			
Purchase of property, plant, equipment and intangibles*		6,528	4,140
		6,528	4,140
Net cash inflows/(outflows) from investing activities		2,037	730

*Comparative balances have been restated to reflect a change in accounting policy. Refer to the Significant Accounting Policies note 2.

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 2022 - continued

	Note	2022 \$000	2021 \$000
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from			
Receipts from borrowings		94,950	88,600
		94,950	88,600
Cash was disbursed to			
Repayment of borrowings		98,450	94,650
Repayment of lease liabilities		2,906	2,670
Dividends paid		2,600	1,750
		103,956	99,070
Net cash inflows/(outflows) from financing activities		(9,006)	(10,470)
Net increase/(decrease) in cash, cash equivalents and bank overdraft		258	(73)
Cash and cash equivalents at the beginning of the period		147	220
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	18	405	147

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 2022

1 REPORTING ENTITY

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

Delta Utility Services Limited ("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 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 financial statements are presented in New Zealand dollars (the functional currency of the company) 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 (annual 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 presented in accordance with NZ IAS 1, and NZ GAAP. They comply with New Zealand Equivalents to IFRS and other applicable Financial Reporting Standards, as appropriate to for-profit orientated entities.

The financial statements were authorised for issue by the Directors on 30 November 2022.

BASIS OF ACCOUNTING

The financial statements have been prepared on the historic cost basis. The going concern basis of accounting has been applied.

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

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. Accounting policies that are relevant to the understanding of the financial statements and summarise the measurement basis are provided throughout the notes to the financial statements. These standards have been consistently applied to all the years presented unless otherwise stated.

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.

INVENTORIES

Inventories are stated at the lower of cost and 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

IMPAIRMENT OF ASSETS

At each balance sheet date, the Company 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 Company 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is immediately expensed to the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

COMPARATIVES

Certain prior period revenue and expenditure has been reclassified between functional categories for consistency with the current period.

CHANGES IN ACCOUNTING POLICIES

Software-as-a-Service (SaaS) arrangements

In April 2021, the International Financial Reporting Interpretations Committee (IFRIC), a committee supporting profit-oriented reporting, published an agenda decision clarifying how configuration and customisation costs incurred in implementing SaaS should be accounted for.

The IFRIC concluded that SaaS arrangements are service contracts providing the customer with the right to access the SaaS provider's application software over the contract period. Costs incurred to configure or customise software in a cloud computing arrangement, can be recognised as intangible assets only if the activities create an intangible asset that the entity controls, and the intangible asset meets the recognition criteria.

Some of the costs incurred by the Company are for the development of software code that enhances or modifies, or creates additional capability to the system and meet the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

Costs that do not result in intangible assets are expensed as incurred unless they represent payment for future services to be received. In which case, a prepayment is initially recognised and then expensed as those subsequent services are received.

The New Zealand Accounting Standards Board has not issued similar guidance, management however considers the IFRIC decision relevant to the accounting for similar types of arrangements of the Company. The Company changed its accounting policy from 1 July 2021 to be consistent with the IFRIC agenda decision and applied this change retrospectively and has restated comparative balances accordingly.

The impact of the change in accounting policy is that some intangible assets that were previously capitalised no longer meet the criteria for capitalisation and have therefore been expensed or taken to prepayments.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Apart from the changes to SaaS treatment there have been no other changes in accounting policies during the year. Accounting policies have been applied consistently to all years presented in these financial statements.

STANDARDS AMENDED OR ISSUED DURING THE YEAR

There were no new or revised standards issued or amended during the year that had a material impact on the financial reporting of the Company.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The International Accounting Standards Board (IASB) has issued amendments to IAS 1 Presentation of Financial Statements that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for periods beginning on or after 1 January 2023 (earlier application is permitted) and require entities to disclose material accounting policies rather than significant accounting policies based on a four-step materiality process. The Company did not early adopt these amendments.

There are no other new or revised standards issued, but not yet effective that will have a material impact on the financial reporting of the Company.



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John
Bruce
Matt.

Rob - S

Brian
Derrick
Baz
Michael
Dan

montere H/way
0650 - 033081

ABS 2252

cla house

ABS 41

Rayford
mish - FUP
Ricardo - that end of day pick up
Pete - G. Wheeler
Owen

4405

CHAD

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

3 OPERATING REVENUE

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, net of discounts and goods and services tax (GST).

MAINTENANCE SERVICES

The Company enters into contracts that involve various different processes, activities and services. Where these processes and activities tend to be highly inter-related, these are taken to be one performance obligation, otherwise separate performance obligations are identified. The transaction price is allocated across each service or performance obligation based on contracted prices/schedules of rates. Revenue from maintenance services rendered is recognised in the Statement of comprehensive income in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to the proportion of costs incurred to date compared to the estimated total costs of the contract. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under NZ IFRS 15.

The Company becomes entitled to invoice customers on a periodic basis, at particular stages of completion or upon completion of works. The Company recognises a contract asset (Work in Progress) for any work performed and not invoiced, derived on the basis of costs incurred to date plus an estimated margin. Any amount recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the invoiced amount exceeds the revenue recognised to date under the stage of completion method, then the Company recognises a contract liability (Income in Advance) for the difference.

CONSTRUCTION CONTRACTS

The Company derives revenue from the construction of electrical infrastructure assets. The construction of each individual piece of infrastructure is generally taken to be one performance obligation. Where contracts are entered for several projects the total transaction price is allocated across each project based on stand-alone selling prices. Revenue from construction contracts is recognised over time on a cost-to-cost method i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under NZ IFRS 15. The Company generally becomes entitled to invoice customers through a monthly claim based on a measure and value calculation or on a milestone basis. The customer is sent a relevant claim or statement of work, the customer assesses the claim and approves it for payment on which an invoice is raised. The Company recognises a contract asset (Work in Progress) for any work performed. Any amount recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the invoiced amount exceeds the revenue recognised to date under the cost-to-cost method, then the Company recognises a contract liability (Income in Advance) for the difference.

VARIABLE CONSIDERATION

A small number of the Company's contracts include performance bonuses for meeting relevant performance KPIs. In this instance the expected value of revenue is only recognised to the amount management considers it likely, measurable and recoverable. This is assessed on a periodic basis and is based on all available information including historic performance.

Where modifications/variations in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification/variation has not been confirmed, an estimate is made of the amount of revenue to recognise.

WARRANTIES AND DEFECT PERIODS

Construction and service contracts can include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and therefore are estimated and included in the total costs of the contracts. Where required, amounts are recognised in provisions. Where material, a retention is held, or a performance bond is put in place to reflect this claim/defects period.

The Company has applied the practical expedient in paragraph B16 of IFRS 15 Revenue from Contracts with Customers, in that disclosure information regarding future performance obligations is not required as the Company has a right to consideration from the customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

	2022 \$000	2021 \$000
3 OPERATING REVENUE - continued		
Revenue from contracts with customers		
Power and Communication services	66,578	65,623
Meter related services	11,027	10,931
Greenspace services	23,062	19,458
Tree services	8,248	7,462
	108,915	103,474
4 OTHER REVENUE		
Other		
Surplus sale proceeds from Yaldhurst development	4,470	-
Other sundry revenue	269	212
Lease income	523	480
COVID-19 Leave Support Scheme	147	-
COVID-19 Wage Subsidy	684	-
Gain on sale / disposal of assets	25	151
	6,118	843

Surplus sale proceeds from the Yaldhurst development, represent funds received over and above the amount receivable as per the original agreement.

The **COVID 19 Leave Support Scheme payment** was introduced by the Ministry of Social Development (MSD) and was available to employers to help pay their employees who must self-isolate because of COVID-19 and were unable to work from home during that period. The Company was eligible for the subsidy as it met the criteria as set out by the MSD - including retaining all employees and paying employees their normal wages whilst at home and unable to work. The payment was accounted for in line with NZ IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

The **COVID 19 Wage Subsidy** received in the year ended 30 June 2022 was a subsidy applied for through the Ministry of Social Development (MSD) following the COVID-19 lockdown in August 2021. The Company was eligible for the subsidy as it met the criteria as set out by the MSD - including a 40% decline in revenue over the period 18 August to 31 August 2021, when compared to a typical 14-day consecutive period of revenue in the six weeks immediately prior to the move to Alert Level 4 on 17 August 2021. Among other things, the Company also took all reasonable steps to mitigate the financial impact from COVID-19 and to retain employees throughout the lockdown. The Wage subsidy was accounted for in line with NZ IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

Lease income relates to the leasing out of surplus buildings and land. The Company classifies these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The Company does not classify the property leased as investment property as the Company still occupies a significant portion of the leased space and, in many cases, overlap with the tenants.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

4 OTHER REVENUE - continued

The following table sets out a maturity analysis of future lease income, showing the undiscounted future lease amounts to be received after the reporting date.

	2022 \$000	2021 \$000
Less than one year	511	511
One to two years	395	511
Two to three years	45	395
Three to four years	45	45
Four to five years	45	45
Greater than five years	-	45
	1,041	1,552

5 FINANCIAL REVENUE

Interest revenue	89	1,074
	89	1,074

Financial revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Financial revenue relates to interest on the Term Receivable outstanding with Infinity Yaldhurst Limited. Interest is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

The Term receivable was repaid in full in September 2021.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

	2022 \$000	2021 \$000
6 OPERATING EXPENSES		
Included in the operating expenses are the following items		
Audit fees - for audit of financial statements	74	73
Audit fees - system migration	24	-
Employee remuneration and benefits ¹	51,379	47,360
Subcontractor Costs	20,912	16,553
Materials	17,371	16,742
Depreciation and amortisation - Property Plant & Equipment / Intangibles	4,311	4,077
Depreciation Right-of-use asset	2,709	2,627
Plant and Vehicle costs	5,752	5,114
Directors' fees	213	213
Increase/(decrease) in impairment provision for trade and other receivables	(69)	64
Bad debts written off / (written back)	-	(508)
Donations	9	11

1. Employee remuneration and benefits includes \$2.008 million in superannuation payments (2021: \$1.860 million).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

	2022 \$000	2021 \$000
7 FINANCIAL EXPENSES		
Interest - related parties	363	531
Interest - leases	269	208
Interest - other	-	2
Total financial expenses	632	741

8 EARNINGS PER SHARE

	2022	2021
Basic earnings per share is calculated by dividing the net profit/(loss) attributable to the Shareholder of the Company by the weighted average number of ordinary shares on issue during the year		
Number of shares		
Weighted average number of ordinary shares	17,000,000	17,000,000
Basic earnings per share	17.18 cents	26.71 cents*

*Comparative balances have been restated to reflect a change in accounting policy. Refer to the Significant Accounting Policies note 2.

9 DIVIDENDS

		2022 \$000	2021 \$000
Interim dividend December 2021 (December 2020: 5.1 cents/share)	5.9 cents/share	1,000	875
Final dividend June 2022 (June 2021: 5.1 cents/share)	9.4 cents/share	1,600	875
		2,600	1,750
	Cents per share	15.29	10.29

Dividends are entirely paid to the Company's parent Dunedin City Holdings Limited.

10 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 statement of comprehensive income 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

	2022 \$000	2021 \$000
10 TAXATION - continued		
INCOME TAX		
Total operating profit before income tax	3,732	5,524*
Tax thereon at 28%	1,045	1,547*
<i>Plus / (less) the tax effect of differences</i>		
Expenditure non-deductible for taxation	101	5
Non-assessable income	(679)	(764)
Reduction in deferred tax liability following reintroduction of tax depreciation on commercial buildings	-	-
Intra-group tax compensation	339	305
Under / (over) tax provision in prior years	7	(109)
Tax effect of differences	(232)	(563)
Tax expense / (benefit)	813	984
<i>Represented by:</i>		
Current tax provision	154	705
Intra-group tax compensation	339	305
Prior period adjustments to current tax	62	85
Deferred tax provision	313	84*
Prior period adjustments to deferred tax	(55)	(195)
Income tax	813	984
Effective tax rate	22.0%	17.8%*

*Comparative balances have been restated to reflect a change in accounting policy. Refer to the Significant Accounting Policies note 2.

Profits arising on assets constructed for DCHL subsidiary, Aurora Energy Limited, have been deducted from the calculation of taxable income for the consolidated tax group, and have also been removed from the cost of the relevant Aurora Energy assets for tax depreciation purposes. For accounting purposes, the Company has recognised the adjustment to remove the profit component of these assets and has reflected a tax compensation payment of \$339,000 (FY21: \$305,000).

Imputation credit account

The Company is a member of an income tax consolidated group and has access to the income tax consolidated group's imputation credit account.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

10 TAXATION - continued

DEFERRED TAX

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 statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

	Opening Position \$000	Charged to Income \$000	Closing Assets Position \$000	Closing Liabilities Position \$000	Closing Net Position \$000
YEAR ENDED 30 JUNE 2022					
Property, plant and equipment	(6)	(88)	-	(94)	(94)
Prepayments	33	-	33	-	33
Employee benefits	1,364	85	1,449	-	1,449
Provisions	(456)	(243)	-	(699)	(699)
IFRS 16 Lease adoption	64	(12)	52	-	52
Balance at the end of the year	999	(258)	1,534	(793)	741
YEAR ENDED 30 JUNE 2021					
Property, plant and equipment	(129)	123	-	(6)	(6)
Prepayments*	-	33	33	-	33
Employee benefits	1,445	(81)	1,364	-	1,364
Provisions	(447)	(9)	-	(456)	(456)
IFRS 16 Lease adoption	17	47	64	-	64
Balance at the end of the year	886	113	1,461	(462)	999

*Comparative balances have been restated to reflect a change in accounting policy. Refer to the Significant Accounting Policies note 2.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

	2022 \$000	2021 \$000
11 SHARE CAPITAL		
Issued capital		
17,000,000 fully paid ordinary shares	17,000	17,000
12 TRADE AND OTHER PAYABLES		
Trade and other payables are stated at cost and include:		
Trade payables	4,635	4,289
Due to related parties	114	229
Income in advance	949	638
Other payables	3,291	2,542
	8,989	7,698

The Directors consider that the carrying amount of trade payables approximates their fair value. Creditors and other payables are non-interest bearing and are normally settled on 30-day terms.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

13 LEASE LIABILITIES

Building leases

The Company leases land and buildings for operational purposes. The leases typically have an initial term of between 3 and 5 years and most include an option to renew for an additional period beyond this term.

Where applicable the Company seeks to include extension options in new leases to provide operational flexibility. Options to extend are held by the Company and not by the lessor. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. This is reassessed at each reporting date.

Vehicle leases

The Company leases vehicles and plant with lease terms of up to 10 years. The Company agrees the residual value of the leased assets at the end of the contract term and seeks information from its lease partner to determine changes to the residual value of these assets.

	2022 \$000	2021 \$000
(i) Current liabilities		
Building and land leases	611	465
Vehicle leases	1,927	1,922
	2,538	2,387
(ii) Non-current liabilities		
Building and land leases	3,428	1,903
Vehicle leases	4,337	3,782
	7,765	5,685

The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate inherent in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate, as the interest rate inherent in its building leases is not easily identified and the interest rate noted for the vehicle leases includes a significant margin component. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate.

MATURITY ANALYSIS - CONTRACTUAL UNDISCOUNTED CASHFLOWS	2022 \$000	2021 \$000
Payable within one year	2,833	2,525
Payable between one to five years	6,628	5,831
Payable later than five years	1,907	1,880
	11,368	10,236

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

14 PROVISIONS

A provision is recognised in the Statement of Financial Position 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.

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 Company 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 average value of excess sick leave.

	2022 \$000	2021 \$000
(i) Current liabilities		
Long service leave	304	278
Annual leave	4,324	4,099
Gratuities	297	288
Sick leave	128	102
Other provisions	136	183
	5,189	4,950
(ii) Non-current liabilities		
Long service leave	412	429
Gratuities	-	42
	412	471

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

15 BORROWINGS

Borrowings are initially recorded at fair value 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 Statement of Comprehensive Income 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.

	2022 \$000	2021 \$000
Dunedin City Treasury Limited - related party	13,035	16,522
	13,035	16,522
The total facility available as at 30 June 2022 was \$32.500 million. The repayment period on the non-current borrowings is as follows:		
Repayable between one to two years	-	-
Repayable between two to five years	-	-
Repayable greater than five years	13,000	16,500
	13,000	16,500

The effective interest rate for the loan at balance date was 2.5% (2021: 2.74%).

16 CONTINGENT LIABILITIES

Performance bonds	377	1,157
	377	1,157

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.

In January 2021 the Labour Inspectorate office opened an investigation into the Company's leave processes and payments. Subsequent to balance date, the Company received and accepted a final report from the Labour Inspectorate which identified errors in the Company's calculation of holiday pay. The likely outcome will be an enforceable undertaking to review holiday pay calculations and remedy any errors. As at balance date the financial consequences of this matter were not quantifiable.

The company knows of no other material or significant contingent assets or liabilities as at balance date.

17 CAPITAL EXPENDITURE COMMITMENTS

Plant and equipment	1,541	129
	1,541	129

18 CASH AND CASH EQUIVALENTS

Cash and bank	405	147
	405	147

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

19 TRADE AND OTHER RECEIVABLES

	2022 \$000	2021 \$000
Trade receivables	5,511	7,858
Less estimated doubtful debts	-	(69)
	5,511	7,789
Due from related parties	6,139	6,479
	11,650	14,268
Term receivable	-	6,021
	-	6,021

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

The term receivable was held at amortised cost and arose from the supply of infrastructure services on a Christchurch development property. It was secured by a second mortgage over that development property and interest was payable on this balance. The amount was repaid in full in September 2021.

Past due, but not impaired, receivables are:

	2022 \$000	2021 \$000
Age analysis: 1 - 30 days	497	497
30 - 60 days	17	420
60 - 90 days	132	25
90 days plus	112	-
	758	942

All past due balances are considered collectable, however in line with NZ IFRS 9 the Company derives an expected credit loss by grouping trade receivables into buckets based on similar credit risks and aging. The expected loss factors in the credit losses experienced over the three year period prior to the period end and is adjusted for, where necessary, based on current and forward-looking macroeconomic factors affecting the Company's customers. In the current year this provision is nil (2021: nil) on the basis that limited amounts of trade receivables have been written off in the preceding three year period, the company's debt is concentrated around a low number of large customers that are predominantly councils or large electrical distribution boards, and the outstanding amounts have been reviewed on a line by line basis with specific provisions put in place where deemed necessary for doubtful amounts (nil as at 30 June 2022).

The estimated doubtful debts provision relates entirely to individually impaired trade receivable balances.

	2022 \$000	2021 \$000
Opening doubtful debts provision	(69)	(5)
Additional provisions made during the year	(1)	(69)
Receivables written off during the year	-	-
Provisions reverses during the year	70	5
Closing doubtful debts provision	-	(69)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

20 WORK IN PROGRESS

Work in progress is stated at estimated realisable value, after providing for non-recoverable amounts. Work in progress represents work from contracts which has been performed, but which is unable to be billed as the right to consideration remains conditional.

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 of contract costs incurred for work performed to date compared 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 and the performance obligations have been satisfied.

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 and where Delta believes the identified performance obligations have been satisfied. 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.

	2022 \$000	2021 \$000
Work in progress - construction contracts	5,448	1,145
Work in progress - other contracts	4,469	4,829
	9,917	5,974

Included within work in progress is \$6.661 million for Dunedin City Council Group entities (2021: \$3.840 million).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

21 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are those assets held by the Company 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.

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 and no depreciation is charged on assets under construction.

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

Depreciation rates and methods used are as follows:

	Rate	Method
Buildings	1% to 14%	straight line
Metering equipment	7% to 22%	straight line
Plant and equipment	1% to 100%	straight line
Motor vehicles	5% to 33%	straight line

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

21 PROPERTY, PLANT AND EQUIPMENT - continued

	Land \$000	Buildings \$000	Meters \$000	Plant and Equipment \$000	Motor Vehicles \$000	Assets under Construction \$000	Total \$000
YEAR ENDED 30 JUNE 2022							
Cost:							
Balance at the beginning of the year	4,566	6,178	3,527	11,082	26,883	72	52,308
Purchases	-	26	593	1,761	2,162	919	5,461
Sales/disposals	-	-	-	(1,295)	(786)	-	(2,081)
Transfers	-	4	-	(11)	661	(654)	-
Total cost	4,566	6,208	4,120	11,537	28,920	337	55,688
Accumulated depreciation							
Balance at the beginning of the year	-	1,948	1,230	7,494	18,475	-	29,147
Depreciation	-	197	234	1,213	2,335	-	3,979
Sales/disposals	-	-	-	(1,260)	(753)	-	(2,013)
Transfers	-	3	-	(5)	2	-	-
Total accumulated depreciation	-	2,148	1,464	7,442	20,059	-	31,113
Balance at the end of the year	4,566	4,060	2,656	4,095	8,861	337	24,575
YEAR ENDED 30 JUNE 2021							
Cost							
Balance at the beginning of the year	4,566	6,224	2,991	12,544	26,487	-	52,812
Purchases	-	50	536	1,152	1,615	72	3,425
Sales/disposals	-	(96)	-	(2,607)	(1,226)	-	(3,929)
Transfers	-	-	-	(7)	7	-	-
Total cost	4,566	6,178	3,527	11,082	26,883	72	52,308
Accumulated depreciation							
Balance at the beginning of the year	-	1,861	1,033	9,027	17,420	-	29,341
Depreciation	-	183	197	1,066	2,239	-	3,685
Sales/disposals	-	(96)	-	(2,596)	(1,187)	-	(3,879)
Transfers	-	-	-	(3)	3	-	-
Total accumulated depreciation	-	1,948	1,230	7,494	18,475	-	29,147
Balance at the end of the year	4,566	4,230	2,297	3,588	8,408	72	23,161

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

	Land \$000	Buildings \$000
21 PROPERTY, PLANT AND EQUIPMENT- continued		
Included within Land and buildings are the following assets subject to operating leases:		
YEAR ENDED 30 JUNE 2022:		
Cost		
Balance at the beginning of the year	4,566	1,643
Purchases	-	33
Sales/disposals	-	-
Total cost	4,566	1,676
Accumulated depreciation		
Balance at the beginning of the year	-	849
Depreciation	-	44
Sales/disposals	-	-
Total accumulated depreciation	-	893
Balance at the end of the year	4,566	783
YEAR ENDED 30 JUNE 2021:		
Cost		
Balance at the beginning of the year	4,566	1,645
Purchases	-	-
Sales/disposals	-	(2)
Total cost	4,566	1,643
Accumulated depreciation		
Balance at the beginning of the year	-	813
Depreciation	-	38
Sales/disposals	-	(2)
Total accumulated depreciation	-	849
Balance at the end of the year	4,566	794

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

22 INTANGIBLES

Intangibles contains software which is recognised at cost and amortised to the statement of comprehensive income on a straight-line basis over the estimated useful life - which is a maximum period of ten years.

	2022 \$000	2021 \$000
SOFTWARE		
Cost		
Balance at the beginning of the year	4,063	4,323
Purchases	40	108
Transfers	2,084	-
Disposals	(2,563)	(368)
Total cost	3,624	4,063
ACCUMULATED AMORTISATION		
Balance at the beginning of the year	3,810	3,786
Amortisation	332	392
Disposals	(2,562)	(368)
Total amortisation	1,580	3,810
SOFTWARE WORK IN PROGRESS		
Balance at the beginning of the year	2,212	1,335
Purchases*	841	877
Transfers	(2,084)	-
Total work in progress	969	2,212
Balance at the end of year	3,013	2,465

*Comparative balances have been restated to reflect a change in accounting policy. Refer to the Significant Accounting Policies note 2.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

23 RIGHT-OF-USE ASSET

YEAR ENDED 30 JUNE 2022	Property \$000	Vehicles \$000	Total \$000
Cost			
Balance at beginning of the year	2,982	8,561	11,543
Additions	2,296	2,604	4,900
Disposals	(138)	(193)	(331)
Total Cost	5,140	10,972	16,112
Accumulated depreciation			
Balance at beginning of the year	645	3,052	3,697
Depreciation	713	1,997	2,710
Disposals	(60)	(357)	(417)
Total accumulated depreciation	1,298	4,692	5,990
Balance as at end of year	3,842	6,280	10,122
YEAR ENDED 30 JUNE 2021			
	Property \$000	Vehicles \$000	Total \$000
Cost			
Balance at beginning of the year	2,087	5,574	7,661
Additions	1,366	3,689	5,055
Disposals	(471)	(702)	(1,173)
Total Cost	2,982	8,561	11,543
Accumulated depreciation			
Balance at beginning of the year	442	1,688	2,130
Depreciation	618	2,009	2,627
Disposals	(415)	(645)	(1,060)
Total accumulated depreciation	645	3,052	3,697
Balance as at end of year	2,337	5,509	7,846

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus, where applicable, any indirect costs incurred and an estimate of costs to dismantle or/and remove the asset or reinstate/restore the asset or the site where it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The estimated useful lives of the assets are determined on the same basis as those of property and equipment. In addition, the asset is periodically reviewed for impairment.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

	2022 \$000	2021 \$000
24 RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	2,919	4,540
<i>Items not involving cash flows</i>		
Depreciation and amortisation	4,311	4,077
Depreciation RoU Asset	2,709	2,627
Interest leases	269	208
Lease movements on system transition	(117)	-
Deferred tax	258	(112)
Bad debts	-	(508)
Doubtful debts	(69)	64
<i>Impact of changes in working capital items</i>		
(Increase)/decrease in trade and other receivables	8,710	4,042
(Increase)/decrease in inventories	(534)	(434)
(Increase)/decrease in work in progress	(3,943)	849
(Increase)/decrease in prepayments*	(211)	(617)
Increase/(decrease) in trade and other payables	1,304	523
Increase/(decrease) in provision for tax	(117)	(367)
Increase/(decrease) in employee entitlements	180	31
Increase/(decrease) in GST payable	(131)	(167)
<i>Items classified as investing or financing activities</i>		
Net (gain)/loss on sale of property, plant and equipment	(25)	(151)
Investment in Financial Instrument	(8,510)	(4,698)
Movement of capital creditors in accounts payable	224	(240)
Net cash inflows from operating activities	7,227	9,667

*Comparative balances have been restated to reflect a change in accounting policy. Refer to the Significant Accounting Policies note 2.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

24 RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES- continued

RECONCILIATION OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES	1 July 2021 \$000	Cash Flows \$000	Non-cash Movement \$000	30 June 2022 \$000
YEAR ENDED 30 JUNE 2022:				
Long term borrowings	16,500	(3,500)	-	13,000
Short term borrowings	22	(22)	35	35
Lease liabilities	8,072	(2,906)	5,137	10,303
Total liabilities from financing activities	24,594	(6,428)	5,172	23,338
	1 July 2020 \$000	Cash Flows \$000	Non-cash Movement \$000	30 June 2021 \$000
YEAR ENDED 30 JUNE 2021:				
Long term borrowings	22,550	(6,050)	-	16,500
Short term borrowings	63	(63)	22	22
Lease liabilities	5,591	(2,670)	5,151	8,072
Total liabilities from financing activities	28,204	(8,783)	5,173	24,594

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

25 RELATED PARTY TRANSACTIONS

Delta Utility Services Limited 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 Company undertakes transactions with Dunedin City Council and other Dunedin City Council controlled entities.

The amounts owing to/from related parties are payable in accordance with the Company's normal terms of trade. No related party debts have been written off or forgiven during the year and no provision has been required for impairment of any receivables to related parties.

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

	2022 \$000	2021 \$000
PROVISION OF SERVICES TO DUNEDIN CITY COUNCIL GROUP ENTITIES:		
Capital construction works, network maintenance and contracting services	48,296	50,530
Rent	470	442
	48,766	50,972
PROVISION OF SERVICES TO DUNEDIN CITY COUNCIL:		
Other contracting services	9,993	5,961
AT YEAR END THE AMOUNTS RECEIVABLE FROM RELATED PARTIES WERE:		
Receivable from Dunedin City Council	1,149	652
Receivable from Dunedin City Council Group entities	4,989	5,827
INTRAGROUP TRANSFERS:		
Tax compensation paid	672	719
RECEIPT OF GOODS AND SERVICES FROM DUNEDIN CITY COUNCIL GROUP ENTITIES:		
Interest	363	531
Contracting services and supplies	1	1,145
Rent / Administration	332	836
Tax compensation	339	305
	1,035	2,817

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

	2022 \$000	2021 \$000
25 RELATED PARTY TRANSACTIONS - continued		
RECEIPT OF GOODS AND SERVICES FROM DUNEDIN CITY COUNCIL:		
Contracting services and supplies	91	95
Other	77	96
	168	191
AT YEAR END THE AMOUNTS PAYABLE TO DUNEDIN CITY COUNCIL ENTITIES EXCLUSIVE OF BORROWINGS SHOWN IN NOTE 15 ARE:		
Payable to Dunedin City Council	18	19
Payable to Dunedin City Council Group entities	96	1,124

TRANSACTIONS WITH ENTITIES IN WHICH DIRECTORS HAVE AN INTEREST:

The Company undertakes transactions with entities in which Directors have an interest. These are detailed below.

Mr B J Wood is a Director of Mainpower New Zealand Limited. During the financial period covered by this report, metering services to the value of \$5,262 were purchased from Mainpower New Zealand (2021: \$5,543). Monies payable as at 30 June 2022 were \$197 (2021: Nil). During the financial period covered by this report, contracting services totalling \$59,668 were provided to Mainpower (2021: Nil). No monies were receivable as at 30 June 2022. (2021: Nil).

Mr S W Grave is a Director of Whitestone Contracting Limited. During the financial period covered by this report, \$7,019 of contracting services were purchased from Whitestone Contracting Limited (2021: \$11,875). No monies were payable as at 30 June 2022 (2021: Nil).

Mr S W Grave is Chairman of CORDE Limited (previously named Sicon Ltd). During the financial period covered by this report, contracting services to the value of \$19,528 were provided to CORDE Ltd (2021: \$100,559). No monies were receivable as at 30 June 2022 (2021: \$20,275).

Ms J George is a Director of A G Foleys Limited. During the financial period covered by this report, contracting services of \$18,140 were purchased from A G Foleys Limited (2021: \$7,819). No monies were payable as at 30 June 2022 (2021: \$193). During the financial period covered by this report, contracting services totalling \$5,882 were provided to A J Foleys Limited (2021: \$5,738). Monies receivable as at 30 June 2022 totalled \$589 (2021: Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

25 RELATED PARTY TRANSACTIONS - continued

KEY MANAGEMENT PERSONNEL REMUNERATION

	2022 \$000	2021 \$000
Short-term employment benefits - Senior Management	2,495	2,118
Short-term employment benefits - Directors	213	213

26 FINANCIAL INSTRUMENTS RISKS

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

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

In line with NZ IFRS 9 Financial Instruments, all of the financial assets and liabilities are measured at amortised cost, fair value through profit and loss, or fair value through other comprehensive income, on the basis of the company's business model for managing the financial instrument and the contractual cash flow characteristics of the financial instrument.

Apart from derivative financial instruments, the Company's financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade and other payables, accruals and borrowings continue to be measured at amortised cost as they meet the conditions under NZ IFRS 9.

INTEREST RATE RISK

The Company has in previous periods used 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 were held with independent and high credit quality financial institutions in accordance with group credit policy.

As at balance date all interest rate swaps had expired.

CREDIT RISK

The Company's credit risk is primarily attributable to its trade and term receivables. The amounts presented in the Statement of Financial Position are net of allowances for impairments.

The Company's exposure to credit risk is generally spread over a large number of counterparties and customers.

In line with NZ IFRS 9, the Company recognises an expected credit loss provision on financial assets measured at amortised cost based on expected/historic credit losses. In the 2021 financial year the expected credit loss accrual was reduced to nil and it remains at nil on the basis that there have been limited customer defaults in the past 3 years. Delta's credit exposure is limited to a small number of customers which have all been carefully reviewed and specific provisions have been put in place if required (none as at 30 June 2022).

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

26 FINANCIAL INSTRUMENTS RISKS - continued

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

	2022 \$000	2021 \$000
Cash and cash equivalents	405	147
Trade and other receivables	11,650	14,268
Prepayments*	1,186	975
Work in progress	9,917	5,974
Term receivable	-	6,021
	23,158	27,385

*Comparative balances have been restated to reflect a change in accounting policy. Refer to the Significant Accounting Policies note 2.

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.

	2022 \$000	2021 \$000
COUNTERPARTIES WITH CREDIT RATINGS		
Cash and cash equivalents		
AA-	405	147
Trade and other receivables		
AA	844	652
COUNTERPARTIES WITHOUT CREDIT RATINGS		
Trade and other receivables / Term receivable	10,806	19,637

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

26 FINANCIAL INSTRUMENTS RISKS - continued

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 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 debtors and other receivable balances in cash by their agreed date(s) for payment.

Contractual obligations in respect of interest expense on borrowings have not been included in the liquidity risk table as the term debt does not have a contractual end date and the interest is currently payable on a month-by-month basis. Details of the loan balance and effective interest rate are included in note 15.

The following tables analyse the exposure of the Company's financial instruments to liquidity risk:

	Maturity Dates Less Than 1 Month \$000	1 Month to 1 Year \$000	1 - 5 Years \$000	More than 5 Years \$000	Carrying Value \$000
AS AT 30 JUNE 2022:					
Financial assets					
Cash and cash equivalents	405	-	-	-	405
Trade and other receivables	11,650	-	-	-	11,650
Term receivable	-	-	-	-	-
	12,055	-	-	-	12,055
Financial liabilities					
Trade and other payables	8,989	-	-	-	8,989
Lease liabilities	251	2,582	6,628	1,907	11,368
GST payable	589	-	-	-	589
Borrowings	35	-	-	13,000	13,035
	9,864	2,582	6,628	14,907	33,981
AS AT 30 JUNE 2021:					
Financial assets					
Cash and cash equivalents	147	-	-	-	147
Trade and other receivables	14,268	-	-	-	14,268
Term receivable	-	-	6,021	-	6,021
	14,415	-	6,021	-	20,436
Financial liabilities					
Trade and other payables	7,698	-	-	-	7,698
Lease liabilities	242	2,283	5,831	1,880	10,236
GST payable	720	-	-	-	720
Borrowings	22	-	-	16,500	16,522
	8,682	2,283	5,831	18,380	35,176

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

26 FINANCIAL INSTRUMENTS RISKS - continued

SENSITIVITY ANALYSIS

In the past the Company entered into derivative financial instruments to manage its exposure to interest rate and foreign exchange risks. As at balance date the Company had no derivative financial instruments in place.

The table below illustrates the potential profit and loss and equity (excluding retained earnings) impact for 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 rate movements of plus or minus 2%/200bps (2021: 1%/100bps) have been used in this analysis.

		+200bps (2021:+100bps)		-200bps (2021:-100bps)	
	Fair Value at Balance Date \$000	Profit \$000	Equity \$000	Profit \$000	Equity \$000
As at 30 June 2022:					
Financial liabilities					
Borrowings (unhedged)	13,035	(260)	-	260	-
	13,035	(260)	-	260	-
As at 30 June 2021:					
Financial liabilities					
Borrowings (unhedged)	16,522	(165)	-	165	-
	16,522	(165)	-	165	-

27 CAPITAL MANAGEMENT STRATEGY

The capital of the Company is its equity, which is comprised of subscribed capital and retained earnings. Equity is represented by net assets. The Company 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 in consultation with its Shareholder.

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

The Company 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 - continued

28 COVID-19, GOING CONCERN

In early March 2020 the World Health Organisation declared the outbreak of COVID-19 a pandemic. Since then, New Zealand has been heavily impacted by the pandemic with a number of regional and nationwide lockdowns occurring. During lockdowns the Company has continued to provide essential maintenance services whilst most non-essential work was deferred. Following the lockdowns the company has been able to recommence operations. The Company's results have been impacted by the lockdowns to varying degrees. Following the lockdowns, the Company has been able to increase capacity to recover lost revenue and meet customer work plans. The Company was able to reduce costs during the lockdowns to partly offset the decrease in revenue. In addition, the Company received support from the New Zealand Government by way of the wage subsidy. Operations have also been impacted by COVID-19 leave and illness, most notable during the second half of the 2022 financial year. This has meant the cancellation or deferral of work as well as a higher-than-normal level of subcontractor use to ensure we met customer demand and maintained market share. The Company received support for this from the New Zealand Government by way of the Leave Support Scheme.

The company continues to be impacted by stock supply, labour shortages and inflationary pressures all of which have been partially brought about by the pandemic.

The Directors are aware that the company will continue to be impacted by COVID-19 over the coming periods and this has been incorporated into future budgets, scheduling and strategy. The financial impact is expected to be felt in the short to medium term, as our major and long term contracts include mechanisms to reflect cost movements over time. Based on the budget for the 12 months ended 30 June 2023 the Company will be able to meet its obligations as they fall due. In the event that the risk situation deteriorates unexpectedly, sufficient debt facility headroom is available to maintain the Company for a period of disrupted trading conditions.

29 EVENTS AFTER BALANCE DATE

There were no significant post balance sheet date events.



INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Delta Utility Services Limited's financial statements and statement of service performance for the year ended 30 June 2022

The Auditor-General is the auditor of Delta Utilities Services Limited (the Company). The Auditor-General has appointed me, Rudie Tomlinson, 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 his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 42 to 78, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Company on pages 34 to 37.

In our opinion:

- the financial statements of the Company on pages 42 to 78:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2022; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the statement of service performance of the Company on pages 34 to 37 presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives for the year ended 30 June 2022.

Our audit was completed on 30 November 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the statement of service performance

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the statement of service performance for the Company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the statement of service performance.

INDEPENDENT AUDITOR'S REPORT

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported statement of service performance within the Company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 33, 38 to 41, 79, 84 and 85 but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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

A handwritten signature in blue ink, appearing to read 'Rudie Tomlinson', with a horizontal line underneath.

Rudie Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand

COMPANY DIRECTORY

as at 30 June 2022

DIRECTORS

Brian J Wood (Chair)

Jane George

Steven W Grave

Tony Allison

MANAGEMENT

Mike Costelloe
Chief Executive

Richard King
*General Manager
Greenspace Services*

Josh Butterfield
*General Manager Metering
& Field Operations*

Michael Price
*General Manager Power
& Communication Services*

John Llewellyn
*General Manager People
& Capability*

Hayden Wingfield
Chief Financial Officer

Matt Sadgrove
Manager, Health & Safety

Daryl Putt
Business Accountant

Jolene Lynn
Executive Assistant

Shane Spicer
Commercial Manager

REGISTERED OFFICE

33 Sturdee Street
Dunedin
New Zealand

AUDITOR

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

BANKER

Westpac Banking Corporation

TAXATION ADVISOR

Deloitte

SOLICITORS

Gallaway Cook Allan
Anderson Lloyd

