ANNUAL REPORT
2021

DELTA
THINK.INFRASTRUCTURE

CONTENTS
OF REPORT

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

Charity Challenge donation of $4,170 to the Otago Community Hospice

Extension of the Intellihub Smart Meter Deployment project across various locations

Awarded the Dunedin City Council Ecological & Track Maintenance contract

Partnered with the Alexandra Blossom Festival to bring the Garden Tours to the community

Awarded sub-contracting provisions on Road Network Maintenance contract in Banks Peninsula

Q2

Commencement of the Outram Zone Substation upgrade in Dunedin

Commencement of Arc Deployment project in Christchurch

Completion of the Matiri Valley Generation Project

Prepared playing surfaces for Men's & Women's International Cricket in Queenstown

Completion of Cromwell Zone Substation in Central Otago

Maintenance on the Lan Yuan, Dunedin Chinese Garden received 5-star Garden of National Significance accreditation

Maintenance on Olveston Historic House received 5-star Garden of National Significance accreditation

Completion of Local Service Upgrade project / Delta demobilisation in Manapōuri

Q3

Company-wide safety reset for all operational staff at the start of the calendar year

Major Golden Bay shutdown in Tasman for maintenance and reconductoring

Awarded the Network Tasman Power Systems Contracting Services contract

Awarded Ground Maintenance contract for the Dunedin City Council 3-Waters sites

Prepared sports field for Super Rugby pre-season match in Alexandra

Awarded five new Southland District Council contracts expanding Delta's presence to 3/4 of the district

Charity Challenge donation of $5,010 to the Life Matters Suicide Prevention Trust

Prepared playing surfaces for Men's & Women's International Cricket in Dunedin

Commencement of the Waipori B-Line Replacement Project in Dunedin

Q4

Emergency response during Canterbury floods

Awarded the Nelson Electricity Maintenance & Faults contract

Awarded the Dunedin City Council Parks & Reserves 10-Year Maintenance contract

Awarded sub-contracting provisions on Road Network Maintenance contract in Ashburton

Two year extension of Aurora Energy Field Services Agreement

Two year extension of Contact Energy's Master Services Agreement

Partnered with LUMA Southern Light Project in Queenstown

Awarded sub-contracting provisions on Road Network Maintenance contract in Timaru

Completion of the Wakapuaka 33kV cable installation project in Tasman

Provided Tree Services to various community organisations for Arbor Day

KEY

- POWER & COMMUNICATION SERVICES
- METERING & FIELD OPERATIONS
- GREENSPACE SERVICES
- COMMUNITY/ GENERAL

CHAIRMAN AND CHIEF EXECUTIVE'S REPORT

for the year ended 30 June 2021

Delta experienced strong demand for its core services during the financial year ended 30 June 2021 (FY21). Despite sustained global change associated with the pandemic, Delta is among those that have continued to provide essential services to our communities. Delta has performed well above budget and forecast during the year and has improved substantially on FY20 results.

Although New Zealand is leading the way in the global response to COVID-19, Delta recognises the impact the pandemic is still having, and could have going forward. Small community outbreaks during FY21 saw our people adapt well and respond rapidly to COVID specific work practices. International and domestic supply chain issues have impacted some areas of our business during the year, creating delays, and increasing costs to Delta.

Our commitment to safe and quality outcomes, paired with years of industry experience, has led to major contract wins during FY21. Delta secured long term futures with major customers including Aurora Energy, Dunedin City Council, Network Tasman, and Nelson Electricity. The assurance of sustained future work has positioned Delta well for FY22.

Major project work continued for Delta during the year. Highlights in our operational sections detail the excellent service Delta continues to provide to its customers. A sustained focus on continuous improvement has also led to several business and safety initiatives during the year.

From a financial perspective the Company had an exceptional year and was able to achieve all of its financial targets. The Company recorded a net profit after tax of $4.624 million in FY21, a substantial increase on FY20's $1.963 million and well above FY21 forecasts. This amounted to a return on Shareholders funds of 19% - well above the target of 15% and prior year 9%.

Total revenue was $105.4 million for FY21, an increase of 5 per cent on the previous year (FY20: $100.4 million), underpinned by growth in services provided to existing and new energy and environmental customers and reduced COVID-19 disruptions.

The results were also supported by settled weather throughout the year, consistently high workloads from our customers across all operating divisions, and high levels of project work in the quieter months for our Openspace Services unit.

FINANCIAL HIGHLIGHTS

$105.4m
Total Revenue

$4.624m
Net Profit

19%
Return on Shareholders Funds

$10.4m
Cash Flows

$65.4m
Total Assets

40%
Equity Ratio

$16.5m
Company Borrowings

$1.750m
Dividend Payment

Cash flows from operations at $10.4 million were up $2.1 million from the previous year and are reflective of favourable working capital movements and improved underlying operational performance.

Total assets decreased slightly from $66.1 million to $65.4 million. Large increases in the company's right of use assets (long term property and vehicle leases) and increases in our intangible assets (new ERP system) were offset by reductions in our term receivable balance (discussed further below).

The Company's borrowings reduced substantially during the year, down $6.1 million to $16.5 million (FY20 $22.6 million). This is again mainly due to reductions in the term receivable discussed below, but also reflects favourable working capital movements and strong operational performance.

The Company is very pleased with the progress towards the recovery of its debt with Infinity Yaldhurst Limited. The 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 continues to progress well with the historical issues previously impeding the development now resolved. It was a significant year in the recovery of the Company's debt with Infinity Yaldhurst Limited with $6.3 million being repaid in FY21 (circa $5.6 million ahead of schedule). Subsequent to balance date the Company's debt with Infinity Yaldhurst Limited was fully repaid, well ahead of contractual timeframes.

Despite continuing challenges related to the COVID-19 pandemic, the Company paid a dividend of $1.750 million as forecasted in its 2020/21 Statement of Intent. Equity also increased by 12% to $25.9 million with the Company's equity ratio now 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 FY21. Solid demand and a diverse work programme saw Delta remain steady in an increasingly competitive environment. Delta secured a range of new contracts during the year, including long term futures with some major customers, while still delivering on maintenance programmes for existing customers.

5,962
Electricity faults attended to

$42M+
of capital projects delivered for key customers

19
Apprentices became fully qualified

Delta delivered more than $42 million worth of projects for key customers. This included pole replacements, reconductoring, upgrades to zone substations, construction of a new 33kV overhead line, installation of new 33kV cables, subdivision reticulation and numerous upgrade projects on generation assets.

As a 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 FY21, Delta responded to approximately 6,000 faults. Natural events and extreme weather are often the cause – requiring our staff to work in all conditions and at any time of the day.

Delta continued its longstanding relationship with Aurora Energy during the year. Successful delivery continued with the Aurora Energy Field Services Agreement (FSA), meeting KPI requirements to a satisfactory standard. During FY21, Delta received an extension on the FSA – securing a further two years as a principal contractor on the Aurora Energy network from 1 April 2021.

Over the past ten years, Delta's technical skills and integrated solutions have built a quality reputation in the Tasman area. During FY21, Delta entered a highly competitive tender process for both Network Tasman and Nelson Electricity maintenance contracts.

Success with both tender bids secured Delta's position in the region. Delta will continue to provide electrical and telecommunications services, network maintenance and 24-hour faults response for the next five years. The opportunity for a five-year rollover will be reviewed in FY26. Long term security has provided our highly skilled and capable staff with a long-term future at Delta. Scheduled maintenance for both Network Tasman and Nelson Electricity networks were completed to a high standard in FY21.

Major project work for FY21 saw Delta begin the Waipori B-Line Replacement Project for Aurora Energy in Dunedin. Delta upgraded both the 33kV and 6.6kV lines between Berwick and Outram. This project showcased a wide range of technical skills and expertise. Additionally, we started the Outram zone substation upgrade during the year.
Delta installed a new 7.5MVA transformer, constructed an 11kV switchroom, and replaced several 33kV circuit breakers. Increasing the capacity of the substation has improved network security and helped cater to the growing demand that is being faced by Dunedin. Some delays in the project caused challenges for our staff, however effective project management skills alleviated disruptions where possible.

GENERATION

In the generation market, Delta continues to provide technical expertise in power generation and electrical services to Contact Energy. During FY21, Delta secured an extension of Contact Energy's Master Services Agreement for a further two years.

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 to ISO 17025 standard continuously since 1995.

Our engineering workshops also provide a specialised service. During FY21, Delta completed its first end-to-end lines truck fit-out for an in-house Delta crew. The ability to customise our vehicles to meet Delta requirements for both safety and efficiency is highly beneficial.

Our commitment to training within our Power and Communication Services team, saw 19 of our apprentices became fully qualified line mechanics, cable jointers, and electricians. As we begin FY22, we have 21 people enrolled in our apprenticeship programme and plan to increase this to 30 during the year.

METERING & FIELD OPERATIONS

Delta's Metering and Field Operations business continues to hold the largest market share for legacy metering field operations in New Zealand. During FY21, we maintained all long-term contracts and saw growth in some of our customer base.

57,379
Dispatch calls handled

33,000
Smart meters installed

24,716
Reconnections and disconnections undertaken

The demand for smart meter installation continued during the year, installing 33,000 smart meters into homes and businesses nationwide. Delta carried out smart meter maintenance for Alpine Energy, PowerNet, Vector and Aurora Energy, as well as legacy meter maintenance across New Zealand.

Delta is a service provider for the Arc deployment project. This is a sizeable project involving the replacement of approximately 80,000 Arc meters with Vector smart meters on the Orion network.

For the past 18 months, Delta has carried out smart meter deployment for Intellihub. Initially the only retailer Intellihub was working with was Trustpower, however in the past few months Nova Energy, Pulse Energy and Mercury have come on board. This means the project will go longer than first anticipated.

During FY21, Delta saw significant growth in our Auckland market. The metering and field technicians have gained a reputation for providing quality workmanship and excellent customer service. As a result, we have increasing demand for our smart meter service in the area. Additionally, our electrical inspectors have significantly grown our market share of Auckland's new connections, and our electrician customer base is increasing every month. Delta is currently the sole service provider for one of the largest electrical companies in Auckland.

GREENSPACE SERVICES

During FY21, our Environmental Services division underwent a name change. Our team is now referred to as Greenspace Services - better reflecting our current work activities and reducing confusion amid company-wide environmental and sustainability initiatives. This simple change has not affected our continued delivery of quality services to our customers. Delta maintained its 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

46,931

Metres of vegetation cleared from power lines

584

Customers received Greenspace services

Delta continued its longstanding relationship with the Dunedin City Council this year. Proven capability alongside an excellent KPI record, helped Delta secure the Dunedin Parks and Reserves 10-Year Maintenance Contract during FY21. With a commencement date of 1 July 2021, Delta's delivery area will more than double in size, and service provisions will be expanded to include tree services. Delta will become the Council's primary service provider for all greenspace requirements within the city - allowing Delta to provide long-term security to its staff and an opportunity to invest in top-quality equipment.

Normal business requirements during the year continued to be successful. The excellent work of our sports turf management teams continued to provide benefits to the wider community. Dual international men and women cricket matches at the University Oval in Dunedin were a major success, while Alexandra's Molyneux Park hosted the Highlanders in their pre-season match against the Hurricanes – a first since 2019. In Queenstown, John Davies Oval was scheduled to host the Highlanders in a Trans-Tasman clash against the Melbourne Reds. Due to COVID-19 restrictions in Melbourne, the match was relocated to Australia.

International cricket did return to the oval during the year though, hosting men and women touring teams from the West Indies, Pakistan, England, and Bangladesh.

In Rangiora, Delta provided effective storm response throughout the Canterbury region. Severe windstorms and flooding hit the area hard late in May. Delta's exceptional service during this time, highlighted our capability in the area and was highly praised by both the community and the Waimakariri District Council. Delta's ten-year relationship with the Southland District Council was strengthened during FY21, securing five new long-term contracts in the area. Delta now covers more than three-quarters of the district, while continuing to provide greenspace services to the Southland Hospital in Invercargill. Further north, Delta delivered roadside vegetation control on several rural roads for the Tasman District Council and increased contract workloads in Kaikōura.

TREE SERVICES

As previously mentioned, the Dunedin City Council's Parks and Reserves Maintenance Contract now includes tree services. Prior to our 1 July commencement date, Delta worked alongside the Council to complete a city-wide assessment of public trees and prepare a detailed forward work programme for pruning and plantings across the network.

During FY21, Delta's tree maintenance work with Network Waitaki came to an end. We held this contract from FY19 and provided a quality service during this time - meeting KPI requirements to a high standard. Network Waitaki however, decided to establish the capability in-house for its tree service requirements. Delta assisted all affected employees with finding alternative employment – many moving directly to the Network Waitaki team.

For improved network reliability, our tree services team continued to clear vegetation away from powerlines on both the Aurora Energy and the Orion distribution networks. During the year, Delta continued to maintain excellent relationships with all customers, both in the private and public sectors.

SAFETY AND RISK

At Delta, we are committed to safe and healthy work environments for our staff, contractors, and the public – ensuring our safety vision of 'Everyone Home Safe. Every Day' is upheld.

Delta delivered on its fourth year of its Health & Safety Strategic Plan. During FY21, a clear focus on robust planning and preventable measures was maintained. Good progress was made in several areas – including a 60% reduction in harm severity and a 75% reduction in ticketed speeding violations. Safety leadership in the field exceeded targets by 36% and our staff-led Safety Wellness Action Teams (SWAT) closed out an increased number of health and safety actions. Safety alerts and wellbeing initiatives have continued to be communicated throughout the business during FY21 and has helped navigate a year with a high mental burden coping with the pandemic.

Unfortunately, we did not meet all health and safety targets for the year. Total recordable injuries per 200,000 hours worked (TRIFR) was 4.34, against a target of 3.50. Total lost time injuries per 200,000 hours worked (LTIFR) was 1.40, against a target of 1.00.

Maintaining an effective health and safety management system supports our strategic direction and our safety vision. As part of our continual improvement in this area, we are addressing issues of remote working through our fleet telematics and welfare monitoring review, progressing towards ISO 45001 accreditation, and building a high functioning internal audit programme.

Delta continues to support innovation in the health and safety space. During FY21, Delta was cited at the Safeguard National Health & Safety Awards for its support in assisting a major health initiative, looking into Hand-Arm Vibration Syndrome.

OUR SHAPED RISKS

CRITICAL RISKS

SUSPENDED LOADS

HEIGHT

ATMOSPHERE

PLANT USE

ELECTRICITY

DRIVING

HEALTH RISKS

SOUND & VIBRATION

HAZARDOUS SUBSTANCES

AGGRESSION

PSYCHOSOCIAL

ENVIRONMENTAL

DUST

OUR PEOPLE

Our people make the difference at Delta. It's their expertise, dedication and commitment that ensures our quality and performance is maintained to a high standard. Delta is committed to providing excellent career paths, from apprenticeship level through to retirement. Delta understands the importance of future-proofing its workforce and continuing a company culture that invests in its people.

Diverse and inclusive teams are important at Delta. During FY21 Delta's gender balance amongst its Leadership Group team was 80% males and 20% females. Among Delta's staff, the gender balance was 81% males and 19% females. Delta provides an environment where everyone is valued for the work they do. Diversity in age, gender identity, race, sexual orientation, ethnicity, and perspective, is respected and adds value in the service we provide.

Delta is proud of its staff achievements during the year. A few to note include Arborist Team Leader, Dom Ritter, who was crowned 2020 NZ Arb Treetech Men's Masters Champion at the National Tree Climbing Competition in November. Additionally, Delta Gardeners Raewyn Maskill and Sarah Fenwick, who look after Lan Yuan, Dunedin Chinese Garden and Olveston Historic Home, respectfully, gained 5-star National Garden of Significance accreditation during the year. Across both disciplines, our staff have showcased superb expertise and skill, and Delta is extremely proud to call them our own.

During FY21, Delta's existing employee benefits scheme re-launched itself as a mobile app. Boost now provides significant savings to all Delta staff, right at their fingertips. Delta also continued its staff recognition programme during the year, rewarding staff who go above and beyond the duty of work in customer service, safety, and living our core values.

AVERAGE APPRENTICES

29

TOTAL TRAINING EVENTS

1,584

REDUCTION IN STAFF TURNOVER RATE

2%

- FY20 – 12.1%
- FY21 – 10.1%

OUR COMMUNITIES

Delta is committed to supporting the communities in which we operate. We look to forge strong and meaningful relationships with our partners, by living our core values of Do it First, Do it Right, Do it Together.

In FY21, Delta sponsored the Alexandra Blossom Festival and the LUMA Southern Light Project. We participated in Arbor Day and community planting projects for the Dunedin City Council, and although Special Rigs for Special Kids was cancelled in FY21, we remain active supporters and are due to participate in FY22.

Our Charity Challenge initiative continues to be strong. A company-wide safety initiative, the Charity Challenge helps raise awareness among staff, while contributing to local charities in our communities. 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 FY21, Delta donated over $9,000 through this initiative to worthy causes such as the Otago Community Hospice and Life Matters Suicide Prevention Trust.

Photo credit: @aiste_photography

OUR SUSTAINABILITY

Environmental performance and sustainable work practices continued to be a focus for Delta. During FY21, Delta completed a baseline audit for ISO 14001, an internationally recognised standard for Environmental Management Systems. Although we will eventually shift away from the Enviro-Mark accreditation model, with our planned move to ISO 14001, all depots continued to maintain their Enviro-Mark Gold accreditation during the year. Delta also underwent an extensive review of its carbon emissions within the business. This has established a baseline for Delta, and we intend to continue monitoring and improving our progress.

For full details, Delta's Greenhouse Gas Emission Summary can be found on page 70

CARBON EMISSIONS

Tonnes of Carbon Dioxide Equivalent (tCO_2-e)

1. FUEL

DIESEL
3,374

PETROL
316

LPG
2

2. ELECTRICITY

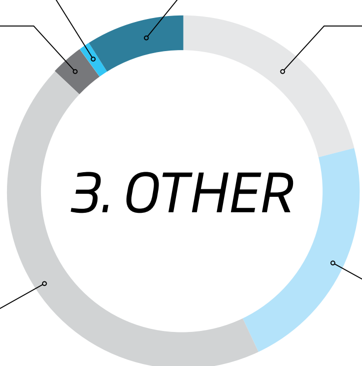
DUNEDIN
69

CENTRAL OTAGO
29

TASMAN
12

CANTERBURY
3

3. OTHER



TAXIS
2

T&D LOSSES
8

WASTE TO LANDFILL
128

ACCOMMODATION
26

FLIGHTS
61

FREIGHT
62

OUTLOOK

During FY20, Delta set out to develop a new ERP system which would modernise its processes and further support its delivery of services. As we round out FY21, Delta has finalised its new system and its rollout is due to begin in FY22. The dedicated project team has created a customised solution to meet Delta's requirements. Throughout the change, staff impact and support has been a major focus. We look forward to delivering this project in its entirety and benefiting from its establishment.

OUR THANKS

We thank our people, our customers, and our communities for a successful year. In the face of the global pandemic, we rose to the challenge and provided a good result. As an organisation we are proud of our year's achievements and endeavour to continually improve the services we provide. We look forward to FY22 and providing sustainable results for the year ahead.

Brian Wood
CHAIRMAN

Mike Costelloe
CHIEF EXECUTIVE

24 September 2021

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 2021.

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 2021 – 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 2021	$000
Operating profit before income tax	5,641
Income tax expense	1,017
Net profit for the period	4,624

STATE OF AFFAIRS

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

DIVIDENDS

Dividends of $1.750 million were declared and paid during the year.

RETAINED EARNINGS

The net transfers to retained earnings during the year was $2.874 million.

DIRECTORS' REPORT

for the year ended 30 June 2021 – continued

REVIEW OF OPERATIONS

During the year the company established a number of new revenue streams and won several large long-term contracts. The company remained one of the South Island's leading electricity network and environmental services contractors.

Delta's net surplus of $4.624 million (2020: $1.963 million) provided a return on average Shareholder's equity of 19% (2020: 9%).

FINANCIAL STATEMENTS

The audited financial statements for the year ended 30 June 2021 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 2021 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

There were no changes in directors during the year.

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 2021 – continued

DIRECTORS' REMUNERATION

The remuneration paid to Directors during the year was:

Brian J Wood	$	79,713
Steve W Grave	$	44,285
Tony D Allison	$	44,285
Trevor J Kempton	$	44,285
	$	212,568

EMPLOYEES' REMUNERATION

The number of employees and former employees, whose remuneration and benefits exceeded $100,000 for the year ended 30 June 2021 is listed below. Remuneration includes all non-cash benefits and redundancy payments at total cost to the company, where applicable:

$100,001 - $110,000	42
$110,001 - $120,000	33
$120,001 - $130,000	28
$130,001 - $140,000	13
$140,001 - $150,000	5
$150,001 - $160,000	6
$160,001 - $170,000	5
$170,001 - $180,000	3
$180,001 - $190,000	3
$190,001 - $200,000	2
$240,001 - $250,000	1
$300,001 - $310,000	1
$420,001 - $430,000	1
	143

In the year ended 30 June 2021 the Chief Executive received a base remuneration of $409,500 and superannuation of $18,427. The Chief Executive's remuneration does not include any other short-term or long term incentives or performance based payments.

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.

DIRECTORS' REPORT

for the year ended 30 June 2021 – continued

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

Subsequent to balance date the entire country entered an Alert Level 4 lockdown following the discovery of COVID-19 transmission in the community. A majority of the Company's operations ceased other than essential fault and maintenance work.

The Company was fortunate it was able to draw down on existing funding arrangements and that some of its contracts entitled it to a fixed monthly fee. Amongst other criteria, the Company had a reduction in revenue of more than 40% and was entitled to the Ministry of Social Developments Wage subsidy which mitigated some of the impact the lockdown had.

Upon entering Alert Level 3 the Company was able to resume a majority of its operations.

Subsequent to balance date the Company's Term receivable with Infinity Yaldhurst Limited was fully repaid. This was well ahead of contractual timeframes.

On behalf of the Directors

Brian Wood
CHAIRMAN

Tony Allison
DIRECTOR

24 September 2021

STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2021

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 2021 financial year was submitted to and accepted by DCHL prior to 30 June 2020.
• 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 $32,000 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	Not achieved	TRIFR for the year was 4.34 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 1.40 per 200,000 hours worked.
• Maintain the health and wellbeing of staff	Lower than 2.5% sick leave based on hours	Achieved	Staff sick leave was 2.3% of total hours during the year.
	Implement/maintain an employee wellbeing programme	Achieved	An employee wellbeing programme was launched and maintained during 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 29 during the period.
• Maintain a positive and satisfying working environment with low levels of voluntary staff turnover	Below 14.0% staff turnover	Achieved	Voluntary staff turnover was 10.0% over the 2020/21 year.

During the 2021 financial year, 86% (2020: 89%) of the staff employed by the Company received above the living wage (as calculated by the New Zealand Family Centre Social Policy Unit).

STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2021 - continued

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
Environment			
• Ensure a well-recognised environmental accreditation is maintained	Maintain Enviro-mark Gold accreditation for all Delta depots Complete a Stage 1 nominal assessment for ISO 14001	Achieved	All depots maintained their Enviro-mark gold accreditation and a stage 1 nominal assessment for ISO 14001 was undertaken.
• Maintain full compliance with the Resource Management Act (RMA)	0 – number of breaches	Achieved	There were no breaches of the RMA during the 2020/21 year.
• Maintain or lower fuel efficiency in the Company's light commercial / passenger fleet	≤ 9.50 litres fuel used per 100 kilometres	Not achieved	Fuel efficiency across the Delta light commercial /passenger fleet was calculated at 9.55 litres per 100 kilometres.
• Contribute to the Dunedin City Council's Carbon Neutrality initiatives	Establish systems for measuring and publicly reporting carbon emissions by the end of FY2021 in a cost effective manner	Achieved	The company is now able to measure its carbon footprint and has established baseline levels for FY21.

FINANCIAL OBJECTIVES

PERFORMANCE MEASURE	TARGET	OUTCOME	RESULT
	$000		$000
• EBITDA	≥11,508	Achieved	13,087
• Net profit after income tax	≥3,373	Achieved	4,624
• Shareholder's equity	≥23,984	Achieved	25,918
• Return on Shareholder's funds	≥15%	Achieved	19%
• Cash flow from operations	≥8,399	Achieved	10,406
• Capital expenditure	≤6,008	Achieved	5,149
• Term debt	≤22,800	Achieved	16,500
• Dividends	≥1,750	Achieved	1,750
• Shareholder's equity to total assets	≥37%	Achieved	40%

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 Chairman - Buller Recreation Limited Chairman - Canterbury Linen Services Limited Chairman - Westreef Services Limited Director - Harrison Grierson Holdings Limited Group of companies Director - Lyttleton Port of Christchurch Limited Retired 29 October 2020 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 Director - Invercargill City Forests Limited Chairman - New Zealand Upgrade Programme Oversight Group
Steven W Grave Non-Executive Director		July 2017	Principal, Director and Shareholder - Steve Grave Consulting Ltd Chairman - Sicon Limited Director - Whitestone Contracting Limited Shareholder - SW Grave - Fulton Hogan Limited Director - Buller Holdings Limited Director - Westreef Services Limited Director - Buller Recreation Limited
Tony D Allison Non-Executive Director	BCom, BA, CA, CM.Inst.D.	November 2017	Director - AA Cleaners (Otago) Limited Chairman - Dunedin International Airport Limited Retired 19 July 2021 Director - Dunedin International Airport Limited Director - Smith City Finance Limited Director - Smith City (2020) Limited Director and Shareholder - Smith City Holdings (2020) Limited - Appointed Dec 2020 Director and Shareholder - Yabbie Creek Trustees Limited Director and Shareholder - Visionalli Limited Director - One House Away Limited Chairman - Otago Polytechnic Ceased 29 January 2021
Trevor J Kempton Non-Executive Director	BE (Hons), M.IPENZ, F.NZIM, CM.Inst.D.	November 2013	Director and shareholder - Long Beach Consulting Limited Chairman and Shareholder - Naylor Love Enterprise Group of companies

FINANCIAL STATEMENTS

for the year ended 30 June 2021

CONTENTS

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2021

	Note	2021 $000	2020 $000
Operating revenue	3	104,317	99,682
Financial revenue	4	1,074	758
Total revenue		**105,391**	**100,440**
Less expenses			
Operating expenses	5	99,009	97,238
Financial expenses	6	741	1,031
Total expenses		99,750	98,269
Profit before tax		**5,641**	**2,171**
Income tax expense / (credit)	9	1,017	208
Net profit		**4,624**	**1,963**
Other comprehensive income		-	-
Total comprehensive income		**4,624**	**1,963**

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 2021

	Note	Share Capital $000	Retained Earnings $000	Total $000
Balance at 1 July 2020		17,000	6,044	23,044
Total comprehensive income		-	4,624	4,624
Less dividends paid	8	-	1,750	1,750
Balance at 30 June 2021		17,000	8,918	25,918

	Note	Share Capital $000	Retained Earnings $000	Total $000
Balance at 1 July 2019		17,000	5,581	22,581
Total comprehensive income		-	1,963	1,963
Less dividends paid	8	-	1,500	1,500
Balance at 30 June 2020		17,000	6,044	23,044

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

BALANCE SHEET

as at 30 June 2021

	Note	2021 $000	2020 $000
EQUITY			
Share capital	10	17,000	17,000
Retained earnings		8,918	6,044
Total equity		25,918	23,044
CURRENT LIABILITIES			
Trade and other payables	11	7,698	7,135
Borrowings	14	22	63
GST payable		720	888
Provisions	13	4,950	4,763
Taxation payable		1,093	1,460
Lease liabilities	12	2,387	1,747
Total current liabilities		16,870	16,056
NON-CURRENT LIABILITIES			
Borrowings	14	16,500	22,550
Lease liabilities	12	5,685	3,844
Provisions	13	471	627
Total non-current liabilities		22,656	27,021
Total liabilities		39,526	43,077
TOTAL EQUITY AND LIABILITIES		65,444	66,121

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

BALANCE SHEET

as at 30 June 2021 – continued

	Note	2021 $000	2020 $000
CURRENT ASSETS			
Cash and cash equivalents	17	147	220
Trade and other receivables	18	14,268	13,867
Work in progress	19	5,974	6,824
Inventories – materials and stores		3,504	3,070
Prepayments		353	357
Total current assets		24,246	24,338
NON-CURRENT ASSETS			
Term receivable	18	6,021	10,023
Intangible assets	21	3,204	1,872
Deferred tax asset	9	966	886
Right-of-use asset	22	7,846	5,531
Property, plant and equipment	20	23,161	23,471
Total non-current assets		41,198	41,783
TOTAL ASSETS		65,444	66,121

For and on behalf of the Board of Directors

Brian Wood
CHAIRMAN

Tony Allison
DIRECTOR

24 September 2021

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 2021

	Note	2021 $000	2020 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from			
Receipts from customers		105,203	95,277
COVID-19 Wage Subsidy		-	3,841
Net GST received / (paid)		128	388
Interest received		-	3
		105,331	99,509
Cash was disbursed to			
Payments to suppliers and employees		92,888	89,757
Intra-group tax payments		1,463	543
Interest paid		574	929
		94,925	91,229
Net cash inflows/(outflows) from operations	23	10,406	8,280
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from			
Sale of property, plant and equipment		172	205
Receipts from loans		4,698	2,836
		4,870	3,041
Cash was disbursed to			
Purchase of property, plant and equipment		4,879	4,492
		4,879	4,492
Net cash inflows/(outflows) from investing activities		(9)	(1,451)

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 2021 - continued

	Note	2021 $000	2020 $000
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from			
Receipts from borrowings		88,600	80,175
		88,600	80,175
Cash was disbursed to			
Repayment of borrowings		94,650	82,975
Repayment of lease liabilities		2,670	2,435
Dividends paid		1,750	1,500
		99,070	86,910
Net cash inflows/(outflows) from financing activities		(10,470)	(6,735)
Net increase/(decrease) in cash, cash equivalents and bank overdraft		(73)	94
Cash and cash equivalents at the beginning of the period		220	126
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	17	147	220

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 2021

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, additional information as requested by Directors, and in accordance with NZ GAAP. They comply with New Zealand Equivalents to IFRS and other applicable Financial Reporting Standards, as appropriate to for-profit orientated entities.

The financial statements were authorised for issue by the Directors on 24 September 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2021 - continued

2 SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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 income statement.

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.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the financial year. Any standards introduced or amended were not relevant to the Company.

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2021 - 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 income statement in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to the proportion that costs incurred to date bear 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. 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 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 amount 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 in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification 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 periods.

Where material costs are incurred to obtain or fulfil a contract, these costs are held on the balance sheet and amortised over either the life of the contract or, in the case of a construction contract, in line with the stage of completion.

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 2021 - continued

3 OPERATING REVENUE - continued

	2021 $000	2020 $000
Revenue from contracts with customers		
Electrical services	65,623	61,658
Meters and related services	10,931	9,204
Greenspace services	19,458	16,958
Tree services	7,462	7,460
Other		
Other sundry revenue	212	23
Lease income	480	455
COVID-19 Wage Subsidy	-	3,841
Gain on sale / disposal of assets	151	83
	104,317	99,682

The COVID 19 Wage Subsidy received in the year ended 30 June 2020 was a subsidy applied for through the Ministry of Social Development (MSD) during the COVID-19 lockdown. The Company was eligible for the subsidy as it met the criteria as set out by the MSD – including a 30% decline related to COVID-19 in actual or predicted revenue over the period of a month between January 2020 and June 2020, when compared with the same month last year. 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 occupy a significant portion of the leased space and, in many cases, overlap with the tenants.

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.

	2021 $000	2020 $000
Less than one year	511	496
One to two years	511	501
Two to three years	395	387
Three to four years	45	45
Four to five years	45	45
Greater than five years	45	45
	1,552	1,519

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2021 - continued

	2021 $000	2020 $000
4 FINANCIAL REVENUE		
Interest revenue	1,074	758
	1,074	758

Finance 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. Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Since the inception of the Term receivable balance, interest has been accounted for at a conservative level to contractual obligations, on the basis that the probability of contractual future repayments being on time and at the required level was low. During the past year the underlying development which relates to this receivable has progressed well, to the point where recovery of the Company's contractual balance is reasonably certain. The increased probability that the Company will now receive amounts in line with contractual requirements has resulted in the Company recognising an additional $0.4million of interest in June 2021 that related to the period 1 June 2017 to 30 June 2020.

5 OPERATING EXPENSES

	2021 $000	2020 $000
Included in the operating expenses are the following items:		
Audit fees – for audit of financial statements	73	70
Employee remuneration and benefits[1]	47,964	46,665
Materials[2]	16,742	15,456
Depreciation and amortisation – Property Plant & Equipment / Intangibles	4,077	4,110
Depreciation Right-of-use asset	2,627	2,320
Plant and Vehicle costs[2]	4,869	5,223
Building rent	72	230
Directors' fees	213	213
Increase/(decrease) in impairment provision for trade and other receivables	64	-
Bad debts written off / (written back)[3]	(508)	1
Donations	11	9

1 Employee remuneration and benefits includes $1.860 million in superannuation payments (2020: $1.769 million).

2 Prior year disclosure has been amended in line with current year disclosure to reallocate some expenses previously categorised as Materials into Plant and Vehicle costs.

3 Bad debts written back relates to the writeback of the Term receivable. This receivable arose from the supply of infrastructure services on a Christchurch development property and was written down by $508k on initial recognition on the basis that the probability of contractual future repayments being on time and at the required level was unlikely. During the past year the underlying development which relates to this receivable has progressed well, to the point where recovery of the Company's contractual balance is reasonably certain and the carrying value has been increased in line with the contractual value.

6 FINANCIAL EXPENSES

	2021 $000	2020 $000
Interest – related parties	531	854
Interest on leases	208	176
Interest – other	2	1
Total financial expenses	741	1,031

7 EARNINGS PER SHARE

	2021	2020
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	27.20 cents	11.55 cents

8 DIVIDENDS

		2021 $000	2020 $000
Interim dividend December 2020 (December 2019: 4.4 cents/share)	5.15 cents/share	875	750
Final dividend June 2021 (June 2020: 4.4 cents/share)	5.15 cents/share	875	750
		1,750	1,500
	Cents per share	10.29	8.82

9 TAXATION

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

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

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

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

The 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 2021 - continued

9 TAXATION - continued

INCOME TAX

	2021 $000	2020 $000
Total operating profit before income tax	5,641	2,171
Tax thereon at 28%	1,580	608
Plus / (less) the tax effect of differences		
Expenditure non-deductible for taxation	5	16
Non-assessable income	(764)	(135)
Reduction in deferred tax liability following reintroduction of tax depreciation on commercial buildings	-	(155)
Intra-group tax compensation	305	24
Under/(over) tax provision in prior years	(109)	(150)
Tax effect of differences	(563)	(400)
Tax expense /(benefit)	1,017	208
Represented by:		
Current tax provision	705	692
Intra-group tax compensation	305	24
Prior period adjustments to current tax	85	(106)
Deferred tax provision	117	(203)
Prior period adjustments to deferred tax	(195)	(44)
Reduction in deferred tax liability following reintroduction of tax depreciation on commercial buildings	-	(155)
Income tax	1,017	208
Effective tax rate	18.0%	9.6%

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 $305,000 (FY20: $24,000) from Delta to Aurora Energy.

Imputation credit account

Delta Utility Services Limited is a member of an income tax consolidated group and has access to the income tax consolidated group's imputation credit account.

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

	Opening Balance Sheet $000	Charged to Equity $000	Charged to Income $000	Reduction in Deferred Tax Liabilities on Buildings $000	Closing Balance Sheet Assets $000	Closing Balance Sheet Liabilities $000	Closing Balance Sheet Net $000
YEAR ENDED 30 JUNE 2021:							
Property, plant and equipment	(129)	-	123	-	-	(6)	(6)
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	-	80	-	1,428	(462)	966

	Opening Balance Sheet $000	Charged to Equity $000	Charged to Income $000	Reduction in Deferred Tax Liabilities on Buildings $000	Closing Balance Sheet Assets $000	Closing Balance Sheet Liabilities $000	Closing Balance Sheet Net $000
YEAR ENDED 30 JUNE 2020:							
Property, plant and equipment	(340)	-	56	155	-	(129)	(129)
Employee benefits	1,277	-	168	-	1,445	-	1,445
Provisions	(454)	-	7	-	-	(447)	(447)
IFRS 16 Lease adoption	-	-	17	-	17	-	17
Balance at the end of the year	483	-	248	155	1,462	(576)	886

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2021 - continued

	2021 $000	2020 $000
10 SHARE CAPITAL		
Issued capital		
17,000,000 fully paid ordinary shares	17,000	17,000

11 TRADE AND OTHER PAYABLES

	2021 $000	2020 $000
Trade and other payables are stated at cost and include:		
Trade payables	4,289	3,871
Due to related parties	229	170
Income in advance	638	541
Other creditors	2,542	2,553
	7,698	7,135

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 within 30-day terms.

12 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 leases include an option to renew the lease 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. The Company seeks information from its lease partner to determine changes to the residual value of these assets and as at the 30 June 2021 a provision was held for the expected amount payable.

	2021 $000	2020 $000
(i) Current liabilities		
Building and land leases	465	425
Vehicle leases	1,922	1,322
	2,387	1,747
(ii) Non-current liabilities		
Building and land leases	1,903	1,221
Vehicle leases	3,782	2,623
	5,685	3,844

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

	2021 $000	2020 $000
Payable within one year	2,525	1,948
Payable between one to five years	5,831	3,338
Payable later than five years	1,880	781
	10,236	6,067

13 PROVISIONS

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

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.

	2021 $000	2020 $000
(i) Current liabilities		
Long service leave	278	209
Annual leave	4,099	4,098
Gratuities	288	233
Sick leave	102	57
Other provisions	183	166
	4,950	4,763
(ii) Non-current liabilities		
Long service leave	429	475
Gratuities	42	152
	471	627

14 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.

	2021 $000	2020 $000
Dunedin City Treasury Limited – related party	16,522	22,613
	16,522	22,613
The total facility available is $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	16,500	22,550
	16,500	22,550

The weighted average interest rate for the loan at balance date was 2.74% (2020: 3.35%).

15 CONTINGENT LIABILITIES

	2021 $000	2020 $000
Performance bonds	1,157	1,243
	1,157	1,243

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. This investigation is still ongoing and at balance date, the financial consequences of this matter (if any) were not known.

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

16 CAPITAL EXPENDITURE COMMITMENTS

	2021 $000	2020 $000
Plant and equipment	129	464
	129	464

17 CASH AND CASH EQUIVALENTS

	2021 $000	2020 $000
Cash and bank	147	220

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 2021 - continued

18 TRADE AND OTHER RECEIVABLES

	2021 $000	2020 $000
Trade receivables	7,858	6,859
Less estimated doubtful debts	(69)	(5)
	7,789	6,854
Due from related parties	6,479	7,013
	14,268	13,867
Term receivable	6,021	10,023
	6,021	10,023

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

The term receivable is held at amortised cost and arose from the supply of infrastructure services on a Christchurch development property and it is secured by a second mortgage over that development property. Interest is payable on this balance and loan repayments commenced February 2019. As at 30 June 2021, no amounts owing were classified as trade receivables due within 12 months of balance date. (2020: $0.709mil).

Past due, but not impaired, receivables are:

		2021 $000	2020 $000
Age analysis:	1 – 30 days	497	277
	30 – 60 days	420	151
	60 – 90 days	25	236
	90 days plus	–	30
		942	694

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 was reduced to 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 provision put in place where deemed necessary for doubtful amounts.

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

	2021 $000	2020 $000
Opening doubtful debts provision	(5)	(5)
Additional provisions made during the year	(69)	(1)
Receivables written off during the year	–	1
Provisions reversed during the year	5	–
Closing doubtful debts provision	(69)	(5)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2021 - continued

19 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 that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer 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.

	2021 $000	2020 $000
Work in progress – construction contracts	1,145	1,221
Work in progress – other contracts	4,829	5,603
	5,974	6,824

Included within work in progress is $3.840 million for Dunedin City Council Group entities (2020: $4.508 million).

20 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 100%	straight line
Plant and equipment	1% to 100%	straight line
Motor vehicles	5% to 33%	straight line

20 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 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
YEAR ENDED 30 JUNE 2020:							
Cost							
Balance at the beginning of the year	4,566	5,969	2,473	12,703	26,326	325	52,362
Purchases	-	173	518	674	1,627	-	2,992
Sales/disposals	-	(62)	-	(840)	(1,640)	-	(2,542)
Transfers	-	144	-	7	174	(325)	-
Total cost	4,566	6,224	2,991	12,544	26,487	-	52,812
Accumulated depreciation							
Balance at the beginning of the year	-	1,715	873	8,752	16,730	-	28,070
Depreciation	-	207	160	1,092	2,263	-	3,722
Sales/disposals	-	(61)	-	(817)	(1,573)	-	(2,451)
Transfers	-	-	-	-	-	-	-
Total accumulated depreciation	-	1,861	1,033	9,027	17,420	-	29,341
Balance at the end of the year	4,566	4,363	1,958	3,517	9,067	-	23,471

20 PROPERTY, PLANT AND EQUIPMENT - continued

Included within Land and buildings are the following assets subject to operating leases:

	Land $000	Buildings $000
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 appreciation	-	849
Balance at the end of the year	4,566	794
YEAR ENDED 30 JUNE 2020:		
Cost		
Balance at the beginning of the year	4,566	1,645
Purchases	-	-
Sales/disposals	-	-
Total cost	4,566	1,645
Accumulated depreciation		
Balance at the beginning of the year	-	775
Depreciation	-	38
Sales/disposals	-	-
Total accumulated appreciation	-	813
Balance at the end of the year	4,566	832

21 INTANGIBLES

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

	2021 $000	2020 $000
SOFTWARE		
Cost		
Balance at the beginning of the year	4,323	4,440
Purchases	108	97
Transfers	–	52
Disposals	(368)	(266)
Total cost	4,063	4,323
ACCUMULATED AMORTISATION		
Balance at the beginning of the year	3,786	3,664
Amortisation	392	388
Disposals	(368)	(266)
Total amortisation	3,810	3,786
SOFTWARE WORK IN PROGRESS		
Balance at the beginning of the year	1,335	52
Purchases	1,616	1,335
Transfers	–	(52)
Total work in progress	2,951	1,335
Balance at the end of year	3,204	1,872

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2021 - continued

22 RIGHT-OF-USE ASSET

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

YEAR ENDED 30 JUNE 2020	Property $000	Vehicles $000	Total $000
Cost			
Balance at beginning of the year	1,311	3,850	5,161
Additions	923	1,806	2,729
Disposals	(147)	(82)	(229)
Total Cost	2,087	5,574	7,661
Accumulated depreciation			
Balance at beginning of the year	-	-	-
Depreciation	589	1,730	2,319
Disposals	(147)	(42)	(189)
Total accumulated depreciation	442	1,688	2,130
Balance as at end of year	1,645	3,886	5,531

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 2021 - continued

	2021 $000	2020 $000
23 RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	4,624	1,963
Items not involving cash flows		
Depreciation and amortisation	4,077	4,110
Depreciation RoU Asset	2,627	2,320
Interest leases	208	176
Deferred tax	(78)	(403)
Bad debts	(508)	1
Doubtful debts	64	-
Impact of changes in working capital items		
(Increase)/decrease in trade and other receivables	4,042	2,148
(Increase)/decrease in inventories	(434)	(388)
(Increase)/decrease in work in progress	849	(474)
(Increase)/decrease in prepayments	4	(118)
Increase/(decrease) in trade and other payables	523	888
Increase/(decrease) in provision for tax	(367)	69
Increase/(decrease) in employee entitlements	31	497
Increase/(decrease) in GST payable	(167)	372
Items classified as investing or financing activities		
Net (gain)/loss on sale of property, plant and equipment	(151)	(83)
Investment in Financial Instrument	(4,698)	(2,836)
Movement of capital creditors in accounts payable	(240)	38
Net cash inflows from operating activities	10,406	8,280

RECONCILIATION OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES	Opening Balance Sheet $000	Cash Flows $000	Non-cash Movement $000	Closing Balance Sheet $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
YEAR ENDED 30 JUNE 2020:				
Long term borrowings	25,350	(2,800)	-	22,550
Short term borrowings	-	-	63	63
Lease liabilities	-	(2,435)	8,026	5,591
Total liabilities from financing activities	25,350	(5,235)	8,089	28,204

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2021 - continued

24 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:

	2021 $000	2020 $000
PROVISION OF SERVICES TO DUNEDIN CITY COUNCIL GROUP ENTITIES:		
Capital construction works	31,145	26,279
Network maintenance and contracting services	19,385	17,655
Rent	442	427
	50,972	44,361
PROVISION OF SERVICES TO DUNEDIN CITY COUNCIL:		
Other contracting services	5,961	5,465
AT YEAR END THE AMOUNTS RECEIVABLE FROM RELATED PARTIES WERE:		
Receivable from Dunedin City Council	652	368
Receivable from Dunedin City Council Group entities	5,827	6,646
INTRAGROUP TRANSFERS:		
Tax compensation (paid)/received	(719)	759
RECEIPT OF GOODS AND SERVICES FROM DUNEDIN CITY COUNCIL GROUP ENTITIES:		
Interest	531	854
Contracting services and supplies	1,145	591
Rent	262	79
Administration	574	503
Management fee	-	50
Tax compensation	305	24
	2,817	2,101

	2021 $000	2020 $000
24 RELATED PARTY TRANSACTIONS - continued		
RECEIPT OF GOODS AND SERVICES FROM DUNEDIN CITY COUNCIL:		
Contracting services and supplies	95	138
Rates	77	70
Rent	19	20
	191	228
AT YEAR END THE AMOUNTS PAYABLE TO DUNEDIN CITY COUNCIL ENTITIES EXCLUSIVE OF BORROWINGS SHOWN IN NOTE 14 ARE:		
Payable to Dunedin City Council	19	34
Payable to Dunedin City Council Group entities	1,124	905

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 $5,543 were purchased from Mainpower New Zealand (2020: $9,277). No monies were payable as at 30 June 2021 (2020: $1,165).

Mr B J Wood is a Director of E-Spatial Limited. During the financial period covered by this report, services to the value of $2,500 were purchased from E-Spatial (2020: $12,500). No monies were payable as at 30 June 2021 (2020: $2,875).

Mr B J Wood is a Director of Harrison Grierson Consultants Limited. During the financial period covered by this report, services to the value of $5,000 were purchased from Harrison Grierson Consultants (2020: Nil). No monies were payable as at 30 June 2021 (2020: Nil).

Mr S W Grave is Chairman of Sicon Ltd. During the financial period covered by this report, services to the value of $100,559 were provided to Sicon Ltd (2020: Nil). Monies receivable as at 30 June 2021 totalled $20,275. (2020: Nil)

Mr S W Grave is a Director of Whitestone Contracting Ltd. During the financial period covered by this report, services to the value of $11,875 were purchased from Whitestone Contracting Ltd (2020: Nil). No monies were payable as at 30 June 2021 (2020: Nil)

Mr T J Kempton is the Chairman and a Shareholder of the Naylor Love Enterprise Group of Companies. During the financial period covered by this report, contracting services to the value of $24,525 were provided to the Naylor Love Group (2020: $111,399). Monies receivable as at 30 June 2021 were $6,612. (2020: Nil). During the financial period covered by this report no contracting services were purchased from the Naylor Love Group (2020: $115,497). No monies were payable as at 30 June 2021 (2020: Nil).

Mr T D Allison was the Chairman of Dunedin International Airport Limited for part of the year covered by this report and was a director throughout the entire year. During the financial period covered by this report, contracting services to the value of $52,096 were provided to Dunedin International Airport (2020: $47,313). Monies receivable as at 30 June 2021 totalled to $18,072 (2020: $3,799).

Mr T D Allison was the Chairman of Otago Polytechnic up until January 2021. During the financial period covered by this report, services to the value of $6,795 were purchased from the Otago Polytechnic (2020: $19,067). No monies were payable as at 30 June 2021 (2020: Nil).

24 RELATED PARTY TRANSACTIONS - continued

KEY MANAGEMENT PERSONNEL REMUNERATION

	2021 $000	2020 $000
Short-term employment benefits – Senior Management	2,118	2,114
Short-term employment benefits – Directors	213	213

25 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 balance sheet 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 balance sheet are net of allowances for impairments.

The Company's exposure to credit risk is generally spread over a large number of counterparties and customers. As at 30 June 2021, however, there remains some concentration of this risk around the secured Term receivable described in Note 18.

In line with NZ IFRS 9, the Company recognises an expected credit loss provision on financial assets classified at amortised cost based on expected/historic credit losses. In the 2021 financial year the expected credit loss accrual was reduced to 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.

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

25 FINANCIAL INSTRUMENTS RISKS – continued

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

	2021 $000	2020 $000
Cash and cash equivalents	147	220
Trade and other receivables	14,268	13,867
Prepayments	353	357
Work in progress	5,974	6,283
Term receivable	6,021	10,023
	26,763	30,750

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.

	2021 $000	2020 $000
COUNTERPARTIES WITH CREDIT RATINGS		
Cash and cash equivalents		
AA-	147	220
Trade and other receivables		
AA	652	368
COUNTERPARTIES WITHOUT CREDIT RATINGS		
Trade and other receivables / Term receivable	19,637	23,522

25 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 weighted average interest rate are included in note 14.

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 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**
AS AT 30 JUNE 2020:					
Financial assets					
Cash and cash equivalents	220	-	-	-	220
Trade and other receivables	13,158	709	-	-	13,867
Term receivable	-	-	10,023	-	10,023
	13,378	**709**	**10,023**	**-**	**24,110**
Financial liabilities					
Trade and other payables	7,135	-	-	-	7,135
Lease liabilities	171	1,777	3,338	781	6,067
GST payable	888	-	-	-	888
Borrowings	63	-	-	22,550	22,613
	8,257	**1,777**	**3,338**	**23,331**	**36,703**

25 FINANCIAL INSTRUMENTS RISKS – continued

SENSITIVITY ANALYSIS

The Company enters 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 1% (100bps) have been used in this analysis.

		+100bps		-100bps	
	Fair Value at Balance Date $000	Profit $000	Equity $000	Profit $000	Equity $000
AS AT 30 JUNE 2021:					
Financial liabilities					
Borrowings (unhedged)	16,522	(165)	-	165	-
	16,522	(165)	-	165	-
AS AT 30 JUNE 2020:					
Financial liabilities					
Borrowings (unhedged)	22,613	(226)	-	226	-
	22,613	(226)	-	226	-

26 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 2021 - continued

27 COVID-19, GOING CONCERN

In early March 2020 the World Health Organisation declared the outbreak of COVID-19 a pandemic. New Zealand was impacted by the pandemic and entered into a nationwide lockdown following a move to COVID-19 alert level 4 in late March 2020. During the Level 4 phase of the lockdown the Company continued to provide essential maintenance services whilst most non-essential work was deferred. New Zealand moved to Level 3 in late April 2020 and at that stage the company was able to recommence all operations. The Company's results were impacted during the lockdown but since then the company was able to increase capacity to recover a proportion of the lost revenue. The Company was able to reduce costs during Level 4 of the lockdown to partly offset the drop in revenue for this period. In addition, the Company received support from the New Zealand Government by way of the wage subsidy.

Various regional lockdowns have continued to occur over the 2021 financial year. These have not had a major impact on the services the Company provides and a majority of the company has been able to continue operating as normal. The main impact on the company during the 2021 financial year related to stock supply and has required the Company to adjust work schedules relative to the stock available.

The Directors are aware that the company will continue to be impacted by COVID-19 over the coming period and this has been incorporated into future budgets, scheduling and strategy. Based on the budget for the 12 months ended 30 June 2022 the Company will be able to meet its obligations as they fall due. This is supported by trading evidence subsequent to balance date. 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.

28 EVENTS AFTER BALANCE DATE

Subsequent to balance date the entire country entered an Alert Level 4 lockdown following the discovery of COVID-19 transmission in the community. A majority of the Company's operations ceased other than essential fault and maintenance work.

The Company was fortunate it was able to draw down on existing funding arrangements and that some of its contracts entitled it to a fixed monthly fee. Amongst other criteria, the Company had a reduction in revenue of more than 40% and was entitled to the Ministry of Social Developments Wage subsidy which mitigated some of the impact the lockdown had.

Upon entering Alert Level 3 the Company was able to resume a majority of its operations.

Subsequent to balance date the Company's Term receivable with Infinity Yaldhurst Limited was fully repaid. This was well ahead of contractual timeframes.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GREENHOUSE GAS EMISSIONS SUMMARY

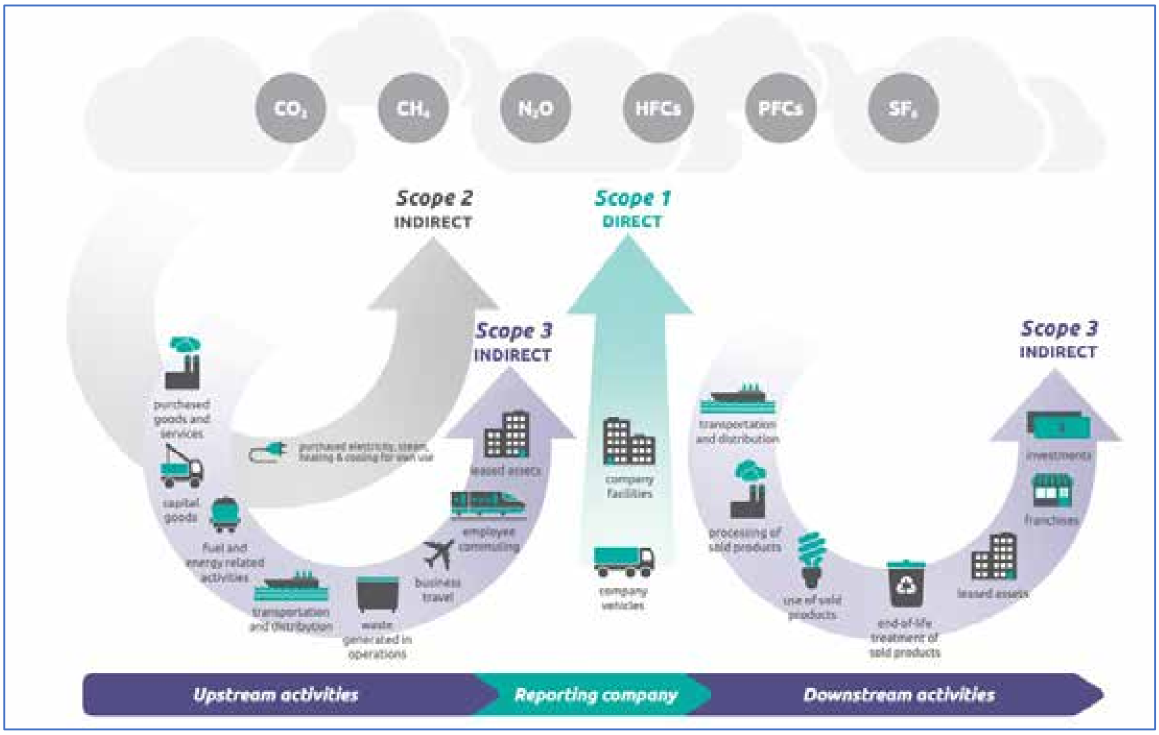
Greenhouse Gas Emissions Summary

During the year we have, for the first time, assessed and measured our Greenhouse Gas (GHG) emissions.

We completed this process with the assistance of 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 at this stage focussed on measuring our Scope 1 and 2 emissions and an agreed selection of Scope 3 (indirect, or value chain) emissions.

Figure 1 Source: GHG Protocol - Figure 1.1 of Scope 3 Standard



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

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

Scope 2 emissions are indirect GHG emissions from imported energy, including

- Purchased electricity that is consumed at sites we operate.

The Scope 3 emissions we have measured were chosen to ensure alignment across 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 (CO_2) equivalent (e); or tCO_2-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 by Scope

Delta's measured GHG emissions for the year end June 2021 are 10,350 tCO_2-e. Unsurprisingly for a contracting company, our primary source of emissions are associated to Scope 1, mainly related to fuel use for our fleet.

Table 1 Emissions by Scope

Emissions	t CO_2-e	% of total
Scope 1	3,692	90%
Scope 2	106	3%
Scope 3	288	7%
Total	4,086	100%

GREENHOUSE GAS EMISSIONS SUMMARY

Figure 1 Emissions by Scope

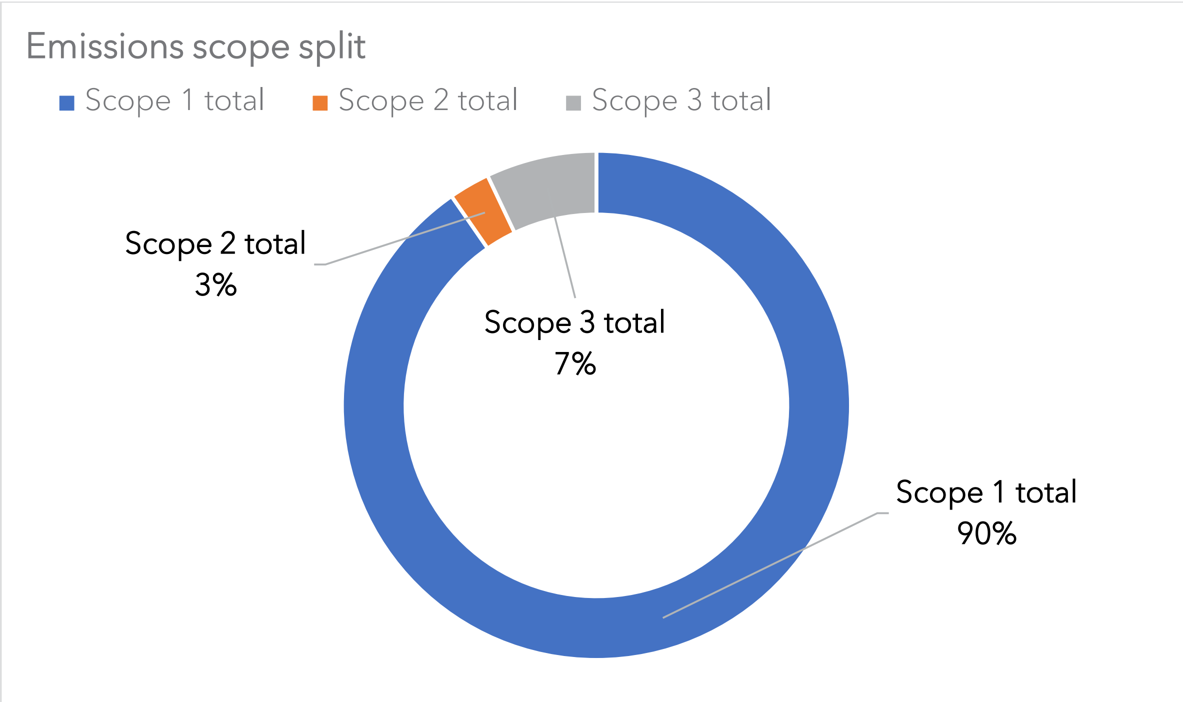
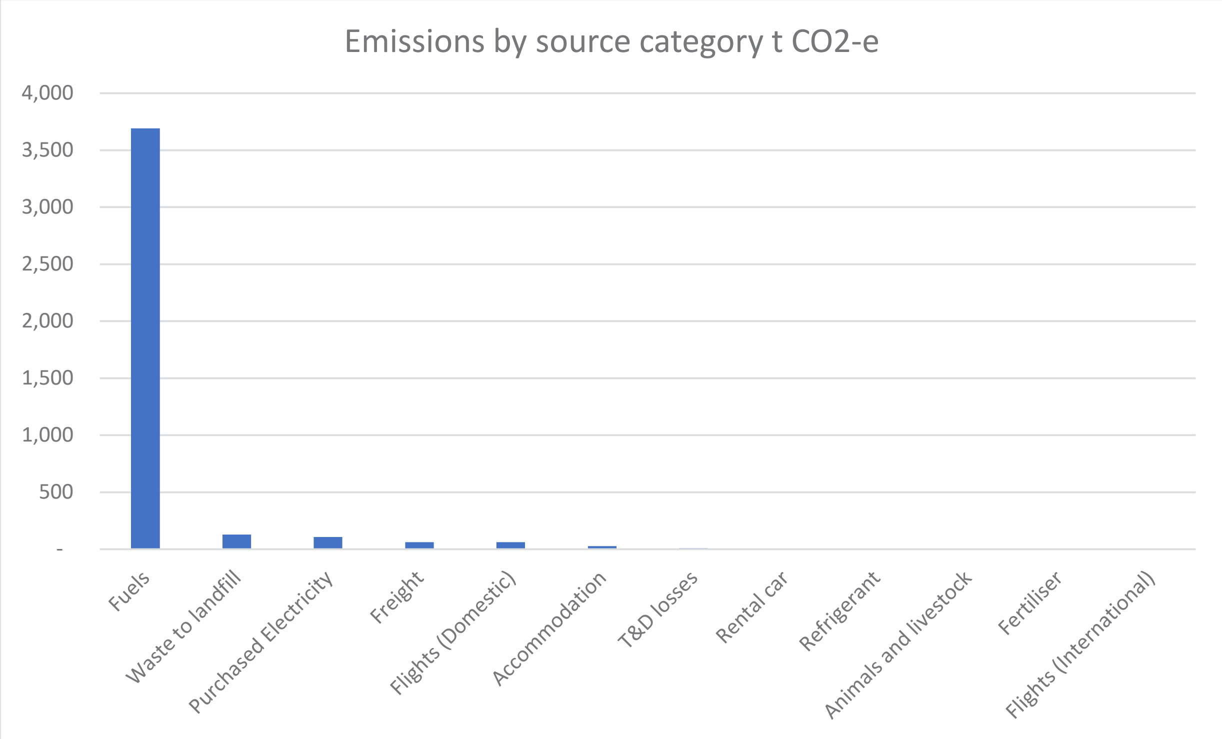


Table 2 Emissions by Activity

Our top emissions sources are summarised below.

Category emission source	t CO2-e
Fuels	3,692
Waste to landfill	128
Purchased Electricity	106
Freight	62
Flights (Domestic)	61
Accommodation	26
T&D losses	8
Rental cars	2

Figure 2 Emissions by activity



Next Steps

As this is our first footprint, a number of assumptions and estimates have been made when calculating our emissions. It is our intention to measure and manage our footprint on an ongoing basis and to report on this annually.

As noted in our 2021-2022 Statement of Intent, next steps include developing emissions and waste reduction strategies and associated targets. We will also focus on improving the accuracy of our calculations giving consideration to the most relevant Scope 3 emissions that we track and implementing measures to reduce our emissions.

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 2021

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 36 to 68, that comprise the balance sheet as at 30 June 2021, 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 31 and 32.

In our opinion:

- the financial statements of the Company on pages 36 to 68:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2021; 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 31 and 32 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 2021.

Our audit was completed on 24 September 2021. This is the date at which our opinion is expressed.

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 30, 33 to 35, 69 to 73 and 78 to 79, 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.

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

COMPANY DIRECTORY

DIRECTORS

Brian J Wood (Chair)

Steven W Grave

Tony Allison

Trevor J Kempton

MANAGEMENT

Mike Costelloe
Chief Executive

Richard King
General Manager Greenspace Services

Lynne Bas
General Manager Metering & Field Operations

Michael Price
General Manager Power & Communication Services

John Llewellyn
General Manager People & Capability

Hayden Wingfield
Chief Financial Officer

Daryl Putt
Business Accountant

Matt Sadgrove
Manager, Health & Safety

Jolene Lynn
Executive Assistant

Shane Spicer
Commercial Manager

REGISTERED OFFICE

33 Sturdee Street
Dunedin
New Zealand

BANKER

Westpac Banking Corporation

SOLICITORS

Gallaway Cook Allan

Anderson Lloyd

AUDITOR

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

TAXATION ADVISOR

Deloitte

DELTA
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