

ANNUAL REPORT 2023



DELTA
THINK.INFRASTRUCTURE





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WE ARE DELTA

WHO WE ARE

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

WHAT WE DO

Delta is an infrastructure specialist providing a range of contracting services to local authority and private sector customers. We construct, manage and maintain essential energy and community 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 professional with innovative ideas, passionate about serving our communities.

OUR VALUES

DO IT FIRST.

DO IT RIGHT.

DO IT TOGETHER.

WHERE WE ARE



OUR YEAR

Q1 / JUL-SEP 2022

Q2 / OCT-DEC 2022

Q3 / JAN-MAR 2023

Q4 / APR-JUN 2023



Commenced vegetational control work for SouthRoads on the Clutha District Council Road Maintenance Contract



Awarded Andersons Bay Substation Rebuild contract for Aurora Energy



Awarded additional works for Intellihub in Auckland

Q2



Delivered Big Day Out major works between Wānaka and Cromwell



Charity Challenge donation of \$4,410 to Dunedin Night Shelter

Q1



Completed fibre installation project for Manawa Energy at their Deepstream facility



Commenced partnership agreement with DVML for Forsyth Barr Stadium



Meridian Energy extended Delta's Panel membership for Electrical Contracting Services until 2029



Completed pole replacement and station maintenance for Manawa Energy at Waipori



Hosted Womens' T20 International at John Davies Oval in Queenstown



Completed Millbrook Intertie Project for Aurora Energy



Volunteered time, vehicles and drivers to the Special Rigs for Special Kids convoy in Dunedin



Assisted the DCC and DCD to support local communities during major flooding events in Dunedin



Commissioned the new T4 Unit at Clyde Power Station for Contact Energy



Signed a High Voltage Maintenance Service Level Agreement with Te Whatu Ora for the Dunedin Hospital



Commenced process of meter store replacement with new warehouse in Christchurch



Completed Te Awhina Marae HV and LV supply works in Motueka



Raised \$1,892 for Breast Cancer Awareness on Pink for a Day

Q3



Completed fibre installation project from Kaikorai Valley Substation to HWB GXP for Aurora Energy



Raised \$8,712 to support those impacted by Cyclone Gabrielle



Contact Energy extended the Tunnel Maintenance contract by a further year



Awarded the contract for the Design and Build of the 11kV Switchboard for the new Dunedin Hospital Outpatients building



Expanded Delta metering resource in Central Otago region for the first time



Finalised Skyline Terminal and Gondola Electrical Works in Queenstown



Completed Tennyson Crescent OHUG for Network Tasman Limited



Completed Light Copper Reconductor Projects for Network Tasman Limited



Awarded Protection Upgrade project for Aurora Energy's Fernhill Substation



Hosted Mens' International cricket at John Davies Oval in Queenstown



Awarded the contract to replace T7, T8 and Roxburgh Station for Contact Energy

Q4



Completed the fault finding and repairs of 33kV Oil and Gas filled cables in Dunedin for Aurora Energy



Hosted International T20 game at the University Oval in Dunedin



Raised \$778.20 for Pink Shirt Day NZ, an initiative aimed to stop bullying



Completed FIFA Womens' World Cup training ground upgrades in Dunedin



Completed the Arrowtown 33kV Ring Cable Installation project



Achieved a two-year extension for the Nelson Networks Outcome contract



Responded to a Tornado in Tasman which caused widespread network damage in coastal locations



Tendered for Dunedin-Cromwell-Wānaka line vegetation contract



Completed final pole replacement for the Meg line in the Kawarau Gorge



Featured on Australian Sunrise TV in relation to turf management of the Forsyth Barr Stadium



Completed Farnham Drive 11kV cable replacement for Network Tasman Limited

KEY



POWER & COMMUNICATION SERVICES



METERING & FIELD OPERATIONS



GREENSPACE SERVICES



COMMUNITY/ GENERAL



CHAIRMAN AND CHIEF EXECUTIVE'S REPORT

for the year ended 30 June 2023

Despite challenges posed by the economic decline, skill shortages and the sustained global pandemic, Delta remained committed to delivering safe and quality outcomes. During the financial year ended 30 June 2023 (FY23), Delta continued to experience strong demand for its services and maintained a deep connection with the communities we serve.

Delta delivered an extensive work programme during the year, notably working 108,000 more hours than in FY22.



The company successfully executed long-term contracts with prominent customers in the electrical distribution industry, local authorities, and metering equipment providers. Moreover, our commitment to delivering activity safely never wavered amidst a busy and challenging year. Performance against key indicators was maintained. Following accreditation to ISO 45001 (Health & Safety Management Systems) and ISO 14001 (Environmental Management Systems) in FY22, our processes (including ISO9001) were successfully audited as an integrated system in FY23.

We are proud of our people and connection to the communities we live and work in. As a first-response service, Delta is accustomed to working in disaster and emergency situations. During FY23, Delta responded to heavy flooding in Dunedin and extreme weather events across our operations. Our team worked hard to restore power safely and efficiently clear debris in order to get our communities back on their feet.

What sets Delta apart is the dedication of our people to get the job done right. Among the most heart-warming moments of the year was witnessing our team coming together to raise over \$8,700 from their own pocket to support those impacted by Cyclone Gabrielle.

Sustainable work practices have been a major focus for Delta. Following the establishment of its Carbon Emission and Waste Reduction Strategy (2022 - 2030) last year, Delta worked hard to achieve its targets and stay on course. New technology is rapidly emerging in this space and Delta is devoted to staying up-to-date with advancements, to ensure it integrates products and strategies that enhance the environmental impact of its operations.

The Company recorded a net profit after tax of \$2.571 million in FY23, slightly above the budgeted net profit after tax of \$2.523 million and slightly below the FY22 result of \$2.919 million. This amounted to a return on Shareholders' funds of 9.3% - slightly above the target of 9.1%.

FINANCIAL HIGHLIGHTS

\$122.6m / **\$2.571m** / **9.3%**
Total Revenue / Net Profit / Return on Shareholders Funds

\$5.2m / **\$66.0m** / **42.0%**
Operational and Investing Cash Flows / Total Assets / Equity Ratio

\$11.8m / **\$1.0m**
Company Borrowings / Dividend Payment

Operating revenue was \$118.4 million for FY23, an increase of 9% on the previous year (FY22: \$108.9 million), underpinned by growth in services provided to existing and new energy and greenspace customers. We continued to see COVID-19 disruptions, however this year these were related to higher levels of sick and COVID leave, rather than the lockdowns that we saw in the previous 3 years.

As reported last year, the debt owing from Infinity Yaldhurst Limited that arose from the supply of infrastructure services on a Christchurch subdivision was fully repaid in September 2021. The subdivision itself has progressed very well this year with the historical issues previously impeding the development now resolved. During the year the Company received \$3.094 million being a share of surplus sale proceeds from the development.

Cash flows from operations and investing at \$5.2 million were slightly above the budget of \$4.6 mil and are reflective of the share of surplus received from Infinity Yaldhurst during the year.

Net assets increased by \$1.5

million, from \$26.2 million at June 2022 to \$27.7 million at June 2023. Increases in the company's right of use assets (long term property and vehicle leases) and trade receivables, along with a \$1.2 million decrease in long term debt accounting for the majority of the variance.

Although pleased to pay a dividend of \$1 million for FY23, this was below the \$2 million target in our FY23 Statement of Intent. Market conditions including inflationary pressures, the impact of sick/COVID leave on service delivery and staff recruitment/retention, impacted our ability to meet this target.

Equity increased by 6% to \$27.7 million with the Company's equity ratio increasing to 42% from 40% in FY22. 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 FY23.

Delta delivered more than \$69.5 million worth of electrical contracting services to its key customers. This included faults response, pole and crossarm replacements, conductor replacements and upgrades, zone substations upgrades, installation of new 11kV and 33kV cables, fibre cable installations, asset inspections, maintenance services, subdivision reticulation, and numerous upgrade projects at generation sites.



5,760

Electricity faults attended to

As the dedicated fault response provider to our electricity distribution customers, our crews are called upon to repair damage and restore power as quickly and safely as possible. During FY23, Delta responded to approximately 5,760 faults. Natural events and extreme weather are often the cause, requiring our staff to work in all conditions and at any time.

Delta continued its longstanding relationship with Aurora Energy during the year. FY23 saw Delta meet its obligations under the Aurora Energy Field Services Agreement (FSA), as well as the successful delivery of a number of large capital projects secured through competitive tendering processes.

FY23 also saw Delta continue its relationships with Network Tasman and Nelson Electricity, resulting in the scheduled maintenance programmes being delivered to a high standard.

MAJOR PROJECTS

Major project work for FY23 saw Delta complete the enabling works for the Green Island Substation Upgrade Project and the installation of new Fibre cables between Kaikorai Valley and the Halfway Bush GXP. We



\$69M+

Of electrical contracting services delivered for key customers

are also well underway with the Andersons Bay Substation Rebuild. All of these projects are in Dunedin and are being delivered for Aurora Energy.

In Central Otago, Delta completed upgrade work at the Cardrona Substation, installed a new 33kV ring cable to feed the Arrowtown area, and completed a range of projects related to the Queenstown CBD, including the HV supply to the new Skyline Gondola Terminal. Work is ongoing for upgrades at Aurora Energy's Camphill, Wanaka, Omakau and Fernhill Substations.

In Tasman, we completed a major maintenance package of work in the Whanganui Inlet (formally Westhaven, a remote area of the West Coast/ Tasman region). Additionally, we completed a number of projects that included the replacement of light copper overhead conductors.

GENERATION

In the generation market, Delta continues to provide technical expertise in power generation and electrical services to Contact Energy, Meridian Energy, Pioneer Energy, and Manawa Energy. During FY23,



31

Electrical apprentices as of 30 June 2023

Delta secured an extension of Contact Energy's Tunnel Maintenance Agreement and Meridian Energy's Preferred Supplier Panel Contract.

OTHER

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

Our engineering workshops also provide a specialised service. During FY23, Delta completed a number of truck builds for Delta crews.

Delta continued its commitment to train more people in the Electrical Industry. During FY23, a number of our Trainee Line Mechanics and Cable Jointers became qualified, many of our employees commenced cross-skilling, and some of our Technicians obtained their Level 5 qualification as Power System Technicians. Delta strives to have up to 30 trainees at all times.

METERING & FIELD OPERATIONS

A utility worker wearing a white hard hat, safety glasses, and an orange high-visibility vest is working on a utility pole. The worker is positioned on the right side of the frame, looking towards the left. The background shows a blurred outdoor setting with trees and utility poles under a clear sky. The overall image has a blue and orange color scheme.

Metering & Field Operations (MFO) continues to maintain its strong presence in the market and its ongoing partnerships with prominent Metering Equipment Providers (MEPs) such as Vector, Intellihub, SmartCo, and Influx as well as the majority of Electricity Distribution Businesses (EDBs) in the South Island.

A strategic approach combined with quality work and solutions has allowed Delta to experience year-on-year growth. Recognising the challenges faced with regional contractors in the Central Otago region, Delta responded by adding additional resources during the latter half of FY23. Notably, this was the first time that MFO directly employed meter technicians in the area, effectively addressing the previously difficult-to-manage workload.

Major engagements during FY23 included embedding operational changes as a result of the Vector metering contract awarded in June 2022, continuing contracted services for Contact Energy retained in July 2022, and picking up additional work in Auckland for Intellihub and Vector. Delta continues to carry out nationwide disconnection/reconnection work and metering services and we continue to search for new opportunities to expand our presence in and around the major regions of Auckland, Canterbury, and Otago.

We increased investment into our audit and training capability during FY23, a necessary action to secure our future operational viability. Given the nature of our operation, compliance and risk management are crucial. Enhancing employee and contractor performance allows us to maintain high-quality standards while ensuring we comply with contractual commitments. During FY23, MFO's in-house team completed training for 92 technicians and conducted over 1,500 post-installation and live audits.

Delta is nearing the completion of a major 10-year upgrade initiative to our ripple control relay assets on the Aurora Energy network in Dunedin. Ripple control is responsible for controlling the electrical supply to hot water cylinders in homes and businesses. We have completed over 40,000 upgrades and are set to complete this extensive project in 2026.

Deployment activity, which involves the replacement of legacy meters with smart meters, peaked in 2022. While the activity comprised one-quarter of our job volume in 2023, the programme is naturally ending as we have mostly completed the available legacy replacements in the areas we operate. This work transition will allow Delta to explore other opportunities in the market over the coming years. We are actively engaged in the industry's 2G/3G modem replacement project, replacing older 2G/3G modem modules in preparation for when these networks are turned off in 2025 by the telecommunications industry.

FY23

FY22



LEGACY METERS REPLACED

24,304 **30,277**



RECONNECTIONS AND DISCONNECTIONS

18,491 **18,518**



NEW CONNECTIONS

18,976 **8,654**



OTHER METERING JOBS

29,898 **15,932**

GREENSPACE SERVICES



Greenspace Services continued its strong performance during FY23 and remains dedicated to delivering a comprehensive range of services throughout the South Island. The team diligently carried out a full work programme consisting of sports turf management, ecological and horticultural services, roadside vegetation control, tree services, and park and reserve maintenance. Excellent KPI achievement and a solution-focused approach contributed to this division's success in the market during the year.

Delta negotiated a partnership agreement with DVML for the Forsyth Barr Stadium ground maintenance during FY23, a fitting addition to our high-profile sports turf portfolio. This was a major achievement and helped solidify Delta as the turf specialist for DCHL and its assets.



4,010

Hectares of vegetation maintained for local authority customers

Forsyth Barr is a highly specialised ground and our seamless transition into the role resulted in positive feedback for Delta. During FY23, Delta worked extremely hard to ensure several Dunedin sports fields met FIFA standards, ahead of the Women's World Cup 2023. Four training grounds and the playing pitch at Forsyth Barr Stadium were managed by Delta. Several of the grounds underwent extensive upgrades to lift the playing surfaces to FIFA-required standards. As the financial year came to an end, Delta received widespread praise for the delivery of this work.

Additionally, Delta continued to provide high-quality services within the cricketing community. All major ovals managed by Delta - Otago University, Molyneux Park, and John Davies Oval - hosted international and national matches for both the men's and women's teams. The John Davies Oval hosted the New Zealand men's cricket team for the first time since 2014 in an international match receiving widespread accolades for the event.

Other Greenspace services provided in the Otago region during the year included Delta's 10-year parks and reserves maintenance contract with the Dunedin City Council, the openspace maintenance contract with Central Otago District Council, the wider high-profile turf maintenance contract with Queenstown



38,108

Metres of vegetation cleared from power lines

Lakes District Council, and residential community contracts within the Queenstown Lakes area. All work schedules were delivered to a high standard and within strict safety parameters. Delta continued its township maintenance contract with the Clutha District Council and secured subcontracting work on a new roading maintenance contract with SouthRoads.

The Canterbury region continued to deliver solid results, with the vegetation control activity we complete on the Timaru and Mackenzie District roading contracts performing well during the year. Our open and transparent approach with both Timaru District Council and Fulton Hogan has allowed our good relationship to flourish. Delta maintained its strong relationship with the Waimakariri District Council, negotiating a 2-year extension period following the contract's impending expiry in FY24.

Further north, the Nelson Networks Outcome contract was also extended by 2 years - taking this contract out to FY25. Work for the Downer/Tasman District Council alliance continued during FY23. Delta carries out the spraying and trimming of overhanging vegetation on all rural roads within the Tasman District Council. Work over the winter season has been productive, and annual rate negotiations have been favourable for Delta.



500

Customers received Greenspace services

TREE SERVICES

During FY23, Delta continued to provide specialised tree services to distribution networks for improved electrical reliability. Delta holds major vegetation contracts in this space, including the Aurora Energy Frankton area contract, the Aurora Energy Dunedin and Central Otago FSA agreement, and with Orion in Christchurch. During the year, Delta also completed some one-off work for PowerNet on Stewart Island - an interesting and diverse project for the staff involved.

Tree Services continued its involvement with the Dunedin City Council's long-term parks and reserves maintenance contract. Additionally, work was undertaken for Queenstown Lakes District Council, Central Otago District Council, Gore District Council, and Mackenzie District Council. All work schedules were completed within the designated timeframe and to a high-quality standard. During the year, Delta received many accolades from both local body authorities and private customers regarding the excellent service from our team.

Many tree services team members were involved with the NZArb South Island Tree Climbing Competition in September 2022, with five members qualifying for the National Competition. Delta is extremely proud of the recognition these individuals have received and their hard work and dedication outside of work to compete at the highest industry level.

SAFETY AND RISK



At Delta, our commitment to health and safety is anchored in our vision of 'Everyone Home Safe. Every Day.' This vision is upheld across all business operations. During FY23, we formally expanded our Health and Safety focus to include Environment and Quality within our HSEQ framework.

Three and a half years since the first confirmed New Zealand case of COVID-19, the long tail of illness and the onus of shouldering the ill has taken a toll.



71

Actions closed by Kaitiaki o Te Mahi Pai teams



31%

Of all Delta drivers are 5-star rated ROAD drivers



1.59M+

Hours worked in FY23

All industries are now acknowledging elevated levels of burnout, depression, anxiety, and fatigue, as the mental health fallout is becoming more evident. Despite this, Delta has managed to achieve its LTIFR target. Total lost time injuries per 200,000 hours worked (LTIFR) was 1.00, against a target of 1.00. Unfortunately, we narrowly missed our TRIFR target by 7%. Total recordable injuries per 200,000 hours worked (TRIFR) was 3.77 against a target of 3.50.

In addition, work hours during FY23 have been significant, with 108,000 more hours worked than in FY22 and 164,000 more than in FY21 - the most worked in 7 years (1,592,936). Lost days as a rudimentary measure of harm severity showed an increase since last year, however, the result is over 100 days lower than the average for the past 5 years. Overall, Delta is satisfied with the positive results of FY23 and is in an advantageous position for the future.

During the year, Delta introduced the WorkWell programme and Kaitiaki o Te Mahi Pai (Guardians of Good Work). Kaitiaki o Te Mahi Pai is an enhancement of our previous Safety and Wellness Action Teams. A revised Terms of Reference has been established, and Kaitiaki (Guardians) have been empowered to proactively seek out and report opportunities of improvement. During FY23, the Kaitiaki teams have closed out 71 actions focussed on improvement and championed our manual handling injury reduction project.

The WorkWell programme benefits all employees and is a robust framework focusing on mental health and workplace wellness. The framework provides guidance, resources, and tools to help promote and support wellbeing and prevent mental health issues. It aims to foster positive outcomes and provide employees with a proactive approach.

Delta continues to actively participate in workplace safety forums. During FY23, Delta was recognised in the Safeguard magazine for its work on fatigue management in the New Zealand electrical distribution sector. Fatigue management has been a key focus for Delta, as we recognise the inevitable nature of night shift work in our industry. Ensuring that the supply of electricity is consistent and uninterrupted is crucial for the communities we serve, and it is essential that we deliver on this responsibility. However, we also understand the importance of carefully balancing the impact of this work on our people.

Since achieving ISO 45001 (Health & Safety Management Systems) in FY22, Delta has addressed non-conformances and taken further preventative actions to mitigate risks. Significant work has gone into engaging with our employees, fostering a culture of continuous improvement, and continuing our regular audit and review process.

OUR PEOPLE

At Delta, our dedicated team of over 600 skilled professionals continues to make a difference and positively impact the communities we serve.

Addressing the skill shortage in the electrical sector remains a significant challenge. During FY23, Delta developed an international recruitment strategy to help combat the limited number of skilled professionals currently in New Zealand.

In conjunction, Delta engaged with school leavers and young people in our communities to consider apprenticeships in the electrical industry. Delta has actively worked in this space for many years. Our total number of apprentices/trainees for FY23 is 43 - of that, 37 are enrolled in an electrical trade with Delta.

Delta is committed to promoting gender diversity and empowering women in trades and business. In FY23, Delta launched the Women @ Delta initiative. Its purpose is to foster a supportive environment and value the contributions made by Delta women every day. Workplace equity has been a key topic of discussion, and the notion that equity and equal are not the same thing. Delta is committed to equitable choices and finding solutions that effectively accommodate a wide range of requirements, situations, and needs.

We have collected the results from our Focus Group sessions following our FY22 employee engagement survey. Four key themes were identified during these sessions, specifically Growth & Development, Connection & Community, Meaning & Purpose, and Remuneration & Benefits. Delta recognises the importance of employee retention and has placed considerable emphasis on implementing strategies in FY23. These identified themes will serve as guiding principles for decision-making within the company.

The Leadership Group has taken a proactive approach by committing to and implementing actions in each of these improvement areas. They will provide regular updates to staff on their progress, sharing quarterly reports on the steps taken.

Project Liberate has been a significant endeavour at Delta. This project has consisted of developing and implementing a new ERP system and field mobility capability that would modernise our operation and enhance our service delivery. During FY23, Delta achieved a significant milestone with the rollout of our Greenspace operation. This new digital approach to work has improved our reporting and efficiency, while also reducing paper waste. It has been a major undertaking to train and support staff through this upgrade, but the dedicated Project Liberate team has worked hard to ensure this transition ran as smoothly as possible. Delta is looking forward to the system going live for our Power and Communications, as well as Metering and Field Operation teams in FY24. The completion of this implementation will mark a significant achievement for Delta, enabling us to fully leverage the benefits of this upgrade.



TOTAL TRAINEES

43



STAFF LIVE WITH FIELD MOBILITY

64.5%



EMPLOYEES BY GENDER

	Male	Female
Board of Directors	3	1
Leadership Group	7	3
Delta Total	500	119

OUR COMMUNITIES

At Delta, we take pride in the work we do with our communities. Living our core values of Do it First, Do it Right, Do it Together, we strive to create meaningful partnerships with our stakeholders and those who make our communities better places to live, work and play. As an essential infrastructure provider, we prioritise supporting the communities we operate in, but more recently, we have expanded our endeavours to help positively impact Aotearoa as a whole.

During FY23, Delta remained the only corporate sponsor for Rākau o te tau / Tree of the Year Aotearoa. This year marks the second time the competition has run in New Zealand, and after a tight battle, we announced on Arbor Day (5 June) Rākau Momori from the Chatham Island as the 2023 winner.

Aligned with our values, Delta applauds those passionate about getting out there and making a difference. In FY23, Delta supported a number of charity organisations that help aid our communities and create better outcomes. Delta contributed over \$9,000 through its Charity Challenge and wellness initiatives throughout the year. The Breast Cancer Foundation, Pink Shirt Day, Bowel Cancer Awareness, and the Dunedin Night Shelter were all recipients of our donations.

Industry-related support is also key for Delta, as it provides knowledge, resources, collaboration, and advocacy within our field of work. FY23 saw Delta contribute to its long-standing industry partner Connexis through its Annual Connection competition. Additionally, Delta has been the main sponsor for the Garden Tours of the Alexandra Blossom Festival for several years and values the community engagement this event brings.

Our customers make up the inner community that enables us to carry out our work. During FY23, Delta conducted several customer-based surveys to help enhance our service delivery. This has been a key focus for our Greenspace division and their local council contracts. The results have been mutually beneficial and strengthened our partnerships with these valued customers.



PEOPLE ENGAGED WITH DELTA'S SPONSORSHIP OF OTAGO CRICKET

2,136



RAISED TO SUPPORT COMMUNITIES IMPACTED BY CYCLONE GABRIELLE

\$8,712



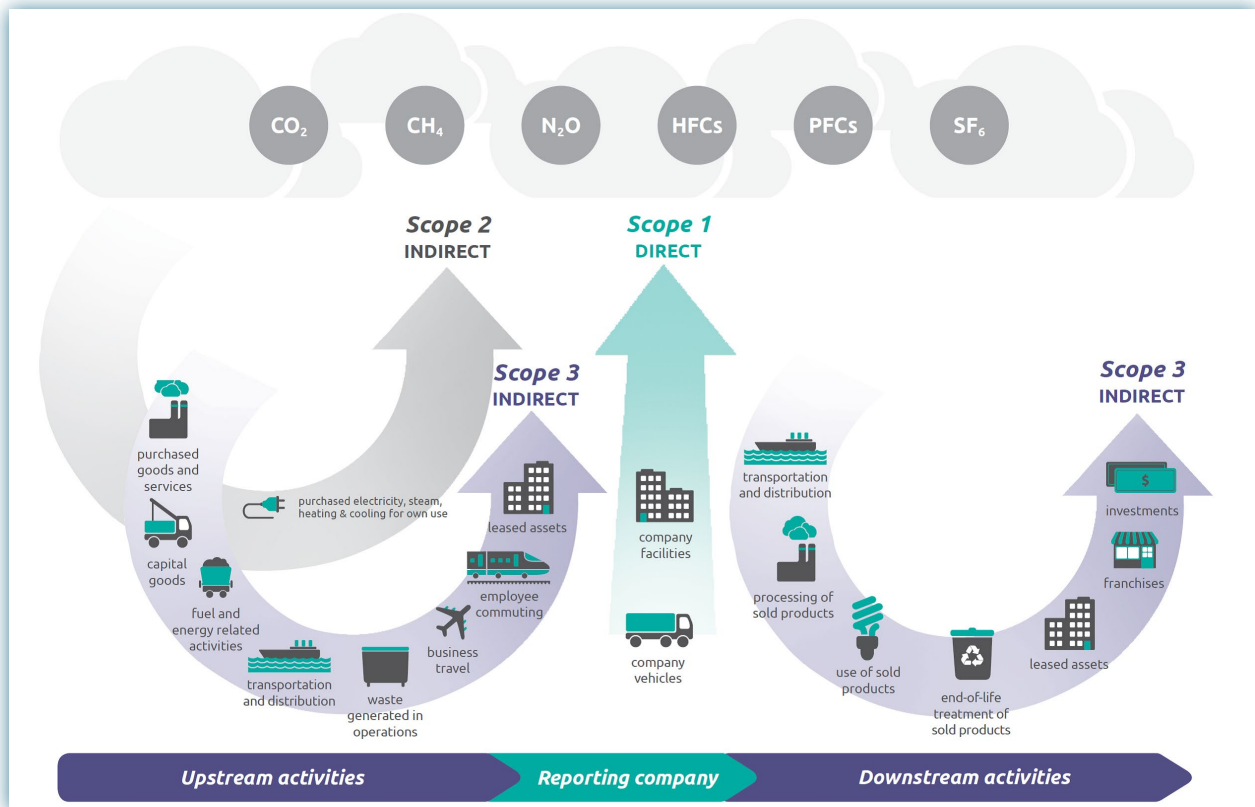
DONATED TO DUNEDIN NIGHT SHELTER

\$4,410

OUR SUSTAINABILITY

Delta is dedicated to upholding its environmental performance by applying sustainable work practices across all operations. Following our accreditation of ISO 14001 (Environmental Management Systems) in 2022, non-conformities were addressed, and Delta worked towards achieving its targets from its Carbon Emission and Waste Reduction Strategy (2022 - 2030).

During FY23, Delta assessed and measured its Greenhouse Gas (GHG) emissions. This process was completed internally based on guidelines established with external advisors, and in accordance with the requirements of the Greenhouse Gas Protocol: *A Corporate Accounting and Reporting Standard (2004)* and *ISO 14064-1:2006 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals*.



We completed our first Greenhouse Gas inventory in FY21 and continue to focus on measuring our Scope 1 and 2 emissions and an agreed selection of Scope 3 (indirect, or value chain) emissions, every year since.

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

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

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

- Purchased electricity that is consumed at sites we operate.

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

Our Scope 3 emissions include the following:

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

At this stage, we have not captured emissions relating to our suppliers and contractors. We will review which Scope 3 emissions are relevant and appropriate on an ongoing basis, as we continue to measure and report our carbon footprint.

RESULTS

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

EMISSIONS BY SCOPE

Delta's measured GHG emissions for the year ended June 2023 is 4,337 tCO₂-e.

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

Our scope 2 emissions with respect to electricity usage in Delta depots, have been offset with certificates provided by Meridian Energy in the 2023 year.

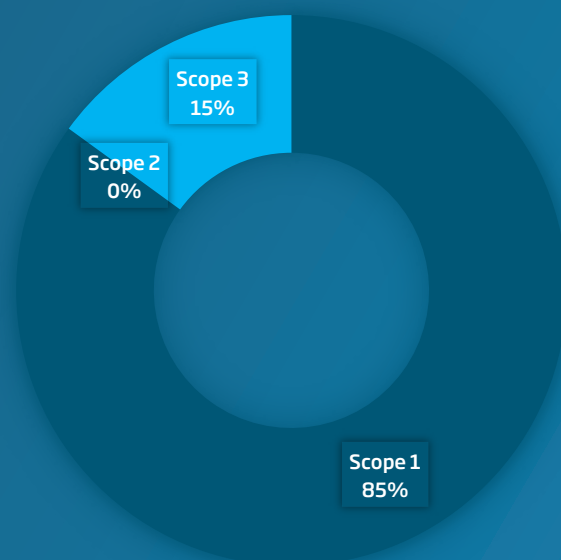


FIGURE 1: EMISSIONS BY SCOPE

Emissions	2023		2022		2021	
	t CO ₂ -e	%	t CO ₂ -e	%	t CO ₂ -e	%
Scope 1	3,706	85%	3,692	84%	3,692	92%
Scope 2	-	-	104	2%	106	3%
Scope 3*	631	15%	611	14%	203	5%
Total	4,337	100%	4,407	100%	4,001	100%

TABLE 1: EMISSIONS BY SCOPE

EMISSIONS BY ACTIVITY

Our top emissions sources are summarised below.

Category emission source	2023 t CO ₂ -e	2022 t CO ₂ -e	2021 t CO ₂ -e
Fuels	3,706	3,692	3,692
*Waste to landfill	67	59	43
**Purchased Electricity	0	104	106
Freight	446	447	63
Flights (Domestic)	76	62	61
Accommodation	35	30	26
T&D losses	0	8	8
Rental cars	7	5	2

*We have updated our waste-to-landfill measure to exclude recyclables and have restated the comparative figures accordingly.

**Purchased electricity emissions (scope 2) have been offset by certificates provided by Meridian Energy in the 2023 year. The amount offset is 139 t CO₂-e.

EMISSIONS (KG CO₂-E)

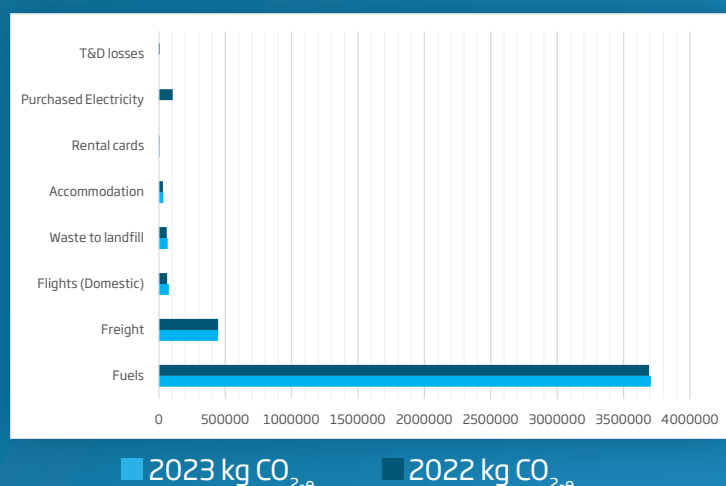


FIGURE 2: EMISSIONS BY ACTIVITY

CARBON EMISSION AND WASTE REDUCTION STRATEGY

Delta developed its Carbon Emission and Waste Reduction Strategy (2022-2030) and associated targets during FY22. The emissions reduction target set to be achieved by 2030 are:

- 45% in Scope 1 emissions
- 100% in Scope 2 emissions
- 20% in Scope 3 emissions.

Our emissions reduction strategy focuses on gross emissions reduction which is demonstrated through the actions we have taken this year. During FY23, we have focused on achieving our initial activity-based targets.

Where appropriate to operational requirements, we have continued to replace light vehicles (passenger cars) with those using hybrid technology.

We have 60 light passenger cars, 13 of which currently use hybrid technology and an additional 6 on order - bringing 31% of the light passenger fleet to hybrid technology. Our passenger fleet average fuel consumption is 7.01 litres of fuel per 100km.

We have one new EWP heavy vehicle in the fleet with an electric battery bank running a smart PTO and an additional one on order. Since entering our fleet in January 2023, this vehicle has saved 1,675 litres of fuel from running on the battery bank.

We have in excess of 250 diesel light utility vehicles (utes) in the fleet and currently, there is no operationally viable alternative for these.

During the coming financial year, Delta aims to refine its strategy and targets. Our main targets for reductions will be:

1. Undertake an energy audit of all major Delta depots.
2. Implement a new and refreshed recycle programme.
3. Reduce the idle time of Delta vehicles by 10%.
4. Undertake a review of scope 3 emissions and areas that the business could begin to measure.

Over the past few years, we have focused attention on the investigation and implementation of sustainable waste management. Waste audits have been completed across the business to identify the types of waste generated by Delta. This has allowed us to develop a Waste Management Plan that includes waste avoidance, waste reduction, waste reuse, waste recycling, and waste disposal. Our key objectives are to minimise waste volumes and the risk of causing harm to the environment. Education and awareness of the carbon emission plan and waste identification has been rolled out to all Delta employees. Our regional Kaitiaki O Te Mahi Pai teams have launched several recycling initiatives, including e-waste, battery, cardboard, wood, scrap metal and the relaunch of the office recycling programme.

We continue to work with Dunedin City Holdings and the Dunedin City Council on how Delta is contributing toward the city's emission reduction goals.

CONCLUSION

Delta has established and is working towards its Carbon Emission and Waste Reduction Strategy (2022 - 2030). It is our intention to measure and manage our footprint on an ongoing basis and to report on this annually.

This result is affected by the following:

- An overall increase in revenue and workload of 8.7%.
- An increase in staff numbers from 605 to 619, an increase of 2.26%.
- Increase in fleet kms travelled of 437,703, a km increase of 5.37%
- Increase in all fuel used of 14,116 Litres
- Increased size of the light fleet vehicles by 10, an increase in Ford Ranger numbers from 10 to 21 as these are the only vehicles currently able to have the GVM 300kg upgrade to carry the weight required for work purposes. Going forward, the new 2.0 Bi turbo low emission model with a 10-speed transmission is claimed to average 7.6 L/100km. We have a further eight on order of this model.

OUR THANKS

We would like to express our gratitude to our employees, customers, and communities for their support and collaboration throughout the year. We continued to adapt to the changing environment and strengthen the resilience of our operations. Our primary objective continues to revolve around stable financial outcomes to ensure sustainable and long-term returns. We look forward to the opportunities and endeavours that lie ahead in FY24 as we strive to further elevate our performance.



Peter Carnahan
CHAIRMAN

Mike Costelloe
CHIEF EXECUTIVE

12 September 2023



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 2023.

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 2023 - 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 2023

	\$000
Operating profit before income tax	2,869
Income tax expense	298
Net profit for the period	2,571

STATE OF AFFAIRS

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

DIVIDENDS

Dividends of \$1.000 million were declared and paid during the year.

RETAINED EARNINGS

The net transfers to retained earnings during the year was \$1.571 million.

DIRECTORS' REPORT

for the year ended 30 June 2023 - continued

REVIEW OF OPERATIONS

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

Delta's net surplus of \$2.571 million (2022: \$2.919 million) provided a return on average Shareholder's equity of 9% (2022:11%).

FINANCIAL STATEMENTS

The audited financial statements for the year ended 30 June 2023 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 2023 or existed at that date are disclosed in the related parties section of the financial statements.

DIRECTORS' BENEFITS

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

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

CHANGE OF DIRECTORS

Mr B J Wood retired as a Director with effect from 16 October 2022.
Mr P J Carnahan was appointed as a Director with effect from 1 August 2022.

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 2023 - continued

DIRECTORS' REMUNERATION

The remuneration paid to Directors during the year was:

Peter J Carnahan	\$65,689
Jane George	\$44,285
Steve W Grave	\$44,285
Tony D Allison	\$44,285
Brian J Wood	\$26,571
	<hr/>
	\$225,115

EMPLOYEES' REMUNERATION

The number of current employees and former employees, whose remuneration and benefits exceeded \$100,000 for the year ended 30 June 2023 is listed below. Remuneration includes all non-cash benefits and redundancy payments at total cost to the company, where applicable:

\$100,001 - \$110,000	49
\$110,001 - \$120,000	39
\$120,001 - \$130,000	29
\$130,001 - \$140,000	27
\$140,001 - \$150,000	15
\$150,001 - \$160,000	10
\$160,001 - \$170,000	6
\$170,001 - \$180,000	6
\$180,001 - \$190,000	6
\$190,001 - \$200,000	1
\$200,001 - \$210,000	1
\$210,001 - \$220,000	1
\$220,001 - \$230,000	1
\$300,001 - \$310,000	1
\$350,001 - \$360,000	1
\$450,001 - \$460,000	1
	<hr/>
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In the year ended 30 June 2023 the Chief Executive received a base remuneration of \$435,427 and superannuation of \$19,594. The Chief Executive's remuneration does not include any other short-term or long term incentives or performance based payments.

DIRECTORS' REPORT

for the year ended 30 June 2023 - continued

AUDIT AND RISK COMMITTEE

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

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

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

HEALTH AND SAFETY COMMITTEE

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

AUDITOR

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

EVENTS SUBSEQUENT TO BALANCE DATE

There were no significant post balance sheet date events.

On behalf of the Directors



Peter Carnahan
CHAIRMAN



Tony Allison
DIRECTOR

12 September 2023



STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2023

GOAL	PERFORMANCE MEASURE	TARGET	DESCRIPTION
The Shareholder			
<i>We are committed to communicating our activities and strategy clearly to our shareholder and to continue to maintain an active dialogue</i>			
Engage with the Shareholder annually on opportunities for the Company to contribute, or assist where possible, with Council's community outcomes	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	The Shareholder (DCHL) was consulted on the content of the Statement of Intent for the 2024 financial year. The final Statement of Intent was submitted to and approved by the Shareholder prior to 30 June 2023
Bring to the attention of the Shareholder any strategic or operational matters where there may be a conflict between the Council's community outcomes and those of the Company and seek the Shareholder's view on these	Consult with the Shareholder at the earliest possible time on matters where conflict may or could result	All potential conflicts notified	Regular communication with the Shareholder (DCHL) is maintained throughout the year. Monthly KPI reports and financial information were provided in line with the agreed timetable
Keep the Shareholder informed of all substantive matters	On a "no surprises" basis, advise the Shareholder promptly of any substantive matter that has the potential to impact negatively on the Shareholder and the Company with a particular focus on the media	All substantive matters reported to the Shareholder within 24 hours	There were not any substantive matters to report to the Shareholder in the year ending 30 June 2023
Community			
<i>We are big believers in supporting the communities in which we operate. Our main contribution is through the essential infrastructure services we provide every day. Plus, we support organisations in the local community, nurture the next generation of smart thinking infrastructure specialists, and promote our brand to our stakeholders.</i>			
Make a positive contribution to the communities in which we operate	Maintain community support through local sponsorship/donations	\$25,000 of sponsorship/donations per annum	\$29,000 in sponsorship / donations was provided to local community groups during the year. The target was exceeded due to proceeds of \$4,410 from the staff charity challenge initiative donated to the Dunedin Night Shelter.
Support community recreation and visitor experience in Dunedin	Maintain parks, reserves, sports fields, walking tracks, and amenities in the northern part of Dunedin city.	Achieve KPIs on service contracts	Target KPIs were maintained or exceeded on average throughout the year.
Promote economic development	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	Delta generally met or exceeded its KPI's on maintenance contracts held with Aurora Energy and the Dunedin City Council throughout the year.

STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2023 - continued

GOAL	PERFORMANCE MEASURE	TARGET	DESCRIPTION
People			
<i>It is the skill and dedication of our people that makes the difference for our customers and keeps everyone safe at work. Our safety goal is 'Everyone Home Safe, Every day'. We are committed to the provision of safe and healthy work environments for our workers and the public.</i>			
Ensure safe and healthy outcomes for our people are expected.	Reduce harm to employees and contractors	<p>≤ 3.50 total recordable injury frequency rate (TRIFR) per 200,000 hours worked</p> <p>≤ 1.00 total lost time injury frequency rate (LTIFR) per 200,000 hours worked.</p>	<p>TRIFR for the year was 3.77 per 200,000 hours worked. This was just slightly over the target of ≤ 3.50, partially due to the impacts of an unsettled workforce while we work through the long tail effects of the COVID-19 pandemic and partially due to a change in the mix of work completed, with an increase in work types with higher risk profiles.</p> <p>LTIFR for the year was 1.00 per 200,000 hours worked.</p>
Ensure full compliance with all Health and Safety legislation	Maintain all existing Health and Safety accreditations.	Maintain ISO 45001 Occupational Health and Safety Management System accreditation throughout the period	The Company maintained ISO45001 Occupational Health and Safety Management System accreditation throughout the period.
Maintain the health and wellbeing of staff	Monitor absences due to illness	≤ 2.5% sick leave based on total hours worked	Staff sick leave was 3.53% of total hours worked during the year. Staff who tested positive for COVID-19 were given additional sick leave over and above contractual requirements and this was an additional 1.07% of total hours worked during the year. Sick leave and covid leave combined came to 4.59% of total hours worked during the year. These numbers are reflective of the change in culture to encourage staff to stay home if they are unwell.
	Maintain an employee wellbeing programme	Employee wellbeing programme maintained throughout the year	Over the year ending 30 June 2023 we have not just maintained but upgraded our wellbeing approach giving it further priority and structure. We have signed up to WorkWell, a government designed and funded product which we have launched across the regions. We have also continued with our health monitoring program and offer to fund flu vaccinations for all staff. This year we plan to work through the WorkWell accreditation process and expand on current efforts.

STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2023 - continued

GOAL	PERFORMANCE MEASURE	TARGET	DESCRIPTION
People - continued			
	Ensure that all direct employees are paid at living wage or above	No employee is paid at less than the living wage	All employees were paid equal to or higher than the living wage
Continue to develop Delta's apprenticeship scheme	Develop skill sets and succession planning through Delta's apprenticeship/trainee scheme	Average number of apprentices/trainees of 20 or more per annum	The average number of apprentices in the scheme was 38.8 during the year ending 30 June 2023.
Maintain a positive and satisfying working environment with low levels of voluntary staff turnover	Monitor voluntary leavers relative to permanent staff	≤ 11.0% staff turnover	Voluntary staff turnover was 13.56% for the year ending 30 June 2023. A tight labour market and shortage of qualified and experienced staff in the sector has contributed to below target performance in this area
Environment			
<i>We are committed to continual improvement in our environmental performance, prevention of harm to the environment and adoption of sustainable work practices. As part of this Delta will measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets, in our Annual Report.</i>			
Ensure a well-recognised environmental accreditation is maintained	Maintain all existing Environmental accreditations.	Maintain International Organisation for Standardisation (ISO)14001 Environmental Management Systems accreditation throughout the period	The Company maintained ISO 14001 Environmental Management accreditation throughout the period.
Ensure full compliance with environmental and resource consents	Maintain full compliance with the Resource Management Act (RMA)	Zero breaches	There were no breaches of the RMA during the 2022/23 year.
Implement Delta's Carbon Emission and Waste Reduction Strategy developed in the 2022 financial year, and achieve our FY2023 targets	Achieve FY2023 carbon emission and waste reduction targets	Carbon emission and waste reduction strategy is implemented	The carbon emission and waste reduction strategy (2022 - 2030) has been established. While the strategy does not contain any quantification targets for FY2023, progress is being made towards achieving the overall objectives contained within the strategy.

STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2023 - continued

FINANCIAL OBJECTIVES

PERFORMANCE MEASURE	TARGET	RESULT
	\$000	\$000
EBITDA	≥11,526	10,916
Net profit after income tax	≥2,523	2,571
Shareholders funds	≥27,861	27,724
Return on Shareholder's funds	≥9%	9%
Cash flow from operations	≥9,571	5,944
Capital expenditure	≤5,470	3,963
Term borrowings	≤9,900	11,770
Dividend distributions	≥2,000	1,000
Shareholders funds to total assets	≥43%	42%

The company's financial results benefited from unbudgeted investment revenue received from the Infinity Yaldhurst development in Christchurch. The results from operations were impacted by continuing challenges related to the inflationary operating conditions and high levels of sick and covid leave along with a very tight labour market. Cashflows from operations at \$5.9 million were behind the budget of \$9.6 million and are reflective of the operating conditions during the year. Term borrowings are unfavourable to target due to the borrowings at the end of the FY22 year being higher than expected when the FY23 target was set.

Although pleased to pay a dividend of \$1 million for FY23, this was below the \$2 million target in our FY23 Statement of Intent, with the factors mentioned above impacting our ability to meet the \$2 million target.

Shareholders funds were \$27.7 million against a target of \$27.9 million, with the Company's equity ratio increasing to 42% from 40% in FY22. 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.

INFORMATION ON THE DIRECTORS

DIRECTOR	DATE APPOINTED	DECLARATIONS OF INTERESTS
Peter Carnahan Non-Executive Chairman	August 2022	Director and Shareholder - Peak Consulting Limited Chairman - Waikaia Gold Limited Chairman and Shareholder - Waikaka Gold Mines Limited Director and Shareholder - OKC Holdings Limited Director - SF Holdings Limited Director - Fern Energy Limited Director - SouthFuels Limited Director - NorthFuels Limited Director and Employee - Trojan Holdings Limited Director - Beach St Holdings Limited Director - Runway Investments Limited Director - Grant Road Properties Limited Director - Aoraki/Mount Cook Alpine Village Limited Director - Aoraki Mount Cook Airport Limited Director - Alpine Guides Mt Cook Limited Director - BCL Management Limited Director - Bond Contracts Limited Director - Allied Queenstown Concrete Limited Director - The Real Meal Company Limited Director - Invercargill City Holdings Limited Director - Invercargill City Property Limited Director - Auld Distillery Limited Shareholder - Skyline Enterprises Limited Shareholder - Aerograph Limited Shareholder - Santa Minerals Limited Shareholder - Nomos Limited Shareholder - Techemy Limited Shareholder - Rise and Shine Holdings Limited Shareholder - Magic Memories Group Holdings Limited Shareholder - Glenda Drive Property Limited Shareholder - Tracplus Global Limited
Steven Grave Non-Executive Director	July 2017	Principal, Director and Shareholder - Steve Grave Limited Chairman - CORDE Limited Chairman - Whitestone Contracting Limited Chairman - Buller Holdings Limited Chairman - Westreef Services Limited Chairman - Buller Recreation Limited
Tony Allison Non-Executive Director	November 2017	Director - AA Cleaners (Otago) Limited Director - Smiths City Finance Limited Director - Smiths City (2020) Limited Director and Shareholder - Smiths City Holdings (2020) Limited Director - Smiths Kitchens Limited Director and Shareholder - Yabbie Creek Trustees Limited Director and Shareholder - Visionalli Limited
Jane George Non-Executive Director	November 2021	Director and Shareholder - Jane George Consulting Limited Director - A.G. Foleys Limited Director - Invercargill Airport Limited
Brian J Wood Non-Executive Chairman Retired October 2022	December 2016	Director - Harrison Grierson Holdings Limited group of companies (retired 28 July 2022) Director - Mainpower New Zealand Limited Chairman - Invercargill City Holdings Limited Director - E-Spatial Limited (retired 28 July 2022) Director - Mt Cass Wind Farm Limited Director - Greenpower New Zealand Limited Director - HWCP Management Limited Director - Invercargill Central Limited







FINANCIAL STATEMENTS

for the year ended 30 June 2023

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STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2023

	Note	2023 \$000	2022 \$000
REVENUE			
Operating revenue	3	118,416	108,915
Financial revenue		-	89
Other revenue	4	4,180	6,118
Total revenue		122,596	115,122
LESS EXPENSES			
Operating expenses	5	118,896	110,758
Financial expenses	6	831	632
Total expenses		119,727	111,390
Profit before tax		2,869	3,732
Income tax expense	8	298	813
Net profit after tax		2,571	2,919
Other comprehensive income		-	-
Total comprehensive income		2,571	2,919

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 2023

	Note	Share Capital \$000	Retained Earnings \$000	Total \$000
Balance at 01 July 2022		17,000	9,153	26,153
Total comprehensive income		-	2,571	2,571
Less dividends paid	7	-	(1,000)	(1,000)
Balance at 30 June 2023		17,000	10,724	27,724

	Note	Share Capital \$000	Retained Earnings \$000	Total \$000
Balance at 01 July 2021		17,000	8,834	25,834
Total comprehensive income		-	2,919	2,919
Less dividends paid	7	-	(2,600)	(2,600)
Balance at 30 June 2022		17,000	9,153	26,153

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

	Note	2023 \$000	2022 \$000
EQUITY			
Share capital	9	17,000	17,000
Retained earnings		10,724	9,153
Total equity		27,724	26,153
CURRENT ASSETS			
Cash and cash equivalents	16	99	405
Trade and other receivables	17	12,854	11,650
Work in progress	18	9,426	9,917
Inventories - materials and stores		3,966	4,037
Prepayments		1,220	1,186
Total current assets		27,565	27,195
NON-CURRENT ASSETS			
Intangible assets	20	2,956	3,013
Deferred tax asset	8	187	741
Right of use asset	21	10,882	10,122
Property, plant and equipment	19	24,397	24,575
Total non-current assets		38,422	38,451
TOTAL ASSETS		65,987	65,646

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2023 - continued

	Note	2023 \$000	2022 \$000
CURRENT LIABILITIES			
Trade and other payables	10	8,702	8,989
Borrowings	13	-	35
GST payable		700	589
Provisions	12	5,038	5,189
Taxation payable	8	487	976
Lease liabilities	11	3,054	2,538
Total current liabilities		17,981	18,316
NON-CURRENT LIABILITIES			
Borrowings	13	11,770	13,000
Lease liabilities	11	8,066	7,765
Provisions	12	446	412
Total non-current liabilities		20,282	21,177
Total liabilities		38,263	39,493
NET ASSETS		27,724	26,153

For and on behalf of the Board of Directors



Peter Carnahan
CHAIRMAN



Tony Allison
DIRECTOR

12 September 2023

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 2023

Note	2023 \$000	2022 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from :		
Receipts from customers	118,509	106,776
Interest received	-	3,663
Wage subsidy	107	684
COVID-19 leave support scheme	162	84
Net GST received/(paid)	(74)	71
	118,704	111,278
Cash was disbursed to :		
Payments to suppliers and employees	111,963	103,029
Intra-group tax payments	233	672
Interest paid	564	350
	112,760	104,051
Net cash inflows/(outflows) from operating activities	5,944	7,227
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from :		
Sale of property, plant and equipment	200	55
Receipts from investment loans	3,094	8,510
	3,294	8,565
Cash was disbursed to :		
Purchase of property, plant and equipment and intangibles	4,006	6,528
	4,006	6,528
Net cash inflows/(outflows) from investing activities	(712)	2,037

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 2023 - continued

	Note	2023 \$000	2022 \$000
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from :			
Receipt from borrowings		109,110	94,950
		109,110	94,950
Cash was disbursed to :			
Repayment of borrowings		110,340	98,450
Repayment of lease liabilities		3,308	2,906
Dividends paid		1,000	2,600
		114,648	103,956
Net cash inflows/(outflows) from financing activities		(5,538)	(9,006)
Cash and cash equivalents at the beginning of the period		405	147
Net increase/(decrease) in cash, cash equivalents and bank overdraft		(306)	258
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		99	405

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 2023 - continued

Note	2023 \$000	2022 \$000
RECONCILIATION OF NET PROFIT AFTER TAX TO CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	2,571	2,919
Non-cash items		
Depreciation and amortisation	4,155	4,311
Depreciation - right of use asset	3,061	2,709
Interest - leases	302	269
Lease movements on system transition	-	(117)
Deferred tax	554	258
Doubtful debts	-	(69)
	8,072	7,361
Changes in working capital items		
(Increase)/decrease in trade and other receivables	(1,204)	8,710
(Increase)/decrease in inventories	69	(534)
(Increase)/decrease in work in progress	491	(3,943)
(Increase)/decrease in prepayments	(34)	(211)
Increase/(decrease) in trade and other payables	(512)	1,304
Increase/(decrease) in provision for tax	(489)	(117)
Increase/(decrease) in provisions	75	180
Increase/(decrease) in GST payable	111	(131)
	(1,493)	5,258
Items classified as investing or financing activities		
Net (gain)/loss on sale of property, plant and equipment	(155)	(25)
Investment in financial instrument	(3,094)	(8,510)
Change in capital creditors in trade and other payables	43	224
	(3,206)	(8,311)
Net cash inflow from operating activities	5,944	7,227

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 2023

1 REPORTING ENTITY

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

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

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002.

The financial statements are presented in New Zealand dollars (the functional currency of the company) and have been rounded to the nearest thousand.

2 SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The Company is a Tier 1 for-profit entity as defined by the External Reporting Board (annual expenses over \$30 million) and has reported in accordance with Tier 1 for-Profit Accounting Standards. These annual financial statements are general purpose financial reports which have been presented in accordance with NZ IAS 1, and NZ GAAP. They comply with New Zealand Equivalents to IFRS and other applicable Financial Reporting Standards, as appropriate to for-profit orientated entities.

The financial statements were authorised for issue by the Directors on 12 September 2023.

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 ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, the Company has made 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 that 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.

The estimates and assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year include:

- carrying value of the deferred tax liability (note 8)
- calculation of profit elimination on intra-group transactions for tax purposes (note 8)
- valuation of provisions for staff entitlements (note 12)
- valuation of work in progress (note 18)
- valuation and impairment of property, plant and equipment (note 19)
- valuation and impairment of intangible assets (note 20)
- valuation of right of use assets and liabilities (notes 11 and 21)

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 2023 - 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 statement of comprehensive income.

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

COMPARATIVES

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

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the year. Accounting policies have been applied consistently to all years presented in these financial statements.

STANDARDS AMENDED OR ISSUED DURING THE YEAR

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

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The International Accounting Standards Board (IASB) has issued amendments to IAS 1 Presentation of Financial Statements that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for periods beginning on or after 1 January 2023 (earlier application is permitted) and require entities to disclose material accounting policies rather than significant accounting policies based on a four-step materiality process.

The Company did not early adopt these amendments.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

3 OPERATING REVENUE

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

MAINTENANCE SERVICES

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

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

CONSTRUCTION CONTRACTS

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

VARIABLE CONSIDERATION

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

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

WARRANTIES AND DEFECT PERIODS

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

	2023 \$000	2022 \$000
3 OPERATING REVENUE - continued		
Revenue from contracts with customers		
Power and communication services	69,348	66,578
Metered field operations	15,377	11,027
Greenspace services	33,692	31,310
	118,416	108,915

	2023 \$000	2022 \$000
4 OTHER REVENUE		
Other		
Surplus sale proceeds from Yaldhurst development	3,094	4,470
Other sundry revenue	203	269
Lease income	565	523
COVID-19 leave support scheme	163	147
COVID-19 wage subsidy	-	684
Gain on sale / disposal of assets	155	25
	4,180	6,118

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

4 OTHER REVENUE - continued

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

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.

	2023 \$000	2022 \$000
Less than one year	462	511
One to two years	65	395
Two to three years	45	45
Three to four years	45	45
Four to five years	11	45
Greater than five years	-	-
	628	1,041

5 OPERATING EXPENSES

Included in the operating expenses are the following items:

	2023 \$000	2022 \$000
Audit fees - for audit of financial statements	117	74
Audit fees - system migration	-	24
Employee remuneration and benefits	53,490	49,371
Superannuation	2,188	2,008
Subcontractor costs	23,457	20,912
Materials	16,166	17,371
Depreciation and amortisation - property, plant and equipment / intangibles	4,155	4,311
Depreciation - right of use asset	3,061	2,709
Plant and vehicle costs	6,592	5,752
Directors' fees	225	213
Increase/(decrease) in impairment provision for trade and other receivables	-	(69)
Bad debts written off/(written back)	12	-
Donations	11	9

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

	2023 \$000	2022 \$000
6 FINANCIAL EXPENSES		
Interest - related parties	529	363
Interest - leases	302	269
	831	632
7 DIVIDENDS		
	2023 \$000	2022 \$000
Interim Dividend	-	1,000
Final Dividend	1,000	1,600
	1,000	2,600
Cents per share	5.88	15.29

8 TAXATION

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

	2023 \$000	2022 \$000
8 TAXATION - continued		
INCOME TAX RECONCILIATION		
Profit before tax	2,869	3,732
Tax thereon at 28%	803	1,045
<i>Plus / (less) the tax effect of differences</i>		
Expenditure non-deductible for taxation	87	101
Non-assessable income	(737)	(679)
Intra-group tax compensation	369	339
Under/(over) tax provision in prior years	(224)	7
Tax expense / (benefit)	298	813
<i>Represented by:</i>		
Current tax provision	118	154
Intra-group tax compensation	369	339
Prior period adjustments to current tax	(742)	62
Deferred tax provision	34	313
Prior period adjustments to deferred tax	519	(55)
	298	813
Effective tax rate	10%	22%

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 \$369,000 (2022: \$339,000).

IMPUTATION CREDIT ACCOUNT

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

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

8 TAXATION - continued

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

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

	Opening position \$000	Charged to income \$000	Closing net position \$000
YEAR ENDED 30 JUNE 2023			
Property, plant and equipment	(94)	199	105
Intangible assets	33	(510)	(477)
Employee benefits	1,449	(22)	1,427
Provisions	(699)	(235)	(935)
IFRS 16 leases	52	15	67
Balance at the end of the year	741	(553)	187

	Opening position \$000	Charged to income \$000	Closing net position \$000
YEAR ENDED 30 JUNE 2022			
Property, plant and equipment	(6)	(88)	(94)
Intangible assets	33	-	33
Employee benefits	1,364	85	1,449
Provisions	(456)	(243)	(699)
IFRS 16 leases	64	(12)	52
Balance at the end of the year	999	(258)	741

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

	2023 \$000	2022 \$000
9 SHARE CAPITAL		
Issued capital		
17,000,000 fully paid ordinary shares	17,000	17,000
10 TRADE AND OTHER PAYABLES		
	2023 \$000	2022 \$000
Trade and other payables are stated at cost and include:		
Trade payables	4,691	4,635
Due to related parties	42	114
Income in advance	267	949
Other payables	3,702	3,291
	8,702	8,989

Trade and other payables are stated at cost.

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



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

11 LEASE LIABILITIES

Building leases

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

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

Vehicle leases

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

	2023 \$000	2022 \$000
(i) Current liabilities		
Building and land leases	778	611
Vehicle leases	2,276	1,927
	3,054	2,538
(ii) Non-current liabilities		
Building and land leases	3,263	3,428
Vehicle leases	4,803	4,337
	8,066	7,765

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 subsequently 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. Interest rates used range from 2.54% - 3.88% (2022 2.48% - 2.78%).

MATURITY ANALYSIS - CONTRACTUAL UNDISCOUNTED CASHFLOWS

	2023 \$000	2022 \$000
Payable within one year	3,328	2,833
Payable between one to five years	7,200	6,628
Payable later than five years	1,582	1,907
	12,110	11,368

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

12 PROVISIONS

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

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

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

The Company recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The calculation is based on the average value of excess sick leave.

	2023 \$000	2022 \$000
(i) Current liabilities		
Long service leave	275	304
Annual leave	4,237	4,324
Gratuities	268	297
Sick Leave	131	128
Other provisions	127	136
	5,038	5,189
(ii) Non-current liabilities		
Long service leave	446	412
	446	412

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

13 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.

	2023 \$000	2022 \$000
Dunedin City Treasury Limited - related party	11,770	13,035
	11,770	13,035

The total facility available as at 30 June 2023 was \$22.500 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	11,770	13,000
	11,770	13,000

The effective interest rate for the loan at balance date was 3.8% (2022: 2.50%).

14 CONTINGENT LIABILITIES

	2023 \$000	2022 \$000
Performance bonds	402	377
	402	377

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.

An employment matter has been raised by a previous employee. The matter is under dispute and the financial consequences (if any) are not quantifiable.

In January 2021 the Labour Inspectorate office opened an investigation into the Company's leave processes and payments. The Company received and accepted a final report from the Labour Inspectorate which identified errors in the Company's calculation of holiday pay.

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

15 CAPITAL EXPENDITURE COMMITMENTS

	2023 \$000	2022 \$000
Plant and equipment	410	1,541
	410	1,541

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

16 CASH AND CASH EQUIVALENTS

Cash and bank

	2023 \$000	2022 \$000
Cash and bank	99	405
	99	405

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.

17 TRADE AND OTHER RECEIVABLES

Trade receivables

Less estimated doubtful debts

Due from related parties

	2023 \$000	2022 \$000
Trade receivables	6,631	5,511
Less estimated doubtful debts	-	-
	6,631	5,511
Due from related parties	6,223	6,139
	12,854	11,650

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

Past due, but not impaired, receivables are:

Age analysis: 1 - 30 days

30 - 60 days

60 - 90 days

90 days plus

	2023 \$000	2022 \$000
1 - 30 days	393	497
30 - 60 days	58	17
60 - 90 days	469	132
90 days plus	103	112
	1,023	758

All past due balances are considered collectable, however in line with NZ IFRS 9 the Company derives an expected credit loss by grouping trade receivables into buckets based on similar credit risks and aging. The expected loss factors in the credit losses experienced over the three year period prior to the period end and is adjusted for, where necessary, based on current and forward-looking macroeconomic factors affecting the Company's customers. In the current year this provision is nil (2022: nil) on the basis that limited amounts of trade receivables have been written off in the preceding three year period, the company's debt is concentrated around a low number of large customers that are predominantly councils or large electrical distribution boards, and the outstanding amounts have been reviewed on a line by line basis with specific provisions put in place where deemed necessary for doubtful amounts (nil as at 30 June 2023).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

17 TRADE AND OTHER RECEIVABLES - continued

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

	2023 \$000	2022 \$000
Opening doubtful debts provision	-	(69)
Additional provisions made during the year	(7)	(1)
Receivables written off during the year	-	-
Provisions reversed during the year	7	70
Closing doubtful debts provision	-	-

18 WORK IN PROGRESS

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

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

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable and where Delta believes the identified performance obligations have been satisfied. Contract costs are recognised as expenses in the period in which they are incurred.

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

	2023 \$000	2022 \$000
Work in progress - construction contracts	3,881	5,448
Work in progress - other contracts	5,545	4,469
	9,426	9,917

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

19 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	3% to 14%	straight line
Metering equipment	7% to 10%	straight line
Plant and equipment	4% to 100%	straight line
Motor vehicles	5% to 33%	straight line

	Opening balance \$000	Purchases \$000	Sales/ disposals \$000	Transfers \$000	Closing balance \$000
Cost					
YEAR ENDED 30 JUNE 2023					
Land	4,566	-	-	-	4,566
Buildings	6,208	157	-	-	6,365
Meters	4,120	367	-	-	4,487
Plant and equipment	11,537	983	(781)	210	11,949
Motor vehicles	28,920	1,363	(1,154)	758	29,887
Assets under construction	337	911	-	(968)	280
	55,688	3,781	(1,935)	-	57,534
YEAR ENDED 30 JUNE 2022					
Land	4,566	-	-	-	4,566
Buildings	6,178	26	-	4	6,208
Meters	3,527	593	-	-	4,120
Plant and equipment	11,082	1,761	(1,295)	(11)	11,537
Motor vehicles	26,883	2,162	(786)	661	28,920
Assets under construction	72	919	-	(654)	337
	52,308	5,461	(2,081)	-	55,688

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

19 PROPERTY, PLANT AND EQUIPMENT - continued

	Opening balance \$000	Depreciation \$000	Sales/ disposals \$000	Transfers \$000	Closing balance \$000	
Accumulated depreciation						
YEAR ENDED 30 JUNE 2023						
Land	-	-	-	-	-	
Buildings	2,148	214	-	-	2,362	
Meters	1,464	266	-	-	1,730	
Plant and equipment	7,442	1,222	(757)	-	7,907	
Motor vehicles	20,059	2,212	(1,133)	-	21,138	
	31,113	3,914	(1,890)	-	33,137	
YEAR ENDED 30 JUNE 2022						
Land	-	-	-	-	-	
Buildings	1,948	197	-	3	2,148	
Meters	1,230	234	-	-	1,464	
Plant and equipment	7,494	1,213	(1,260)	(5)	7,442	
Motor vehicles	18,475	2,335	(753)	2	20,059	
	29,147	3,979	(2,013)	-	31,113	
					2023	2022
					\$000	\$000
Carrying values						
Land				4,566	4,566	
Buildings				4,003	4,060	
Meters				2,757	2,656	
Plant and equipment				4,042	4,095	
Motor vehicles				8,749	8,861	
Assets under construction				280	337	
				24,397	24,575	

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

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

	2023 Land \$000	2023 Buildings \$000	2022 Land \$000	2022 Buildings \$000
19 PROPERTY, PLANT AND EQUIPMENT- continued				
Cost				
Opening balance	4,566	1,676	4,566	1,643
Purchases	-	-	-	33
Sales/disposals	-	-	-	-
Closing balance	4,566	1,676	4,566	1,676
Accumulated depreciation				
Opening balance	-	893	-	849
Depreciation	-	46	-	44
Sales/disposals	-	-	-	-
Closing balance	-	939	-	893
Carrying values	4,566	737	4,566	783

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

20 INTANGIBLES

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

	Opening balance \$000	Purchases \$000	Sales/ disposals \$000	Transfers \$000	Closing balance \$000	
Cost						
YEAR ENDED 30 JUNE 2023						
Software	3,624	9	-	1,142	4,776	
Software work in progress	969	173	-	(1,142)	-	
	4,593	182	-	0	4,776	
YEAR ENDED 30 JUNE 2022						
Software	4,063	40	(2,563)	2,084	3,624	
Software work in progress	2,212	841	-	(2,084)	969	
	6,275	881	(2,563)	-	4,593	
	Opening balance \$000	Amortisation \$000	Sales/ disposals \$000	Transfers \$000	Closing balance \$000	
Accumulated depreciation						
YEAR ENDED 30 JUNE 2023						
Software	1,580	241	-	-	1,820	
	1,580	241	-	-	1,820	
YEAR ENDED 30 JUNE 2022						
Software	3,810	332	(2,562)	-	1,580	
	3,810	332	(2,562)	-	1,580	
Carrying values					2023 \$000	2022 \$000
Software				2,956	2,044	
Software work in progress				-	969	
				2,956	3,013	

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

21 RIGHT-OF-USE-ASSET

	Opening balance \$000	Purchases \$000	Sales/ disposals \$000	Transfers \$000	Closing balance \$000
Cost					
YEAR ENDED 30 JUNE 2023					
Property	5,140	775	-	291	6,206
Motor Vehicles	10,972	3,064	(1,073)	(291)	12,672
	16,112	3,839	(1,073)	-	18,878
YEAR ENDED 30 JUNE 2022					
Property	2,982	2,296	(138)	-	5,140
Motor Vehicles	8,561	2,604	(193)	-	10,972
	11,543	4,900	(331)	-	16,112
	Opening balance \$000	Amortisation \$000	Sales/ disposals \$000	Transfers \$000	Closing balance \$000
Accumulated depreciation					
YEAR ENDED 30 JUNE 2023					
Property	1,298	770	-	165	2,233
Motor Vehicles	4,692	2,291	(1,055)	(165)	5,763
	5,990	3,061	(1,055)	-	7,996
YEAR ENDED 30 JUNE 2022					
Property	645	713	(60)	-	1,298
Motor Vehicles	3,052	1,997	(357)	-	4,692
	3,697	2,710	(417)	-	5,990
Carrying values					
				2023 \$000	2022 \$000
Property				3,973	3,842
Motor Vehicles				6,909	6,280
				10,882	10,122

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 2023 - continued

22 RECONCILIATION OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Opening Balance \$000	Cash Flows \$000	Non-cash Movement \$000	Closing Balance \$000
YEAR ENDED 30 JUNE 2023:				
Long term borrowings	13,000	(1,230)	-	11,770
Short term borrowings	35	(35)	-	-
Lease liabilities	10,303	(3,308)	4,125	11,120
	23,338	(4,573)	4,125	22,890
YEAR ENDED 30 JUNE 2022:				
Long term borrowings	16,500	(3,500)	-	13,000
Short term borrowings	22	(22)	35	35
Lease liabilities	8,072	(2,906)	5,137	10,303
	24,594	(6,428)	5,172	23,338

23 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 GROUP

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.

Treasury services are provided by Dunedin City Treasury Limited (DCTL). Borrowings are detailed in note 13.

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

	2023 \$000	2022 \$000
PROVISION OF SERVICES TO DUNEDIN CITY COUNCIL GROUP ENTITIES:		
Capital construction works, network maintenance and contracting services	51,591	48,296
Rent	500	470
	52,091	48,766

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

23 RELATED PARTY TRANSACTIONS - continued

	2023 \$000	2022 \$000
PROVISION OF SERVICES TO DUNEDIN CITY COUNCIL:		
Other contracting services	11,445	9,993
AT YEAR END THE AMOUNTS RECEIVABLE FROM RELATED PARTIES WERE:		
Receivable from Dunedin City Council	1,100	1,149
Receivable from Dunedin City Council Group entities	5,123	4,989
Work in Progress receivable from Dunedin City Council	79	92
Work in Progress receivable from Dunedin City Council Group entities	5,974	6,569
	12,276	12,799
RECEIPT OF GOODS AND SERVICES FROM DUNEDIN CITY COUNCIL GROUP ENTITIES:		
Interest	529	363
Contracting services and supplies	65	1
Rent / Administration	435	332
Tax compensation	369	339
	1,398	1,035
RECEIPT OF GOODS AND SERVICES FROM DUNEDIN CITY COUNCIL:		
Contracting services and supplies	94	91
Other	81	77
	175	168
AT YEAR END THE AMOUNTS PAYABLE TO RELATED PARTIES EXCLUSIVE OF BORROWINGS SHOWN IN NOTE 15 ARE:		
Payable to Dunedin City Council	19	18
Payable to Dunedin City Council Group entities	23	96
	42	114
INTRAGROUP TRANSFERS FROM DUNEDIN CITY COUNCIL GROUP ENTITIES:		
Subvention payment received from City Forests Limited	798	-
INTRAGROUP TRANSFERS TO DUNEDIN CITY COUNCIL GROUP ENTITIES:		
Subvention payment to Aurora Energy Limited	-	672
Dividend payment to Dunedin City Holdings Limited	1,000	-
	1,000	672

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

23 RELATED PARTY TRANSACTIONS - continued

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 (retired October 2022) is a Director of Mainpower New Zealand Limited. During the financial period covered by this report, metering services to the value of \$7,540 were purchased from Mainpower New Zealand (2022: \$5,262). Monies payable as at 30 June 2023 were \$250 (2022: \$197). During the financial period covered by this report, no contracting services were provided to Mainpower (2022: \$59,668). No monies were receivable as at 30 June 2023. (2022: Nil).

Mr B J Wood (retired October 2022) and Mr Peter J Carnahan (appointed October 2022) are both Directors of Invercargill City Holdings Limited. During the financial period covered by this report, contracting services to the value of \$15,000 were provided to Invercargill City Council (a related party of Invercargill City Holdings Limited) (2022: \$144,990). No monies were receivable as at 30 June 2023 (2022: Nil).

Mr Peter J Carnahan (appointed October 2022) is a Director of Fern Energy Limited. During the financial period covered by this report, fuel to the value of 108,521 was purchased from Fern Energy Limited (2022: \$nil). Monies payable as at 30 June 2023 were \$7,600 (2022: \$Nil).

Mr Peter J Carnahan (appointed October 2022) is a Director and employee of Trojan Holdings Limited. During the financial period covered by this report, waste disposal to the value of \$27,774 was purchased from Trojan Holdings Limited (2022: \$11,301). Monies payable as at 30 June 2023 were \$Nil (2022: \$504). Contracting services to the value of \$787 were provided to Trojan Holdings Limited (2022: \$Nil). No monies were receivable as at 30 June 2023 (2022: Nil).

Mr S W Grave is a Director of Whitesone Contracting Limited. During the financial period covered by this report, \$2,931 of contracting services were purchased from Whitesone Contracting Limited (2022: \$7,019). No monies were payable as at 30 June 2023 (2022: Nil).

Mr S W Grave is Chairman of CORDE Limited (previously named Sicon Ltd). During the financial period covered by this report, no contracting services were provided to CORDE Ltd (2022: \$19,528). No monies were receivable as at 30 June 2023 (2022: Nil).

Ms J George is a Director of A G Foleys Limited. During the financial period covered by this report, contracting services of \$5,266 were purchased from A G Foleys Limited (2022: \$18,140). No monies were payable as at 30 June 2023 (2022: Nil). During the financial period covered by this report, contracting services totalling \$9,879 were provided to A J Foleys Limited (2022: \$5,882). Monies receivable as at 30 June 2023 totalled \$260 (2022: \$589).

24 KEY MANAGEMENT PERSONNEL REMUNERATION

	2023 \$000	2022 \$000
Short-term employment benefits - Senior Management	2,427	2,495
Short-term employment benefits - Directors	225	213

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

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 Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

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

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

INTEREST RATE RISK

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

As at balance date all interest rate swaps had expired.

CREDIT RISK

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

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

In line with NZ IFRS 9, the Company recognises an expected credit loss provision on financial assets measured at amortised cost based on expected/historic credit losses. In the 2022 financial year the expected credit loss accrual was nil and it remains at nil on the basis that there have been limited customer defaults in the past 3 years. Delta's credit exposure is limited to a small number of customers which have all been carefully reviewed and specific provisions have been put in place if required (none as at 30 June 2023).

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

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

	2023 \$000	2022 \$000
Cash and cash equivalents	99	405
Trade and other receivables	12,854	11,650
	12,953	12,055

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

25 FINANCIAL INSTRUMENTS RISKS - continued

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.

	2023 \$000	2022 \$000
COUNTERPARTIES WITH CREDIT RATINGS		
Cash and cash equivalents	99	405
AA-		
Trade and other receivables	1,100	844
AA		
COUNTERPARTIES WITHOUT CREDIT RATINGS		
Trade and other receivables	11,754	10,806

LIQUIDITY RISK

Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an on-going basis. In general, the Company generates sufficient cash flows from its operating activities to meet its obligations arising from financial liabilities and has credit lines in place to cover potential shortfalls. The Company maintains credit management and accounts receivable processes aimed at collecting all trade debtors and other receivable balances in cash by their agreed date(s) for payment.

Contractual obligations in respect of interest expense on borrowings have not been included in the liquidity risk table as the term debt does not have a contractual end date and the interest is currently payable on a month-by-month basis. Details of the loan balance and effective interest rate are included in note 13.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

25 FINANCIAL INSTRUMENTS RISKS - continued

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 2023:					
Financial assets					
Cash and cash equivalents	99	-	-	-	99
Trade and other receivables	12,854	-	-	-	12,854
	12,953	-	-	-	12,953
Financial liabilities					
Trade and other payables	8,702	-	-	-	8,702
Lease liabilities	-	3,328	7,200	1,582	12,110
GST payable	700	-	-	-	700
Borrowings	-	-	-	11,770	11,770
	9,402	3,328	7,200	13,352	33,282
AS AT 30 JUNE 2022:					
Financial assets					
Cash and cash equivalents	405	-	-	-	405
Trade and other receivables	11,650	-	-	-	11,650
	12,055	-	-	-	12,055
Financial liabilities					
Trade and other payables	8,989	-	-	-	8,989
Lease liabilities	251	2,582	6,628	1,907	11,368
GST Payable	589	-	-	-	589
Borrowings	35	-	-	13,000	13,035
	9,864	2,582	6,628	14,907	33,981

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023 - continued

25 FINANCIAL INSTRUMENTS RISKS - continued

SENSITIVITY ANALYSIS

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

The table below illustrates the potential profit and loss and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on the Company's financial instrument exposures at the balance date.

Based on historic movements and volatilities, market interest rate movements of plus or minus 2%/200bps (2022: 2%/200bps) have been used in this analysis.

	Fair Value at Balance Date \$000	+200bps (2022: +200bps) Profit \$000	Equity \$000	-200bps (2022: -200bps) Profit \$000	Equity \$000
As at 30 June 2023:					
Financial liabilities					
Borrowings (unhedged)	11,770	(235)	-	235	-
	11,770	(235)	-	235	-
As at 30 June 2022:					
Financial liabilities					
Borrowings (unhedged)	13,035	(261)	-	261	-
	13,035	(165)	-	165	-

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 2023 - continued

27 COVID-19, GOING CONCERN

In early March 2020 the World Health Organisation declared the outbreak of COVID-19 a pandemic. Since then, New Zealand has been heavily impacted by the pandemic with a number of regional and nationwide lockdowns occurring during the period from March 2020 until September 2021. With New Zealand transitioning from the pandemic to the endemic stage of COVID-19, large scale lockdowns have ceased, however an isolation period is still required for anyone who tests positive. Operations during the year ending 30 June 2023 have been impacted by COVID-19 leave and illness. This has meant the cancellation or deferral of work as well as a higher-than-normal level of subcontractor use to ensure we met customer demand and maintained market share. The Company received support for this from the New Zealand Government by way of the Leave Support Scheme.

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

The Directors are aware that the company will continue to be impacted by COVID-19 over the coming periods and this has been incorporated into future budgets, scheduling and strategy. The financial impact is expected to be felt in the short to medium term, as our major and long term contracts include mechanisms to reflect cost movements over time. Based on the budget for the 12 months ended 30 June 2024 the Company will be able to meet its obligations as they fall due. In the event that the risk situation deteriorates unexpectedly, sufficient debt facility headroom is available to maintain the Company for a period of disrupted trading conditions.

28 EVENTS AFTER BALANCE DATE

On 31 August 2023, the Company signed an enforceable undertaking with the labour inspectorate agreeing to remedy identified errors in the Company's historical calculations of holiday pay. The remedial period is for 6 years prior to the date of signing of the enforceable undertaking. The financial consequences of the remediation are not known, however, management and legal advisor estimates of the liability are that it will be less than \$100,000.

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 2023

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 41 to 77, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Company on pages 34 to 37.

In our opinion:

- the financial statements of the Company:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; 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 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 2023.

Our audit was completed on 12 September 2023. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 33, 38 to 40 and 82 to 83 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 (including International Independence Standards) (New Zealand) (PES 1) 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

as at 30 June 2023

DIRECTORS

Peter J Carnahan (Chair)

Jane George

Steven W Grave

Tony Allison

MANAGEMENT

Mike Costelloe
Chief Executive

Richard King
*General Manager
Greenspace Services*

Josh Butterfield
*General Manager Metering
& Field Operations*

Michael Price
*General Manager Power
& Communication Services*

Fiona Grayson
*General Manager People
& Culture*

Louisa Homersham
Chief Financial Officer

Matt Sadgrove
HSEQ Manager

Daryl Putt
Project Business Lead

Jolene Lynn
Executive Assistant

Shane Spicer
Commercial Manager

REGISTERED OFFICE

33 Sturdee Street
Dunedin
New Zealand

AUDITOR

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

BANKER

Westpac Banking Corporation

TAXATION ADVISOR

Deloitte

SOLICITORS

Gallaway Cook Allan
Anderson Lloyd



DELTA
THINK.INFRASTRUCTURE