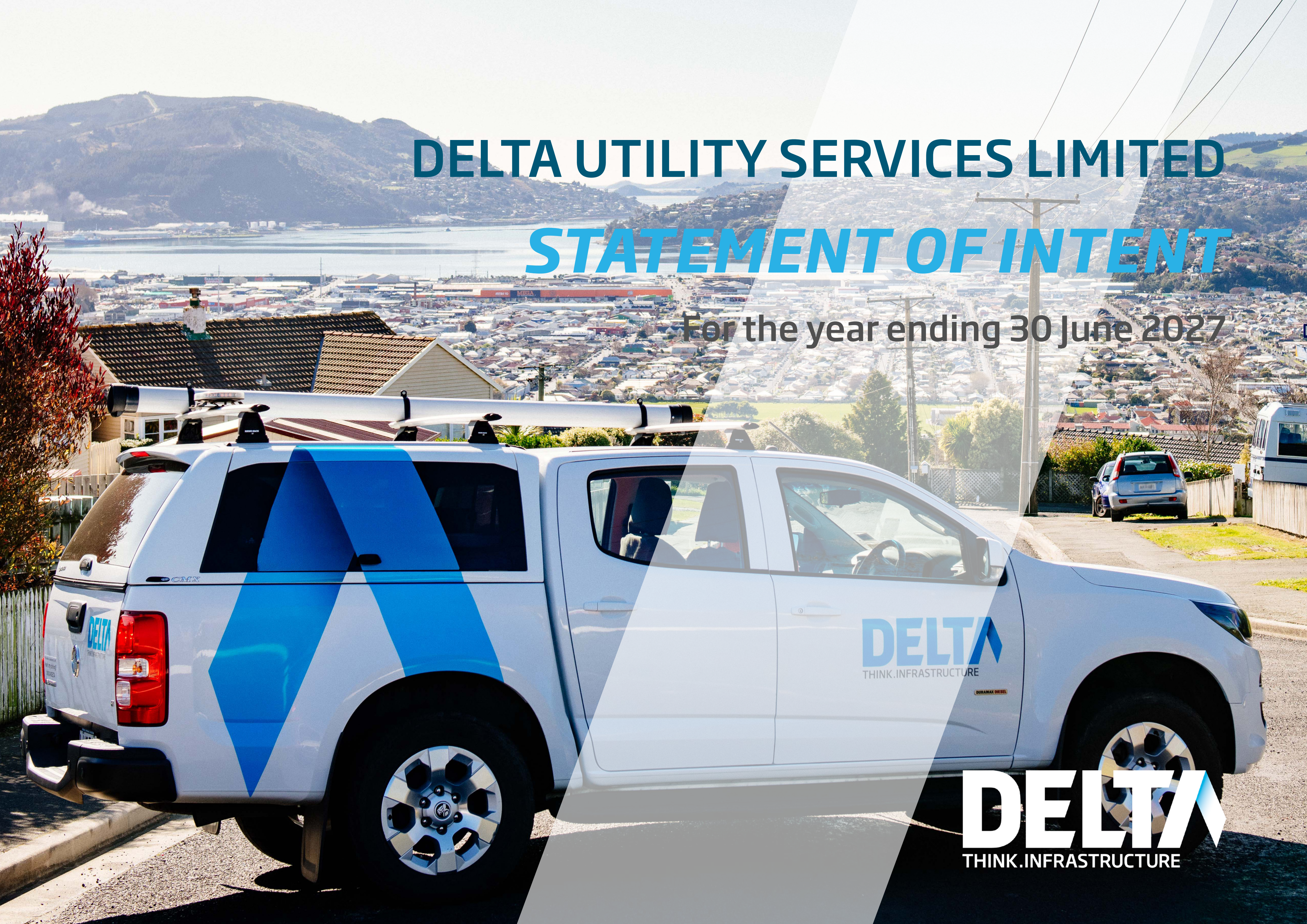
DELTA UTILITY SERVICES LIMITED

STATEMENT OF INTENT

For the year ending 30 June 2027



DELTA
THINK.INFRASTRUCTURE

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1 INTRODUCTION

Delta Utility Services Ltd ("Delta") is an infrastructure specialist providing a range of contracting services to local authority, corporate and private customers. We construct, manage and maintain essential energy and community infrastructure. We are headquartered in Dunedin, with regional depots in Nelson, Rangiora, Christchurch, Cromwell, Alexandra, Wanaka, Queenstown and Auckland. Delta is a Council Controlled Trading Organisation (CCTO) owned wholly by Dunedin City Holdings Ltd (DCHL), which is wholly owned by Dunedin City Council.

A CCTO is required by law to produce a Statement of Intent (SOI). A SOI is an annual planning document which sets out the Company's planned activities, objectives and financial forecasts for the next three years. It includes performance measures and targets which form the basis of the Company's organisational accountability and will be reported on in the Company's Annual Report. This SOI takes Shareholder comments into consideration.

2 OBJECTIVES

As a CCTO, Delta has the following objectives, as defined in the Local Government Act 2002:

a) *achieve the objectives of its Shareholder, both commercial and non-commercial, as specified in the statement of intent; and*

b) *be a good employer; and*

c) *exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and*

d) *conduct its affairs in accordance with sound business practice.*

Health and Safety performance is essential to the achievement of Delta's objectives. Delta's safety goal is "Everyone Home Safe, Every Day".

Delta's objective is to maximise consistent long-term annual dividend returns with an expectation of providing a commercial level of return on investment to DCHL, appropriate to the sector it operates in. Delta is also focused on capital management with a goal of returning any surplus capital to DCHL.

Delta's focus for FY2027 will be to continue to deliver improvement in financial performance whilst minimising our carbon footprint and improving Health and Safety outcomes.

As a Dunedin City Council owned Company, Delta aims to contribute to the Dunedin City Council's strategic framework and achievement of city objectives.

In line with the DCHL carbon roadmap and in support of the Dunedin City Council's city-wide carbon neutrality initiatives, Delta will continue to

- Reduce emissions and report on these; and
- Explore potential contributions to city-wide emissions reduction goals.

OUR VISION

Great people shaping better communities together.

OUR PURPOSE

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

3 APPROACH TO GOVERNANCE

In addition to the obligations of the Local Government Act 2002 (LGA), Delta is also subject to the requirements of the Companies Act 1993 and is governed by directors in accordance with the law and best practice.

As defined in Section 58 of the LGA:

(1) The role of a director of a council-controlled organisation is to assist the organisation to meet its objectives and any other requirements in its statement of intent.

(2) This section does not limit or affect the other duties that a director of a council-controlled organisation has.

The Board meets on a regular basis to direct and control the Company’s activities. Directors are appointed by the Shareholder, DCHL.

The Board accepts that it is responsible for the overall control systems operating within Delta but recognises that no cost-effective internal control system will permanently preclude all errors or irregularities. The control systems reflect the specific risks associated with the business of Delta.

DCHL reviews and approves the SOI and three-year financial plan. Monthly, six-monthly and annual reports of financial and operating performance are provided to DCHL.

4 NATURE AND SCOPE OF ACTIVITIES

The principal activity of Delta is the provision of contracting services, which include the construction, operation, and maintenance of essential energy and environmental infrastructure. Delta also provides specialist services in electrical metering, owning a range of metering assets and providing field support services to the metering sector. The undertaking of any activity of a nature or scope not provided for in Delta's mission or goals would be subject to the prior approval of DCHL.

Our purpose is to be local professionals with innovative ideas, passionate about serving our communities. This purpose directly relates to our vision of great people shaping better communities together. Our values of Do it First, Do it Right, Do it Together allow us to make a difference through fresh thinking, dependability, and working together.

We’re a team of approximately 600 skilled professionals, with a strong dedication and passion for our work. We are committed to our people, safety, and the environment, and we support the communities we live and work in.

Delta’s total assets were $64 million as at 30 June 2025, and Delta generated operational revenues of $130 million for the year then ended.

5 PERFORMANCE TARGETS AND OTHER MEASURES

Strategic Objective	Activity	Performance Measure
Community		
We are big believers in supporting the communities in which we operate. Our vision is great people shaping better communities together. Our main contribution is through the essential infrastructure services we provide every day. We also support organisations in the local community to nurture the next generation of smart thinking infrastructure specialists, and promote our brand to our stakeholders.		
Make a positive contribution to the communities in which we operate	Provide community support through local sponsorship/donations	Sponsorship/donation value of ≥ $25,000 per annum
Support community recreation and visitor experience	Maintain parks, reserves, sports fields, walking tracks, and amenities in Dunedin city, including significant tourist attractions (e.g. the Railway Station and Chinese Gardens)	Achieve KPIs on relevant service contracts
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 with Aurora Energy Ltd and Dunedin City Council

Strategic Objective	Activity	Performance Measure
People		
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.*		
Safe and healthy outcomes for our people	Maintain effective Health and Safety systems and processes supported by positive organisational culture to enable the Delta value of Everyone Home Safe, Every Day	Total recordable injury frequency rate (TRIFR) per 200,000 hours worked of ≤ 3.50
		Maximum total lost time injury frequency rate (LTIFR) per 200,000 hours worked of ≤ 1
		Maintain ISO 45001 Occupational Health and Safety Management System accreditation
Fully comply with Health and Safety legislation	Maintain a legislative compliance process that includes Health and Safety legislation.	Legislative compliance process is completed.
Maintain the health and wellbeing of staff	Maintain an employee wellbeing programme	Programme maintained throughout the year
	Ensure that all direct employees are paid at living wage or above	All direct employees are paid at the living wage or above
Run an effective apprenticeship/trainee scheme	Develop skill sets and succession planning through Delta's apprenticeship/trainee scheme	Average number of apprentices/trainees per annum of ≥ 20
Maintain a positive and satisfying working environment	Monitor staff retention as a percentage of permanent staff	Staff retention ≥ 85% per annum

Strategic Objective	Activity	Performance Measure
Environment		
We are committed to continual improvement in our environmental performance, prevention of harm to the environment and adoption of sustainable work practices.		
Operate using sustainable work practices that prevent harm to the environment	Maintain a well-recognised environmental accreditation	ISO14001 accreditation is maintained
Fully comply with environmental and resource consents	Maintain full compliance with the Resource Management Act (RMA)	Nil breaches of the RMA
Contribute to Dunedin City Councils city-wide carbon neutrality initiatives	Continue to refine and implement our Carbon Emission and Waste Reduction strategy	Selected Greenhouse Gas (GHG) emissions are measured and reported in our Annual Report

Strategic Objective	Activity	Performance Measure
The Shareholder		
We are committed to communicating our activities and strategy clearly to DCHL and to continue to maintain an active dialogue.		
Bring to the attention of DCHL any strategic or operational matters where there may be a conflict between the Dunedin City Council's community outcomes and those of Delta and seek DCHL's view on these	Consult with DCHL at the earliest possible time on matters where a conflict may arise	All potential conflicts notified to DCHL
Keep DCHL informed of all substantive matters	On a "no surprises" basis, advise DCHL promptly of any substantive matter that has the potential to impact negatively on DCHL and Delta with a particular focus on the media	Substantive matters reported to DCHL within 24 hours
Keep DCHL well briefed on monthly financial results and progress in respect of the Delta Boards plans for business strategy and performance improvement	Provide monthly KPI reports that include financial results and progress on performance improvement initiatives	KPI reports provided each month

6 FINANCIAL/ECONOMIC TARGETS

a) **The ratio of Shareholder’s Funds to Total Assets and the definition of those terms**

	Year ending 30/06/2027	Year ending 30/06/2028	Year ending 30/06/2029
Shareholder’s Funds to Total Assets	≥ 56%	≥58%	≥58%

Delta has adopted a target Shareholder’s Funds to Total Assets ratio (equity ratio) of 50%, but expects this ratio will fluctuate depending on a variety of circumstances including asset renewal and investment cycles.

“Shareholder’s Funds” are represented by the paid-up capital, reserves created by the revaluation of specific assets, and retained earnings.

“Total Assets” means the aggregate amount of all current and non-current assets.

b) **Estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the Shareholder**

	Year ending 30/06/2027 $000	Year ending 30/06/2028 $000	Year ending 30/06/2029 $000
Dividend	2,250	2,500	2,750

Note: The dividend estimates are heavily reliant on attaining the forecast financial results, which are dependent on retaining the current level of work at projected margins.

c) **Other financial forecasts**

	Year ending 30/06/2027 $000	Year ending 30/06/2028 $000	Year ending 30/06/2029 $000
EBITDA	≥ 12,327	≥ 13,507	≥ 13,822
Net profit after tax	≥ 3,735	≥ 4,558	≥ 4,758
Cash flow from operations	≥ 10,478	≥ 12,167	≥ 11,829
Capital expenditure	≤ 9,500	≤ 9,500	≤ 8,500
Term borrowings	≤ 4,500	≤ 6,000	≤ 7,000
Shareholder's funds	≥ 35,390	≥ 37,447	≥ 39,455

7 ACCOUNTING POLICIES

a) **General Accounting Policies**

Delta is a Tier 1 For-profit entity as defined by the External Reporting Board and reports in accordance with Tier 1 For-profit Accounting Standards. Delta's accounting policies are based on NZ IFRS standards and interpretations, as recognised by Chartered Accountants Australia and New Zealand.

NZ IFRS standards and interpretations are subject to change and therefore Delta's accounting policies are also subject to change over the period of the SOI.

b) **Particular Accounting Policies**

The particular accounting policies, which materially affect the measurement and reporting of financial performance and financial position, are consistent across the DCHL group and are fully listed in the Delta annual report.

8 DIVIDEND POLICY

Delta aims to manage its long-term capital structure so it has sufficient flexibility to cope with significant capital replacements and investments without the need to seek additional capital or borrowings, while at the same time maintaining a sustainable and reliable dividend stream to DCHL.

Delta's dividend policy is to pay dividends within the range of 50-75% of the net surplus after tax, subject to the Directors' obligations to act in accordance with their statutory duties. The actual level of dividend will be determined by the Directors each year in light of the circumstances that exist at the time. In determining the level of dividend Directors will consider stakeholder communication and may exercise discretion in approving a dividend outside of the standard range, subject to solvency requirements being met.

In arriving at a dividend recommendation, Directors will consider:

- Delta's financial performance, in particular, the cash flows from operations;
- The ratio of shareholder's funds to total assets (equity ratio);
- Delta's future investment plans and profitability thereof;
- Delta's ability to raise loans and the terms thereof;
- Delta's current cost of borrowings; and
- Stakeholder communication

We are forecasting that any dividend payments will be made in equal instalments in December 2026 and June 2027.

9 COMMERCIAL VALUE OF SHAREHOLDER'S INVESTMENT

The commercial value of DCHL's investment in Delta is considered by the Directors to be not less than the Shareholder's funds as disclosed in the Statement of Financial Position published in the last Annual Report.

This will be considered annually when the Statement of Intent is completed.

10 TRANSACTIONS WITH RELATED PARTIES

Dunedin City Council is the sole Shareholder of DCHL.

DCHL is the sole Shareholder of Delta Utility Services Limited, Aurora Energy Limited, City Forests Limited, Dunedin City Treasury Limited, Dunedin Railways Limited, Dunedin Venues Management Limited, and Dunedin Stadium Property Limited.

DCHL owns 50% of Dunedin International Airport Limited.

Transactions between the Companies, Dunedin City Council and other Dunedin City Council controlled enterprises will be on a wholly commercial basis.

Charges from Dunedin City Council and its other entities and charges to Dunedin City Council and its other entities will be made for goods and services provided as part of the normal trading activities of each Company.

Delta will undertake to obtain all debt funding from Dunedin City Treasury Limited, with any exceptions agreed with the DCHL Board.

Related Party Transactions

Aurora Energy Ltd	Provision of maintenance and construction services
Dunedin City Council	Provision of greenspace services
Dunedin City Holdings Ltd	Functions appropriate between parent companies and subsidiaries
Dunedin City Treasury Ltd	Provision of debt funding to Delta generating interest payments to Dunedin City Treasury Ltd
Dunedin Venues Management Ltd	Provision of greenspace services

11 OTHER MATTERS AGREED BY DELTA UTILITY SERVICES LIMITED AND THE SHAREHOLDER

Information to be provided to the Shareholder:	**Quarterly**	**Half Yearly**	**Annually**
Key financial performance indicators	✓	✓	✓
Long-term debt forecasts	✓		
Statement of Financial Performance		✓	✓
Statement of Financial Position		✓	✓
Statement of Cash Flows		✓	✓
Statement of Movement in Equity		✓	✓
Notes to the Financial Statements		✓	✓
Statement of Service Performance against SOI targets		✓	✓
Directors' Report		✓	✓
Auditor's Report			✓
Statement of Intent (Draft)			Prior to 1 March
Statement of Intent (Final)			Prior to 30 June

Delta has agreed to:

- Assess and manage cyber-security risks in a manner appropriate to the sector that we operate in; and
- Continue to support the DCHL Intern Director Programme; and
- Work with the Dunedin City Council, DCHL and Audit New Zealand to incrementally shorten the Dunedin City Council Group annual reporting timeline

Working with the Shareholder

Delta will undertake to keep DCHL informed of all substantive matters, as set out in the performance targets above. Delta will work to build a culture of accountability and constructive working practices between DCHL and Delta. It is expected that any conflicts that may arise between DCHL and Delta will be resolved directly between DCHL and Delta, in accordance with appropriate governance practices.

Delta will work with DCHL to ensure that its sponsorship policy aligns with the Dunedin City Council's strategic framework.

Acquisition/Divestment of Assets, or Shares in any Company or Organisation

Delta will only invest in the shares of another company or invest in an entity if the investment is considered to be likely to produce added value to Delta. In order to maximise the benefit to DCHL, shares or assets may also be sold in response to, or in anticipation of, on-going changes in the marketplace.

If the Directors intend that Delta or its subsidiaries should acquire assets, they will obtain prior approval of DCHL where an investment into the new assets exceeds $5 million. For the purpose of this section, "asset(s)" includes a group of assets similar in type, cost, and useful life that are purchased together and can be identified and maintained as one asset or group of assets following purchase.

If the Directors intend that Delta or its subsidiaries should subscribe for or otherwise acquire issued capital or an interest in any company or organisation (other than minimum holdings in listed companies in related industries) exceeding a total investment of $5 million they will obtain prior approval of DCHL.

The approval of DCHL is required before disposal by Delta of any segment of its business or shares in a subsidiary or associate company where the value of the asset to be disposed of exceeds the investment delegated authority of $5 million.

Compensation Sought

At the request of DCHL, Delta may undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full commercial cost of undertaking such activities.

At present, Delta does not have any activities of this nature.

Group Facility Use

Delta will undertake to operate "Group" purchasing of goods and services, unless it is demonstrated conclusively to DCHL that the total combined cost of such Group purchasing to the Group and Dunedin City Council (including the costs of ceasing any such Group purchasing), is greater than any alternative identified.

Other agreements

Delta will not accept sponsorship or give naming rights to companies involved in activities deemed inconsistent with Dunedin City Council's ethical position.