

Delta Utility Services Ltd
Statement of Intent
for the Year Ending 30 June 2013

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1 MISSION

TO BECOME THE INFRASTRUCTURE INDUSTRY SPECIALIST

2 NATURE AND SCOPE OF ACTIVITIES

The principal activities of Delta Utility Services Limited (the Company) are the management, construction, operation and maintenance of infrastructural utility assets and the provision of contracting and related services.

3 CORPORATE GOVERNANCE STATEMENT

The Company is ultimately owned by Dunedin City Council and accordingly is a Council Controlled Trading Organisation (CCTO) as defined by the Local Government Act 2002. The directors' role is defined in Section 58 of the Act which requires that all decisions relating to the operation of a CCTO shall be made pursuant to the authority of the directorate of the CCTO and its Statement of Intent (SI). In addition to the obligations of the Local Government Act, the Company is also covered by the Companies Act 1993 which places other obligations on the directors.

The directors are responsible for the preparation of the SI which, along with the three-year financial plan, is provided to by the Company's shareholder, Dunedin City Holdings Limited. Monthly, six monthly and annual reports of financial and operational performance are provided to the shareholder.

The directors of the Company are responsible for the overall control of the Company but no cost-effective internal control system will permanently preclude all errors or irregularities. The control systems operating within the Company reflect the specific risks associated with the business of the Company.

4 CORPORATE GOALS

The principal goal of the Company is to operate as a successful business, achieving the objectives of its shareholder as specified in this Statement of Intent. The specific corporate goals of the Company are as follows:

General

- 4.1 To ensure that the Statement of Intent and operating policies for the Company are consistent with the operating policies of Dunedin City Council.
- 4.2 To ensure that the Statement of Intent and operating strategies are adhered to.
- 4.3 To keep the shareholder informed of matters of substance affecting the Company.
- 4.4 To perform continual reviews of the operating strategies, financial performance and service delivery of the Company.
- 4.5 To grow the Company into a leading New Zealand business while taking into account the free cash flows required to meet the objectives of the ultimate shareholder.
- 4.6 To further diversify and expand the Company's activities in the operation and management of utility assets.

Economic

- 4.7 To maximise the financial returns achieved and the value added by the Company. Particular attention will be given to cash flow performance.
- 4.8 To maintain the Company's financial strength through sound and innovative financial management.

Social and Environmental

- 4.9 To operate personnel policies and practices which promote a non-discriminatory, culturally sensitive, equal opportunity workplace.
- 4.10 To promote safe work practices and harmonious industrial relations.
- 4.11 To act as a socially responsible and environmentally aware corporate citizen and to contribute to, or assist where possible, with the Dunedin City Council community outcomes (as listed in the Annual Plan)
- 4.12 To bring to the attention of the shareholder any strategic or operational matters where there may be a conflict between the Dunedin City Council's community outcomes (as listed in the Annual Plan) and those of the Company and to seek the shareholder's view on these. The Company will be mindful that the ultimate shareholder is the custodian of the community's interest and accepts that this may create a greater need for consultation with the ultimate shareholder than what might be required in a normal commercial situation.

5 SPECIFIC OBJECTIVES FOR THE YEAR ENDING 30 JUNE 2013

In pursuit of its corporate goals, the Company has the following objectives for the next 12 months:

General

- 5.1 To review the Statements of Intent and Strategic Plans for consistency with the objectives of Dunedin City Holdings Limited.
- 5.2 To review the operating activities of the Company for compliance with the goals and objectives stated in the Statement of Intent and Strategic Plan.
- 5.3 To report all matters of substance to the shareholder.

Economic

- 5.4 To achieve all financial projections.
- 5.5 To pursue management of an additional group of utility assets.
- 5.6 To ensure that the reporting requirements of the Company and the shareholder are met.

Social and Environmental

- 5.7 To maintain good employer status by:
 - (i) complying with all employment legislation;
 - (ii) ensuring no complaints of discrimination are received;
 - (iii) operating open and non-discriminatory employment practices.
- 5.8 To ensure no transgression of environmental and resource laws.
- 5.9 To review the activities undertaken by the Company for the purposes of being a good socially and environmentally responsible corporate citizen.

6 PERFORMANCE MEASURES

The following long-term indicators and targets will demonstrate continual management improvement.

General

- 6.1 To report matters of substance to the shareholder within five days of occurrence.

Social and Environmental

6.2 Health and Safety

Year Ending 30 June	2013	2014	2015
Lost Time Injury Rate - per million man hours	6	4	2

6.3 A review of the activities undertaken by the Company for the purposes of being a good corporate citizen will be completed by 30 June 2013.

7 FINANCIAL PROJECTIONS

The projections in Sections 7 and 8 have been prepared using a number of realistic assumptions about the future and relate to events and actions which have not yet occurred and may not occur. In deriving these projections, judgement has been applied to the uncertain future commercial environment in which the Company operates.

Financial Year Ending 30 June	2013	2014	2015
	\$000	\$000	\$000
EBITDA	15,675	16,328	17,294
Net Profit after Income Tax	5,264	4,830	4,652
Shareholder's Funds	20,332	20,662	22,515
Dividends	4,500	4,500	2,800

8 RATIO OF SHAREHOLDER'S FUNDS TO TOTAL ASSETS

At 30 June	2013	2014	2015
Shareholder's Funds to Total Assets	35%	34%	36%

"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.

9 DIVIDEND POLICY

The directors will pay the maximum annual dividend available, subject to the retention of sufficient profit to maintain the operating capability and to sustain the growth of the Company. Interim dividends will be paid by 31 December and final dividend by 30 June.

10 REPORTING TO THE SHAREHOLDER

10.1 **Annual** – prior to 1 December 2011

- (i) Draft Statement of Intent.

10.2 **Annual** – prior to 30 June 2012

- (i) Statement of Intent.

10.3 **Monthly**

- (i) Income Statement.
- (ii) Balance Sheet.
- (iii) Statement of Cash Flows.
- (iv) Activity report.

10.4 **Half Yearly** – within two months of the end of the six month period

- (i) Directors' Report - a review of performance over the half year.
- (ii) Income Statement.
- (ii) Statement of Movements in Capital.
- (iv) Balance Sheet.
- (v) Statement of Cash Flows.
- (vi) Notes to the Financial Statements.

10.5 **Annual** – within three months of the end of the financial year

- (i) Directors' Report - a review of the Company's performance over the full year, including a comparison of performance against objectives and key performance measures.
- (ii) Income Statement.
- (iii) Statement of Movements in Capital.
- (iv) Balance Sheet.
- (v) Statement of Cash Flows.
- (vi) Notes to the Financial Statements.
- (vii) Auditor's Report on the above Financial Statements.

11 ACCOUNTING POLICIES

11.1 General Accounting Policies

The accounting policies recognised by the New Zealand Institute of Chartered Accountants complying with NZ International Financial Reporting Standards will be adopted by the Company.

11.2 Particular Accounting Policies

The particular accounting policies which materially affect the measurement and reporting of financial performance and financial position are consistent across the Dunedin City Holdings Limited group and are fully listed in the company annual report and website. The consolidated accounts of the company include Delta Investments Limited.

12 ACQUISITION/SALE OF SHARES/ASSETS IN ANY COMPANY OR ORGANISATION

The Company will only invest in the shares of another company or organisation if the shares are considered to be likely to produce added value to the Company. In order to maximise benefit to the shareholder, shares or assets may also be sold in response to, or in anticipation of, ongoing changes in the marketplace.

If the directors intend that the Company 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 \$0.5 million, they will obtain prior approval of the shareholder.

If the directors intend that the Company or its subsidiaries should acquire assets they will obtain prior approval of the shareholder where an investment into the new assets exceeds \$5 million.

13 TRANSACTIONS WITH RELATED PARTIES

Dunedin City Council is the sole shareholder in Dunedin City Holdings Limited. Dunedin City Holdings Limited is the sole shareholder in the Company. Transactions between the Company, Dunedin City Council and other Dunedin City Council controlled enterprises will be conducted on a wholly commercial basis. Charges from Dunedin City Council and its other companies, and charges to Dunedin City Council and its other companies will be made for services provided as part of the normal trading activities of the Company.

Related Party Transaction

Aurora Energy Limited	Provision of operating and management services.
City Forests Limited	Provision of roading services and reserves maintenance.
Dunedin City Holdings Limited	Provision of management services in accordance with the agreement between the parties and other functions appropriate between parent and subsidiary.
Dunedin City Treasury Limited	Provision of treasury services.

14 GROUP PURCHASING

The Company undertakes to operate “group” purchasing of goods and services, unless it is demonstrated conclusively to the shareholder that the total combined cost to the group and to Dunedin City Council of such group purchasing is greater than the total combined cost to the group and to Dunedin City Council of ceasing to purchase such goods and services as a group, including the cost to the group and to Dunedin City Council of ceasing any such group purchasing.

15 OTHER MATTERS AGREED AS BETWEEN THE DIRECTORATE AND THE SHAREHOLDER

- 15.1 The undertaking by the Company of any activity of a nature or scope not provided for in the Company’s mission or goals will be subject to the prior approval of the shareholder.
- 15.2 The approval of the shareholder is required before disposal by the Company of any segment of its business or shares in a subsidiary or associate company.

16 ESTIMATE OF COMMERCIAL VALUE OF THE INVESTMENT

The commercial value of the shareholder’s investment in the Company is considered by directors to be not less than the Shareholder’s funds as disclosed in the Statement of Financial Position published in the last Annual Report.

17 USE OF OTAGO MANUFACTURED GOODS AND SERVICES

The Company will endeavour to use Otago manufactured goods and services subject to price, quality and other strategic considerations being met.

18 COMPENSATION SOUGHT

Delta Utility Services Limited does not have any activities in respect of which its board wishes to seek compensation from any local authority.