Citycare Group

Annual Report 2019

Citycare Group

What's Inside

Chairman and CEO 2019 Year in Review

The 2018/19 year has again proven to be challenging in the construction and asset maintenance industries. These challenges forced a comprehensive review of our Civil sector business which resulted in this operating unit being down-sized and priorities for FY20 re-set under new leadership.

Having made these changes, the outlook for Citycare Civil is now increasingly more positive.

The outlook for our Citycare Water and Citycare Property businesses continues to be positive, with both units having come through the year satisfactorily, delivering profitable performance. Future success in Water and Property is predicated both on our ability to maintain a strong leadership position in field service and asset management technologies and in ensuring that our customers continue to see Citycare as a reliable and innovative partner.

Looking ahead, our ability to improve Citycare's financial performance and returns to shareholders is directly linked to our capacity to successfully adopt new ideas and relevant disruptive technologies that drive operational efficiency and can be readily translated into customer value.

Safety performance

It is imperative that we continue our relentless commitment and drive to keep our people safe through a firm focus on managing critical risks.

Earlier this year, Citycare decided to discontinue our Workfit programme – a preventive care programme utilising early intervention to help manage and mitigate employee health costs. During the year, we identified that this decision contributed to a Total Recordable Incident Frequency (TRIF) increase with a spike in the number of smaller, pain/discomfort-related non-treatment injuries that Workfit would have resolved.

As a result of this we did not achieve our TRIF target for the year, but the Workfit programme has been re-instated and the TRIF rate has already started to trend back downwards.

Financial performance

The Net Profit After Tax result of a loss of $724k was primarily attributable to the following:

Losses incurred in our Civil sector business, in particular:

- Over $2m of excess costs incurred and provisioned on a single construction contract that is still to be completed and in dispute with the customer.
- C. $1m loss on winding up our previously profitable Joint Venture with John Filmore Contracting.

Our share (c. $700k) of the trading loss for the year in our subsidiary business (APEX), primarily arising from two now completed projects.

We have now addressed the performance issues in both the Civil and APEX businesses and this is commented on in further detail later in the report.

Despite this below-budget financial performance, effective cash management resulted in improved operating cash flow and a net term debt reduction from $18.4m in the 2017/18 year to $12.6m in the current year. Total assets remain in line with the previous financial year at $103.6m with equity of $54.4m.

We continue with our strategy to reduce the level of operating expenditure in Group, with the aim of driving the continued self-sufficiency of the sector businesses.

Sector highlights

Citycare Water

Pending water industry reform and legislation makes the 3 Waters maintenance sector every bit as challenging as other infrastructure sectors with tightening margins and heightened industry competition disrupting the sector. Losing the Wellington Water contract was disappointing but Citycare Water has bounced back quickly by re-winning the Masterton District Council contract and winning new contracts with Clutha District Council and Stratford District Council.

Focus now is on re-winning our other cornerstone contracts with Christchurch City Council and Watercare (Auckland Council) by ensuring we are positioned well as a partner of choice both for long-term maintenance and construction plans.

Part of this strategy is to demonstrate our industry-leading technology capability, evident through a growing suite of technology smarts and a significant upgrade to our multi-tenancy asset and event management platform (EventManager), aligning our field data capture with the incoming National Metadata Standards.

The financial performance of Citycare Water this year was adversely impacted by losses from our subsidiary company, APEX. But a newly appointed GM for the APEX business, coupled with a strong future order book and international interest in APEX's containerised packaged wastewater treatment plants, indicates a bright future for the business in FY20 and Citycare Water is looking to back this outlook by increasing our shareholding in APEX from 57% to 75%.

Citycare Property

Citycare Property delivered strong revenue growth and profitability across all regions, largely attributed to a targeted account management strategy, aligned with delivery of solutions to client challenges.
Key contract successes for FY19 include:

– Achieving requisite community outcomes on Auckland Council Full Facilities contract, resulting in increased contract scope to include Auckland Transport assets.
– Renewal of Christchurch City Council FM contract for up to a three-year term.
– Re-win of the Tauranga City Council Reserves maintenance contract against a very competitive market.

Increased use of technology has played a part in this success too, with autonomous and remote control mowing used to improve job safety and alternatives to glyphosate, such as thermal weeding, increasingly attuned to customer demands regarding sustainable products and services.

The primary focus for Citycare Property going forward is to continue driving new processes for workforce planning and scheduling that enable lean delivery models that will further increase productivity and profitability.

Citycare Civil

As highlighted earlier, prevailing performance issues forced a comprehensive review of our Civil sector business. This informed a decision to downsize this operating unit, including withdrawal from the Citycare Civil North Island business and re-prioritising of the business around well-established lines of work in the South Island.

Under new leadership there are early signs that these changes are having the desired effect related to turning around the profitability of this part of the business, albeit, legacy issues on two major projects remain unresolved at FY19 year end.

Integrated thinking and value creation

Historically, for the majority of contracting businesses, the expression of value is almost entirely driven by the Profit & Loss balance sheet. Today, we face a wholly different operating environment where fundamental changes such as climate change require businesses to build more metrics into their reporting and sustainability. This has stimulated an increasing focus on recognising the collective value created through all of the company's performance 'capitals':

- Financial (P&L)
- Manufactured (i.e. fixed assets, plant, buildings)
- Human (the value inherent in our people and our ability to attract and retain quality staff)
- Social and relationship (with our customers and in the communities we operate in)
- Intellectual (IP and appetite for innovation)
- Natural (impact on the environment)

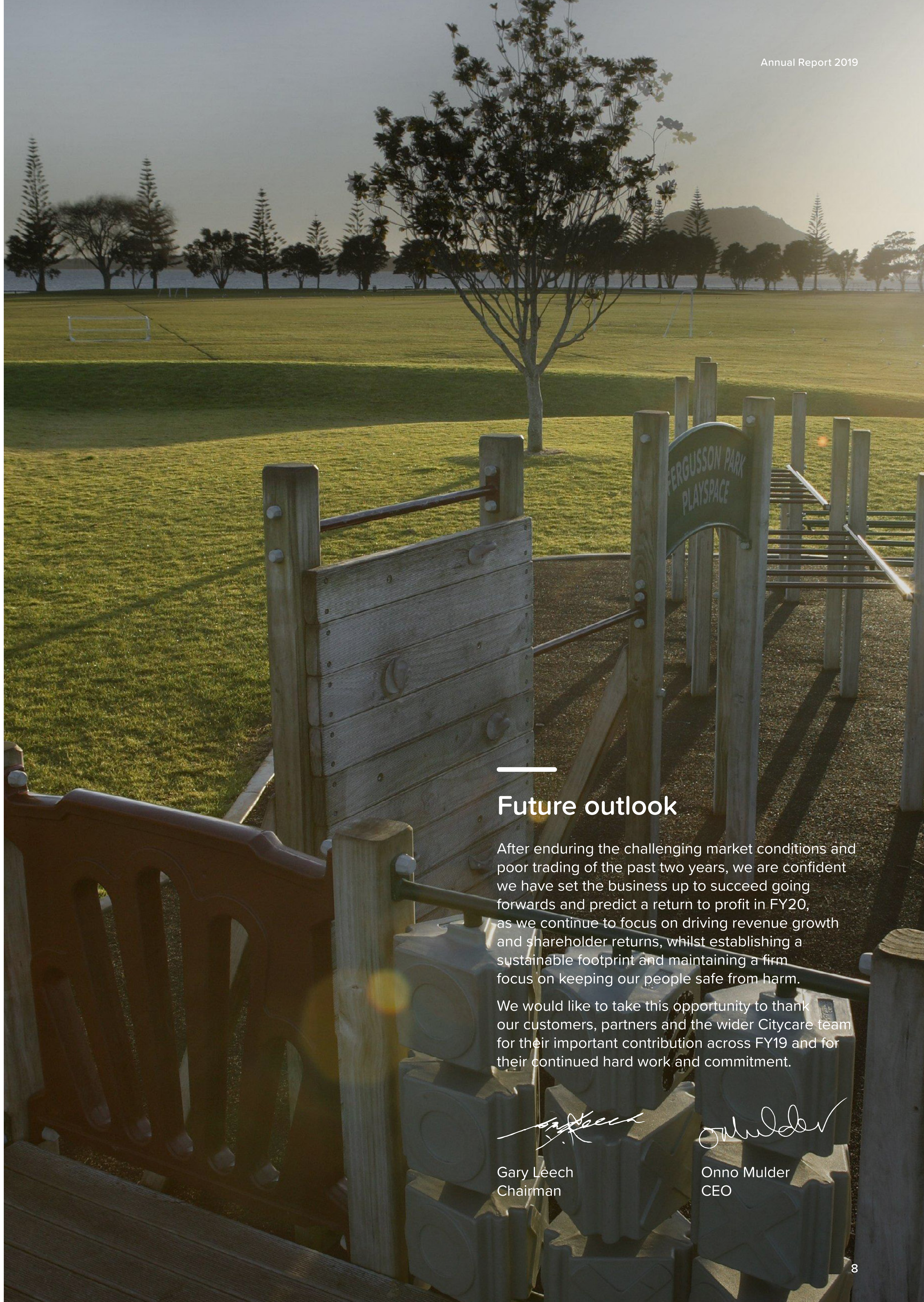
For example, with a number of local councils declaring a state of Climate Emergency in FY19, the value inherent in Citycare's unique market position in Localism and Sustainability positions us well in the increasingly active social procurement channels of local government (Natural Capital). This year we have achieved a company-wide reduction in our carbon emissions by 2.29% and also continued to introduce electric and hybrid vehicles into our fleet and to change out petrol-driven plant and equipment.

Similarly, through establishment of a unique social innovation in the Community Guardians platform (Social Capital), Citycare has identified an opportunity to play a greater role nationwide in our community and sees this as a key to our success going forwards. This year the platform saw Citycare facilitate and enable in excess of 15,500 community-led volunteer hours including tree planting, landscaping, waste collection and removal, graffiti removal and painting.

Deployment of fit-for-purpose, low cost, battery powered, LoRaWAN-network enabled sensor devices that provide accurate reliable data on client assets is another prime example of value in action (Intellectual Capital). This use of the Internet of Things (IoT) plugged into our field services further demonstrates the value in our unique ability to collect, validate, analyse and use asset data to positively enhance the services we provide to our clients.

Going forward, Citycare aims to further recognise that ideas, relationships and human capital are real and often under-appreciated drivers of value. Strategic business decisions will increasingly be based on the fundamentals of Integrated Thinking/Reporting, recognising the inter-connection of the business capitals outlined above.

Over a third of our workforce are using Citycare Ideas Suite – a fully interactive and user-intuitive employee ideas capture platform – to bring through smart, practical ideas that will improve productivity or profitability. One idea that recently came to the fore through this online platform is to power our asphalt plant using recycled fossil fuels; this idea is currently being progressed and likely to return significant cost-savings as well as having a positive environmental impact.



Future outlook

After enduring the challenging market conditions and poor trading of the past two years, we are confident we have set the business up to succeed going forwards and predict a return to profit in FY20, as we continue to focus on driving revenue growth and shareholder returns, whilst establishing a sustainable footprint and maintaining a firm focus on keeping our people safe from harm.

We would like to take this opportunity to thank our customers, partners and the wider Citycare team for their important contribution across FY19 and for their continued hard work and commitment.

Gary Leech
Chairman

Onno Mulder
CEO

We discover.
We deliver.
We care.

FY19 has seen Citycare continue to increase our focus on recognising the collective, integrated value of our business, with firm foundations being established to recognise our Human, Social, Intellectual and Natural capital as they relate to enhancing our Financial performance and supporting our Manufactured asset base.

Delivering profitability and sustainable growth across all areas of the Citycare business, remains our primary strategic imperative. And we are confident that this can be best achieved by:

We Discover.
Actively developing and deploying ideas, innovation and new disruptive technologies that enhance the products, processes and services provided to our clients.

We Deliver.
Delivering operational excellence that meets or exceeds client expectations, driving greater customer loyalty and value.

We Care.
Expanding our sustainability agenda through active involvement in local communities and environmental change leadership.

We Discover.

Intellectual capital

The steady convergence of Operational Technology with Information Technology represents a significant opportunity for Citycare, with the data we collect on infrastructure assets becoming increasingly critical.

Citycare's multi-tenancy asset and event management system, EventManager, is already integrated into over 20 customer platforms and manages and records data on more than seven million assets and two million events across New Zealand.

That breadth of asset data is valuable enough in itself, but our ability to also now directly link data from small, battery-powered, LoRaWAN-network enabled sensor devices – i.e. the Internet of Things (IoT) - to this enormous data lake, can help us deliver significant value back to our customers.

For example, knowing in near real-time when bins and sumps are full, when drains are about to overflow, when grass has grown to a cuttable length or even when water chlorination levels change.

Citycare has spent time during FY19 co-designing and operationalising these low cost IoT devices and working through an array of proof of concept opportunities to ensure that the devices are sufficiently ruggedized, reliable and well-suited to the often-demanding physical environments they need to withstand.

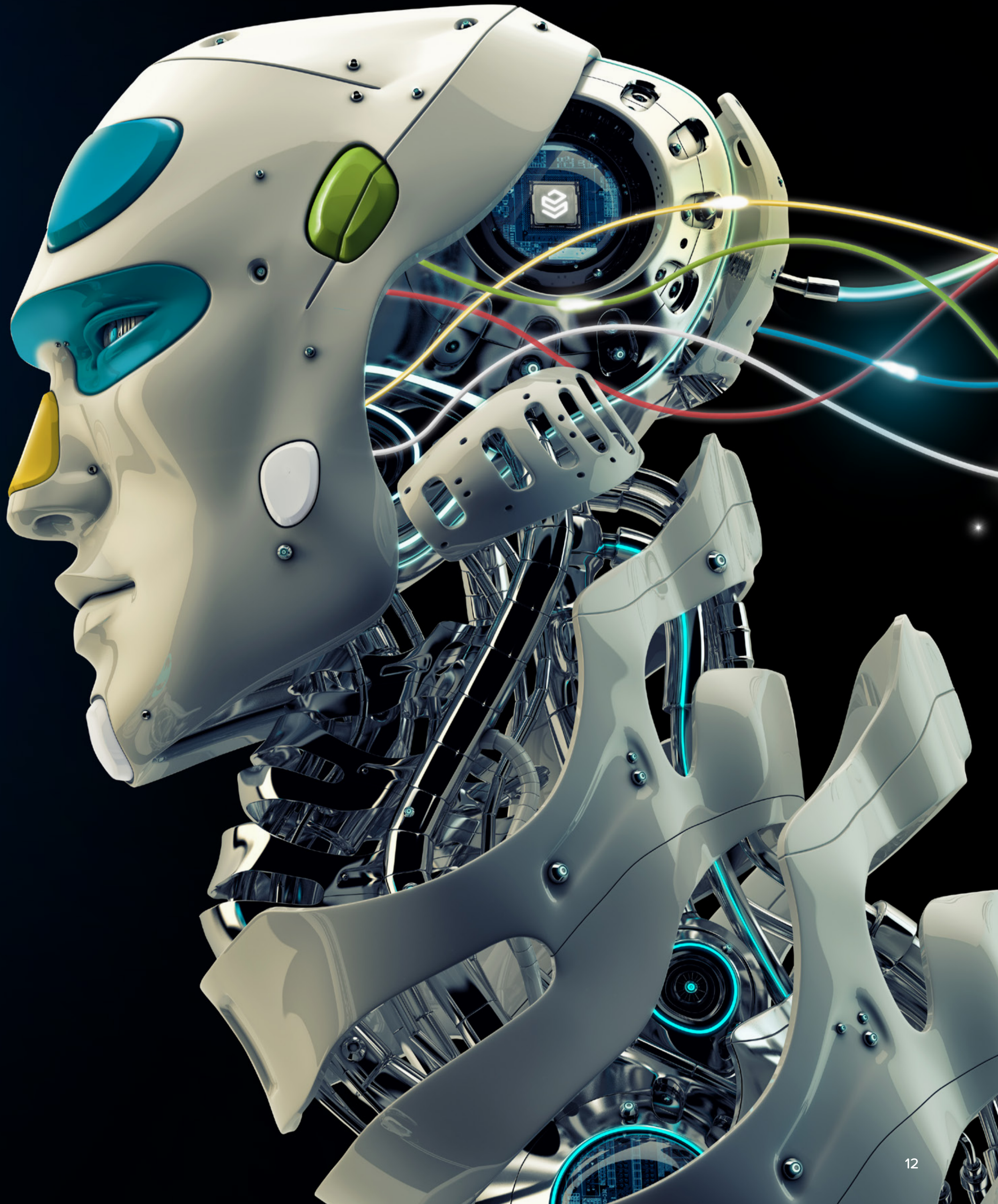
Using these low cost, battery-powered, LoRa network-enabled sensors and these data insights in tandem with the expansive asset knowledge of Citycare's field service technicians is a powerful combination and explains why we have coined the phrase IoT as a Service.

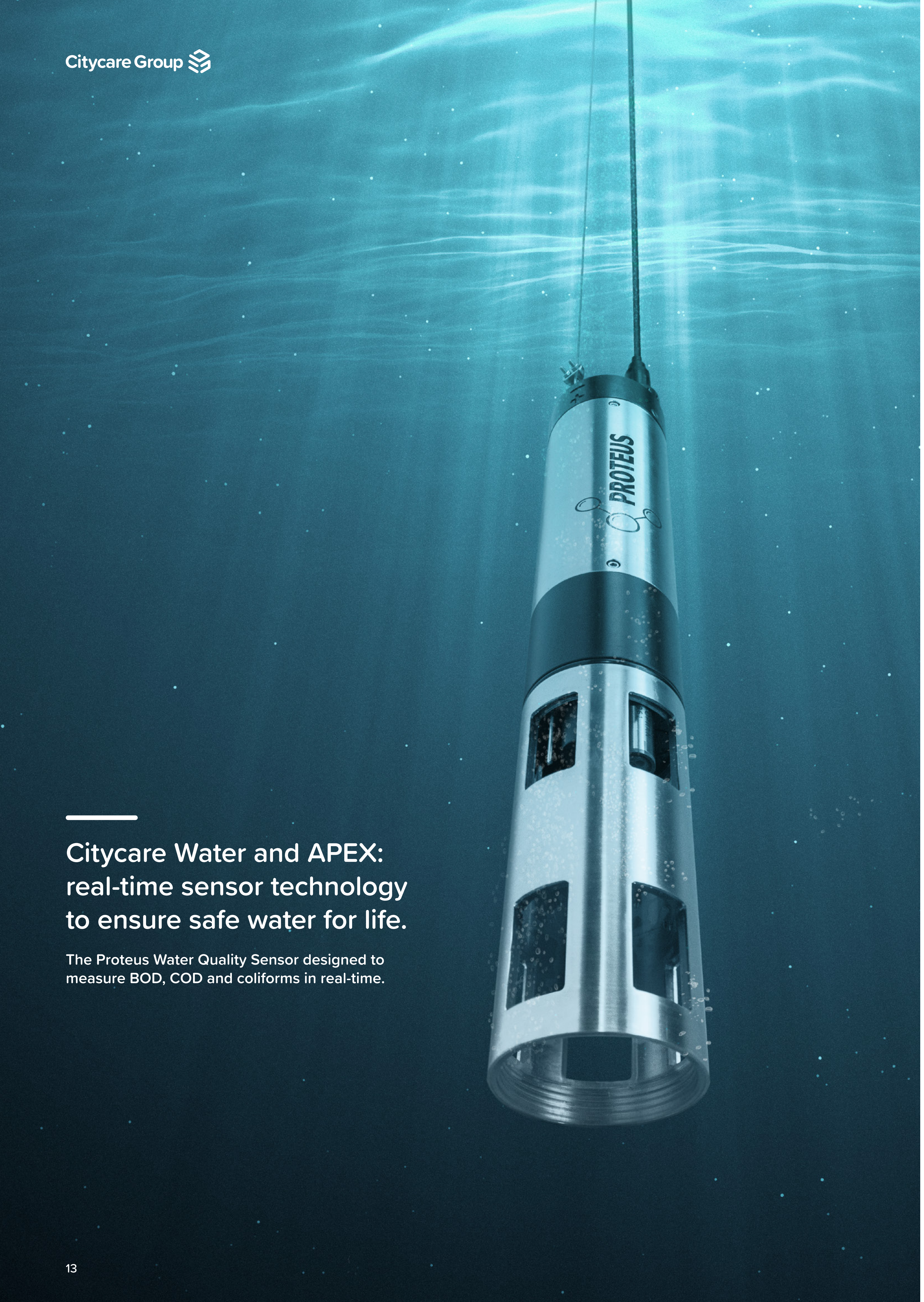
The Citycare IoT as a Service offering is now operationally ready and presents as a strong point of difference as we roll it out across the country.

In support of this, we have also embarked this year on a significant upgrade of EventManager, aimed at enhancing the user experience of the system and building static and dynamic task scheduling to further increase the productivity and profitability of our delivery teams.

Citycare Water's digital network team uses a range of industry-leading operational technology to help us see, smell, taste, touch and listen to water in New Zealand's 3 Waters networks.

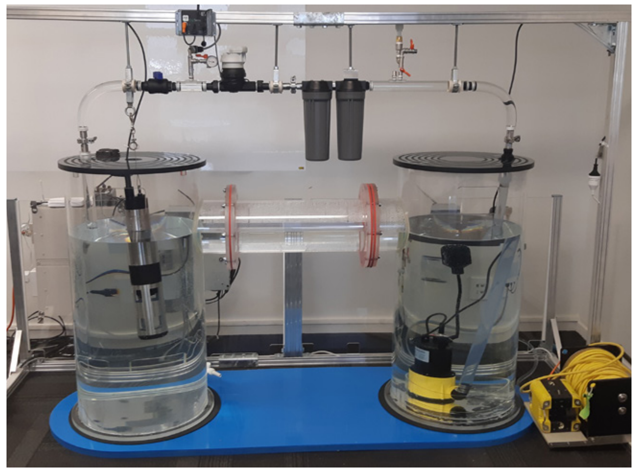
It is this tech capability, coupled with the expansive asset knowledge of our field service technicians that gives us a sixth sense about water behaviour.





Citycare Water and APEX: real-time sensor technology to ensure safe water for life.

The Proteus Water Quality Sensor designed to measure BOD, COD and coliforms in real-time.



Getting a sense of Citycare's *thought leadership*

Actively working with clients on the aforementioned convergence between IT and OT, Citycare Water's newly formed Digital Networks team has recently built an IoT sensor demo rig to share the simplicity of battery-powered sensors as a viable low cost alternative to high-end SCADA telemetry.

The rig includes DigiSense and LevelSense sensors to further demonstrate how these low cost, battery-powered, LoRa network-enabled sensors can be integrated with non-transmitting devices to provide near real-time data and valuable, accurate asset insights.

The rig also showcases the sophisticated, high-end Proteus water quality sensor from Citycare's subsidiary company, APEX, which provides real-time measurements of critical water quality contaminations, from traces of bacteria to turbidity. The Proteus provides reliable real-time measurement of water quality in parallel to traditional, onerous sampling methods.

APEX smarts deliver containerised wastewater treatment plant

APEX smarts are behind New Zealand's first containerised membrane bioreactor (MBR) wastewater treatment plants, housed inside four shipping containers at the Warkworth wastewater treatment plant in Auckland while the area's new permanent treatment plant at Snells Beach is designed and built.

The idea of a containerised plant had sustainability at its heart, with the capability to disconnect and relocate the containers to other sites once construction of the new plant has been completed. The modular MBR units, which operate in a side stream fashion to allow for an additional 300 new connections, also demonstrate resilience, as they can be easily transported to another site in the event of an emergency or natural disaster.

Mowbots, Spiders and other cutting edge technology

FY19 has also seen a constant drive to look at more sustainable technology and innovations that lend themselves to productivity benefits and user safety.

While electric ride-on and stand-on mowers are becoming more commonplace in our fleet as part of our over-arching sustainability drive, the most effective way to de-risk a mowing job is to remove the need for an operator. Citycare's new remote-operated, Spider mower achieves this, helping the team to negotiate hard-to-reach areas and steep inclines. This year has also seen trials of small robotic autonomous mowers, dubbed the Mowbot by our field staff, which in the future might be able to be used in swarms to mow areas where there may be a heightened risk to operators, such as runway strips or airfields. The Mowbot even attracted the attention of TVNZ 1News earlier this year.

From the perspective of enhancing productivity and better outcomes for our clients, Citycare has also developed a new tool to predict grass growth rates. By using a theoretical growth model, correlated against actual growth measurements and application of a simple algorithm, this tool is now enabling us to accurately predict growth rates. These predictions better inform our mowing rounds scheduling, enabling us to optimise our resource usage and better forecast and manage high growth flush periods.

We Deliver.

Relationship and social capital

The landscape for NZ maintenance and construction contracts remains fiercely competitive and the key to Citycare's ability to retain existing contracts and win new ones fundamentally lies both in our:

– Ability to build strong and lasting customer relationships.

– To attract, retain and develop talent.

In the context of both of these imperatives, our relentless commitment to improve the company's safety performance and drive to continue to prioritise the health, safety and general well-being of all Citycare employees and supply partners, remains of the highest importance.

Whilst recognising that our Total Recordable Injury Frequency rate for this year is not where it needs to be, our continued focus on managing critical risks has enabled us to keep our people safe from any life-changing injuries and the annual Business Leaders Health and Safety NZ's Vertical Leaders Construction Group reports indicate that our safety performance is strong against industry benchmarks.

Relevant industry and international benchmarking also continues to play an important role in determining how we deliver our services, assisting us in winning and retaining contracts, e.g.:

– New 3 Waters maintenance contracts with Clutha and Stratford District Councils.

– Renewal of the Christchurch City Council (CCC) FM contract for up to a 3-year term.

– Re-win of the Tauranga City Council Reserves and Masterton District Council 3 Waters maintenance contracts.

– Extension to our Wellington FM contract and CCC 3 Waters maintenance and land drainage contracts.

– Increase in scope of our Auckland Council Full Facilities contract to include Auckland Transport assets (following achievement of requisite community outcomes and inspection of 43,000 Auckland Council assets based on 'best practice' guidelines 'PRAMS').

The geographical spread of our business continues to position us well for organic growth and provides agility in the way we can transition new contracts into our business. Over time, this has become a key point of difference for Citycare as the availability of experienced resource continues to be a nationwide challenge.

We remain on track with our commitment to the shareholder to take positive steps towards achieving Living Wage for all direct employees within a three-year period, recognising that training and staff development programmes that move an employee above the Living Wage during or at the end of their training period forms part of this achievement.

From skippering a frigate to harvesting river weed

When you are looking for points of difference in the service you are offering and the people you employ, look no further than Phil Inwood. Phil joined Citycare after leaving the NZ navy, where he skippered a frigate. Now, armed with a Day Skipper licence and a retained passion for working on the water, Phil operates Citycare's unique, paddle-propelled Weed Harvester.

On some single days dredging as much as 15 tonnes of weed, the weed harvester plays an important role in helping to manage the bio-diversity balance in the river and much of the weed collected is composted due to its high nutrient content.

Weeds are not always the only thing found in the rivers. Between them, Phil and the harvesting team have pulled out safes, a few filing cabinets and even a horde of suitcases dumped after an airline robbery.

Award-winning construction

Citycare Property's construction team received a Silver Award at the 2019 Master Builders Commercial Project Awards for the part it played in construction of the contemporary Woolston Community Facility in Christchurch.

For a small building footprint, the build contained a large number of construction components and due to less than ideal ground conditions, the foundation had to be heavily engineered. The main structure is constructed using a combination of both pre-cast concrete panels, and structural steel frames. The cladding is predominantly brick, which has been laid using a variety of brick patterns. This is a huge architectural feature, especially on the western elevation where the bricks creep out from the wall in a staggered pattern.

Running away with Pride

No challenge is too large for the Citycare teams, so when one of our clients, Wellington Airport, asked if we could paint a giant Pride Rainbow on the Northern embankment of their main runway to coincide with the Il-GA World Conference being held in Wellington, our local team jumped at the challenge.

A 250x15m metre rainbow was painted in Gay Pride colours with line-marking paint, creating a giant temporary landmark for all to see when flying in to the city or driving past the airport at that time. The Pride Rainbow took three days to complete and was part of a TVNZ Breakfast show segment with the Mayor of Wellington City, Justin Lester, and representatives from the Festival and the Wellington International Airport in attendance.

We Care.

Social and natural capital

The ability to demonstrate meaningful Social Responsibility and Sustainability Purpose has become an important challenge for any business.

To better highlight our progress in this area, at the start of FY19 Citycare adopted the United Nations Sustainable Development Goal (SDG) framework as a fresh platform for our sustainability and environmental performance metrics and ambition, focusing on 7 (of 17) SDGs where we can best demonstrate our sustainability leadership:

The **We Discover** and **We Deliver** sections have already articulated our progress this year with regards to the economic wellbeing of our customers and how that links to our appetite for innovation (SDG 8/9) and the steps we have put in place to help nurture and develop our people and attract new talent (SDG 3/10).

SDG 8 and 9

Relate to the importance of maintaining and supporting the economic wellbeing of our customers through understanding their social procurement expectations and recognising the important role, practical, productivity-enhancing innovation can play.

SDG 3 and 10

Talk to our capacity to help our people thrive, through keeping them safe, looking after their mental and physical wellbeing and fostering a culture of diversity and inclusion.

SDG 12 and 13

Recognise our continued commitment to climate action and responsible environmental consumption.

SDG 11

Reaches into our customers' customer relationships - the ratepayers – and a drive to stimulate the communities we service through more direct and active community engagement.

A state of climate emergency

This year has seen a number of local Councils (our dominant customer base) declare a state of climate emergency. Citycare is in-step with this declaration and we achieved our cross-business Greenhouse Gas emissions target, with a 2.29% reduction supporting our performance against SDG12 and 13.

A large part of this achievement can be attributed to a concentrated focus on the reduction and management of our extensive fleet, looking to hybrid or electric vehicles where replacements are possible. This includes the purchase of 6 new EVs and 4 E-bikes further expanding the number of electric cars, mowers and vans already operational, as well as buying new electric hand tools when retiring old equipment.

Our focus for the year ahead, to enable us to reach even further into driving responsible consumption, is to look to the performance of our supply chain, partnering where feasible with sustainable vendors and looking to reduce the amount of waste to landfill.

Kaitiakitanga – the spirit of community guardianship

To address the role Citycare can play against SDG11, we have established an over-arching platform of kaitiakitanga, a Te Reo expression that captures the spirit of community guardianship.

The Community Guardians platform is a highly innovative and entrepreneurial partnership model co-designed by Citycare and Student Volunteer Army foundation.

The challenges the model was looking to solve were threefold:

- How could we expand upon the spirit, drive and simplicity of pitching large armies of volunteers (Student Volunteer Army) together with the enabling capability (safety direction, equipment, practical experience) of an embedded city maintenance workforce – a collaboration that surfaced successfully in the immediate aftermath of the Canterbury earthquakes?
- How could we better embrace and support the passion and local knowledge inherent in the ground-swell of eager community guardians, schools and groups (kaitiakitanga)?
- And more specifically for Citycare, whether there was an opportunity to build a more connected and engaging contract delivery model for maintaining open spaces and waterways, that worked alongside, rather than in spite of, local community action and activity?

Since its 2018 launch, Community Guardians has enabled, facilitated and delivered over 15,000 community-oriented volunteer hours, helping to mobilise and assist over 2,000 community guardians and volunteers, through small scale local worker-bees right up to large scale (1000+ volunteer) events, predominantly built around tree planting, waterway clean-ups and graffiti removal activities.

The Community Guardians brand has also been used to activate a community-centric, primary school education programme (Schoolkit) that includes annual participation in community-led initiatives by 1000 primary school classes (over 32, 000 primary schoolchildren) nationally.

Community Guardians enables us to more clearly demonstrate our role in the achievement of sustainable and meaningful community outcomes aligned with client expectations.

RECREATION AWARDS 2018
Outstanding Community Recreation Programme
WINNER

Mobilising 1000 Auckland Grammar school kids on community clean-up

In November 2018, Citycare reached into its Community Guardians connections to facilitate a huge clean-up of a 12km stretch of the Puhinui Stream, Harania and Lenore foreshore reserves, Otara Park and Otara Creek Reserve in South Auckland.

Partnering with the Sir Peter Blake Trust, 1000 Year 9 and 10 students from Auckland Grammar School were mobilised over two consecutive days, as part of celebrations to mark the school's 150th anniversary.

Under the careful stewardship of a team of Citycare employees, the students were spread out over 17 different sites and set up to work in pairs, after a strong safety briefing that instructed them all to mark (not remove) any sharp objects and to keep hydrated in the Auckland sunshine.

Also evidencing the strength of Citycare's relationship with Auckland Council, the volunteer teams included people from Watercare and other parts of the Council, as well as Friends of Totara Park, Otara Creek Waterways Trust and one of Citycare's biggest supply chain partners, Civic Contractors.

One of the busloads of schoolkids was diverted to assist in a working bee at the Papatatoe Food Hub, which was established this year, with assistance from Citycare, as a mini social enterprise by Healthy Families, a business unit of Auckland Council.

Less chemicals being flushed away

Every year thousands of litres of chemicals are used in cleaning our public toilet facilities. While facility managers have strict protocols around managing chemical use, the ideal scenario is to minimise or cut out chemical use where possible. This provides a challenging balance between making sure facilities are clean and reducing the use of more toxic chemicals.

Looking into this predicament, Citycare sourced a new non-toxic, biodegradable and environmentally friendly solution that use a blend of naturally occurring enzymes that break down oils and greases making it easier for natural bacteria to consume organic waste matter and odours.

Since using this new biozyme cleaning product, we have been able to cut our chemical use down by approximately 4060 litres per year in Christchurch public facilities alone, with less disposal of chemicals through the wastewater system and less exposure to chemicals for staff involved in cleaning and public using the facilities.

Natural 'first responders'

Part of Citycare's DNA has been to wear the 'first responder' badge with pride, responding passionately, responsibly and safely to any event or emergency, always displaying an innate empathy for the impacted communities.

With significant weather events up and down the country and a number of major fires breaking out in the summer months, this year has been no different in the context of our natural support for emergency response teams and desire to quickly get key infrastructure working again.

Financial Statements 2019

Financial Statements

Directors' Responsibility Statement

The Directors are responsible for the preparation, in accordance with New Zealand law and Generally Accepted Accounting Practice, of consolidated financial statements which present fairly the financial position of City Care Limited and its subsidiaries ('the group') as at 30 June 2019 and the results of the operations and cash flows for the year ended 30 June 2019.

The Directors consider that the consolidated financial statements of the group have been prepared using accounting policies appropriate to the group's circumstances, consistently applied and supported by reasonable and prudent judgments and estimates and that all applicable New Zealand equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the group and enable them to ensure that the consolidated financial statements comply with the Companies Act 1993.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Directors are pleased to present the consolidated financial statements of City Care Limited for the year ended 30 June 2019.

This Annual Report is dated 15 August 2019 and is signed in accordance with a resolution of the Directors made pursuant to section 211(1) (k) of the Companies Act 1993.

For and on behalf of the Board of Directors:

Mark Todd Acting Chairman 15 August 2019	Penny Hoogerwerf Director 15 August 2019

Citycare Group

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Income Statement For the year ended 30 June 2019

	Notes	2019 $000	2018 $000
Revenue	3	298,883	312,539
Finance income		166	14
Gain/(loss) on sale of property, plant and equipment		179	936
Raw materials and consumables used		(45,562)	(47,896)
Subcontractor costs		(110,267)	(109,360)
Employee benefits expense		(108,854)	(119,011)
Depreciation and amortisation expense	13, 14	(9,006)	(9,942)
Other expenses		(24,985)	(27,944)
Finance costs		(567)	(365)
Share of profit/(loss) of Joint Venture	16	(1,038)	436
Profit/(loss) before income tax expense		**(1,051)**	**(593)**
Income tax benefit/(expense)	6(a)	327	148
Profit/(loss) for the year		**(724)**	**(445)**
Attributable to:			
Owners of the parent		(423)	(557)
Non-controlling interests		(301)	112
		(724)	**(445)**

Statement of Comprehensive Income For the year ended 30 June 2019

	Notes	2019 $000	2018 $000
Profit/(loss) for the year		(724)	(445)
Total comprehensive income/(loss)		**(724)**	**(445)**
Attributable to:			
Owners of the parent		(423)	(557)
Non-controlling interests		(301)	112
		(724)	**(445)**

Mark Todd
Acting Chairman

Penny Hoogerwerf
Director

The accompanying notes form part of these financial statements.

Balance Sheet As at 30 June 2019

	Notes	2019 $000	2018 $000
Current assets			
Cash and cash equivalents	23(a)	164	13
Sub-contractor retention deposits	8	1,829	-
Trade and other receivables	7	33,396	36,463
Current tax receivable		13	240
Inventories	11	1,433	1,417
Contract assets	12	19,768	22,845
Assets classified as held for sale	13	-	314
Total current assets		**56,603**	**61,292**
Non-current assets			
Property, plant and equipment	13	42,927	48,392
Intangible assets	14	2,941	2,313
Trade and other receivables	7	1,098	1,050
Contract assets	12	38	45
Share of net assets of Joint Venture	16(iv)	-	139
Total non-current assets		**47,004**	**51,939**
Total assets		**103,607**	**113,231**
Current liabilities			
Bank overdraft	9, 23(a)	-	443
Borrowings	9	12,600	18,440
Trade and other payables	8	26,291	29,006
Contract liabilities	12	3,927	2,206
Provisions	17	5,932	6,984
Total current liabilities		**48,750**	**57,079**
Non-current liabilities			
Deferred tax liability	6(b)	176	712
Provisions	17	302	383
Total non-current liabilities		**478**	**1,095**
Total liabilities		**49,228**	**58,174**
Net assets		**54,379**	**55,057**
Equity			
Capital and other equity instruments	18	8,536	8,536
Reserves		9,880	9,880
Retained earnings		35,542	35,965
Equity attributable to owners of the parent		**53,958**	**54,381**
Non-controlling interests		421	676
Total equity		**54,379**	**55,057**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity For the year ended 30 June 2019

	Share Capital $000	Capital Reserve $000	Asset Revaluation Reserve $000	Retained Earnings $000	Non-Controlling Interests $000	Total $000
Balance as at 30 June 2017	8,536	2,314	7,566	37,322	564	56,302
Gain/(loss) on property revaluation	-	-	-	-	-	-
Profit/(loss) for the year	-	-	-	(557)	112	(445)
Total recognised income and expense for the year	**-**	**-**	**-**	**(557)**	**112**	**(445)**
Dividends	-	-	-	(800)	-	(800)
Balance as at 30 June 2018	**8,536**	**2,314**	**7,566**	**35,965**	**676**	**55,057**
Gain/(loss) on property revaluation	-	-	-	-	-	-
Profit/(loss) for the year	-	-	-	(423)	(301)	(724)
Total recognised income and expense for the year	**-**	**-**	**-**	**(423)**	**(301)**	**(724)**
Dividends	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	-	46	46
Balance at 30 June 2019	**8,536**	**2,314**	**7,566**	**35,542**	**421**	**54,379**

The capital reserve arose from a gain on the sale of the company's refuse business in the year ended 30 June 2006.

Cash Flow Statement For the year ended 30 June 2019

	Notes	2019 $000	2018 $000
Cash flows from operating activities			
Receipts from customers		305,823	303,544
Profit distribution from Joint Venture		-	450
Interest received		166	14
Payments to suppliers and employees		(293,547)	(304,402)
Interest and other finance costs paid		(567)	(365)
Subvention payment		-	(1,664)
Income taxes received/(paid)		19	(170)
Net cash provided from/(used in) operating activities	23(b)	**11,894**	**(2,593)**
Cash flows from investing activities			
Payment for property, plant and equipment		(3,643)	(10,577)
Proceeds from sale of property, plant and equipment		915	1,342
Payment for intangible assets		(949)	(478)
Acquisition of non-controlling interest in subsidiary		46	-
Net cash used in investing activities		**(3,631)**	**(9,713)**
Cash flows from financing activities			
Proceeds from/(repayment of) borrowings		(5,840)	11,540
Amounts placed on deposit		(1,829)	-
Dividends paid		-	(800)
Net cash (used in)/provided from financing activities	23(c)	**(7,669)**	**10,740**
Net increase/(decrease) in cash and cash equivalents		594	(1,566)
Cash and cash equivalents at the beginning of the year		(430)	1,136
Cash and cash equivalents at the end of the year	23(a)	**(164)**	**(430)**

Notes to the Financial Statements For the year ended 30 June 2019

1. COMPANY INFORMATION

City Care Limited is a company incorporated and domiciled in New Zealand and registered under the Companies Act 1993. City Care Limited is a wholly owned subsidiary of Christchurch City Holdings Limited. The ultimate controlling party is Christchurch City Council. The company is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002. The registered office is 226 Antigua Street, Christchurch 8011.

The financial statements presented are for the City Care Limited Group ('the group') as at and for the year ended 30 June 2019. The group comprises City Care Limited ('the parent'), its subsidiaries and its investments in joint arrangements.

The group's activities are:

- construction of vertical and horizontal assets
- maintenance of amenity assets including water and wastewater, parks, trees and cleaning
- facilities management
- provision of asset management services

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

Under the Accounting Standards Framework, the group is defined as a for-profit entity and as such reports under New Zealand International Financial Reporting Standards (NZ IFRS). The financial statements comply with NZ IFRS and NZ GAAP, as appropriate for for-profit entities. Compliance with NZ IFRS ensures that the consolidated financial statements comply with International Financial Reporting Standards. These standards have been consistently applied to all the years presented, unless otherwise stated.

(b) Basis of preparation

The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of certain classes of property, plant and equipment and assets held for sale which are measured at fair value less cost of disposal.

The consolidated financial statements of City Care Limited have been prepared in accordance with the requirements of the Companies Act 1993 and the Local Government Act 2002.

The reporting currency is New Zealand dollars, rounded to the nearest thousand.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the consolidated financial statements.

(c) Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(d) Goods and Services Tax (GST)

The consolidated financial statements are prepared exclusive of GST with the exception of receivables and payables that are shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

(e) Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. Any other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains – net'.

(f) Significant Accounting Policies, Estimates and Judgements

Preparing consolidated financial statements to conform to NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any changes to estimates are recognised in the period if the change affects only that period, or into future periods if it also affects future periods.

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

(g) Standards or interpretations adopted in the current financial year

- **NZ IFRS 15, 'Revenue from contracts with customers':**
  The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised.

  IFRS 15 was adopted using the Cumulative effect method. It did not result in significant changes in accounting policies nor transactions for the group.

  Adoption of IFRS15 has not resulted In any adjustments to any financial statement line Item In the current nor prior period.

- **NZ IFRS 9, 'Financial instruments':**
  The standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. If the expected credit loss model had been applied at 30 June 2018, it would have increased the allowance for doubtful debts by only $8,000 and therefore no adjustment has been made to the opening balances. At 30 June 2019, it increased the allowance for doubtful debts by $7,000. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. Citycare's only financial instruments were its borrowings with the bank.

  Adoption of IFRS 9 did not result in significant changes in accounting policies nor basis of recognition of transactions for the group.

(h) Standards or interpretations net yet effective

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the group, are:

- **NZ IFRS 16, 'Leases':**
  Citycare has decided not to early adopt. The standard will be adopted from 01 July 2019. The group intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption.

  The standard removes the classification of leases as either operating or financing lease, for the lessee, effectively treating all leases as finance leases with the exception of certain short-term leases and leases of low value assets. A lease liability equal to the present value of future lease obligations will be recognised on the balance sheet. A right-of use asset will be measured at the amount of the lease liability on adoption.

Note 5 will be redundant, and instead a lease liability disclosure will be used to support the new recognition and treatment.

As at 30 June 2019 Citycare had long-term lease obligations of $12.4m, mainly relating to its property and vehicles. From 01 July 2019 these obligations will be re-measured to present value and recognised on the balance sheet with a corresponding right of use asset. The effect will be to reduce other expenses and increase the interest expense.

3. REVENUE

The Group recognises revenue from the following major sources: Revenue from the rendering of maintenance services, construction contract revenue and revenue from the sale of goods being Asphalt.

	2019 $000	2018 $000
Over time:		
Revenue from the rendering of maintenance services	201,325	197,794
Construction contract revenue	89,574	105,865
	290,899	**303,659**
At a point in time		
Revenue from the sale of goods	7,984	8,880
	298,883	**312,539**

Revenue Recognition

Maintenance Services

The Group performs maintenance services in the following areas:

- amenity assets including water and wastewater,
- parks, trees and cleaning
- facilities management and
- provision of asset management services.

Contracts entered into can 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. Revenue from maintenance services rendered is recognised in the income statement in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15. The group becomes entitled to invoice customers on a periodic basis. The group would previously have recognised a contract asset for any work performed. Any amount previously 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 group recognises a contract liability for the difference.

Construction Contract Revenue

The group derives revenue from the construction of vertical and horizontal 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 group becomes entitled to invoice customers on the monthly claim based on a measure and value calculation or on a milestone. The customer is sent a relevant claim or statement of work, the customer assesses the claim and issues a payment certificate on which an invoice is raised. The group would previously have recognised a contract asset for any work performed. Any amount previously 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 group recognises a contract liability for the difference.

Sale of Goods

For sale of asphalt, revenue is recognised when control of the goods has transferred, being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. A receivable is recognised at this point since this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Variable Consideration

It is common for contracts to include performance bonuses or penalties assessed against the timeliness or cost effectiveness of work completed or other performance KPIs. Where consideration in respect of a contract is variable, the expected value of revenue is only recognised to the amount management considers it recoverable. This is assessed on a periodic basis and is based in all available information including historic performance. Where modifications in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification has not been confirmed, an estimate is made of the amount of revenue to recognise.

Warranties and defect periods

Construction and service contracts can include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and therefore are estimated and included in the total costs of the contracts. Where required, amounts are recognised in provisions.

Interest Income

Interest income is recognised in the income statement as it accrues, using the effective interest method.

4. EXPENSES

	2019 $000	2018 $000
Profit/(loss) before income tax has been arrived at after charging/(crediting) the following expenses:		
Directors' fees	286	288
Operating lease rental expenses:		
Lease payments	5,197	4,104
Employee benefits expense:		
Defined contributions plans	144	154
Remuneration of Auditors:		
Audit of the financial statements	116	120

Interest and Dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

5. LEASES

	2019 $000	2018 $000
Non-cancellable operating lease payments		
No longer than 1 year	3,000	4,159
Longer than 1 year and not longer than 5 years	4,675	6,176
Longer than 5 years	350	-
	8,025	**10,335**

Leased Assets

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. All other leases are classified as operating leases.

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Non-cancellable operating lease payments represent future expected payments arising from the rental of motor vehicles and rental properties.

6. INCOME TAXES

	2019 $000	2018 $000
(a) Income tax recognised in profit/(loss) comprises		
Current tax on profits for the year	-	(160)
Prior year adjustments to current tax	208	130
Deferred tax (benefit)/expense	(536)	(118)
Total tax (benefit)/expense	**(327)**	**(148)**
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit/(loss) from operations	(1,051)	(593)
Income tax expense at 28% (2018: 28%)	(294)	(166)
Tax effect of non-deductible expenses	28	29
Tax effect of capital gain on sale of property, plant and equipment	(28)	(2)
Prior year adjustment	(33)	(9)
	(327)	**(148)**

Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

It is normal practice for City Care Limited to purchase Tax losses from Christchurch City Council by way of a subvention payment.

	Opening Balance $000	Charged to Income $000	Closing Balance $000
(b) Deferred tax balances			
Taxable and deductible temporary difference arising from the following:			
Balance at 30 June 2018			
Deferred tax assets/(liabilities):			
Property, plant and equipment	169	(41)	128
Provisions	1,887	163	2,050
Work in progress	(2,119)	(302)	(2,421)
Other	(767)	298	(469)
	(830)	**118**	**(712)**
Balance at 30 June 2019			
Deferred tax assets/(liabilities):			
Property, plant and equipment	128	137	265
Provisions	2,050	(599)	1,451
Work in progress	(2,421)	(212)	(2,633)
Tax losses	-	1,221	1,221
Other	(469)	(11)	(480)
	(712)	**536**	**(176)**

	2019 $000	2018 $000
(c) Imputation credit account		
Imputation credits available for use in subsequent periods	-	-

Deferred Tax

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

A deferred tax asset has been recognised in relation to tax losses as the directors expected to be able to offset the losses against future assessable income.

7. TRADE AND OTHER RECEIVABLES

	2019 $000	2018 $000
Current		
Trade receivables	28,788	31,964
Allowance for doubtful debts	(44)	(178)
	28,744	**31,786**
Aging of trade receivables which the company has not provided against as still deemed recoverable:		
Not past due	26,845	27,324
Past due 1-30 days	1,391	2,802
Past due 31-60 days	124	1,212
Past due 61-365 days	384	414
365+ days past due	-	34
	28,744	**31,786**
Contract retentions	3,385	3,427
Prepayments and other debtors	1,267	1,250
	33,396	**36,463**
Non-current		
Trade receivables	1,098	1,050
	1,098	**1,050**

Trade and Other Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The average age of the company's trade and other receivables which are past due at the reporting date and for which the company has not provided as the amounts are still considered recoverable and as there has not been a significant change in credit quality is 68 days (2018: 60 days).

	30 June 2019 $000	1 July 2018 $000
On that basis, the loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of IFRS 9) was determined as follows:		
Expected loss rate	0.023%	0.025%
Gross carrying amount – trade receivables	28,788	31,964
Loss allowance	**7**	**8**

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2019 and 1 July 2018 respectively and the corresponding historical credit losses experienced within this period.

8. TRADE AND OTHER PAYABLES

	2019 $000	2018 $000
Trade payables	5,609	7,834
Sub-contractor retentions	1,870	1,808
Goods and Services Tax payable	3,695	3,396
Accrued expenses	15,117	15,968
	26,291	**29,006**

Payables

Trade payables and other accounts payable are recognised when the group becomes obliged to make future payments resulting from the purchase of goods and services. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective method.

In accordance with the Construction Contracts Amendments Act 2015, retentions from 31 March 2017, which totalled $1,829,000 at 30 June 2019, are held in separate bank accounts held in trust.

9. BORROWINGS

	2019 $000	2018 $000
Secured bank overdraft facility, reviewed annually and repayable on call:		
Amount used	-	443
Amount unused	500	57
	500	**500**
Two year rolling secured bank loan facilities maturing 30 November 2019:		
Current		
Amount used	12,600	18,440
	12,600	**18,440**
Amount unused	37,400	31,560
	50,000	**50,000**

Bank loans are secured by a debenture over the assets and undertakings of the company. Interest rates on the floating rate debt are based on bank bill rates plus a margin and averaged 3.26% for the year (2018: 3.30%). Due to interest rates on floating debt resettling on the market rate, the carrying amounts on secured loans approximate their fair values.

Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest basis.

Borrowing costs

Borrowing costs are interest and other costs incurred by the group in connection with the borrowing of funds and are recognised in the income statement in the period in which they are incurred.

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested.

Due to the financial performance of the business, there was a covenant breach at June 2019 (also at June 2018). The company's bankers, Bank of New Zealand, waived the breach on 18 June 2019 (2018 waiver dated 2 August 2018). As a result of the breach, all the borrowings from BNZ were changed from non-current liabilities to current liabilities.

During the year, the company also reorganised its borrowing facilities and reduced its facility with BNZ and partially replaced this reduction with a facility from Christchurch City Holdings Ltd. The BNZ facility expires on 31 December 2021 and the Christchurch City Holdings facility expires on 31 July 2022.

10. FINANCIAL INSTRUMENTS AND RISK

(a) Financial risk management objectives

The company is party to financial instruments as part of its everyday operations. These include instruments such as bank balances, accounts receivable, accounts payable and term loans. The company has policies providing for risk management for interest rates and the concentration of credit.

(b) Interest rate risk and management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to the changes in market interest rates. This could particularly impact on the cost of borrowings. The Directors do not consider there is any significant exposure to interest rate risk on the company's borrowings.

The sensitivity analysis below has been determined based on exposure to interest rates for financial instruments as at the reporting date and the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period. The 100 basis point increase or decrease used represents management's assessment of the possible changes in interest rates.

	2019 $000	2018 $000
Increase or decrease in net profit from a 100 basis point movement in interest rates, assuming all other variables were held constant.	172	109

(c) Foreign currency risk management

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company has a very small exposure to currency risk.

(d) Credit risk management

Credit risk is the risk that a third party will default on its obligations to the company, causing the company to incur a loss.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the company's maximum exposure to credit risk, without taking account of the value of any collateral obtained.

Financial instruments which potentially subject the company to credit risk consist primarily of cash and trade receivables. The concentration of credit risk with respect to accounts receivable is high due to the reliance on the Christchurch City Council for 26% (2018: 30%) of the company's revenue. Christchurch City Council's credit rating remains at A+.

The company manages this risk by depositing its cash and cash equivalents with high quality financial institutions and by carrying out credit checks on all new customers.

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows.

The following table details the company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities on the earliest date at which the company can be required to pay. All financial liabilities are classified as being at amortised cost.

	Less than 6 Months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	5+ Years $000	Total $000
Balance at 30 June 2019						
Trade and other payables	7,479	-	-	-	-	7,479
Borrowings	12,600	-	-	-	-	12,600
	20,079	**-**	**-**	**-**	**-**	**20,079**
Balance at 30 June 2018						
Trade and other payables	9,642	-	-	-	-	9,642
Borrowings	18,440	-	-	-	-	18,440
	28,082	**-**	**-**	**-**	**-**	**28,082**

(f) Market risk

Management consider the market risks faced by the company to be limited to those risks disclosed above being interest rate risk, credit risk and liquidity risk.

(g) Fair value of financial instruments

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

11. INVENTORIES

	2019 $000	2018 $000
Raw materials, consumables, stores at cost	1,477	1,509
Allowance for obsolete inventory	(44)	(92)
	1,433	**1,417**

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2019 $000	2018 $000
Rendering of maintenance services	12,908	10,336
Construction contracts	6,827	12,481
Contract set up costs	33	28
Total current contract asset	**19,768**	**22,845**
Contract set up costs	38	45
Total non current contract asset	**38**	**45**
Rendering of maintenance services	1,302	1,182
Construction contracts	2,625	1,024
Total contract liabilities	**3,927**	**2,206**
Revenue recognised in the period from:		
Amounts included in contract liability at the beginning of the period	2,206	697
Performance obligations satisfied in previous periods	-	-
Costs recognised in the period from:		
Amortisation of contract set up costs in the period	43	38

All (partially) unsatisfied performance obligations are part of a contract that have an original duration of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Rendering of Services

Payment for maintenance services is due periodically. A contract asset is recognised over the period as services are provided to represent the entity's right to consideration for the services transferred to date.

Construction Contracts

Construction contract asset represents represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Costs include all expenditure related directly to the specific projects.

Once the outcome of a construction contract can be estimated reliably, construction revenue and costs are recognised on the basis of the percentage of completion of the contract at balance date. The stage of completion is assessed by carrying out surveys of work performed.

An expected loss on a contract is recognised immediately in the income statement.

Construction contracts are defined as those in which progress claims are made under the Construction Contracts Act 2002.

Contract Set Up Costs

The group recognises an asset in relation to costs incurred to set up new contracts. This asset is amortised over the term of the specific contract (to the earliest renewal period) that it relates to.

13. PROPERTY, PLANT AND EQUIPMENT

Land is shown at fair value, based on periodic valuations by external independent valuers. Valuations are performed with sufficient regularity to ensure revalued assets are carried at a value that is not materially different from fair value.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Any revaluation increase arising on the revaluation of land is credited to the asset revaluation reserve except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of land is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a re-valued item, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives.

Assets to be depreciated include:

Buildings	2-50 years
Plant and equipment	2-22 years
Motor vehicles	3-13 years
Office and computer equipment	2-14 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, annually. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement. When re-valued assets are sold, the amounts included in other reserves in respect of those assets are transferred to retained earnings.

	Freehold Land at Fair Value $000	Buildings at Cost $000	Plant and Equipment at Cost $000	Motor Vehicles at Cost $000	Office and Computer Equipment at Cost $000	Total $000
Gross carrying amount						
Balance at 30 June 2017	9,460	2,150	21,244	68,299	6,322	107,475
Transfers	-	-	-	-	-	-
Reclassification	-	-	39	-	-	39
Assets classified as held for sale	-	-	(253)	(2,755)	-	(3,008)
Additions	-	195	1,272	7,585	1,524	10,576
Disposals	-	(4)	(649)	(3,742)	(128)	(4,523)
Balance at 30 June 2018	**9,460**	**2,341**	**21,653**	**69,387**	**7,718**	**110,559**
Transfers	-	-	(64)	(1)	65	-
Assets classified as held for sale	-	-	250	1,593	-	1,843
Additions	-	11	1,011	2,274	348	3,644
Disposals	-	(131)	(2,712)	(1,368)	(1,050)	(5,261)
Balance at 30 June 2019	**9,460**	**2,221**	**20,138**	**71,885**	**7,081**	**110,785**
Accumulated depreciation and impairment						
Balance at 30 June 2017	-	(805)	(13,462)	(41,353)	(4,287)	(59,907)
Transfers	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
Assets classified as held for sale	-	-	182	2,525	-	2,707
Disposals	-	2	622	3,979	124	4,727
Depreciation expense	-	(201)	(2,382)	(6,135)	(976)	(9,694)
Balance at 30 June 2018	**-**	**(1,004)**	**(15,040)**	**(40,984)**	**(5,139)**	**(62,167)**
Transfers	-	-	25	(12)	(13)	-
Assets classified as held for sale	-	-	(179)	(1,510)	-	(1,689)
Disposals	-	50	2,622	1,225	788	4,685
Depreciation expense	-	(203)	(1,955)	(5,631)	(898)	(8,687)
Balance at 30 June 2019	**-**	**(1,157)**	**(14,527)**	**(46,912)**	**(5,262)**	**(67,858)**
Net book value						
As at 30 June 2018	**9,460**	**1,337**	**6,613**	**28,403**	**2,579**	**48,392**
As at 30 June 2019	**9,460**	**1,064**	**5,611**	**24,973**	**1,819**	**42,927**
Included in the above figures is capital work in progress of:						
As at 30 June 2018	**-**	**4**	**250**	**128**	**181**	**563**
As at 30 June 2019	**-**	**-**	**45**	**17**	**28**	**90**

At 30 June 2018 there were assets held for sale with a net book value of $301,000 (estimated realisable value of $314,000), not all of these were sold in the year to June 2019. Assets with a net book value of $154,000 were redistributed within the company and hence have been added back into the property, plant and equipment note.

Property, plant and equipment assets have no restrictions over their titles. The company's assets have been pledged as security for the BNZ bank facility.

Freehold land carried at fair value (Level 3, as defined in NZ IFRS 13)

An independent valuation of the company's land was performed on 30 June 2018 by independent registered valuer Gary Sellars of Colliers International, Christchurch, to determine the fair value of the land. The valuation, which conforms to NZ IAS 16: Property, Plant and Equipment, NZ IFRS: 13 Fair Value Measurement, International Valuation Standards IVS300: Valuations for Financial Reporting and API/PINZ Valuation Guidance Note NZV6N1: Valuations for use in New Zealand Financial Reports, was determined by reference to the asset's highest and best use, without deducting disposal costs. The valuation was on the estimated market value of the land at $150 psm. If the psm rate moves by +/– $10, the valuation would increase/(decrease) by $631,000.

Under the New Zealand Property Institute Practice Standard 1, which came into force from 1 May 2004, all valuations must be assessed as at the date of inspection of the property, except where the valuation instructions are to assess the value at a retrospective date. A restricted valuation update estimate was carried out by Mr Sellars on 21 May 2019. The Directors are satisfied that the current carrying amount reflects its fair value.

The carrying amount of land, had it been recognised under the historical cost method, is as follows:

	2019 $000	2018 $000
Freehold land	1,894	1,894

14. INTANGIBLE ASSETS

(a) Software Licences

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives on a straight line basis. Usually this period does not exceed five years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Computer software development costs recognised as assets are amortised over their estimated useful lives. Usually this period is three years.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates, and it meets the definition of, and recognition criteria for, an intangible asset. All other expenditure is expensed as incurred.

Amortisation

An intangible asset with a finite useful life is amortised over the period of that life. The asset is reviewed annually for indicators of impairment and tested for impairment if these indicators exist. The asset is carried at cost less accumulated amortisation and accumulated impairment losses.

(b) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Impairment

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. An impairment loss in respect of goodwill is not reversed.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their market value less cost 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 assets.

	Software Licences $000	Goodwill $000	Total $000
Gross carrying amount			
Balance at 30 June 2017	5,879	2,387	8,266
Transfers	-	(747)	(747)
Additions	478	-	478
Disposals	(28)	-	(28)
Balance at 30 June 2018	**6,329**	**1,640**	**7,969**
Additions	949	-	949
Disposals	(5)	-	(5)
Balance at 30 June 2019	**7,273**	**1,640**	**8,913**
Accumulated amortisation and impairment			
Balance at 30 June 2017	(5,422)	(747)	(6,169)
Adjustments	-	747	747
Disposals	14	-	14
Amortisation expense	(248)	-	(248)
Balance at 30 June 2018	**(5,656)**	**-**	**(5,656)**
Disposals	3	-	3
Amortisation expense	(319)	-	(319)
Balance at 30 June 2019	**(5,972)**	**-**	**(5,972)**
Net book value			
As at 30 June 2018	**673**	**1,640**	**2,313**
As at 30 June 2019	**1,301**	**1,640**	**2,941**
Included in the above figures is capital work in progress of:			
As at 30 June 2018	**5**	**-**	**5**
As at 30 June 2019	**411**	**-**	**411**

Intangible assets have no restrictions over their titles. The company's assets have been pledged as security for the BNZ bank facility.

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing to the Taranaki Road Boring operation and Apex Environmental Limited.

The carrying amount of goodwill allocated to cash-generating units that are significant individually or in aggregate is as follows:

	2019 $000	2018 $000
Taranaki Road Boring	360	360
Apex Environmental Ltd	1,280	1,280
	1,640	**1,640**

The key assumptions used in the value in use calculations for the various significant cash-generating units are as follows:

Key assumptions

Budgeted revenue	Revenue growth of 17.6% in the first year and 15% in subsequent years through nationally driven focus on water quality coupled with continued expansion in industries that Apex is well regarded in. Plus, expansion into new sectors.
Budgeted gross margin	Gross margin is expected to remain consistent at 16.5%
Budgeted overhead	Budgeted overhead is expected to increase in-line with increased revenue.
Discount rate	A discount rate of 14% is applied to calculate the value in use.
Terminal growth rate	A terminal growth rate of 2% has been used.
Forecast period	A four year forecast period has been assumed.

15. BUSINESS COMBINATIONS AND NON-CONTROLLING INTERESTS

Christchurch International Airport Limited

In November 2017 City Care Limited purchased the business assets of Propel. The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed:

	$000
Purchase of net assets in Propel	
Cash	869
Total consideration	**869**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	1,059
Other assets	79
Other payables	(269)
Total identifiable net assets	**869**

Apex Environmental Limited

On 9 July 2015, City Care Holdings No.1 Limited, a wholly owned subsidiary was incorporated with 3 shares.

On 17 July 2015 City Care Holdings No.1 Limited purchased the trade and assets of Apex Environmental Limited and simultaneously changed its name to Apex Environmental Limited. On this day a further 24,997 shares were issued, 14,287 of these to City Care resulting in a 57.16% shareholding. Apex Environmental Limited is involved in the designing, building, installing and commissioning water and wastewater treatment plants for the food and beverage, dairy, textiles, winery and municipal sectors.

On 28th June 2019, Apex Environmental Limited issued 21,805 shares for $45.96. City Care Limited purchased 20,815 of these shares which increased their shareholding to 75%.

The Directors have determined that the group controls Apex Environmental Limited because it has a 75% shareholding.

During the year City Care has provided working capital. As at 30 June 2018 the outstanding balance was $278,000 (2018: $1,052,000).

Results included in the Consolidated Statement of Comprehensive Income:

	2019 $000	2018 $000
Revenue	6,650	7,357
Profit for the year	(702)	263

For the non-controlling interests in Apex Environmental Limited, the group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

16. JOINT ARRANGEMENTS

The group applies NZ IFRS 11 to all joint arrangements. Under NZ IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

For jointly controlled operations, the group recognises in its consolidated financial statements the assets it controls, the liabilities and expenses it incurs, and the share of income that it earns from the joint operations.

(a) (i) Joint Venture

On 5 December 2014, City Care Limited entered into an unincorporated joint venture agreement, City Care Limited John Fillmore Contracting Limited Joint Venture. This joint venture is a strategic partnership to tender for relevant contracts.

Name of entity	Place of business	% of ownership interest	Measurement method
City Care Limited John Fillmore Contracting Limited Joint Venture	New Zealand	50	Equity

It is an unincorporated joint venture agreement and there is no quoted market price available for this investment.

(ii) Commitment and contingent liabilities

There are no commitment or contingent liabilities in respect of the joint venture.

(iii) Summarised financial information for joint venture

	2019 $000	2018 $000
Balance Sheet		
Current Assets		
Cash	23	77
Other current assets	898	2,719
	921	**2,796**
Current Liabilities		
Financial liabilities	-	-
Other current liabilities	921	2,518
	921	**2,518**
Net assets	**-**	**278**
Statement of Comprehensive Income		
Revenue	445	28,020
Expenses	(2,520)	(27,149)
Pre-tax profit/(loss) from continuing operations	(2,075)	871
Income tax expense	-	-
Post-tax profit/(loss) from continuing operations	**(2,075)**	**871**

The information above reflects the amounts presented in the financial statements of the joint venture which are prepared in accordance with NZ IFRS.

(iv) Reconciliation of summarised financial information

	2019 $000	2018 $000
Opening net assets	278	306
(Loss)/profit	(2,075)	871
Contribution from owners/(profit distribution)	1,797	(900)
Closing net assets	-	278
Interest in Joint Venture at 50%	**-**	**139**

Due to the losses in the current year, both of the owners have made a contribution to the joint venture. The total amount of $1,797,000 is detailed above. The majority of this balance was cleared by offsetting receivables from the Joint Venture during the year. At the year end, a balance of $276,000 owing equally from the two parent entities is included in the Joint Ventures results. City Care's share, being $138,000, is included within Trade and Other Payables. This was offset in July with the trade receivables balance of $144,000.

17. PROVISIONS

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to the reporting date.

Defined benefit scheme (the Scheme)

City Care Limited has one employee participating in the National Provident Defined Benefit Scheme, which is a multi-employer defined benefit plan. The benefits payable by this scheme are guaranteed by the Government.

Defined contribution schemes

The company participates in other schemes in addition to the Defined Benefit Scheme which are all defined contribution plans, and contributions to the plans are expensed as incurred

Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Holiday Act

Following guidance issued by the Ministry of Business, Innovation and Employment, the company has obligations to pay entitlements under the Holidays Act 2003 in respect of prior periods. A full investigation has been undertaken and MBIE have accepted the company's liability calculation. The amounts due to current and past employees were paid out in the financial year.

Loss making contracts

A provision is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price where the forecast costs are greater than the forecast revenue.

	Employee Entitlements (i) $000	SCIRT (ii) $000	Other $000	Total $000
Balance at 30 June 2017	7,470	250	194	7,914
Additional provisions recognised	10,343	-	170	10,513
Reductions arising from payments/other sacrifices of future economic benefits	(10,235)	(250)	(133)	(10,618)
Reductions resulting from re-measurement or settlement without cost	(377)	-	(61)	(438)
Unwinding of discount/effect of changes in discount rate	(4)	-	-	(4)
Balance at 30 June 2018	**7,197**	**-**	**170**	**7,367**
Current	6,814	-	170	6,984
Non-current	383	-	-	383
Balance at 30 June 2018	**7,197**	**-**	**170**	**7,367**
Additional provisions recognised	8,310	-	755	9,065
Reductions arising from payments/other sacrifices of future economic benefits	(10,041)	-	(55)	(10,096)
Reductions resulting from re-measurement or settlement without cost	(107)	-	(37)	(144)
Unwinding of discount/effect of changes in discount rate	42	-	-	42
Balance at 30 June 2019	**5,401**	**-**	**833**	**6,234**
Current	5,100	-	832	5,932
Non-current	301	-	1	302
	5,401	**-**	**833**	**6,234**

(i) The provision for employee entitlements relates to employee benefits such as accrued holiday pay and long service leave. The provision is affected by a number of estimates including the expected employment period of employees and the timing of employees utilising the benefits. The majority of the provision is expected to be realised within the next two years.

Average wage inflation has been assumed to be 3.1% for the year ending 30 June 2019 and 3.1% for the year ending 30 June 2018. A discount rate of 1.79% has been used for the year ending 30 June 2019 and 2.85% for the year ending 30 June 2018.

The discount rate was determined with reference to the market yields on government bonds.

(ii) The SCIRT Alliance agreement contains provision for sharing contract gains and/or losses against budget on conclusion of the agreement. Physical construction works concluded at 30 June 2017. The company's obligations under the defects liability obligations concluded at 30 June 2018. The Directors concluded that no provision is required going forward.

18. CAPITAL AND OTHER EQUITY INSTRUMENTS

	2019 $000	2018 $000
6,036,000 fully paid ordinary shares	6,036	6,036
2,500,000 fully paid preference shares	2,500	2,500
	8,536	**8,536**

Ordinary shares are classified as equity. Preference shares are classified as equity as the terms of issue of the shares makes them equity. Neither ordinary shares nor preference shares have par values.

Fully paid ordinary shares carry one vote per share and participate equally in any dividend distribution or any surplus on winding up the company.

Fully paid preference shares carry the right to dividends but no voting rights.

19. COMMITMENTS FOR EXPENDITURE

	2019 $000	2018 $000
Capital expenditure commitments		
Plant and equipment	461	186
	461	**186**

20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	2019 $000	2018 $000
Contingent liabilities		
The company has arranged with Bank of New Zealand for the issue of performance related bonds in favour of:		
Local authorities (i)	9,835	9,125
Transit New Zealand	0	159
Others	2,164	3,003
	11,999	**12,287**

(i) This includes Councils and Council Controlled Trading Organisations.

The Directors know of no reason why these performance related bonds would be called upon by the external parties and therefore they have not been recognised in the balance sheet.

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

21. RELATED PARTY DISCLOSURES

(a) Parent entities

The parent entity is Christchurch City Holdings Limited, which is 100% owned by the ultimate parent entity, Christchurch City Council (CCC).

(b) Transactions with related parties

During the year the company entered into various transactions with the Christchurch City Council and its subsidiary companies. The value of these transactions are summarised below.

	2019 $000	2018 $000
Services provided to CCC	77,405	94,878
Services provided to other group companies	21,736	5,670
Goods and services received from CCC	(784)	(565)
Goods and services received from other group companies	(798)	(623)
Rent and rates paid to CCC	(765)	(764)
Purchase of assets and liabilities from other group companies	-	(869)
As at year end		
Amounts receivable from CCC	9,382	10,506
Amounts receivable from other group companies	1,795	987
Amounts payable to CCC	(40)	(182)
Amounts payable to other group companies	(203)	(1)

c) Key Management Personnel Compensation

	2019 $000	2018 $000
The compensation of the Directors and executives, being the key management personnel of the entity, is set out below:		
Salaries and short-term employee benefits	2,965	3,034
Post-employment benefits	71	61
Termination benefits	78	-
	3,114	**3,095**

22. SUBSEQUENT EVENTS

No significant events have occurred subsequent to balance date.

All transactions between the group and related parties were in the normal course of business and provided on commercial terms. The provision for doubtful debts relating to debts due from related parties at reporting date was nil (2018: Nil). Related party transactions exclude Directors' fees which are disclosed separately under the statutory information.

Separate disclosure of individual transactions

City Care Limited did not make any dividend payments in 2019 (2018: $800,000) to its immediate parent, Christchurch City Holdings Limited.

During the 2019 year, the company did not make any subvention payments (2018: $1,664,000) to Christchurch City Council. There was no tax loss offset (2018: $4,280,000).

Transactions with joint arrangements have been disclosed in note 16. JOINT ARRANGEMENTS

There were close family members of key management personnel employed by the company at periods during the year. The terms and conditions of the arrangements were no more or less favourable than if there was no relationship to key management personnel.

23. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statements is reconciled to the related items in the balance sheet as follows:

	2019 $000	2018 $000
Cash	-	-
Bank overdraft	-	(443)
Bank deposits	164	13
	164	**(430)**

(b) Reconciliation of profit for the period to net cash flows from operating activities

	2019	2018
Profit after tax for the period	(724)	(445)
(Gain)/loss on sale or disposal of non-current assets	(179)	(936)
Depreciation and amortisation of non-current assets	9,006	9,942
Decrease/(increase) in share of net assets of Joint Venture	139	14
Increase/(decrease) in current tax liability	227	(1,863)
Increase/(decrease) in deferred tax liability	(536)	(117)
Changes in net assets and liabilities		
(Increase)/decrease in assets:		
Current receivables	3,067	(4,727)
Contract asset	3,085	(4,725)
Current inventories	(16)	(10)
Non Current receivables	(48)	(1,050)
Reclassification	-	(39)
Increase/(decrease) in liabilities:		
Operating current payables	(2,715)	1,910
Contract liability	1,721	-
Current provisions	(1,052)	(569)
Non-current provisions	(81)	22
	11,894	**(2,593)**

(c) Reconciliation of financing activities

	2019 $000	2018 $000
Current Borrowings	12,600	18,440
Non Current Borrowings	-	-
	12,600	**18,440**
Movement in borrowings	(5,840)	11,540
Amounts placed on deposit	(1,829)	-
Dividend payments to shareholder	-	(800)
	(7,669)	**10,740**

24. CAPITAL MANAGEMENT

The company's capital is its equity, comprised of share capital, retained earnings and reserves and represented by net assets.

It is the company's intention to maintain sufficient capital to provide security for the existing level of operations and the flexibility for future growth opportunities.

The company pays dividends to the Shareholder after taking into account profitability and future investment requirements. The Board of Directors determines the dividends payable after considering the company's funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993.

25. STATEMENT OF PERFORMANCE

The Statement of Intent agreed between the Directors of the company and Christchurch City Holdings Limited provided the following performance targets:

	Actual $000		Target $000
(a) Financial performance			
Revenue	298,883	Refer note (i)	299,198
Equity	54,379	Not achieved	58,238
Net (Loss)/Profit After Tax	(724)	Refer note (ii)	4,798
Dividends	-	Not achieved	1,200
Debt to debt plus equity	19.1%	Achieved. Refer note (iii)	19.6%
Equity to total assets	51.9%	Not achieved	54.9%
Return on average equity	(1.3%)	Not achieved	8.2%
(b) Non-financial performance			
Client Satisfaction Net promoter score of >+5% rating			Refer note (iv)
Sustainability Replace 10 vehicles with hybrid or EV			Achieved
Continuation of changing out petrol-driven hand tools with electric models where appropriate.			Achieved
Measure greenhouse gas emissions to deliver a company-wide emission reduction of 2% year on year saving (normalised against revenue)			Achieved
Be actively involved in at least three community projects that will enhance the environment			Achieved
Health and Safety 5% reduction in TRIF (Total Recordable Incident Frequency) accident rates from prior year			Refer note (v)
Maintain NZS4801 Health and Safety Management accreditation			Achieved
Staff Engagement Reduce voluntary staff turnover by 2.5%			Refer note (vi)
System Management Maintain ISO-accredited systems			Achieved
Growth Win one new 'significant' (>$5m) contract or client for the company			Achieved
Innovation Develop and implement at least five new ideas that come through the new company-wide, web-based innovation and ideas connectivity platform Citycare Ideas Suite			Achieved

(i) Revenue: Forecasted revenue targets were not achieved due to an industry-wide tightening of the construction market.

(ii) Net (Loss)/Profit After Tax: The shortfall in revenue explained in note (i) had a direct impact on NPAT. Furthermore, redundancy costs and additional costs on a specific contract from a prior period affected the profitability in the current year.

(iii) Debt To Debt Plus Equity: Tighter working capital management assisted with preservation of cash.

(iv) The target of maintaining a customer satisfaction rate that increases quarterly was always going to be difficult to achieve, especially after last year's result delivered a higher Net Promoter Score (NPS) baseline than in previous years. Whilst not achieving the targeted rolling +5% NPS increase, Citycare continues to work hard to ensure our customers are delivered high levels of service and achievement of our contracted KPIs.

(v) Changes in the Citycare group business structure early in FY19 led a decision to opt out of the Workfit programme. Evaluation of Citycare's Total Recordable Incident Frequency rates during that period identified a number of smaller, pain/discomfort-related non-treatment injuries that would previously have been avoided through participation in the Workfit programme. This impacted Citycare's FY19 TRIF and the 5% targeted reduction was not achieved. In response to these findings Citycare has re-instated our Workfit programme across the business, which is already showing improvements. Our primary focus continues to be on critical risks to ensure staff are kept safe while at work.

(vi) Heightened competition for talent has directly contributed to Citycare not being able to achieve a further reduction in voluntary staff turnover this year (following last year's reduction). Citycare's current level of turnover remains within the parameters of industry benchmarks.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of City Care Limited's group financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of City Care Limited Group (the Group). The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages FA2 to FA28, that comprise the statement of financial position as at 30 June 2019, 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 performance information of the Group on pages FA28 to FA29.

In our opinion:

- the financial statements of the Group on pages FA2 to FA28:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; 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 performance information of the Group on pages FA28 to FA29 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2019.

Our audit was completed on 15 August 2019. 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 performance information, 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 performance information

The Board of Directors is responsible on behalf of the Group 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 performance information for the Group.

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

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the Group'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 Group 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 performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 performance information.

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

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 performance information, 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 Group'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 performance information within the Group'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 Group'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 performance information 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 Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 in 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 26 and FA34 to FA41, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information 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 performance information, 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 performance information 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 the fact. We have nothing to report in this regard.

Independence

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

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

Andy Burns
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Statutory Information For the year ended 30 June 2019

Ownership

City Care Limited is a limited liability company incorporated under the Companies Act 1993. The company is wholly owned by Christchurch City Holdings Limited, a company 100% owned by the Christchurch City Council.

Principal activities

The group's principal activities during the year were:

- construction of vertical and horizontal assets,
- maintenance of amenity assets including water and wastewater, parks, trees and cleaning,
- facilities management, and
- provision of asset management services

Dividend

No dividends have been declared or paid during the current financial year

Directors for City Care Limited

The following Directors held office during the year ended 30 June 2019:

- Gary Leech (Chairman)
- Graham Darlow
- Penny Hoogerwerf
- Craig Price
- Jennifer Rolfe
- Mark Todd

Directors for Apex Environmental Limited (a subsidiary of City Care Limited)

The following Directors held office during the year ended 30 June 2019:

- Tim Gibson (Chairman)
- Paul Kiesanowski
- Steven Kroening
- Matthew Savage

Directors' interests

The group maintains an interests' register in which particulars of certain transactions and matters involving the Directors are recorded. These are requirements under the Companies Act 1993. The following entries were recorded in the interests register during the year ended 30 June 2019.

Company Directors

Director	***Entity***	***Position***
Gary Leech	Back Track Diaries Ltd (Murney Group)	Director
	The Boundary Ltd (formerly Waitakere Mega Centre Ltd)	Director and Shareholder
	Cariboo New Zealand (2011) Ltd	Director and Shareholder
	Electricity Ashburton Ltd	Chairman
	Fairbanks Seeds NZ Ltd (South Pacific Seeds Group)	Director
	G R & A M Leech Family Trust	Trustee and Beneficiary
	Hank Murney Family Trust #2 (Murney Group)	Trustee
	iSelect Group Ltd	Chairman and Shareholder
	iSelect Trustee Services Ltd (iSelect Group)	Director
	Linc-ed Technologies Ltd	Director
	Londale Development Ltd (WH Collins Group)	Director
	Lye Properties Ltd (WH Collins Group)	Director
	Murney Custodians Ltd (Murney Group)	Director
	Murney Investments Ltd (Murney Group)	Director and Non-Beneficial Shareholder
	Murney Trust (Murney Group)	Trustee
	Murney Trustees Ltd (Murney Group)	Director and Non-Beneficial Shareholder
	The New Zealand Sock Company Ltd	Chairman and Non-Beneficial Shareholder
	South Beach Properties Ltd	Director and Shareholder
	South Pacific Seeds (NZ) Ltd	Director and Shareholder
	South Pacific Seeds Pty Ltd (Australia)	Director and Shareholder
	South Pacific Seeds Sales (NZ) Ltd	Chairman
	TCB Results Ltd	Director and Shareholder
	Trevor Wilson Charitable Trust No2	Trustee
	Trotts Garden Charitable Trust	Trustee
	Tuam Street West Ltd (Murney Group)	Director
	WH Collins & Co Ltd (WH Colins Group)	Director
Graham Darlow	Acciona Infrastructure NZ Ltd	Business Executive
	Brockway Consulting Ltd	Director and Shareholder
	Frequency NZ Ltd	Chairman
	Hick Bros. Civil Construction Ltd	Director
	Hick Bros. Infrastructure Ltd	Director
	Holmes GP Structures Ltd	Chairman
	Auckland Civils Alliance Programme	Interim Chairman
Penny Hoogerwerf	Central Plains Water Ltd	Consultant (Legal)
	Katamama Ltd	Director
	Tennis Canterbury Region Incorporated	Director
	Moss Family Trust	Trustee
	Moss & Moss Limited	Director
	Wilding Park Foundation	Director
Craig Price	Beca Group Ltd	Chief Technical Officer, Shareholder and Share Trustee
	Beca Ltd	Chairman
	Beca Projects NZ Ltd	Chairman
	New Zealand Qualifications Authority - New Zealand Qualifications Framework Review	Advisory Group Member
	Power Engineering Excellence Trust (PEET), University of Canterbury	Trustee
	University of Canterbury Civil & Natural Resources Engineering Advisory Board (May 2011)	Board Member, Chairman
	University of Canterbury Mechanical Engineering Advisory Board (Sept 2012)	Board Member
Jennifer Rolfe	The Barbara Andrew Family Trust	Trustee
	Rainger & Rolfe Ltd	Managing Partner and Director
	The Thomas Number 2 Trust	Trustee
	The Thomas Trust	Trustee
	Regional Facilities Auckland	Director
Mark Todd	The Arts Centre of Christchurch	Trust Board Member, Chair Audit & Risk Committee
	Mark T Consulting Ltd	Shareholder
	McKenzie & Willis Ltd	Director
	Stirling Sports	Advisory Board Member
	The Todd Family Trust	Trustee
	New Zealand Lotteries Commission	Director

Subsidiary Directors

Director	*Entity*	*Position*
Tim Gibson	City Care Ltd	Executive General Manager, Citycare Water
	Apex Environmental Ltd	Chairman
	Water Industry Group	Chairman
Paul Kiesanowski	Apex Environmental Ltd	Director
	City Care Ltd	Company Secretary, Citycare Group
	Earthquake Commission	Commissioner
	Red Bus Ltd	Director
	Paul Kiesanowski Advisory Ltd	Shareholder
	Electricity Invercargill Ltd	Director
	PowerNet Ltd	Director
	Pylon Ltd	Director
Steven Kroening	Apex Environmental Ltd	Director, Management, Shareholder
Matthew Savage	Apex Environmental Ltd	Director, Management, Shareholder

Directors' remuneration

Remuneration and other benefits paid or due and payable to Directors for services during the year as a Director of the group were as follows:

	2019 $	2018 $
Gary Leech	74,668	63,649
Graham Darlow	44,800	29,867
Penny Hoogerwerf	41,066	27,377
Craig Price	41,066	41,248
Jen Rolfe	39,200	39,373
Mark Todd	44,800	43,465
Margaret Devlin	-	15,131
Hugh Martyn	-	27,852
Total	**285,600**	**287,962**

Use of company information by Directors

No notices have been received from Directors of the group requesting to use company information received in their capacity as Directors which would not otherwise have been available to them.

Directors' insurance

The group has arranged insurance policies for Directors' liability insurance within the limits and requirements as set out in the Companies Act 1993.

Employees' remuneration

The number of employees and former employees whose remuneration and other benefits (including termination payments) were more than $100,000 during the period are as follows:

Remuneration range	*2019*	*2018*
$100,000 – $110,000	69	75
$110,000 – $120,000	37	43
$120,000 – $130,000	29	35
$130,000 – $140,000	19	21
$140,000 – $150,000	20	22
$150,000 – $160,000	8	5
$160,000 – $170,000	8	8
$170,000 – $180,000	6	6
$180,000 – $190,000	-	2
$190,000 – $200,000	2	3
$200,000 – $210,000	2	6
$210,000 – $220,000	2	2
$220,000 – $230,000	1	4
$230,000 – $240,000	2	-
$240,000 – $250,000	1	1
$250,000 – $260,000	-	1
$260,000 – $270,000	2	2
$270,000 – $280,000	1	2
$280,000 – $290,000	1	-
$320,000 -- $330,000	1	-
$330,000 – $340,000	1	1
$350,000 – $360,000	-	2
$360,000 – $370,000	-	1
$390,000 – $400,000	1	-
$570,000 – $580,000	1	1
	214	**243**

Chief Executive Remuneration

The Chief Executive Officer's (CEO) remuneration consists of a fixed and variable remuneration. The CEO's package is reviewed annually by the Remuneration Committee and the Board after reviewing the CEO's and Citycare's performance, taking advice from an external remuneration specialist.

	2019 $000	2018 $000	2017 $000
Fixed Remuneration (i)	574	575	547
Short term incentive (ii)	-	-	163
Total remuneration	**574**	**575**	**710**

Notes

(i) Fixed remuneration includes base salary, vehicle and Kiwisaver employer contributions. It also includes fluctuations in holiday pay as a result of the short term incentive scheme payments.

(ii) Any short term incentive scheme payment relates to the prior year's performance.

Donations

The company made donations of $4,000 during the year.

Auditor

The Auditor-General is appointed under Section 70 of the Local Government Act 2002. Audit New Zealand has been appointed to provide these services on behalf of the Auditor-General. Audit fees in respect of the 2019 financial year totalling $116,000 have been paid or accrued.

Corporate Governance Statement

The City Care Limited Board of Directors is responsible for the corporate governance of the company. The Board and management are committed to ensuring the company maintains best practice governance structures and adheres to high ethical standards.

This statement presents an overview of the main corporate governance policies of the company.

Board role and responsibility

Citycare's Board of Directors is appointed by the Shareholder, Christchurch City Holdings Limited, and is responsible for the direction and control of the company's activities. The primary objective of the Board is to build long-term Shareholder value taking into due consideration other stakeholder interests. It does this by setting strategic direction and context and focusing on issues critical for its successful execution.

The role and responsibilities of the Board are formalised in the Board Charter, which is reviewed periodically. The purpose of the Board Charter is to provide high standards of corporate governance and clarify the Board's role and responsibilities. The Board has established committees to assist with the discharging of its responsibilities. The roles of the committees are described below.

The Board has delegated to the Chief Executive Officer the day-to-day leadership and management of the company. The Chief Executive Officer has, in some cases, formally delegated certain authorities to direct reports and has established a formal delegated authority framework for those direct reports to sub-delegate as appropriate.

All members of the Board are independent non-executive Directors.

The Board endorses and adheres to the principles of the Institute of Directors of New Zealand Incorporated 'Four Pillars of Governance Best Practice'.

Responsibility to Shareholder

IIn accordance with section 64 of the Local Government Act 2002, each February the company submits to the Shareholder a draft Statement of Intent (SOI) for the coming financial year. The SOI sets out the objectives, activities, intentions, financial and performance targets. After due consideration and after discussion with the Shareholder, the final SOI is approved by the Board of Directors and delivered to the Shareholder in June.

Board composition

The company's constitution provides that the Board will consist of a maximum of seven Directors. Currently the Board comprises six non-executive Directors. With the prior approval of the Shareholder, the Board may appoint one full-time executive as a Director of the company.

Up to one-third of the ordinary Directors retire by rotation at each Annual General Meeting. The basis for determining which Directors retire by rotation is the length of service in office since the last election or appointment. Retiring Directors are eligible for re-election.

The Shareholder has the right to appoint a Chairman and (if it considers appropriate), a Deputy Chairman for such periods as it sees fit. If the Shareholder does not exercise that right, then the Board may elect their own Chairman or Deputy Chairman.

The Board supports the separation of the role of Chairman and Chief Executive Officer. The Chairman's role is to manage and provide leadership to the Board and to facilitate the Board's interface with the Chief Executive Officer. The Board currently does not have a Deputy Chairman.

Conflicts of interest

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between the company and their own interests. The Board Charter outlines the Board's policy on conflicts of interest. Where conflicts of interest do exist at law, then the Director must disclose their interest, and if considered necessary, excuse themselves from any Board discussions and not receive any Board papers in respect of those interests.

Nominations and appointment of new Directors

The procedures for appointing and removing Directors are governed by the company's constitution. When considering candidates to act as Director, the Shareholder considers such factors as it deems appropriate, including the experience, qualifications, availability and judgment of a candidate, and the candidate's ability to work alongside other Directors.

Board meetings

Each year there are 12 scheduled meetings of the Board. The Board also meets as required between the scheduled meetings.

The Chairman and Chief Executive Officer establish meeting agendas to ensure adequate coverage of all key issues. The Directors receive Board papers one week in advance of Board meetings, except in the case of special meetings for which the time period may be shorter.

The Board encourages management to schedule presentations at Board meetings by managers who can furnish additional insight into items being discussed, or have future potential that management believes should be demonstrated to the Board. Directors are entitled to have access, at all reasonable times, to all relevant company information and to management. Any Director is entitled to obtain independent professional advice relating to the affairs of the company or to his or her other responsibilities as a Director. If a Director considers such advice necessary, the Director shall first gain the approval of the Chairman, and having done so, shall be free to proceed.

The Board meets regularly in confidential session, without the Chief Executive Officer or other management present.

Directors' induction and education

Upon appointment to the Board, all new Directors undergo a tailored induction programme appropriate to their experience to familiarise them with Citycare's business and strategy. The programme includes one-on-one meetings with management and visits to key company sites.

Directors are expected to keep themselves informed of changes and trends in the business of the company and in the environment and markets in which the company operates. There is an ongoing programme of presentations to the Board by all business units.

The Board expects all Directors to undertake continuous education so that they may appropriately and effectively perform their duties. Members of the Board have attended various CPD events during the year relevant to them.

Board performance review

The Board periodically reviews its own performance and the performance of the Chief Executive Officer. The process includes one-on-one meetings between the Chairman and each Director, as well as regular Board discussions on governance and performance issues.

Chief Executive Officer performance review

The Board reviews the performance of the Chief Executive Officer against his key performance objectives at least once a year.

Insurance

The company has arranged liability insurance for Directors and Officers that ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors of the company arising out of acts or omissions of Directors and employees in their capacity as such. Insurance is not provided for dishonest, fraudulent, malicious or wilful acts or omissions.

Board committees

The Board has three formally constituted committees, the Risk, Audit and Finance Committee, the People and Culture Committee and the Health and Safety Committee. All committees have Board-approved Charters outlining the committee's authority, duties, responsibilities and relationship with the Board. Other committees may be established as needed.

Risk, audit and finance committee

The Risk, Audit and Finance Committee is chaired by a Director who is not the Board Chairman. It comprises non-executive members of the Board as appointed by the Board from time to time. The Chief Executive Officer, Company Secretary and General Manager, Finance and Procurement and Property also attend meetings but are not members of the committee. Any non-executive Directors who are not committee members may also attend meetings of the committee.

The Risk, Audit and Finance Committee shall assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to:

- Risk management and systems of internal control;
- General business practice assurance including compliance with applicable laws and regulations (health and safety matters specifically excluded) and protection of assets;
- Reporting of financial information and regulatory disclosure requirements (including all related audit matters); and
- Financial management; and
- All other matters as delegated by the Board.

Meetings are scheduled during the year to coincide with the timing of the various responsibilities of the committee. The committee has direct communication with and unrestricted access to the external and internal auditors.

In fulfilling its responsibilities, the Risk, Audit and Finance Committee receives regular reports from management as well as the internal and external auditors. The Risk, Audit and Finance Committee meets (at least) annually with the external auditor without the presence of management. The committee makes recommendations to the Board for its consideration.

Corporate Governance Statement continued

People and Culture Committee

The People and Culture Committee comprises up to three non-executive members of the Board as appointed by the Board – currently the committee Chair is the Board Chairman.

The frequency of meetings is determined by the committee Chair to align with the company remuneration cycles.

The People and Culture Committee shall assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to:

- The remuneration strategy and any frameworks;
- The remuneration arrangements, including any incentive plans for the Chief Executive Officer and other executive team members;
- The remuneration, recruitment, retention and termination policies and practices with regard to the Chief Executive Officer;
- The people and culture strategy and high level initiatives;
- Reviewing succession plans for the executive team and providing assurance that there is robust succession planning processes in place;
- Reviewing the training and development plans for the executive team; and
- The company's disclosure obligations for executive remuneration reporting.

In fulfilling its responsibilities, the People and Culture Committee seeks and receives independent advice and timely evaluation reports on current market remuneration information. The committee makes recommendations to the Board for its consideration.

Health and safety committee

The Health and Safety Committee comprises two non-executive Directors of the Board as appointed by the Board. The Citycare Chief Executive Officer, the Executive General Manager - People, Culture and Safety, the Group Health, Safety and Wellbeing Manager, the operational Executive General Managers and three other company field representatives (who sit on the respective Sector Health and Safety committees) are required to attend the Health and Safety Committee meetings but are not members of the committee. Any non-executive Directors who are not committee members may also attend Health and Safety Committee meetings.

The Health and Safety Committee's responsibility is to:

- Advise and assist the Board in the development and maintenance of a health and safety governance charter that serves as Citycare's highest level health and safety document. The charter defines how health and safety expectations and strategy are set, and outlines how health and safety is managed at Citycare;
- Identify and recommend to the Board the use of good practice principles such as the Institute of Director's Good Governance Practices Guidelines for Managing Health and Safety Risks;
- Understand and monitor the company's compliance with all relevant health and safety legislation. Act as a conduit for engagement with the company's workers, ensuring effective communication of work concerns to the Board.

Meetings are held on a two monthly basis to coincide with the timing of the various responsibilities of the committee.

In fulfilling its responsibilities the HS Committee receives regular reports from management through the Board reporting process. It also receives incident information whenever significant events occur. The need for access to auditors, legal or independent professional advice is to be determined by the committee as and when required to fulfil its obligations. The committee makes recommendations to the Board for its consideration.

Directory

Directors

Gary Leech
Chairman

Graham Darlow

Penny Hoogerwert

Craig Price

Jennifer Rolfe

Mark Todd

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Executive Management Team

Onno Mulder
Chief Executive Officer

Alastair Ridgway
Executive General Manager
Finance & Administration

Michael Grey
Executive General Manager, Civil

Tim Gibson
Executive General Manager, Water

Peter Lord
Executive General Manager, Property

Leeanne Carson-Hughes
Executive General Manager
People, Culture and Safety

Paul Kiesanowski
Company Secretary

Auditor

Audit New Zealand
on behalf of the
Auditor-General

Solicitors

Tavendale and Partners

Bankers

Bank of New Zealand

Our Locations

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Timaru Office
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Waikato Office
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Wellington Office
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Citycare Group

We discover.
We deliver.
We care.

Better people. Better places.
Better communities.

Citycare Civil   Citycare Property   Citycare Water

www.citycare.co.nz