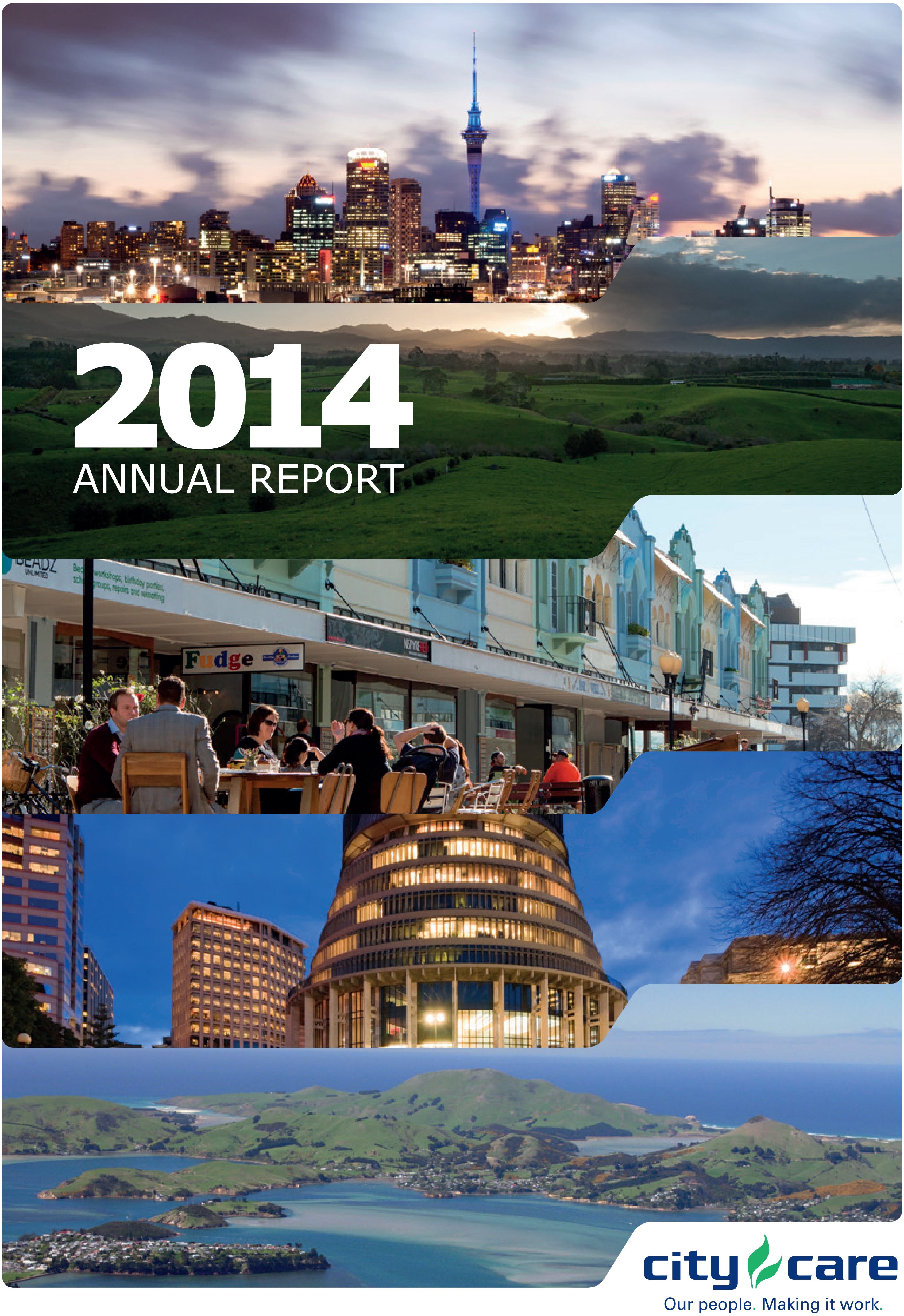
2014 ANNUAL REPORT



city care

Our people. Making it work.

FINANCIAL STATEMENTS

Directors' Responsibility Statement

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of City Care Limited as at 30 June 2014 and the results of the operations and cash flows for the year ended 30 June 2014.

The Directors consider that the financial statements of the company have been prepared using accounting policies appropriate to the company 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 company and enable them to ensure that the financial statements comply with the Financial Reporting 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 company and to prevent and detect fraud and other irregularities.

The Directors are pleased to present the financial statements of City Care Limited for the year ended 30 June 2014.

This Annual Report is dated 15 August 2014 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:

Hugh Martyn
Chairman
15 August 2014

Margaret Devlin
Director
15 August 2014

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Income Statement For the year ended 30 June 2014

	Notes	2014 $000	2013 $000
Revenue	2(a)	350,804	351,147
Gain/(loss) on sale of property, plant and equipment	2(b)	(45)	(102)
Changes in inventories	7	(120)	290
Raw materials and consumables used		(45,604)	(49,281)
Subcontractor costs		(135,801)	(164,174)
Employee benefits expense		(109,758)	(102,795)
Depreciation and amortisation expense	2(b)	(9,936)	(9,023)
Finance costs	2(b)	(769)	(1,002)
Other expenses		(30,823)	(21,088)
Profit before income tax expense		17,948	3,972
Income tax expense	3(a)	(5,056)	(1,174)
Profit for the year		12,892	2,798

Statement of Comprehensive Income For the year ended 30 June 2014

	Notes	2014 $000	2013 $000
Profit for the year		12,892	2,798
Gain/(loss) on property revaluation	18(ii)	-	630
Total comprehensive income		12,892	3,428

The accompanying notes form part of the financial statements.

Notes to the financial statements are included on pages 6 to 32

Balance Sheet As at 30 June 2014

	Notes	2014 $000	2013 $000
Current assets			
Cash and cash equivalents	25(a)	1,516	1,087
Trade and other receivables	6	32,013	29,931
Prepayments		1,000	703
Inventories	7	3,361	3,481
Work in progress	16	18,244	24,290
Capitalised contract set up costs	28	59	24
Total current assets		56,193	59,516
Non-current assets			
Property, plant and equipment	8	52,348	56,737
Goodwill	9	360	360
Other intangible assets	10	1,501	1,711
Total non-current assets		54,209	58,808
Total assets		110,402	118,324
Current liabilities			
Trade and other payables	12	24,855	28,785
Current borrowings	13	-	44
Current tax payable	3(b)	6,706	120
Provisions	15	7,225	5,541
Total current liabilities		38,786	34,490
Non-current liabilities			
Borrowings	14	18,690	37,750
Deferred tax liability	3(c)	903	2,432
Provisions	15	1,464	318
Total non-current liabilities		21,057	40,500
Total liabilities		59,843	74,990
Net assets		50,559	43,334
Equity			
Share capital and other equity instruments	17	8,536	8,536
Reserves	18	9,260	9,260
Retained earnings	19	32,763	25,538
Total equity		50,559	43,334

The accompanying notes form part of the financial statements.

Notes to the financial statements are included on pages 6 to 32

Statement of Changes in Equity For the year ended 30 June 2014

	Notes	Share Capital $000	Capital Reserve $000	Asset Revaluation Reserve $000	Retained Earnings $000	Total $000
Balance at 30 June 2012		8,536	2,314	6,316	29,020	46,186
Gain/(loss) on property revaluation	18(ii)	-	-	630	-	630
Profit for the year		-	-	-	2,798	2,798
Total recognised income and expense for the year		-	-	630	2,798	3,428
Dividends	19	-	-	-	(6,280)	(6,280)
Balance at 30 June 2013		8,536	2,314	6,946	25,538	43,334
Gain/(loss) on property revaluation	18(ii)	-	-	-	-	-
Profit for the year		-	-	-	12,892	12,892
Total recognised income and expense for the year		-	-	-	12,892	12,892
Dividends	19	-	-	-	(5,667)	(5,667)
Balance at 30 June 2014		8,536	2,314	6,946	32,763	50,559

The accompanying notes form part of the financial statements.

Cash Flow Statement For the year ended 30 June 2014

	Notes	2014 $000	2013 $000
Cash flows from operating activities			
Receipts from customers		354,751	347,228
Interest received		18	21
Payments to suppliers and employees		(323,327)	(327,684)
Interest and other finance costs paid		(753)	(1,002)
Subvention payment		-	(5,145)
Net cash provided by operating activities	25(b)	30,689	13,418
Cash flows from investing activities			
Payment for property, plant and equipment		(4,895)	(26,115)
Proceeds from sale of property, plant and equipment		112	119
Payment for intangible assets		(706)	-
Net cash used in investing activities		(5,489)	(25,996)
Cash flows from financing activities			
Finance lease payments		(44)	(334)
Proceeds from/(repayment of) borrowings		(19,060)	19,850
Dividends paid		(5,667)	(6,280)
Net cash used in financing activities		(24,771)	13,236
Net increase/(decrease) in cash and cash equivalents		429	658
Cash and cash equivalents at the beginning of the year		1,087	429
Cash and cash equivalents at the end of the year	25(a)	1,516	1,087

The accompanying notes form part of the financial statements.

1. SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The financial statements of City Care Limited have been prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS) and NZ GAAP, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements comply with International Financial Reporting Standards. These standards have been consistently applied to all the years presented, unless otherwise stated.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented in these financial statements for the year ended 30 June 2013.

City Care Limited's activities are:

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

City Care Limited is a wholly owned subsidiary of Christchurch City Holdings Limited and is a company registered under the Companies Act 1993. 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 company is incorporated and domiciled in New Zealand. The financial statements of City Care Limited have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002. The registered office is 226 Antigua Street, Christchurch 8240.

Basis of preparation

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain classes of property, plant and equipment. The reporting currency is New Zealand dollars, rounded to the nearest thousand.

Preparing 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 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 financial statements.

Significant accounting policies

(a) 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.

(b) Borrowing costs

Borrowing costs are interest and other costs incurred by the company in connection with the borrowing of funds and expensed as incurred.

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

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and in current liabilities on the balance sheet.

(d) Construction contracts

Construction work in progress 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.

(e) 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 entity in respect of services provided by employees up to the reporting date.

Defined Benefit Scheme (the Scheme)

The company participates in the National Provident Defined Benefit Scheme, which is a multi-employer defined benefit plan. Because it is not possible to determine, from the terms of the Scheme, the extent to which any deficit will affect future contributions by employers, the company participation in the Scheme is accounted for as if the Scheme were a defined contribution plan.

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.

(f) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(g) Financial instruments

Share capital

Ordinary shares are classified as equity. Preference shares are classified as equity as the terms of issue of the shares makes them equity.

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.

(h) Goods and Services Tax (GST)

The 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.

(i) Goodwill

All business combinations are accounted for by applying the purchase method. In respect of business acquisitions that have occurred since 1 July 2005, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP.

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

Negative goodwill arising on an acquisition is recognised directly in the income statement.

(j) Impairment of assets

The carrying amounts of the company's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses on re-valued assets offset any balance in the asset revaluation reserve, with any remaining impairment loss being posted to the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their market value less cost to sell and value in use. Receivables with a short duration are not discounted.

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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of an asset carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) 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 directly in equity, in which case it is recognised 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).

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 temporary differences of goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for.

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 is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Intangible assets

Computer software

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 company, 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 does not exceed five 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.

An intangible asset with an indefinite useful life is not amortised, but is tested for impairment annually and is carried at cost less accumulated impairment losses.

(m) 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.

(n) Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. For jointly controlled operations, City Care Limited recognises in its financial statements the assets it controls, the liabilities and expenses it incurs, and the share of income that it earns from the joint operations.

(o) 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. At inception, finance leases are recognised as assets and liabilities on the balance sheet at the lower of the fair value of the leased property and the present value of the minimum lease payments, using the discount rate provided by the leasing company where available, or the company's marginal cost of borrowing. Any additional direct costs of the lessee are added to the amount recognised as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

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.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

(p) Payables

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

(q) ACC Partnership Programme

The company belongs to the ACC Partnership Programme whereby the company accepts the management and financial responsibility for employee related illnesses and accidents. Under the programme the company is liable for all its claims costs for a period of two years up to a specified maximum. At the end of the two year period the liability for ongoing claims passes to ACC at no further cost to the company.

The liability for the ACC Partnership Programme is measured using actuarial techniques at the present value of expected future payments to be made in respect of the employee injuries and claims up to the reporting date. Consideration is given to anticipated future wage and salary levels and experience of employee claims and injuries. Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(r) 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 company 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	5 - 25 years
Plant and equipment	2 - 15 years
Motor vehicles	4 - 15 years
Office and computer equipment	1 - 10 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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.

(s) 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.

(t) Revenue recognition

Goods sold and services rendered

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance date. The stage of completion is assessed by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction. No revenue is recognised if there is significant uncertainty regarding recovery of the consideration due, or associated costs.

Interest income

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

(u) Capitalisation of contract set up costs

New contract set up costs are capitalised from the point at which there is certainty the contract has been won, in accordance with NZ IAS 11. These capitalised costs are internally generated, have a finite life and are amortised over the minimum term of the contract on a straight-line basis.

(v) Standards or interpretations not yet effective

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

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The IASB have tentatively decided that the new standard will be required to be adopted for the year ended 30 June 2019.

Under the Accounting Standards Framework, the company is defined as a Large Public Sector entity (Tier 1 reporting entity) and as such reports under NZ IFRS.

	Effective for the Financial Year Ending 30 June
NZ IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities	2015
NZ IFRS 9 Financial Instruments – Classification and Measurement	2016
NZ IFRS 12 Disclosures of Interests in Other Entities / NZ IAS 27, 28	2015
NZ IFRC 21 Levies	2015
NZ IAS 32 Offsetting Financial Assets and Financial Liabilities	2015

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

The following new and amended New Zealand Equivalents to International Financial Reporting Standards and Interpretations became effective as of 1 July 2013 and have been adopted to the extent they are applicable:

NZ IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments)

NZ IFRS 11 Joint Arrangements

NZ IFRS 12 Disclosures of Interest in Other Entities

NZ IFRS 13 Fair Value Measurement

NZ IAS 19 Employee Benefits (Revised)

NZ IAS 28 Investments in Associates and Joint Ventures

2. PROFIT FROM OPERATIONS

	2014 $000	2013 $000
(a) Revenue		
Revenue from continuing operations consisted of the following items:		
Revenue from the rendering of services	207,016	222,109
Construction contract revenue	134,713	124,327
Revenue from the sale of goods	9,044	4,667
Rental revenue	13	23
Interest income	18	21
	350,804	351,147

	2014 $000	2013 $000
(b) Profit before income tax		
Profit before income tax has been arrived at after (crediting) / charging the following gains and losses from continuing operations:		
(Gain)/loss on disposal of other property, plant and equipment	45	102
	45	102
Profit before income tax has been arrived at after charging the following expenses:		
Finance costs:		
Interest on loans	767	970
Finance leases	2	32
	769	1,002
Depreciation of non-current assets	9,020	8,346
Amortisation of non-current assets	916	677
	9,936	9,023
Directors' fees	252	246
Operating lease rental expenses:		
Minimum lease payments	4,313	6,014
Employee benefits expense:		
Defined Contribution Schemes	192	198

3. INCOME TAXES

	2014 $000	2013 $000
(a) Income tax recognised in profit		
Tax expense comprises:		
Current tax expense	6,706	120
Prior year adjustments to current tax	(121)	(150)
Deferred tax expense relating to the origination and reversal of temporary differences	(1,529)	1,204
Total tax expense	5,056	1,174

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:

	2014 $000	2013 $000
Profit from operations	17,948	3,972
Income tax expense at 28% (2013: 28%)	5,025	1,112
Tax effect of non-deductible expenses	31	63
Tax effect of capital gain on sale of property, plant and equipment	(7)	(1)
Adjustment between prior year tax accrued and tax return	7	-
	5,056	1,174

The tax rate used in the above reconciliation is the corporate tax rate payable by New Zealand corporate entities on taxable profits under New Zealand tax law at the prevailing rates.

	2014 $000	2013 $000
(b) Current tax liabilities		
Current tax payables:		
Income tax payable	6,706	120
	6,706	120

	Opening Balance $000	Charged to Income $000	Closing Balance $000
(c) Deferred tax balances			
Taxable and deductible temporary difference arising from the following:			
Year ended 30 June 2014			
Deferred tax assets / (liabilities):			
Property, plant and equipment	(200)	(54)	(254)
Provisions	1,615	334	1,949
Work in progress	(3,170)	1,565	(1,605)
Other	(677)	(316)	(993)
	(2,432)	1,529	(903)
Year ended 30 June 2013			
Deferred tax assets / (liabilities):			
Property, plant and equipment	(45)	(155)	(200)
Provisions	1,430	185	1,615
Work in progress	(2,349)	(821)	(3,170)
Other	(264)	(413)	(677)
	(1,228)	(1,204)	(2,432)

	2014 $000	2013 $000
(d) Imputation credit account		
Imputation credits available for use in subsequent periods	148	145

No adjustment has been made for credits associated with tax payable as the tax liability is expected to be eliminated by losses transferred from other entities in the group by way of subvention payments.

4. KEY MANAGEMENT PERSONNEL COMPENSATION

	2014 $000	2013 $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	3,565	3,034
Post-employment benefits	58	43
Termination benefits	81	290
	3,704	3,367

5. REMUNERATION OF AUDITORS

	2014 $000	2013 $000
Audit of the financial statements	114	96
	114	96

6. TRADE AND OTHER RECEIVABLES

	2014 $000	2013 $000
Trade and other receivables (i)	28,586	27,698
Allowance for doubtful debts	(62)	(34)
	28,524	27,664
Contract retentions	3,489	2,267
	32,013	29,931

(i) No interest is charged on the trade receivables. An allowance has been made for estimated irrecoverable amounts, determined by a review of past due amounts.

Past due assets

Included in the company's trade and other receivables balance are debtors with a carrying value of $4,253,000 (2013: $6,200,000) 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. The company holds collateral over $107,000 which forms a part of the balances past due by way of a bond expected to be released in October 2014. The average age of these receivables is 48 days (2013: 68 days).

	2014 $000	2013 $000
Aging of past due but not impaired		
0 – 30 days	2,154	2,376
30 – 60 days	1,628	2,008
60 – 365 days	255	1,769
365+ days	216	47
	4,253	6,200
Movement in the allowance for doubtful debts		
Balance at beginning of the period	34	79
Increase/(decrease) in allowance recognised in income statement	46	(26)
Amounts written off as uncollectible	(18)	(19)
	62	34

7. INVENTORIES

	2014 $000	2013 $000
Raw materials, consumables, stores – at cost	3,361	3,481
	3,361	3,481

No inventories are pledged as security for liabilities or are subject to retention of title clauses.

8. PROPERTY, PLANT AND EQUIPMENT

	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 2012	8,210	434	12,364	49,248	5,069	75,325
Additions	-	1,093	5,309	16,760	1,412	24,574
Revaluation	630	-	-	-	-	630
Disposals	-	-	(181)	(759)	-	(940)
Balance at 30 June 2013	8,840	1,527	17,492	65,249	6,481	99,589
Additions	-	-	1,424	2,621	743	4,788
Revaluation	-	-	-	-	-	-
Disposals	-	-	(679)	(2,203)	(191)	(3,073)
Balance at 30 June 2014	8,840	1,527	18,237	65,667	7,033	101,304
Accumulated depreciation and impairment						
Balance at 30 June 2012	-	(171)	(7,509)	(24,402)	(3,143)	(35,225)
Disposals	-	-	171	548	-	719
Depreciation expense	-	(41)	(1,387)	(6,068)	(850)	(8,346)
Balance at 30 June 2013	-	(212)	(8,725)	(29,922)	(3,993)	(42,852)
Disposals	-	-	577	2,152	187	2,916
Depreciation expense	-	(104)	(1,834)	(6,124)	(958)	(9,020)
Balance at 30 June 2014	-	(316)	(9,982)	(33,894)	(4,764)	(48,956)
Net book value						
As at 30 June 2013	8,840	1,315	8,767	35,327	2,488	56,737
As at 30 June 2014	8,840	1,211	8,255	31,773	2,269	52,348

	2014 $000	2013 $000
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:		
Buildings	104	41
Plant and equipment	1,834	1,387
Motor vehicles	6,124	6,068
Office equipment	958	850
	9,020	8,346

Included within property, plant and equipment is capital work in progress of $262,000 (2013: $396,000).

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

An independent valuation of the company's land was performed 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, NZ IAS 36 Impairment of Assets and New Zealand Property Institute Practice Standard 3, Valuations for Financial Reporting Purposes, was determined by reference to the asset's highest and best use, without deducting disposal costs. The valuation was on the market value of the land of $140 psm. If the psm 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. The effective date of the valuation was 30 June 2013. A high level impairment test carried out by Mr Sellars on 10 July 2014, concluded that there had been no impairment since June 2013. The Directors are satisfied that the current carrying amount reflects its fair value. There are no restrictions over the title.

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

	2014 $000	2013 $000
Freehold land	1,894	1,894

9. GOODWILL

	2014 $000	2013 $000
Gross carrying amount		
Opening balance	554	554
Reassessment of goodwill	-	-
Closing balance	554	554
Accumulated impairment losses		
Opening balance	194	194
Impairment losses for the year	-	-
Closing balance	194	194
Net book value		
Opening balance	360	360
Movement	-	-
Closing balance	360	360

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing to the Taranaki drilling operation.

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

	2014 $000	2013 $000
Taranaki Road Boring	360	360

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 is based on initial contract term and past performance. A growth rate of 3% per annum has been included.
Budgeted gross margin	Gross margin is expected to continue at margins achieved in the current period. An increase in costs of 3% per annum has been factored into future projections.
Budgeted overhead	Budgeted overhead is expected to reflect overhead incurred immediately before the budget period.
Discount rate	A discount rate of 11.63% is applied to calculate the value in use.

10. OTHER INTANGIBLE ASSETS

	Software Licences $000
Gross carrying amount	
Balance at 30 June 2012	3,909
Additions	1,501
Balance at 30 June 2013	5,410
Additions	706
Disposals	(120)
Balance at 30 June 2014	5,996
Accumulated amortisation and impairment	
Balance at 30 June 2012	(3,022)
Amortisation expense (i)	(677)
Balance at 30 June 2013	(3,699)
Disposals	120
Amortisation expense (i)	(916)
Balance at 30 June 2014	(4,495)
Net book value	
As at 30 June 2013	1,711
As at 30 June 2014	1,501

(i) Amortisation expense is included in the line item ‘depreciation and amortisation expense’ in the income statement.

11. JOINT OPERATION

The company has a 20% interest in the Stronger Christchurch Infrastructure Rebuild Team Joint Venture (SCIRT JV). The SCIRT JV is structured as an unincorporated Joint Venture and is not a separate vehicle, therefore the arrangement is treated as a Joint Operation. The company reflects its share of revenue and profit through its financial statements.

12. TRADE AND OTHER PAYABLES

	2014 $000	2013 $000
Trade payables	9,152	10,917
Goods and Services Tax payable	3,082	3,461
Accrued expenses	12,440	14,407
Deferred income	181	-
	24,855	28,785

13. CURRENT BORROWINGS

	2014 $000	2013 $000
Secured		
At amortised cost:		
Finance lease liabilities (i) – refer note 22	-	44
	-	44

(i) Secured by the assets leased.

The company does not hold title to the equipment under finance lease pledged as security.

14. NON-CURRENT BORROWINGS

	2014 $000	2013 $000
Secured		
At amortised cost:		
Bank loans	18,690	37,750
	18,690	37,750

Bank loans are secured by a debenture over the assets and undertakings of the company.
The committed cash advance facility totals $50,000,000 of which $18,690,000 had been drawn down as at 30 June 2014.

The facility is structured as a two year rolling facility with a current maturity date of 28 February 2016. Interest rates on the floating rate debt are based on bank bill rates plus a margin and averaged 3.75% for the year. Due to interest rates on floating debt resettling on the market rate, the carrying amounts on secured loans approximate their fair values.

The company was in compliance with its loan covenants at all times during the year.

15. PROVISIONS

	Employee Entitlements (i) $000	SCIRT (ii) $000	Other $000	Total $000
Provisions 2014				
Balance at 30 June 2013	5,787	-	72	5,859
Additional provisions recognised	8,895	1,909	175	10,979
Reductions arising from payments/other sacrifices of future economic benefits	(8,077)	-	(72)	(8,149)
Reductions resulting from re-measurement or settlement without cost	(70)	-	-	(70)
Unwinding of discount effect of changes in discount rate	70	-	-	70
Balance at 30 June 2014	6,605	1,909	175	8,689
Current	6,341	709	175	7,225
Non-current	264	1,200	-	1,464
	6,605	1,909	175	8,689
Provisions 2013				
Balance at 30 June 2012	5,374	-	72	5,446
Additional provisions recognised	10,407	-	72	10,479
Reductions arising from payments/other sacrifices of future economic benefits	(9,920)	-	(72)	(9,992)
Reductions resulting from re-measurement or settlement without cost	(33)	-	-	(33)
Unwinding of discount effect of changes in discount rate	(41)	-	-	(41)
Balance at 30 June 2013	5,787	-	72	5,859
Current	5,469	-	72	5,541
Non-current	318	-	-	318
	5,787	-	72	5,859

(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 inflation has been assumed to be 3% for the year ending 30 June 2014 and 3% for the year ending 30 June 2013. A discount rate of 8.5% has been used for the year ending 30 June 2014 and 8.5% for the year ending 30 June 2013.

(ii) The SCIRT alliance agreement contains provision for sharing contract gains and/or losses against budget on conclusion of the agreement, expected to conclude in 2016. Any gain or loss would crystallise at the conclusion of the agreement. In addition the life to date revenue earned from the SCIRT alliance is subject to audit by the SCIRT auditors. With the SCIRT alliance programme of work having reached the 50% stage, the Directors consider it appropriate to recognise a provision for the final gain/loss share, and for any possible adjustment arising from the audit process.

16. WORK IN PROGRESS

	2014 $000	2013 $000
Construction work in progress (i)	212,402	163,700
Progress billings	(200,874)	(149,966)
Unbilled construction work in progress	11,528	13,734
Other contract work in progress	6,716	10,556
Total work in progress	18,244	24,290

(i) Construction work in progress is the life to date project revenue recognised on construction projects which remain incomplete as at balance date.

17. CAPITAL AND OTHER EQUITY INSTRUMENTS

	2014 $000	2013 $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

Neither ordinary shares nor preference shares have par values.

	2014		2013	
	No. 000	$000	No. 000	$000
(a) Fully paid ordinary shares				
Balance at the beginning of the year	6,036	6,036	6,036	6,036
Movements	-	-	-	-
Balance at the end of the year	6,036	6,036	6,036	6,036

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

	2014		2013	
	No. 000	$000	No. 000	$000
(b) Fully paid preference shares				
Balance at the beginning of the year	2,500	2,500	2,500	2,500
Movements	-	-	-	-
Balance at the end of the year	2,500	2,500	2,500	2,500

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

18. RESERVES

	2014 $000	2013 $000
Capital reserve (i)	2,314	2,314
Asset revaluation (ii)	6,946	6,946
	9,260	9,260

(i) Capital reserve
The capital reserve arose from a non-recurring gain on the sale of the company's refuse business in the year ended 30 June 2006.

(ii) Asset revaluation reserve

	2014 $000	2013 $000
Balance at the beginning of the year	6,946	6,316
Revaluation increments	-	630
	6,946	6,946

The asset revaluation reserve arises on the revaluation of land. Where revalued land is sold, the portion of the asset revaluation reserve that relates to that asset and is effectively realised, is transferred directly to retained earnings.

19. RETAINED EARNINGS

	2014 $000	2013 $000
Balance at the beginning of the year	25,538	29,020
Net profit attributable to members of the parent entity	12,892	2,798
Dividends paid	(5,667)	(6,280)
Balance at the end of the year	32,763	25,538

20. COMMITMENTS FOR EXPENDITURE

	2014 $000	2013 $000
Capital expenditure commitments		
Plant and equipment	881	135
	881	135

Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 22 to the financial statements.

21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities

The company has arranged with Bank of New Zealand for the issue of performance related bonds in favour of:

	2014 $000	2013 $000
Local authorities (i)	7,794	8,442
Transit New Zealand	343	1,157
Others	224	269
	8,361	9,868

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

The Directors know of no reason why these contingent liabilities would be called upon by the external parties and therefore have not been recognised.

The company is a participating employer in the National Provident Fund's Defined Benefit Plan Contributors' Scheme (the Scheme) which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the Scheme, the company could be responsible for the entire deficit of the Scheme, should there be a deficit. Similarly, if a number of employers ceased to participate in the Scheme, the company could be responsible for an increased share of the deficit, should there be a deficit. As at 30 June 2014 City Care Limited had one employee enrolled in the Scheme.

Other than the above, the company knows of no material or significant contingent assets or liabilities as at balance date.

22. LEASES

Finance leases

(a) Leasing arrangements

Finance leases relate to motor vehicles. The company does not have an option to purchase the leased assets at the expiry of the lease period and there are no renewal rights.

	Minimum Future Lease Payments		Present Value of Minimum Future Lease Payments	
	2014 $000	2013 $000	2014 $000	2013 $000
(b) Finance lease liabilities				
No later than 1 year	-	45	-	44
Later than 1 year and not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
Minimum lease payments (i)	-	45	-	44
Less future finance charges	-	(1)	-	-
Present value of minimum lease payments	-	44	-	44
Included in the financial statements as:				
Current borrowings (refer note 13)			-	44
Non-current borrowings (refer note 14)			-	-
			-	44

(i) Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

Operating leases

(c) Leasing arrangements

Operating leases relate to all leased assets not classified as finance leases in accordance with NZ IAS 17. These leases are for motor vehicles and rental properties.

	2014 $000	2013 $000
(d) Non-cancellable operating lease payments		
No longer than 1 year	3,726	3,384
Longer than 1 year and not longer than 5 years	5,955	6,901
Longer than 5 years	28	354
	9,709	10,639

23. RELATED PARTY DISCLOSURES

Related parties

(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 Christchurch City Council and its subsidiary companies. The value of these transactions are summarised below.

	2014 $000	2013 $000
Services provided to CCC	102,050	211,379
Services provided to other group companies	4,025	2,356
Goods and services received from CCC	2,805	4,559
Goods and services received from other group companies	876	1,086
Rent and rates paid to CCC	744	860
As at year end		
Amounts receivable from CCC	9,257	18,513
Amounts receivable from other group companies	318	193
Amounts payable to CCC	126	961
Amounts payable to other group companies	133	90

All transactions with 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 (2013: Nil). Related party transactions exclude Directors' fees which are disclosed separately under the statutory information.

Separate disclosure of individual transactions

The company made dividend payments totalling $5,667,000 (2013: $6,280,000) to its immediate parent, Christchurch City Holdings Limited.

The company also made sales of $91,259,000 (2013: $96,836,000) to its jointly controlled operation, Stronger Christchurch Infrastructure Rebuild Team Joint Venture and had an outstanding receivable balance of $2,536,000 at 30 June 2014 (2013: $95,000).

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.

24. SUBSEQUENT EVENTS

No significant events have occurred subsequent to balance date.

25. 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 and in the bank, net of outstanding 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:

	2014 $000	2013 $000
Cash	6	5
Bank deposits	1,510	1,082
	1,516	1,087

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

	2014 $000	2013 $000
Profit after tax for the period	12,892	2,798
(Gain)/loss on sale or disposal of non-current assets	45	102
Depreciation and amortisation of non-current assets	9,936	9,023
Increase/(decrease) in current tax liability	6,586	(5,174)
(Increase)/decrease in deferred tax balances	(1,529)	1,204
Changes in net assets and liabilities		
(Increase)/decrease in assets:		
Current receivables	(2,082)	(269)
Prepayments	(297)	75
Capitalised contract set up costs	(35)	24
Work in progress	6,046	(3,466)
Current inventories	120	(290)
Increase/(decrease) in liabilities:		
Operating current payables (excludes payables for investing activities)	(3,823)	8,978
Current employee entitlement provisions	872	351
Non-current employee entitlement provisions	(54)	62
Current SCIRT provisions	709	-
Non-current SCIRT provisions	1,200	-
Other provisions	103	-
Net cash from operating activities	30,689	13,418

26. FINANCIAL INSTRUMENTS

(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) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Financing facilities

	2014 $000	2013 $000
Secured bank overdraft facility, reviewed annually and repayable on call:		
Amount used	-	-
Amount unused	500	500
	500	500
Secured bank loan facilities maturing 28 February 2016 and extendable by mutual agreement:		
Amount used	18,690	37,750
Amount unused	31,310	12,250
	50,000	50,000

(d) Categories of financial instruments

	2014 $000	2013 $000
Financial assets		
Cash and cash equivalents	1,516	1,087
Trade and other receivables	32,013	29,931
	33,529	31,018
Financial liabilities		
Current trade and other payables	24,855	28,785
Borrowings (current and non-current)	18,690	37,750
	43,545	66,535

(e) Collateral

Financial assets pledged as collateral for liabilities have been disclosed in notes 13 and 14.

(f) 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 non-current 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.

	2014 $000	2013 $000
Increase or decrease in net profit from a 100 basis point movement in interest rates, assuming all other variables were held constant	186	377

(g) 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.

(h) 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 Christchurch City Council for 29% 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.

(i) 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.

	Less than 6 Months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	5+ Years $000	Total $000
Financial liabilities						
2014						
Trade and other payables	24,855	-	-	-	-	24,855
Borrowings	-	-	18,690	-	-	18,690
	24,855	-	18,690	-	-	43,545
2013						
Trade and other payables	28,785	-	-	-	-	28,785
Borrowings	-	-	37,750	-	-	37,750
	28,785	-	37,750	-	-	66,535

The following table details the company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the company anticipates that the cash flow will occur in a different period. 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
Financial assets						
2014						
Cash and trade receivables	33,529	-	-	-	-	33,529
	33,529	-	-	-	-	33,529
2013						
Cash and trade receivables	31,018	-	-	-	-	31,018
	31,018	-	-	-	-	31,018

All financial assets are classified as loans and receivables.

(j) 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.

(k) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

27. FAIR VALUE

Set out below, is a comparison by class of the carrying amounts and fair value of City Care Limited financial instruments:

	Carrying Amount		Fair Value	
	2014 $000	2013 $000	2014 $000	2013 $000
Financial assets				
Bank	1,516	1,087	1,516	1,087
Trade and other receivables	28,524	27,664	28,524	27,664
Retentions	3,489	2,267	3,489	2,267
	33,529	31,018	33,529	31,018
Financial liabilities				
Non-current borrowings	18,690	37,750	18,690	37,750
Trade payables	9,152	10,917	9,152	10,917
	27,842	48,667	27,842	48,667

The company considers that cash and short-term deposits, trade receivables, trade payables, bank borrowings and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

28. CAPITALISED CONTRACT SET UP COSTS

The company capitalises the costs of setting up new contracts, once it becomes certain the contract will be awarded to the company. The capitalised costs are then amortised on a straight-line basis over the shortest term of the contract.

The opening balance relates to capitalised set up costs for Wellington Facilities Maintenance that were amortised in full during the financial year. The additional costs capitalised relate to the contract set up for Dunedin Maintenance which is being amortised over the minimum term of the contract.

	2014 $000	2013 $000
Opening balance	24	48
Additional costs capitalised	64	-
Amortisation	(29)	(24)
Closing balance	59	24
Current set up costs	59	24
Non-current set up costs	-	-
	59	24

29. 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	350,804	Not achieved	(i)	388,000
Equity	50,559	Not achieved	(ii)	53,000
Net profit after tax	12,892	Achieved		10,800
Dividends	5,667	Achieved		2,100
Debt to debt plus equity	27.0%	Achieved		38.3%
Equity to total assets	45.8%	Achieved		44.0%
Return on average equity	27.5%	Achieved		21.0%
(b) Non-financial performance				
ISO 14001 Environmental Management accreditation		Maintained		Maintained
ISO 9001 Quality Management accreditation		Maintained		Maintained
NZS 4801 Health and Safety Management accreditation		Maintained		Maintained
ISO 14064 Greenhouse Gas Reporting accreditation		Maintained		Maintained
Develop a behavioural based quality system		Achieved		Develop System
Measurement of Total Recordable Incident Frequency (TRIF) accident rates		Achieved		5% reduction
Maintain current level of staff satisfaction		Achieved		Maintained
Maintain current level of client satisfaction		Not achieved	(iii)	Maintained

(i) The revenue for the year was lower than budget as the company focused on improving profitability.

(ii) Higher than targeted dividends paid for the year resulted in the lower than targeted equity.

(iii) The client satisfaction result declined slightly in the year. This is the focus of management initiatives for the coming year.

30. 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.

Independent Auditor's Report

To the readers of
City Care Limited's
financial statements and statement of performance
for the year ended 30 June 2014

The Auditor-General is the auditor of City Care Limited (the company). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of performance of the company on her behalf.

We have audited:

- the financial statements of the company on pages 2 to 32, that comprise the balance sheet as at 30 June 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of performance of the company on pages 31.

Opinion

Financial statements and statement of performance

In our opinion:

- the financial statements of the company on pages 2 to 32:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the company's:
    - financial position as at 30 June 2014; and
    - financial performance and cash flows for the year ended on that date; and
- the statement of performance of the company on pages 31:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2014.

Other legal requirements

In accordance with the Financial Reporting Act 1993, we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 15 August 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of performance whether due to fraud or error. In making those risk assessments we consider internal control relevant to the preparation of the company's financial statements and statement of performance that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of performance; and
- the overall presentation of the financial statements and statement of performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of performance. Also we did not evaluate the security and controls over the electronic publication of the financial statments and statement of performance.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and statement of performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

Julian Tan
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

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 Christchurch City Council.

Principal activities

The company's principal activities during the year were:

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

Dividend

An interim dividend of $2,867,000 in respect of the 2014 financial year was paid on 16 April 2014. A special dividend of $2,800,000 in respect of the 2014 financial year was paid on 30 June 2014.

Directors

The following Directors held office during the year ended 30 June 2014:

- Hugh Martyn (Chairman)
- Jim Boult (appointed October 2013, resigned January 2014)
- Margaret Devlin
- Tony King
- Craig Price
- Trevor Thornton (retired October 2013)
- Mark Todd

Directors' interests

The company 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 2014.

Director	***Entity***	***Position***
Hugh Martyn	PayGlobal Limited (Resigned October 2013)	Chief Executive Officer
	Hadstock Park Limited	Director
	W D Boyes & Sons Ltd	Advisor
	Christchurch Ready Mix Concrete Ltd (Appointed March 2014)	Chief Executive
Jim Boult	Armada Holdings Ltd and its subsidiaries	Director
	Denali Management Ltd	Director
	Civil Aviation Authority of New Zealand	Director
	New Zealand Customs Risk & Audit Committee	Member
	Child Cancer Foundation	National Director
	Christchurch Airport International Ltd (Resigned December 2013)	Chief Executive Officer
	Tourism Growth Partnership – Independent Panel of Experts	Chairman
	Queenstown Lakes District Council Shaping our Future Steering Group	Member
Margaret Devlin	WEL Networks Ltd	Deputy Chair, Audit Chair, Remuneration Committee
	Indepen (NZ) Ltd	Director
	Institute of Directors in New Zealand Inc	National Council Representative Accredited Fellow Commercial Board Director
	Institute of Directors – Waikato	Chair
	Hamilton Riverview Hotel Ltd (Resigned October 2013)	Director
	Waikato Networks Limited	Director
	Waikato District Council	External appointment and Chair of Audit and Risk Committee

Director	*Entity*	*Position*
	University of Waikato	Member Risk Management Committee
	Harrison Grierson Consultants Ltd	Chairman, Chair of Audit & Risk Committee and Remuneration Committee
	Harrison Grierson Holdings Ltd	Director
	Waikato Regional Airport Ltd (T/A Hamilton International Airport)	Director
	National Infrastructure Advisory Board	Board Member
	Ultrafast Fibre Ltd	Director
	Titanium Park Ltd (a subsidiary of Waikato Airport)	Director
Tony King	Mainpower New Zealand Limited (Resigned August 2013)	Director
	Option One Ltd	Director
	Tikao Boat Club	President
	Solid Energy New Zealand Ltd	Chief Operating Officer
	Stockton Alliance Ltd	Director
	Extractives Industry Advisory Group (MBIE)	Member
Craig Price	Beca Group Ltd	Shareholder/ Share Trustee
	Beca Carter Hollings and Ferner Ltd (Resigned May 2014)	Director
	Beca Ltd	Director
	Beca	Regional Manager SI
	New Zealand Green Building Council (Resigned November 2013)	Chairman
	Canterbury Business Leaders Group (Group ceased 2013)	Executive
	IPENZ Competence Assessment Board (Resigned March 2014)	Chairman
	University of Canterbury Civil & Natural Resources Engineering Advisory Board	Board member
	University of Canterbury Mechanical Engineering Advisory Board	Board member
Trevor Thornton	Bayley Insurance Trust Ltd	Director
	Christchurch Cathedral Foundation	Trustee
	Spreadeagle Dairies Ltd (Resigned November 2013)	Director
	Lagan Trustees Ltd	Director
	Turnaround Management Association of New Zealand Incorporated (Wound-up August 2013)	Director
	Gordon Handy Machinery Ltd	Director
	Livestock Logistics NZ Ltd	Director
	Statutory Manager for Aorangi Securities Ltd and 7 Charitable Trusts associated with Mr and Mrs Hubbard	Statutory Manager
	Statutory Manager for Hubbard Churcher Trust Management Ltd, Forresters Nominee Company Ltd, Barns Charitable Trust	Statutory Manager
	AW Nominees Ltd	Director
	Forresters Nominee Company Ltd	Director
	Canterbury Cricket Trust	Trustee
	Christchurch Stadium Trust	Trustee
	Halberg Disability Sports Foundation (Canterbury Branch)	Trustee
	Hubbard Churcher Trust Management Ltd	Director
	Rainbow Children's Trust	Trustee
	Grant Thornton New Zealand Ltd	Consultant
Mark Todd	Kathmandu	Chief Financial Officer Chief Operating Officer
	Kathmandu Holdings Ltd	Director
	Milford Group Holdings Ltd	Director
	Kathmandu Ltd	Director
	Kathmandu Pty Ltd	Director
	Kathmandu (U.K.) Ltd	Director

Directors' remuneration

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

Hugh Martyn	$54,400
Jim Boult	$14,488
Margaret Devlin	$41,643
Tony King	$52,584
Craig Price	$35,275
Trevor Thornton	$14,384
Mark Todd	$38,738
Total	$251,512

No other remuneration or benefits other than normal reimbursement of expenses has been paid or given to Directors. No loans have been made by the company, nor has the company guaranteed any debts incurred by a Director.

Use of company information by Directors

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

Directors' insurance

The company 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	***Number of employees***
$100,000 – $110,000	57
$110,000 – $120,000	23
$120,000 – $130,000	20
$130,000 – $140,000	14
$140,000 – $150,000	10
$150,000 – $160,000	5
$160,000 – $170,000	2
$170,000 – $180,000	1
$180,000 – $190,000	4
$190,000 – $200,000	2
$200,000 – $210,000	1
$210,000 – $220,000	2
$220,000 – $230,000	2
$230,000 – $240,000	1
$240,000 – $250,000	1
$260,000 – $270,000	1
$300,000 – $310,000	1
$460,000 – $470,000	1

Donations

The company made no donations 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 2014 financial year totalling $114,000 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

The Board of Directors of City Care is appointed by the Shareholder, Christchurch City Holdings Limited, and is responsible for the proper 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 role of the committees is 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 in New Zealand Incorporated 'Four Pillars of Governance Best Practice'.

Responsibility to Shareholder

In 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 and 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 five 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 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 fit) 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 a 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 twelve 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 City Care'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 abreast 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.

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 remuneration committee, and the health and safety committee. All committees have Board approved Charters outlining the respective 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 and Chief Financial Officer also attend meetings.

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.

The committee's main responsibilities are to:
- oversee compliance with statutory financial reporting requirements;
- ensure that adequate internal controls are in place;
- review the scope and extent of half-yearly financial statements prior to approval by the Board; and
- oversight of legislative and statutory compliance.

In fulfilling its responsibilities, the risk, audit and finance committee receives regular reports from management as well as the internal and external auditors. The committee has no authority to make binding decisions. The committee makes recommendations to the Board for its consideration. At least annually the risk, audit and finance committee meets with the external auditor without the presence of management.

Remuneration committee

The remuneration committee has a quorum of two non-executive members of 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 committee is responsible for reviewing and making recommendations to the Board on:
- the remuneration strategy;
- the remuneration arrangements, including any incentive plans for the Chief Executive Officer, other senior executives and any executive Directors;
- the remuneration, recruitment, retention and termination policies and practices with regard to the Chief Executive Officer;
- reviewing long-term and emergency succession plans for the senior executives;
- reviewing the training and development plans for the senior executives; and
- the company's disclosure obligations for matters within the responsibilities of the committee.

In fulfilling its responsibilities, the remuneration committee receives timely evaluation reports and current market remuneration information from management. The committee has no authority to make binding decisions. The committee makes recommendations to the Board for its consideration.

Health and safety committee

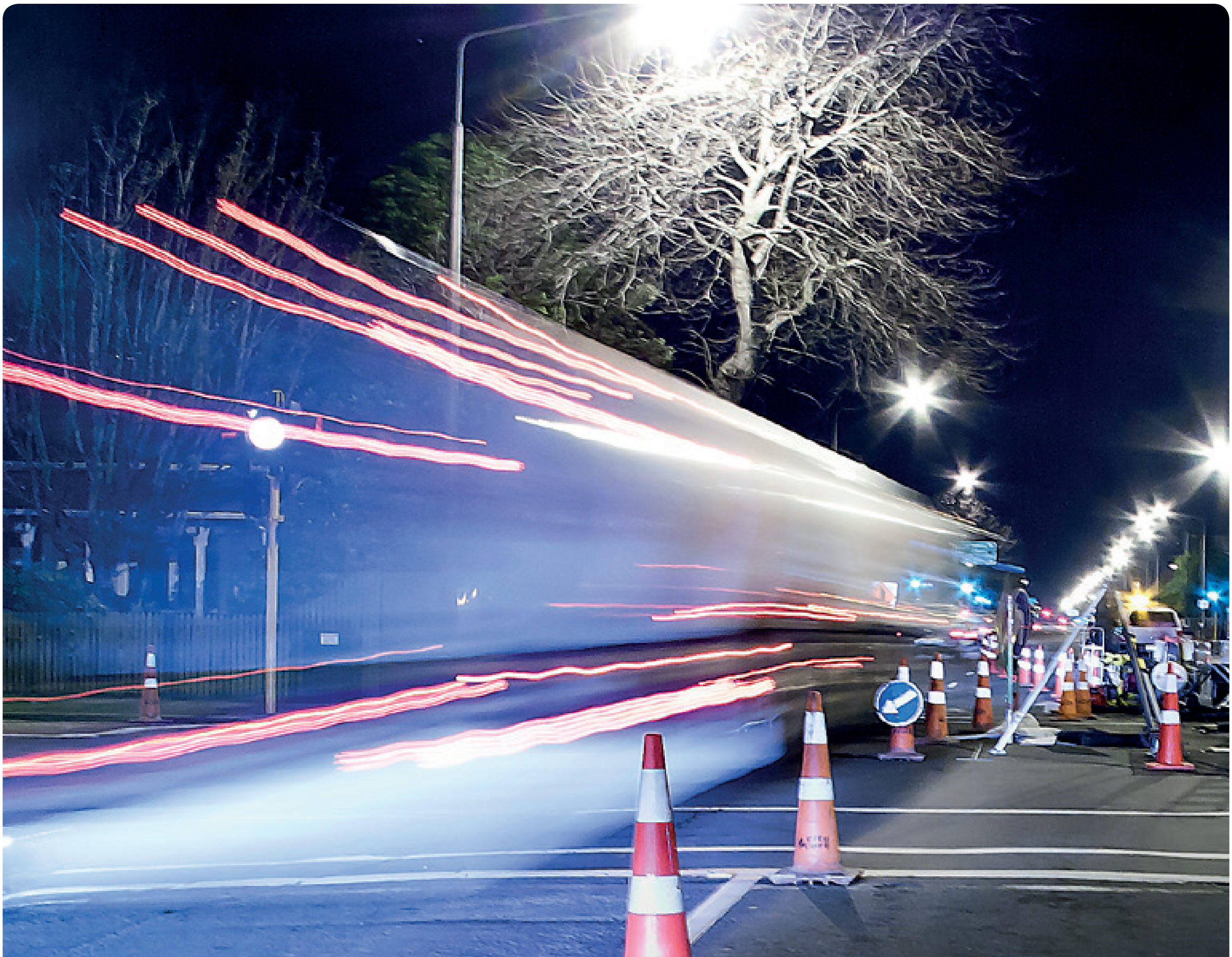
The health and safety committee comprises two non-executive Directors appointed by the Board from time to time. Currently the Board Chairman is the Committee Chair. The Chief Executive Officer and General Manager HSQE also attend meetings.

Meetings are scheduled during the year, as determined by the Committee Chair, to meet the health and safety needs of the company.

The committee's main responsibilities are to:
- establish, recommend to the Board and maintain a Health and Safety Governance Charter that serves as City Care'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 every level in City Care;
- establish, recommend to the Board and implement the use of best practice principles such as the Institute of Director's Good Governance Practices Guidelines for Managing Health and Safety Risks;
- understand and monitor compliance with the Health and Safety in Employment Act and any subsequent legislation that may replace it; and
- proactively pursue alignment to the proposed Worksafe legislation that is expected to be enacted in 2015.

In fulfilling its responsibilities the committee receives regular reports, significant incident notifications and other information as they arise, and may visit worksites.

The committee may obtain external legal, health, safety or other professional advice, as considered necessary. The committee has no authority to make binding decisions. The committee makes recommendations to the Board for its consideration.



DIRECTORY

Directors

Hugh Martyn
Chairman

Margaret Devlin
Tony King
Craig Price
Mark Todd

Corporate Management Team

Onno Mulder
Chief Executive Officer

Paul Blackler
General Manager
Building Construction

Denise Bowen
General Manager HSQE

Barry Clark
Chief Information Officer

Tim Gibson
General Manager
National Maintenance

Chris Kerr
General Manager
Civil Construction

Paul Kiesanowski
Acting Chief Financial Officer

Peter Lord
General Manager
National Facilities
Management

Andy Smith
General Manager
Strategy, Marketing &
Business Development

Craig Taylor
General Manager
Christchurch Maintenance

Adrian Watson
General Manager
Human Resources

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Auditor

Audit New Zealand
on behalf of the
Auditor-General

Solicitors

Tavendale and Partners

Bankers

Bank of
New Zealand

city care

Our people. Making it work.