
# 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 consolidated financial statements which give a true and fair view of the financial position of City Care Limited as at 30 June 2015 and the results of the operations and cash flows for the year ended 30 June 2015.

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 2015.

This Annual Report is dated 13 August 2015 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:

Gary Leech
Director
13 August 2015

Margaret Devlin
Director
13 August 2015

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## Income Statement For the year ended 30 June 2015

| | Notes | 2015 $000 | 2014 $000 |
|---|---|---|---|
| Revenue | 2(a) | 333,545 | 350,804 |
| Gain/(loss) on sale of property, plant and equipment | 2(b) | (251) | (45) |
| Changes in inventories | 7 | (337) | (120) |
| Raw materials and consumables used | | (45,283) | (45,604) |
| Subcontractor costs | | (125,448) | (135,801) |
| Employee benefits expense | | (118,295) | (109,758) |
| Depreciation and amortisation expense | 2(b) | (10,070) | (9,936) |
| Finance costs | 2(b) | (382) | (769) |
| Other expenses | | (19,223) | (30,823) |
| **Profit before income tax expense** | | 14,256 | 17,948 |
| Income tax expense | 3(a) | (4,031) | (5,056) |
| **Profit for the year** | | 10,225 | 12,892 |

## Statement of Comprehensive Income For the year ended 30 June 2015

| | Notes | 2015 $000 | 2014 $000 |
|---|---|---|---|
| Profit for the year | | 10,225 | 12,892 |
| Gain/(loss) on property revaluation | 18(ii) | 620 | - |
| **Total comprehensive income** | | 10,845 | 12,892 |



Notes to the consolidated financial statements are included on pages 6 to 35

## Balance Sheet As at 30 June 2015

| | Notes | 2015 $000 | 2014 $000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 25(a) | 1,106 | 1,516 |
| Trade and other receivables | 6 | 32,626 | 32,013 |
| Prepayments | | 1,104 | 1,000 |
| Inventories | 7 | 3,024 | 3,361 |
| Work in progress | 16 | 20,046 | 18,244 |
| Capitalised contract set up costs | 28 | - | 59 |
| **Total current assets** | | 57,906 | 56,193 |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 48,877 | 52,348 |
| Goodwill | 9 | 913 | 360 |
| Other intangible assets | 10 | 758 | 1,501 |
| **Total non-current assets** | | 50,548 | 54,209 |
| **Total assets** | | 108,454 | 110,402 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 31,359 | 24,855 |
| Current tax payable | 3(b) | 3,812 | 6,706 |
| Provisions | 15 | 8,095 | 7,225 |
| **Total current liabilities** | | 43,266 | 38,786 |
| **Non-current liabilities** | | | |
| Borrowings | 14 | 8,600 | 18,690 |
| Deferred tax liability | 3(c) | 609 | 903 |
| Provisions | 15 | 290 | 1,464 |
| **Total non-current liabilities** | | 9,499 | 21,057 |
| **Total liabilities** | | 52,765 | 59,843 |
| **Net assets** | | 55,689 | 50,559 |
| **Equity** | | | |
| Share capital and other equity instruments | 17 | 8,536 | 8,536 |
| Reserves | 18 | 9,880 | 9,260 |
| Retained earnings | 19 | 37,273 | 32,763 |
| **Total equity** | | 55,689 | 50,559 |



Notes to the consolidated financial statements are included on pages 6 to 35

## Statement of Changes in Equity For the year ended 30 June 2015

| | Notes | Share Capital $000 | Capital Reserve $000 | Asset Revaluation Reserve $000 | Retained Earnings $000 | Total $000 |
|---|---|---|---|---|---|---|
| **Balance as 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 |
| Gain/(loss) on property revaluation | 18(ii) | - | - | 620 | - | 620 |
| Profit for the year | | - | - | - | 10,225 | 10,225 |
| **Total recognised income and expense for the year** | | - | - | 620 | 10,225 | 10,845 |
| Dividends | 19 | - | - | - | (5,715) | (5,715) |
| **Balance at 30 June 2015** | | 8,536 | 2,314 | 7,566 | 37,273 | 55,689 |

Notes to the consolidated financial statements are included on pages 6 to 35



## Cash Flow Statement For the year ended 30 June 2015

| | Notes | 2015 $000 | 2014 $000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 331,133 | 354,751 |
| Interest received | | 16 | 18 |
| Payments to suppliers and employees | | (302,094) | (323,327) |
| Interest and other finance costs paid | | (382) | (753) |
| Subvention payment | | (7,219) | - |
| **Net cash provided by operating activities** | 25(b) | 21,454 | 30,689 |
| **Cash flows from investing activities** | | | |
| Payment for property, plant and equipment | | (5,516) | (4,895) |
| Proceeds from sale of property, plant and equipment | | 173 | 112 |
| Payment for intangible assets | | (144) | (706) |
| Investments in subsidiaries and associates | | (19) | - |
| Payment for goodwill | | (553) | - |
| **Net cash used in investing activities** | | (6,059) | (5,489) |
| **Cash flows from financing activities** | | | |
| Finance lease payments | | - | (44) |
| Proceeds from/(repayment of) borrowings | | (10,090) | (19,060) |
| Dividends paid | | (5,715) | (5,667) |
| **Net cash used in financing activities** | | (15,805) | (24,771) |
| **Net increase/(decrease) in cash and cash equivalents** | | (410) | 429 |
| Cash and cash equivalents at the beginning of the year | | 1,516 | 1,087 |
| **Cash and cash equivalents at the end of the year** | 25(a) | 1,106 | 1,516 |

Notes to the consolidated financial statements are included on pages 6 to 35

## 1. SUMMARY OF ACCOUNTING POLICIES

### Statement of compliance

The consolidated financial statements of City Care Limited ('the company') and its subsidiary (together, 'the group') 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 consolidated 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 consolidated financial statements for the year ended 30 June 2015 and the comparative information presented in these consolidated financial statements for the year ended 30 June 2014.

The group'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
- supply of heating, ventilation, planned preventative maintenance and air-conditioning 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 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 registered office is 226 Antigua Street, Christchurch 8011.

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

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 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.

### 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 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.

#### (c) 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 NZIAS 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.

#### (d) 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 group'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.

#### (e) Consolidation

***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 accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. 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.

### *Joint arrangements*

The group applies IFRS 11 to all joint arrangements. Under 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.

## (f) 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.

## (g) 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.

### *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.

## (h) 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'.

## (i) 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.

## (j) 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.

## (k) 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.

## (l) Impairment of assets

The carrying amounts of the group's financial 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. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the 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.

## (m) 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).

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.

## (n) 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 three 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.

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.

## (o) 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.

## (p) 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 asset and the present value of the minimum lease payments, using the discount rate provided by the leasing company where available, or the group'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.

### (q) ACC Partnership Programme

City Care Limited 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) 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.

### (s) 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 | 7 – 50 years |
| Plant and equipment | 2 – 22 years |
| Motor vehicles | 3 – 13 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.



### (t) 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.

### (u) 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 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.

### (v) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method less impairment losses.

### (w) Standards or interpretations not yet effective

Under the Accounting Standards Framework, the company is defined as a Large For-Profit Public Sector entity and as such reports under NZ IFRS.

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 9: Financial instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. 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. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The company is yet to assess IFRS 9's full impact.

IFRS 15: Revenue from contracts with customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18: Revenue and IAS 11: Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The company is assessing the impact of IFRS 15.

Other amendments which are not expected to have a material impact on the company include:

| | Effective for the Financial Year Ending 30 June |
|---|---|
| NZ IFRS 7: Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities | 2016 |
| NZ IFRS10: Consolidated Financial Statements | 2016 |
| NZ IFRS 11: Joint Arrangements | 2017 |
| NZ IAS 1: Presentation of Financial Statements | 2017 |
| NZ IAS 2: Inventories | 2018 |
| NZ IAS 12: Income Taxes | 2018 |
| NZ IAS 16: Property, Plant and Equipment | 2017 |
| NZ IAS 17: Leases | 2017 |
| NZ IAS 23: Borrowing Costs | 2017 |
| NZ IAS 28: Investments in Associate and Joint Ventures | 2016 |
| NZ IAS 32: Financial Instruments: Presentation | 2018 |
| NZ IAS 36: Impairment of Assets | 2017 |
| NZ IAS 37: Provisions, Contingent Liabilities and Contingents Assets | 2018 |
| NZ IAS 38: Intangible Assets | 2017 |
| NZ IAS 39: Financial Instruments: Recognition and Measurement | 2018 |

### (x) Standards or interpretations adopted in the current financial year

The following amended New Zealand Equivalents to International Financial Reporting Standards and Interpretations became effective as of 1 July 2014 and have been adopted to the extent they are applicable:

NZ IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
NZ IFRS10: Consolidated Financial Statements
NZ IFRS12: Disclosures of Interest in Other Entities
NZ IFRS13: Fair Value Measurement
NZ IAS 1: Presentation of Financial Statements
NZ IAS 7: Statements of Cash Flows
NZ IAS 12: Income Taxes
NZ IAS 16: Property, Plant and Equipment
NZ IAS 19: Employee Benefits (Amended)
NZ IAS 24: Related Party Disclosures
NZ IAS 28: Investments in Associates and Joint Ventures
NZ IAS 32: Financial Instruments: Presentation
NZ IAS 36: Impairment of Assets
NZ IAS 37: Provisions, Contingent Liabilities and Contingent Assets
NZ IAS 38: Intangible Assets
NZ IAS 39: Financial Instruments: Recognition and Measurement



## 2. PROFIT FROM OPERATIONS

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **(a) Revenue** | | |
| Revenue from continuing operations consisted of the following items: | | |
| Revenue from the rendering of services | 170,026 | 207,016 |
| Construction contract revenue | 154,569 | 134,713 |
| Revenue from the sale of goods | 8,905 | 9,044 |
| Rental revenue | 15 | 13 |
| Interest income | 30 | 18 |
| | 333,545 | 350,804 |

| | 2015 $000 | 2014 $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 property, plant and equipment | 251 | 45 |
| | 251 | 45 |
| Profit before income tax has been arrived at after charging the following expenses: | | |
| Finance costs: | | |
| Interest on loans | 378 | 767 |
| Finance leases | 4 | 2 |
| | 382 | 769 |
| Depreciation of non-current assets | 9,182 | 9,020 |
| Amortisation of non-current assets | 888 | 916 |
| | 10,070 | 9,936 |
| Directors' fees | 239 | 252 |
| Operating lease rental expenses: | | |
| Minimum lease payments | 4,861 | 4,313 |
| Employee benefits expense: | | |
| Defined contributions plans | 191 | 192 |

## 3. INCOME TAXES

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **(a) Income tax recognised in profit** | | |
| Tax expense comprises: | | |
| Current tax expense | 3,812 | 6,706 |
| Prior year adjustments to current tax | 513 | (121) |
| Deferred tax expense relating to the origination and reversal of temporary differences | (294) | (1,529) |
| Total tax expense | 4,031 | 5,056 |

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:

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Profit from operations | 14,256 | 17,948 |
| Income tax expense at 28% (2014: 28%) | 3,992 | 5,025 |
| Tax effect of non-deductible expenses | 51 | 31 |
| Tax effect of capital gain on sale of property, plant and equipment | (2) | (7) |
| Adjustment between prior year tax accrued and tax return | (10) | 7 |
| | 4,031 | 5,056 |

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.

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **(b) Current tax liabilities** | | |
| Current tax payables: | | |
| Income tax payable | 3,812 | 6,706 |
| | 3,812 | 6,706 |

### (c) Deferred tax balances

Taxable and deductible temporary difference arising from the following:

| | Opening Balance $000 | Charged to Income $000 | Closing Balance $000 |
|---|---|---|---|
| **Year ended 30 June 2015** | | | |
| Deferred tax assets/(liabilities): | | | |
| Property, plant and equipment | (254) | 316 | 62 |
| Provisions | 1,949 | (94) | 1,855 |
| Work in progress | (1,605) | (352) | (1,957) |
| Other | (993) | 424 | (569) |
| | (903) | 294 | (609) |
| **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) |

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **(d) Imputation credit account** | | |
| Imputation credits available for use in subsequent periods | 148 | 148 |

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

The compensation of the Directors and executives, being the key management personnel of the entity, is set out below:

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Salaries and short-term employee benefits | 3,185 | 3,565 |
| Post-employment benefits | 94 | 58 |
| Termination benefits | 213 | 81 |
| | 3,492 | 3,704 |

## 5. REMUNERATION OF AUDITORS

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Audit of the financial statements | 145 | 114 |
| | 145 | 114 |

## 6. TRADE AND OTHER RECEIVABLES

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Trade and other receivables (i) | 28,343 | 28,586 |
| Allowance for doubtful debts | (133) | (62) |
| | 28,210 | 28,524 |
| Contract retentions | 4,416 | 3,489 |
| | 32,626 | 32,013 |

(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 $2,534,000 (2014: $4,253,000) 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 average age of these receivables is 50 days (2014: 48 days).

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Aging of past due but not impaired** | | |
| 0 – 30 days | 1,971 | 2,154 |
| 30 – 60 days | 396 | 1,628 |
| 60 – 365 days | 152 | 255 |
| 365+ days | 15 | 216 |
| | 2,534 | 4,253 |
| **Movement in the allowance for doubtful debts** | | |
| Balance at beginning of the period | 62 | 34 |
| Increase/(decrease) in allowance recognised in income statement | 133 | 46 |
| Amounts written off as uncollectible | (62) | (18) |
| | 133 | 62 |

## 7. INVENTORIES

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Raw materials, consumables, stores - at cost | 3,257 | 3,361 |
| Allowance for obsolete inventory | (233) | - |
| | 3,024 | 3,361 |
| **Movement in the allowance for obsolete inventory** | | |
| Balance at beginning of the period | - | - |
| Increase/(decrease) in allowance recognised in income statement | 233 | - |
| Amounts written off as uncollectible | - | - |
| | 233 | - |

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 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 |
| Additions | - | 4 | 387 | 4,409 | 716 | 5,516 |
| Revaluation | 620 | - | - | - | - | 620 |
| Disposals | - | (133) | (899) | (759) | (800) | (2,591) |
| Balance at 30 June 2015 | 9,460 | 1,398 | 17,725 | 69,317 | 6,949 | 104,849 |
| **Accumulated depreciation and impairment** | | | | | | |
| 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) |
| Disposals | - | 72 | 696 | 630 | 768 | 2,166 |
| Depreciation expense | - | (112) | (1,129) | (6,966) | (975) | (9,182) |
| Balance at 30 June 2015 | - | (356) | (10,415) | (40,230) | (4,971) | (55,972) |
| **Net book value** | | | | | | |
| As at 30 June 2014 | 8,840 | 1,211 | 8,255 | 31,773 | 2,269 | 52,348 |
| As at 30 June 2015 | 9,460 | 1,042 | 7,310 | 29,087 | 1,978 | 48,877 |

Included within property, plant and equipment is capital work in progress of $284,000 (2014: $262,000).

**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 $150 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. A valuation was carried out by Mr Sellars on 20 May 2015. 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:

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Freehold land | 1,894 | 1,894 |

## 9. GOODWILL

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Gross carrying amount** | | |
| Opening balance | 554 | 554 |
| Acquisition of a Subsidiary | 553 | - |
| Closing balance | 1,107 | 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 | 553 | - |
| Closing balance | 913 | 360 |

**Acquisition during the year**

Goodwill has been acquired through business combinations, refer note 11.

**Allocation of goodwill to cash-generating units**

Goodwill has been allocated for impairment testing to the Taranaki road boring operation and Command Building Services Limited.

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

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Taranaki Road Boring | 360 | 360 |
| Command Building Services | 553 | – |
| | 913 | 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 11.03% is applied to calculate the value in use. |

## 10. OTHER INTANGIBLE ASSETS

| | Software Licences $000 |
|---|---|
| **Gross carrying amount** | |
| Balance at 30 June 2013 | 5,410 |
| Additions | 706 |
| Disposals | (120) |
| Balance at 30 June 2014 | 5,996 |
| Additions | 144 |
| Disposals | (3) |
| Balance at 30 June 2015 | 6,137 |
| **Accumulated amortisation and impairment** | |
| Balance at 30 June 2013 | (3,699) |
| Disposals | 120 |
| Amortisation expense (i) | (916) |
| Balance at 30 June 2014 | (4,495) |
| Disposals | 4 |
| Amortisation expense (i) | (888) |
| Balance at 30 June 2015 | (5,379) |
| **Net book value** | |
| As at 30 June 2014 | 1,501 |
| As at 30 June 2015 | 758 |

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

## 11. BUSINESS COMBINATIONS

On 16 September 2014, Command Building Services Limited, a wholly owned subsidiary was incorporated.

On 31 October 2014, Command Building Services Limited purchased the assets and business of Command Management Limited, Command Care Limited and Command HVAC Limited, a heating, ventilation and air conditioning installation and servicing business. City Care Limited provided the funding in the form of a long term loan of $665,000 to make this purchase. During the year it has also provided working capital, as at 30 June 2015 the outstanding balance was $1,068,000.

The following table summarises the consideration paid for the assets and business, the fair value of assets acquired and liabilities assumed at the acquisition date:

| | $000 |
|---|---|
| **Consideration at 31 October 2014** | |
| Cash | 415 |
| Contingent Consideration | 250 |
| Total Consideration | 665 |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipment | 297 |
| Other payables | (185) |
| **Total identifiable net assets** | 112 |
| Goodwill | 553 |
| **Total** | 665 |

The contingent consideration arrangement requires the Group to pay, in cash, to the former owners, $250,000, which is currently held in an escrow account, upon a target EBIT being achieved 12 months from the completion date. The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between $0 and $250,000.

## 12. JOINT ARRANGEMENTS

### (a) 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. The arrangement is treated as a Joint Operation. The company reflects its share of revenue and profit through its financial statements.

### (b) 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 a specific contract.

| 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**

| **Balance Sheet** | 2015 $000 | 2014 $000 |
|---|---|---|
| **Current** | | |
| Cash | 269 | - |
| Other current assets | 1,224 | - |
| | 1,493 | - |
| Financial liabilities | 35 | - |
| Other current liabilities | 1,458 | - |
| | 1,493 | - |
| **Net assets** | - | - |
| **Statement of Comprehensive Income** | | |
| Revenue | 1,458 | - |
| Expenses | (1,458) | - |
| **Pre-tax profit from continuing operations** | - | - |
| Income tax expense | - | - |
| **Post-tax profit from continuing operations** | - | - |

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**

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Opening net assets at 30 June 2014 | - | - |
| Share of profit | - | - |
| Closing net assets at 30 June 2015 | - | - |
| **Interest in Joint Venture at 50%** | - | - |

## 13. TRADE AND OTHER PAYABLES

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Trade payables | 10,265 | 9,152 |
| Goods and Services Tax payable | 4,005 | 3,082 |
| Accrued expenses | 16,976 | 12,440 |
| Deferred income | 113 | 181 |
| | 31,359 | 24,855 |

## 14. NON-CURRENT BORROWINGS

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Secured** | | |
| At amortised cost: Bank loans | 8,600 | 18,690 |
| | 8,600 | 18,690 |

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 $8,600,000 had been drawn down as at 30 June 2015 (2014: $18,690,000).

The facility is structured as a two year rolling facility with a current maturity date of 26 February 2017. Interest rates on the floating rate debt are based on bank bill rates plus a margin and averaged 4.35% for the year (2014: 3.75%). 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 2015** | | | | |
| Balance at 30 June 2014 | 6,605 | 1,909 | 175 | 8,689 |
| Additional provisions recognised | 10,303 | - | 298 | 10,601 |
| Reductions arising from payments/other sacrifices of future economic benefits | (9,680) | (25) | (175) | (9,880) |
| Reductions resulting from re-measurement or settlement without cost | (31) | (984) | - | (1,015) |
| Unwinding of discount effect of changes in discount rate | (10) | - | - | (10) |
| Balance at 30 June 2015 | 7,187 | 900 | 298 | 8,385 |
| Current | 6,897 | 900 | 298 | 8,095 |
| Non-current | 290 | - | - | 290 |
| | 7,187 | 900 | 298 | 8,385 |
| **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 |

(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 2015 and 3% for the year ending 30 June 2014. A discount rate of 11.03% has been used for the year ending 30 June 2015 and 8.5% for the year ending 30 June 2014.

(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. At balance date, the alliance contract position reflected a net gain (2014: net loss). With the current net gain position, the directors have agreed to release that portion of the SCIRT provision. The remaining provision relates to the life to date revenue still subject to ongoing audit by SCIRT auditors.

## 16. WORK IN PROGRESS

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Construction work in progress (i) | 325,828 | 212,402 |
| Progress billings | (313,065) | (200,874) |
| Unbilled construction work in progress | 12,763 | 11,528 |
| Other contract work in progress | 7,283 | 6,716 |
| Total work in progress | 20,046 | 18,244 |

(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

| | 2015 $000 | 2014 $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.

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | 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.

| | 2015 No. 000 | 2015 $000 | 2014 No. 000 | 2014 $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

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Capital reserve (i) | 2,314 | 2,314 |
| Asset revaluation (ii) | 7,566 | 6,946 |
| | 9,880 | 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 | | |
|---|---|---|
| Balance at the beginning of the year | 6,946 | 6,946 |
| Revaluation increments | 620 | - |
| | 7,566 | 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

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Balance at the beginning of the year | 32,763 | 25,538 |
| Net profit attributable to members of the parent entity | 10,225 | 12,892 |
| Dividends paid | (5,715) | (5,667) |
| Balance at the end of the year | 37,273 | 32,763 |

## 20. COMMITMENTS FOR EXPENDITURE

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Capital expenditure commitments** | | |
| Plant and equipment | 633 | 881 |
| | 633 | 881 |

**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

| | 2015 $000 | 2014 $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) | 7,019 | 7,794 |
| Transit New Zealand | 316 | 343 |
| Others | 661 | 224 |
| | 7,996 | 8,361 |

(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 2015 City Care Limited had one employee enrolled in the Scheme.

The Stronger Christchurch Infrastructure Alliance agreement contains provisions for sharing gains and/ or losses against budget on the conclusion of the contract expected in 2016. Any gain or loss does not crystallise until the conclusion of the contract and cannot be reliably measured in the interim.

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

## 22. LEASES

### Operating leases

**(a) 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.

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **(b) Non-cancellable operating lease payments** | | |
| No longer than 1 year | 3,615 | 3,726 |
| Longer than 1 year and not longer than 5 years | 4,514 | 5,955 |
| Longer than 5 years | 1 | 28 |
| | 8,130 | 9,709 |

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

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Services provided to CCC | 88,133 | 102,050 |
| Services provided to other group companies | 2,785 | 4,025 |
| Goods and services received from CCC | 721 | 2,805 |
| Goods and services received from other group companies | 935 | 876 |
| Rent and rates paid to CCC | 836 | 744 |
| **As at year end** | | |
| Amounts receivable from CCC | 8,466 | 9,257 |
| Amounts receivable from other group companies | 342 | 318 |
| Amounts payable to CCC | 24 | 126 |
| Amounts payable to other group companies | 94 | 133 |

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 (2014: 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 $5,715,000 (2014: $5,667,000) to its immediate parent, Christchurch City Holdings Limited.

During the year, the company made subvention payments totalling $7,219,000 to Christchurch City Council with an associated tax loss offset of $18,562,000.

The company also made sales of $69,752,000 (2014: $91,259,000) to its jointly controlled operation, Stronger Christchurch Infrastructure Rebuild Team Joint Venture and had an outstanding receivable balance of $294,000 at 30 June 2015 (2014: $2,536,000).

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:

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Cash | 6 | 6 |
| Bank deposits | 1,100 | 1,510 |
| | 1,106 | 1,516 |

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

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Profit after tax for the period | 10,225 | 12,892 |
| (Gain)/loss on sale or disposal of non-current assets | 251 | 45 |
| Depreciation and amortisation of non-current assets | 10,070 | 9,936 |
| Increase/(decrease) in current tax liability | (2,894) | 6,586 |
| (Increase)/decrease in deferred tax balances | (294) | (1,529) |
| **Changes in net assets and liabilities** | | |
| ***(Increase)/decrease in assets:*** | | |
| Current receivables | (579) | (2,082) |
| Prepayments | (119) | (297) |
| Capitalised contract set up costs | 59 | (35) |
| Work in progress | (1,802) | 6,046 |
| Current inventories | 337 | 120 |
| ***Increase/(decrease) in liabilities:*** | | |
| Operating current payables (excludes payables for investing activities) | 6,504 | (3,823) |
| Current employee entitlement provisions | 556 | 872 |
| Non-current employee entitlement provisions | 26 | (54) |
| Current SCIRT provisions | 191 | 709 |
| Non-current SCIRT provisions | (1,200) | 1,200 |
| Other provisions | 123 | 103 |
| Net cash from operating activities | 21,454 | 30,689 |



## 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

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Secured bank overdraft facility, reviewed annually and repayable on call: | | |
| Amount used | - | - |
| Amount unused | 500 | 500 |
| | 500 | 500 |
| Secured bank loan facilities maturing 26 February 2017 and extendable by mutual agreement: | | |
| Amount used | 8,600 | 18,690 |
| Amount unused | 41,400 | 31,310 |
| | 50,000 | 50,000 |

### (d) Categories of financial instruments

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 1,106 | 1,516 |
| Trade and other receivables | 32,626 | 32,013 |
| | 33,732 | 33,529 |
| **Financial liabilities** | | |
| Current trade and other payables | 31,359 | 24,855 |
| Borrowings (current and non-current) | 8,600 | 18,690 |
| | 39,959 | 43,545 |

### (e) Collateral

Financial assets pledged as collateral for liabilities have been disclosed in note 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.

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Increase or decrease in net profit from a 100 basis point movement in interest rates, assuming all other variables were held constant. | 86 | 186 |

### (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 the Christchurch City Council for 26% 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** | | | | | | |
| **2015** | | | | | | |
| Trade and other payables | 31,359 | - | - | - | - | 31,359 |
| Borrowings | - | - | 8,600 | - | - | 8,600 |
| | 31,359 | - | 8,600 | - | - | 39,959 |
| **2014** | | | | | | |
| Trade and other payables | 24,855 | - | - | - | - | 24,855 |
| Borrowings | - | - | 18,690 | - | - | 18,690 |
| | 24,855 | - | 18,690 | - | - | 43,545 |

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** | | | | | | |
| **2015** | | | | | | |
| Cash and trade receivables | 33,732 | - | - | - | - | 33,732 |
| | 33,732 | - | - | - | - | 33,732 |
| **2014** | | | | | | |
| Cash and trade receivables | 33,529 | - | - | - | - | 33,529 |
| | 33,529 | - | - | - | - | 33,529 |

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 2015 $000 | Carrying Amount 2014 $000 | Fair Value 2015 $000 | Fair Value 2014 $000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Bank | 1,106 | 1,516 | 1,106 | 1,516 |
| Trade and other receivables | 28,210 | 28,524 | 28,210 | 28,524 |
| Retentions | 4,416 | 3,489 | 4,416 | 3,489 |
| | 33,732 | 33,529 | 33,732 | 33,529 |
| **Financial liabilities** | | | | |
| Non-current borrowings | 8,600 | 18,690 | 8,600 | 18,690 |
| Trade payables | 10,265 | 9,152 | 10,265 | 9,152 |
| | 18,865 | 27,842 | 18,865 | 27,842 |

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 setup costs for Dunedin Maintenance that was amortised in full during the financial year.

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Opening balance | 59 | 24 |
| Additional costs capitalised | - | 64 |
| Amortisation | (59) | (29) |
| Closing balance | - | 59 |
| Current set up costs | - | 59 |
| Non-current set up costs | - | - |
| | - | 59 |

## 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 | 333,545 | Refer note | (i) | 366,490 |
| Equity | 55,689 | Achieved | | 54,801 |
| Net Profit After Tax | 10,225 | Refer note | (ii) | 10,295 |
| Dividends | 5,715 | Achieved | | 5,700 |
| Debt to debt plus equity | 13.4% | Achieved | | 29.9% |
| Equity to total assets | 51.3% | Achieved | | 49.5% |
| Return on average equity | 19.2% | Refer note | (iii) | 19.6% |
| Dividends Yield | 4.2% | Achieved | | 4.2% |
| Earnings Yield | 7.5% | Achieved | | 7.5% |
| **(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 |
| Measurement of Total Recordable Incident Frequency (TRIF) accident rates | 6% reduction | Achieved | | 5% reduction |
| Maintain current level of staff satisfaction | | Refer note | (iv) | Maintained |
| Maintain current level of client satisfaction | | Refer note | (v) | Maintained |
| Growth – win a new significant client | | Achieved | | New Client |

(i) Competitive market conditions meant that the revenue target was not achieved due to the company ensuring that incremental work opportunities were only pursued if satisfactory margins could be achieved.

(ii) The company's focus on margin and efficiency has resulted in NPAT being only slightly below target despite lower than target revenue.

(iii) Return on average equity is slightly less than target due to the equity to total asset being ahead of target.

(iv) Results from the staff satisfaction survey are still being processed.

(v) The absolute measure of client satisfaction declined during the year. Although statistically there is no change between 2014 and 2015 due to sample sizes at 95% confidence level, we take any measure of decline seriously. The outcomes from a recently completed in-depth brand study across our total client base are now being actioned at all levels of management to improve our performance in this most important area.



## 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.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

## Independent Auditor's Report

## To the readers of City Care Limited group's financial statements and performance information for the year ended 30 June 2015

The Auditor-General is the auditor of City Care Limited and its subsidiary. 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 the performance information of the group, consisting of City Care Limited and its subsidiary (collectively referred to as "the group"), on her behalf.

### Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the group on pages 2 to 35, that comprise the balance sheet as at 30 June 2015, 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 performance information of the group on page 34.

In our opinion:

- the financial statements of the group:
  - ° present fairly, in all material respects:
    - its financial position as at 30 June 2015; and
    - its financial performance and cash flows for the year then ended; and
  - ° comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards.
- the performance information of the group presents fairly, in all material respects, the group's achievements measured against the performance targets adopted for the year ended 30 June 2015.

Our audit was completed on 13 August 2015. 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 the performance information 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 the performance information. 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 in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the group's financial statements and performance information 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.



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 the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

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

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 the preparation and fair presentation of financial statements for the group that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparation of the performance information for the group.

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

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information 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 the performance information, whether in printed or electronic form.

### Responsibilities of the Auditor

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

### 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 group.

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 the Christchurch City Council.

## Principal activities

The group'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,
- provision of asset management services, and
- supply of heating, ventilation, planned preventative maintenance and air-conditioning services

## Dividend

A final dividend of $3,579,000 in respect of the 2014 financial year was paid on 7 November 2014.

An interim dividend of $2,136,000 in respect of the 2015 financial year was paid on 10 April 2015.

## Directors for City Care Limited

The following Directors held office during the year ended 30 June 2015:

- Hugh Martyn (Chairman)
- Margaret Devlin
- Tony King (retired 31 October 2014)
- Craig Price
- Mark Todd
- Gary Leech (appointed 31 October 2014)
- Jen Rolfe (appointed 31 October 2014)

## Directors for Command Building Services Limited (a wholly owned subsidiary of City Care Limited)

The following Directors held office during the year ended 30 June 2015:

- Onno Mulder (Chairman)
- Peter Lord

## 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 2015.

| ***Director*** | ***Entity*** | ***Position*** |
|---|---|---|
| Hugh Martyn | PayGlobal Ltd (Resigned October 2013) | Chief Executive Officer |
| | Hadstock Park Ltd | Director |
| | W D Boyes & Sons Ltd | Advisor |
| | Christchurch Ready Mix Concrete Ltd | Chief Executive |
| Margaret Devlin | WEL Networks Ltd | Chair of Remuneration Committee |
| | Indepen (NZ) Ltd | Director |
| | Institute of Directors in New Zealand Inc | National Council Representative, Chartered Fellow |
| | Institute of Directors in New Zealand Inc (Resigned Oct 2014) | Commercial Board Director |
| | Institute of Directors – Waikato | Chair |
| | Hamilton Riverview Hotel Ltd (Resigned Oct 2013) | Director |
| | Waikato Networks Ltd | Director |
| | Waikato District Council | External appointment and Chair of Audit and Risk Committee |
| | 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 (Resigned Oct 2014) | Director |
| | Titanium Park Ltd (a subsidiary of Waikato Airport) | Director |
| | WEL Energy Group Ltd | Director |
| | WEL Generation Ltd | Director |
| | WEL Power Ltd | Director |
| | WEL Electricity Ltd | Director |
| | Waikato Electricity Ltd | Director |
| | Institute of Directors Professional Committee | Member |
| | Waikato Spatial Plan Joint Committee | Chair |
| | Meteorological Services of New Zealand Ltd | Director |
| Tony King | Mainpower New Zealand Ltd (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 |
| | Tertiary Education Commission: Engineering Education to Employment Steering Group | Member |
| | East Christchurch Water Sports Community Trust | Trustee |
| | Power Engineering Excellence Trust (PEET), UC | Trustee |
| | IPENZ Governing Board | Vice-President |
| Mark Todd | Kathmandu | Finance Director<br>Chief Operating Officer |
| | Kathmandu Holdings Ltd | Director |
| | Milford Group Holdings Ltd | Director |
| | Kathmandu Ltd | Director |
| | Kathmandu Pty Ltd | Director |
| | Kathmandu (U.K.) Ltd | Director |
| Gary Leech | Waitakere Mega Centre Ltd | Director and Shareholder |
| | South Beach Properties Ltd | Director and Shareholder |
| | Electricity Ashburton Ltd | Chairman and Chairman of Audit Committee |
| | South Pacific Seeds (NZ) Ltd | Director and Shareholder |
| | South Pacific Seed Sales (NZ) Ltd | Chairman |
| | South Pacific Seeds Pty Ltd (Australia) | Director and Shareholder |
| | TCB Results Ltd | Director and Shareholder |
| | Leech & Partners Ltd | Chairman, Founder & Shareholder |
| | Doug Hood Ltd | Board Secretary |
| | Doug Hood Mining Ltd | Board Secretary |
| | Mountain River Processors Ltd | Board Secretary |
| | Northbank Station Ltd | Board Secretary |
| | McGoldrick Trustees Ltd | Director |
| | Clock Trustees Ltd | Director |

| Director | Entity | Position |
|---|---|---|
| | Murney Investments Ltd | Director |
| | Londale Development Ltd | Director |
| | Back Track Diaries Ltd | Director |
| | Webling & Stewart Ltd | Director |
| | Murney Custodian Ltd | Director |
| | Radfield Trustees Ltd | Director |
| | W H Collins & Co Ltd (Mitre 10) | Director |
| | Sempiternal Trust Company Ltd | Director & Shareholder |
| | Sempiternal Custodians Ltd | Director & Shareholder |
| | Hooked Trustee Company Ltd | Director |
| | Murney Trustee Ltd | Director |
| | Te Mahanga Trustee Company Ltd | Director |
| | The New Zealand Sock Company Ltd | Director |
| | Lye Properties Ltd | Director |
| | Windermere Trustees Ltd | Director |
| | Leech & Partners Trustees (2004) Ltd | Director & Shareholder |
| | Leech & Partners Trustees (2011) Ltd | Director & Shareholder |
| | Leech & Partners Trustees (2012) Ltd | Director & Shareholder |
| | Leech & Partners Trustees (2009) Ltd | Director & Shareholder |
| | Leech & Partners Trustees (2010) Ltd | Director & Shareholder |
| | Leech & Partners Trustees Ltd | Director & Shareholder |
| | Leech & Partners Trustees (2007) Ltd | Director & Shareholder |
| | Cariboo New Zealand (2011) Ltd | Director & Shareholder |
| Jennifer Rolfe | Daffodil Enterprises Ltd | Director |
| | New Zealand Rugby League | Director, Chair of Remuneration Committee |
| | DVML and DVL (Resigned Dec 2014) | Director |
| | Rainger & Rolfe Ltd | Managing Partner and Director |
| Onno Mulder | VFM Family Trust | Trustee |
| | SCIRT Board | Chairman |
| | City Care Ltd | Chief Executive Officer |
| Peter Lord | Facilities Management Association of New Zealand | Board Member |
| | Lord Family Trust | Trustee |
| | FMANZ Foundation | Chairman |
| | City Care Ltd | Executive General Manager, Facilities Management |

## 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:

| | |
|---|---|
| Hugh Martyn | $76,497 |
| Margaret Devlin | $43,464 |
| Tony King | $12,799 |
| Craig Price | $37,089 |
| Mark Todd | $22,311 |
| Gary Leech | $23,181 |
| Jen Rolfe | $23,181 |
| Total | $238,522 |

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 group, nor has the group guaranteed any debts incurred by a Director.

## 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* | *Number of employees* |
|---|---|
| $100,000 – $110,000 | 58 |
| $110,000 – $120,000 | 40 |
| $120,000 – $130,000 | 28 |
| $130,000 – $140,000 | 18 |
| $140,000 – $150,000 | 11 |
| $150,000 – $160,000 | 6 |
| $160,000 – $170,000 | 6 |
| $170,000 – $180,000 | 4 |
| $190,000 – $200,000 | 3 |
| $200,000 – $210,000 | 5 |
| $210,000 – $220,000 | 2 |
| $220,000 – $230,000 | 2 |
| $230,000 – $240,000 | 3 |
| $240,000 – $250,000 | 1 |
| $260,000 – $270,000 | 1 |
| $290,000 – $300,000 | 2 |
| $300,000 – $310,000 | 1 |
| $340,000 – $350,000 | 1 |
| $380,000 – $390,000 | 1 |
| $420,000 – $430,000 | 1 |
| $760,000 – $770,000 | 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 2015 financial year totalling $145,000 have been paid or accrued.

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 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 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, other senior executives and any executive Directors;
- the remuneration, recruitment, retention and termination policies and practices with regard to the Chief Executive;
- 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, Executive General Manager – People, Process & Capability and General Manager – Safety 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**
**Gary Leech**
**Craig Price**
**Jennifer Rolfe**
**Mark Todd**

### Executive Management Team

**Onno Mulder**
*Chief Executive Officer*

**Paul Blackler**
*Executive General Manager Building Construction & Executive General Manager Civil Construction*

**Tim Gibson**
*Executive General Manager National Maintenance*

**Paul Kiesanowski**
*Chief Financial Officer*

**Peter Lord**
*Executive General Manager National Facilities Management*

**Adrian Watson**
*Executive General Manager People, Process & Capability*

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### Auditor

Audit New Zealand on behalf of the Auditor-General

### Solicitors

Tavendale and Partners

### Bankers

Bank of New Zealand