Citycare Group

Annual Report 2021

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Report from Executive Chair, Bryan Jamison

Despite what has been another extraordinary year, due to the ongoing challenges of COVID-19, Citycare has delivered a strong financial performance and subsequent return to our shareholder. The Group has continued to deliver essential services to our communities. This includes Three Waters services across the country, with the provision of safe drinking water sitting alongside the management of stormwater and sewerage infrastructure, through Citycare Water. Citycare Property continues to build, maintain and renew social infrastructure assets across Aotearoa.

Citycare staff have been highly visible in our communities over the past 12 months. This visibility has not just been during periods of lockdown in Auckland, or elevated COVID-19 Alert levels in the rest of the country when our teams continued to deliver essential services 24/7, but also as team members gave effect to our brand values by supporting our communities through a range of activities. The teams pay more than lip service to the value We Care, and the Board is proud of our people and the way they have operated. Teams respond rapidly and effectively to deliver operational excellence while continuing to contribute to their local communities.

The past 12 months witnessed a period of change for the Group with the departure of long-standing CEO Onno Mulder. Onno provided strong leadership for the business over many years and during some difficult times, including the Christchurch earthquakes of 2010 and 2011. With his departure, the Board took the opportunity to accelerate our previously agreed transformational strategy. As a result, Citycare Water and Citycare Property are pursuing autonomous and independent sector strategies with Peter Lord appointed to the role of Chief Executive Citycare Property and Tim Gibson appointed to the role of Chief Executive Citycare Water. The Citycare Civil business was integrated into Citycare Property in late 2020.

Our businesses must be well positioned to deliver on the challenges ahead, including New Zealand's Three Waters sector reform which has seen the establishment of a new water services regulator, Taumata Arowai, and the impending creation of multi-regional water entities. The proposed water reform will change the fabric of our water business and of our country's infrastructure delivery. We are focused on ensuring we maximise the associated opportunities that will result from this transformational change.

The Board has also identified enhanced opportunities for Citycare Property with the Government commitment to delivery of social infrastructure initiatives across the country. We will continue to improve our operational excellence and efficiency to ensure Citycare Property is competitively placed to participate in this changing environment.

Citycare is committed to delivering on our shareholder's strategic pillars of Kaitiakitanga, Mana, Sustainability, Financial and People. Each of these pillars provides balance and cohesiveness to our role within our communities, both commercial and social. This commitment is reflected in the contribution we make daily to our communities, customers and stakeholders across New Zealand and was further acknowledged by the business winning the Westpac Auckland Business Awards Excellence in Community Contribution category. Congratulations to all those involved in this achievement.

Citycare has also embraced the opportunity to work more closely with the broader CCHL Group of companies to explore opportunities through Te Whāriki. Our business can identify the strength of working together and utilising and combining the skills of the Group to rebalance workloads and resource work. These opportunities enable us to operate with greater economies of scale and provide more advantages for our people to explore enhanced opportunities across the CCHL Group. We will be further committing to this programme of work during 2021/22.

In pursuit of a more autonomous sector strategy, Citycare Water and Citycare Property have revised their 10 year business strategies to focus soundly on delivery that provides positive impacts for our shareholder and the communities where we work. Implementation of these strategies will provide the future focus for our businesses.

Citycare is effective because of our people. The Board thanks them for their hard work and contribution to ensuring a successful year financially, operationally and as a contributor to strengthening our communities.

Bryan Jamison
Executive Chair
Citycare Group.

We Discover, We Deliver, We Care

Citycare Group

$5.625M
Net Profit after Tax

$4.55M
Dividend paid to CCHL
$250K in 2019/20

>120,000
hours community contribution

5.66%↓
Carbon Emissions reduction in 20/21
Kg emitted per $ earned

Citycare Water

>14km
watermains installed and/or remediated

640km
waterways managed including three rivers (total 1 million sqm)

>700
tonnes of weed harvested (hand cut and composted)

Citycare Property

53,000
responsive Jobs nationwide

1,400
Renewal & Construction Projects nationwide

778,000
scheduled and Planned Maintenance Tasks nationwide

At the heart of our operations are the values of We Discover, We Deliver, and We Care. Our activities and performance are measured against these values and our staff and customers benefit from a strong commitment to delivery against these values.

Throughout the report we have highlighted how we translate these values into our activity base and strategic foundations.

We Care

Nowhere is the We Care value more evident than in the contribution our people deliver over and above their everyday jobs through volunteer hours on projects that make a meaningful difference to the communities we work in. These volunteer projects have included partnerships with the Beautification Trust to give public spaces around South Auckland a spruce up and participation in the creation of a learn to ride park in the Christchurch Red Zone. In addition, we have been involved with smaller clean-up projects in centres including New Plymouth and with the Garden to Table programme which teaches children the essential skills they need to be food resilient. We also continued to work with the Student Volunteer Army (SVA), a relationship that has endured since it was established in the aftermath of the Canterbury earthquakes.

We Deliver

Every day Citycare teams in Water and Property ensure New Zealanders have access to safe and secure services across Water and Social Infrastructure. This contribution makes our communities safer, and better places to live, work and play.

We Discover

Citycare embraces the advantages of our fast-changing world and the opportunity to use technology to deliver a better experience for our customers and our communities.

WATER

1.5km
Sewer mains installed

>21,000
Water meters installed

>700
backflow prevention devices installed

385
stormwater basins maintained

Citycare Water

118
staff studied for professional qualifications

>600
people employed at 10 locations throughout New Zealand

80
trainees working in the business including 40 apprentices

31
new trainees commenced qualifications and 38 team members completed qualifications

Report from Chief Executive Water, Tim Gibson

Citycare Water has delivered a year of growth, financially, operationally and for our people. During the 2020/21 year we negotiated a new long-term maintenance contract with Watercare for the provision of Three Waters services in the South Auckland region which commenced in July 2021. Christchurch City Council (CCC) also entered direct negotiations with Citycare Water for a new Three Waters Maintenance contract. Extensions to our current long-term maintenance contracts with Timaru District Council and New Plymouth District Council have been secured and negotiations are underway to extend our Three Waters maintenance contract with Dunedin City Council. All this places Citycare Water on a sound future footing.

The proposed regulatory changes to our sector, through the Water Services Bill and establishment of Taumata Arowai, have been a significant focus for our operations over the past 12 months. This will continue to be a priority into the future as we position our business to deliver on new regulatory requirements. The establishment of the new Citycare Water Executive Leadership Team has added strength to our capability and our participation on Central Government steering committees, regarding Three Waters reform, has ensured we have had significant involvement in the direction the reforms will take.

Over the past year many of our customers have had to manage and deal with extraordinary events and Citycare Water teams have been on hand to provide appropriate assistance as required. This has included the development of opportunities to preserve water in the greater Auckland area to help mitigate drought conditions, through to working with Councils in the Canterbury region to manage the impact of extensive flooding in May 2021.

The response of our teams to these extraordinary events and issues has further cemented our reputation for delivery of operational excellence. This is reinforced by our voluntary contribution to the communities where we work. Our support of the Student Volunteer Army, and schemes like 2 in a Ute, add value for our people and our communities. These projects are a clear demonstration of our commitment to our brand value — We Care.

Across the country, Citycare Water has engaged with our communities through local environmental activities and educational and career development initiatives.

This year, our teams contributed to two large-scale environmental care projects – Te Puhinui Big Clean in South Auckland and the Mother of All Clean Ups in Canterbury. These were in addition to the delivery of smaller scale initiatives that included the New Plymouth annual beach clean-up and the intensive clear-out of a section of Otara Creek in South Auckland that runs alongside a local childcare centre.

The strength of our community presence is reflected in our educational and career building initiatives, creating awareness about opportunities in our Three Waters operations for future generations.

We invest in our people and support them in growing their career and skills, providing opportunities to step up and progress within the organisation. We currently have 80 trainees working in the business, 40 of whom are apprentices, and many staff have commenced and completed qualifications during 2020/21.

COVID-19 has impacted our operations as we have navigated further Auckland lockdowns and changes to Alert levels in other regions. As a provider of essential services, the Citycare Water teams have been at the forefront of service delivery ensuring that operations continue seamlessly during these periods of uncertainty. It is anticipated that the pandemic will continue to impact our communities for at least a further 12-month period of time.

Through our day-to-day maintenance, emergency planning and emergency response, our priority is always to keep our communities and our people safe. As a reflection of that priority, we have incorporated We are Safe as a new value for Citycare Water. Our approach to this includes enabling our people through the delivery of strong leadership in the Health and Safety space, based on active involvement, taking ownership and responsibility, and promoting continuous learning and improvement of our planning, delivery and review processes.

Citycare Water continues to develop its service offering and ensure it responds to our stakeholders, our customers and our communities with sound technical solutions that contribute to our commitment of Wai Ora – Safe Water for Life.

Our growing arsenal of technology solutions provides a highly targeted, faster, cheaper, and less invasive approach to managing leaks and environmental contamination events. The deployment of smart devices, based on Artificial Intelligence (AI) and predictive machine learning technologies, enhance network management via near real-time data analysis and the insights delivered support supply continuity, leak minimisation and water quality tracking.

Apex Environmental Ltd adds significant technical skills and innovation to Citycare Water's portfolio of services provided to customers. The company works with industrial and municipal clients and delivers projects for councils as well as the primary production sector. Apex has had an extremely successful year and has grown the business significantly, while strengthening technical and management capability. The business now operates from Timaru, Auckland and Christchurch and employs 26 staff. The outlook for Apex remains strong and the company is well positioned to meet the growing needs of the sector as it embarks on water reform.

We are committed to the central government foundation of Te Mana o Te Wai, referencing the health and wellbeing of our waterways and all New Zealanders that rely on this vital life source. The work we do is very much focused on ensuring community health through safe drinking water and safe management of stormwater and sewerage. We will continue to explore and apply the most up-to-date technology to our solutions focus for our customers.

I am proud of the way our teams operate in this essential space.

Citycare Water will embrace the challenges of a new national operating environment and commit to continuing with delivery of excellence throughout the change process.

Tim Gibson
Chief Executive
Citycare Water.

Leadership Team

The shift in late 2020 towards a more sector centric business approach enabled the opportunity to refresh the Citycare Water strategy to ensure we are better positioned to deliver excellence in a new regulatory environment.

The revised strategy dictated a new approach for the Citycare Water Executive Leadership Team (ELT) with the requirement for a structure that reflects the skills required in the business under the proposed Three Waters reform and to ensure excellence in operations and delivery.

Our People

Our people are at the heart of our operations. Citycare Water employs more than 600 people at 10 locations throughout New Zealand. These team members contribute to the smooth running of communities throughout our country every single day. Citycare Water is a technology-based enterprise. We rely on data and the accurate interpretation of that data to deliver excellence. This requires a team of skilled and qualified staff with a range of knowledge and expertise to ensure delivery of safety requirements and consistent service.

Over the past year Citycare Water has invested in upskilling our teams, helping to support our staff to attain new skills and competencies that provide them with the ability to better complete their job and ensure lifelong learning. Citycare Water currently has 80 trainees working in the business, including 40 apprentices. During the year 31 new trainees commenced qualifications and 38 team members completed qualifications. This commitment to professional development assists Citycare Water with attraction and retention of new and existing staff which is essential in the current climate of skilled labour shortages.

We have enhanced our internal communications process to ensure that staff have immediate access to information on more general aspects of our business and operations. This has been important in building a sense of team culture that ensures effective delivery and assists with retention rates.

Keeping our People Safe

Health and Safety (H&S) is at the core of Citycare Water delivery, and over the past 12 months we have introduced a range of tools to help keep our people safe when they are at work. Citycare Water will continue with our commitment to the provision of leadership in safety, culture and performance. To that end, we have implemented new H&S initiatives which focus on leadership, visible commitment, active involvement and focused engagement with our teams around our critical risk activities.

Citycare Water reviewed our H&S related training and competency, resulting in several training improvements being instigated across the business.

Our commitment includes enhanced public safety through continuous improvement initiatives and to enact this, we stepped up our engagement with our contracting partners and supply chain.

Citycare Water remains actively involved in the WorkSafe Better Work initiative, Whakaiti Kino, which focuses on safety while working around underground infrastructure.

Three Waters Reform

The Government's proposed Three Waters Reforms set out a suite of significant changes to New Zealand's existing Three Waters service delivery arrangements, which will impact on Citycare Water's operating environment. This is one of the largest and most ambitious infrastructure reforms in New Zealand's history, initiated to improve New Zealand's prosperity, health, safety and environment by ensuring our Three Waters infrastructure and services are fit for purpose for decades to come. The reforms propose to transfer the ownership of local governments' Three Waters assets into four publicly owned multi-regional entities responsible for delivery of services and programmes.

During the past 12-month period, Citycare Water has developed and implemented strategies to ensure that the business is well positioned, strategically, technically and operationally, for success through the reforms. We have also taken steps to ensure we are well placed to deliver on enhanced regulatory and compliance requirements that will be announced later in 2021.

A core component of the Three Waters Reforms is to give effect to Te Mana o te Wai, a concept which refers to the vital importance of wai (water) and recognises that protecting the health of freshwater, protects the health and wellbeing of the wider environment. Citycare Water embraces that commitment and seeks ways to embed these principles into our business and the way we do our work.

Operational Excellence

Every day Citycare Water expert teams undertake emergency and planned maintenance of Three Waters services for our clients around New Zealand.

Over the past year, this work has included the installation and/or remediation of over 14 km of pipes, the installation of close to 21,000 water meters, the installation of 1.26 km of sewer mains and nearly 700 backflow prevention devices and the maintenance of 385 stormwater basins. We also managed over 640 km of waterways including three rivers where we harvested over 700 tonnes of weed for compost.

Smart Water Technologies

Technology drives our business. Citycare Water has a reputation as an early adopter of technology that enables our operations and ensures excellence. A range of technology solutions are provided to both core maintenance and other Three Waters customers to enable them to make evidence-based decisions, optimise asset performance and advance from a reactive to a predictive approach.

Over the past 12 months Citycare Water has undertaken many innovative technology-based projects to improve the service we deliver to our customers and to protect our environment. This combined application of smart technology provides Citycare Water with the defining edge to our business.

The Community

During the year, Auckland Council Healthy Waters extended the 2 in a Ute pilot programme. 2 in a Ute was established to maintain water sensitive stormwater assets through agile teams working in their local communities across the Auckland region. Positively impacting the local community is part of the ethos of 2 in a Ute – the project aims to contain and mitigate its carbon footprint by keeping it local and contributing to mana whenua and community initiatives. The teams have enhanced over 1040 swales, rain gardens, road culverts, ponds and storm waterways delivering water quality improvements. The end goal is to establish social franchise units as people enhance their skills to run their own micro-business, maintaining stormwater assets in their local area.

In early 2021, Citycare Water became a signatory to the Community Waterways Partnership Charter in Christchurch. The Charter is a collaborative partnership that supports the development of community-based initiatives to improve the ecological health, indigenous biodiversity and the amenity value of Christchurch City urban waterways. Partners include community groups, iwi, researchers, universities, schools, industry representatives, businesses, local and central government agencies who are working together to achieve outcomes on a scale that cannot be achieved independently.

Looking to the Future

Citycare Water sponsors the Tread Lightly Drain Game, a hands-on initiative of the Tread Lightly Charitable Trust. This mobile environmental classroom visits primary and intermediate schools in the Auckland region, enabling students to explore the difference between the stormwater and wastewater systems, where different drains lead to, and the impact of pollutants on freshwater and marine environments. The programme facilitates engagement with young people, educating them about urban water networks and individual responsibility in impacting water quality.

Building our Workforce

The positive environmental outcomes of our work in the Three Waters space attract a range of job seekers. Practical work experience provides an opportunity to introduce prospective employees to the variety of roles available within the water industry.

During the year Citycare Water hosted two work experience days for Conservation Volunteers NZ, a partnership with the Ministry for Social Development to help unemployed people get back into the workforce through their Conservation Work Skills programme.

In an additional initiative to recruit new team members and fill the skills gap, the business participated in Girls with Hi-Vis®. This initiative gives female school students the opportunity to visit an infrastructure company with their school, get hands-on experience, and hear from women in the industry about what's involved. During the year, Citycare Water hosted 20 students from three South Auckland schools as part of Girls with Hi-Vis®.

The Citycare Water partnership with the Gateway programme enables high school students to join a business for work experience – one day a week – while continuing with their studies. Over the last year, Citycare Water has welcomed four students as part of the programme.

Each of these initiatives helps us to build a strong pipeline of talent to ensure we can continue to deliver effective solutions in our communities.

Apex Environmental

Apex Environmental is a subsidiary of Citycare Water specialising in the design and build of bespoke water and wastewater treatment plants of all sizes throughout New Zealand. The business is focused on providing smart and adaptable water treatment solutions for our communities. These solutions often need to accommodate remote locations and integrate works into existing facilities and the unique environmental circumstances of each site.

Apex has had an extremely successful year and has grown the business significantly, while strengthening technical and management capability. The business now operates from Timaru, Auckland and Christchurch and employs 26 staff.

The company works with industrial and municipal clients and has delivered projects in the food and beverage, dairy and winery sectors as well as for councils.

Constant adoption of new technology for sustainable and healthier outcomes is a key part of the Apex business delivery approach. Apex Environmental projects currently include industrial and municipal water and wastewater treatment plants including a membrane bioreactor wastewater treatment plant for Watercare Meremere; one sequencing batch reactor wastewater treatment plant for Cardrona Valley Wastewater and Queenstown Lakes District Council and another for Whakatohea Mussels Ltd; an activated sludge wastewater treatment plant for NZSki at Coronet Peak; and a water treatment plant for Tasman District Council at Motueka.

PROPERTY

62
staff undertaking formalised training including apprenticeships and cadetships

>700
people employed at nine locations throughout New Zealand

19
staff completed or achieved qualifications

27
staff completed an in-house Field Leadership Development Programme

Report from Chief Executive Property, Peter Lord

It is impossible to present a summary of our last year's performance without first acknowledging the outstanding work and commitment of the dedicated team of people that make up Citycare Property and the support of the wider team within the Citycare Group functions. In the past year, we contended with further COVID-19 lockdowns in Auckland, various heightened Alert levels in other parts of the country, extreme weather events, and restructuring the business to position for the future. Once again, our people showed resilience, the ability to adapt to unique situations and high levels of ownership as they took responsibility for keeping many of the essential services our communities rely on functioning.

Our purpose is "to enhance the wellbeing of our communities" and I am proud to see this consistently realised. Our approach to emergency response, which empowers our teams to prioritise doing the right thing and to take into account our customers' wider stakeholders, gives me confidence in our ability to continue meeting the demands of any future adverse events from extreme weather impacts to further COVID-19 challenges. An example of this was our response to the tornado that impacted Papatoetoe in South Auckland in June 2021. Our Auckland building maintenance crew immediately mobilised and provided support for residents.

Our strong financial performance talks to the continued focus of our team on optimising delivery efficiency and increasing the effectiveness of our services. Continued investment in workforce planning and the application of the logistics science of optimisation and planning have resulted in enhanced service delivery and minimal customer disruption. Other benefits that are of equal importance include a more satisfied team of people delivering services, and increasing value to our customers by way of responsiveness, customer satisfaction and consistency of service.

We continued to prioritise investment in the valuable insights we can provide our customers through asset management. FY20/21 saw us achieve ISO 55001:2014, an international standard covering the more effective lifecycle management of assets for our Facilities Management Tauranga business which is currently focused on maintaining social infrastructure for local government within the region.

Citycare Property continued to grow our contract book of long-term maintenance contracts and our pipeline of construction projects during FY20/21 including; an All-of-Government FM contract for the Department of Internal Affairs, a Kāinga Ora contract for the refurbishment of existing social housing in both Wellington and Kāpiti and construction contracts for schools in Christchurch. Our strong performance in delivery, on time, to programme and within budget of renewal projects has seen us maintain and deliver an excellent pipeline of asset projects in both Auckland and Christchurch.

In the last quarter of FY20/21 Citycare Property finalised our Towards 2030 Strategy which took into account Citycare Property being a standalone business. Our strategy identifies the owners of social infrastructure as our primary customer. This plays to the strengths of the established Citycare Property business, our existing contract book and the embedded resources of the organisation. Becoming solely focused on social infrastructure will see us concentrate our efforts and investment on what the owners of these assets value and will put their customers (the community) at the centre of everything we do. With a strong track record in the civic (green, blue, recreation, arts and culture), education and social housing categories of social infrastructure, we will continue to complement our existing capability with a view to extending our service offering into health, defence and justice and emergency services.

Consistent with this strategy, we took steps during the year towards restructuring our business and rationalising our service offering to be specific to social infrastructure. The greatest impact was on some of the civil-related services which had been incorporated into the Citycare Property business earlier in the year.

Our Towards 2030 Strategy also prioritises being "a Good Kiwi Company". In assessing what that meant for us, we started with the founding document of Aotearoa, New Zealand — Te Tiriti o Waitangi. Consultation with our employees gave our people the opportunity to express what this means for them. A strong theme of the feedback of these focus groups was that acknowledging and respecting Māori would form the basis of inclusion across all the diverse nationalities and cultures of our people. We have implemented an Honouring the Principles of Te Tiriti o Waitangi Policy which outlines the company's commitments and provides guidance to, and informs, all our employees of our expectations when engaging with tangata whenua, whether as employees, customers, partners and/or community members.

Finally, I acknowledge the January 2021 road accident that resulted in the tragic death of one of our operators. People and their safety are at the heart of our business and to ensure transparency and learning, the findings from the investigation into the accident have been shared with staff and stakeholders. It is through these confronting and impactful discussions that the organisation learns and is able to provide greater safety and security for our stakeholders in the future.

Citycare Property anticipates a strong 2021/22 year. As a business we look forward to identifying new opportunities and building further strength as we maintain focus on executing our strategy.

Peter Lord
Chief Executive
Citycare Property.

Land of Opportunities

Citycare Property employs more than 700 people at nine locations throughout New Zealand. These team members contribute to the wellbeing of their communities through the work they complete in delivering services for our customers' social infrastructure assets.

Citycare Property has been committed to growing the skills and diversity of our teams across the country, and over the past year this has included:

- 62 staff undertaking formalised training including apprenticeships and cadetships.
- 19 staff completed or achieved qualifications.
- 27 staff completed an in-house Field Leadership Development Programme.

Over the past 18 months it has become harder to secure trained, qualified and experienced staff. As part of the strategy to address this issue, and to contribute to Citycare Property being acknowledged as an employer of choice, we have invested additional resource in upskilling our existing team and providing greater opportunities for their growth.

"I've worked for Citycare for 14 years and during that time I've always been given opportunities to upskill. In the last two years I have worked my way up to a full-time role as Health & Safety Advisor for Citycare Property."

David Goy
Health and Safety Advisor.

"This year at Citycare Property I changed roles to Project Management from Account Management. Combined with hard work and persistence, I have had a lot of brilliant people around me who were supportive of my move and made it happen, I couldn't have it any other way."

Brent Schmitt
Project Manager.

"I'm grateful to Citycare for believing in me and encouraging me to step outside my comfort zone and enabling me to flourish."

Jody Deer
Account Management.

"I am passionate about Citycare using data to drive decision-making through improved systems to access information and by growing staff skills. In the three years I have been here, my managers have encouraged and enabled me to work towards these goals and share my knowledge across the business."

Elizabeth Plew
Process Improvement Specialist.

Ensuring the safety of our staff, our customers and our communities is crucial and central to our business. At times, our teams work in high-risk work zones, and we continue to evolve our culture and safety systems to help our staff maintain their personal and team safety. This commitment is at the heart of our business.

The past 18 months have brought a period of new challenges with COVID-19 and the associated requirement to deliver essential services to our communities in times of lockdown. During lockdowns and enhanced Alert levels our team has continued to manage and maintain services such as public facilities, parks and sports fields that have contributed to the mental and physical wellbeing of our neighbourhoods.

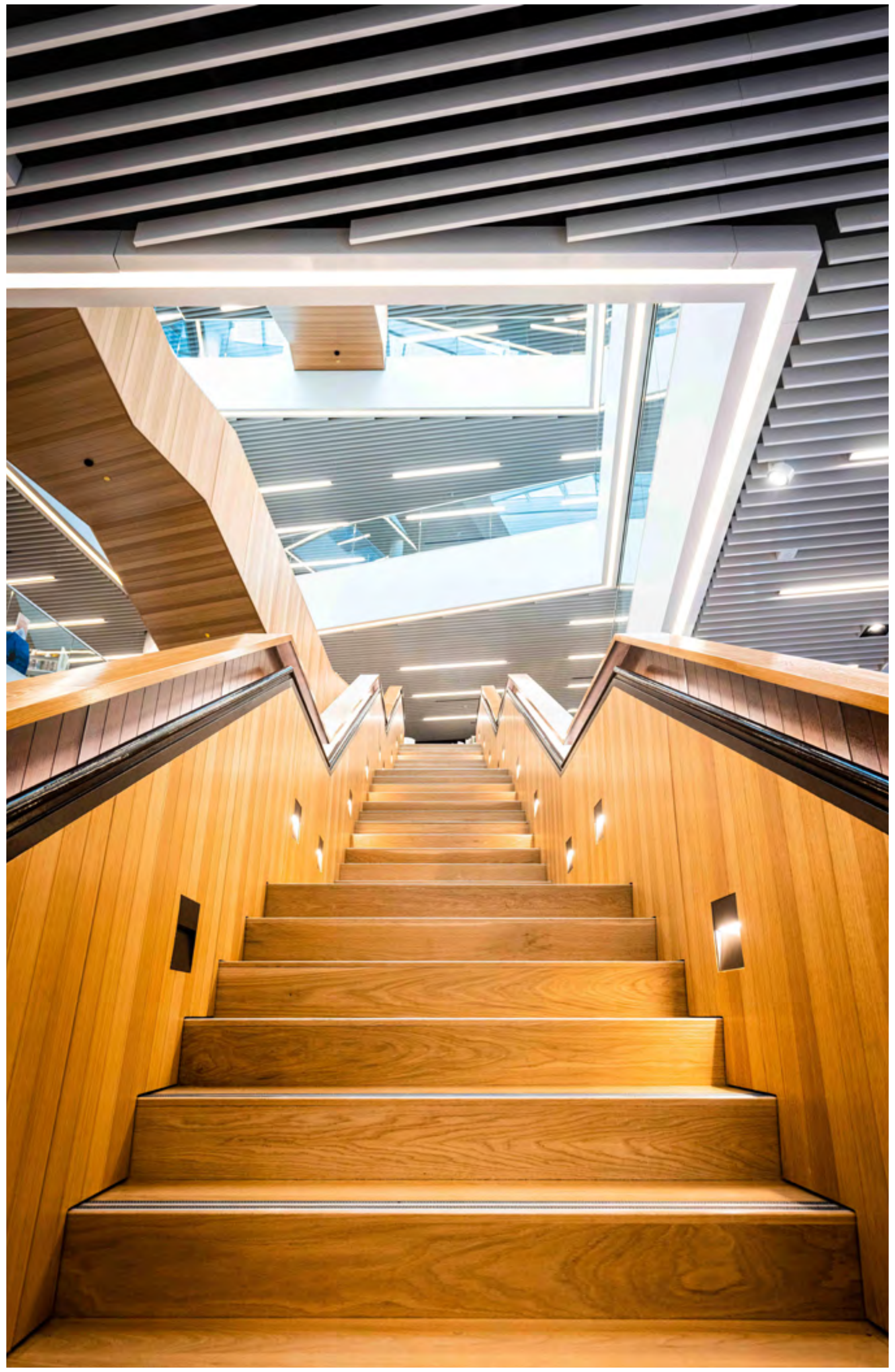
Career progression

Jason Rayner Senior Foreman › Engineer Nathan Woolford Senior Foreman › Engineer Penese Iosefo Labourer › Second in Charge Aaron Martin Project Engineer › Project Manager David Goy Gardener › Health and Safety Advisor Elizabeth Plew Administrator › Process Improvement Specialist Tessa Jamieson OD Advisor › Snr HR & OD Advisor Richard Scott STMS › Traffic Management Plan Designer Chris Bass Estimator › Senior Estimator David Giddens Second in Charge › Foreperson Thomas Parackal Junior Project Manager › Project Manager—Capital Projects Aidy Hodson Operations Manager—BM › Capital Projects Manager Gary Brawley Service Delivery Manager › Tender Manager—Construction Deny Sutjadi Estimator › Project Engineer and Estimator—MEP Aman Deshmukh Graduate Engineer › Junior Project Engineer Christine Coutand Site Supervisor › Site Manager Glenn Edwards Site Manager › Senior Site Manager Abigail Clements BWOF and SMP Coordinator › Campus Services Manager David Porter Labourer › Crew Leader Steven Mitchell Asset and Database Coordinator › Senior GIS Specialist Geoff Sergeant Gardener › Foreperson—OSM Hort Sulia Pepe Handyman › HVAC tech John He Continuous Improvement Engineer › Contracts Engineer Sun Kim Projects administrator › Junior Estimator Brent Schmitt Account Manager › Project Manager Jody Deer Soft Services Manager › Account Manager Rory Pai Handyman › Carpentry Apprentice Ashik Ali HVAC tech › HVAC Apprentice Cruze Rawiri Parks Labourer › Berti Mower Operator Tyrone Moore Berti Operator › Reach Arm Operator Fereti Sagatu Walker Mower Operator › Tractor Operator Aisea Lokotui Tractor Operator Passive › Pegasus Operator Sportsfield Taryn Hill Parks Labourer › Trainee Gardener Kaamo Vercoe Parks Labourer › Gardener Robyn Rudman Parks Labourer › Trainee Gardener

Making a difference every day

Citycare Property thrives when our communities thrive. Our teams make a difference every day to our communities, our neighbourhoods and the people in them. Social infrastructure is the glue that binds many of our communities together. Schools, libraries, recreational facilities, social housing and community buildings form the foundation of strong and sustainable communities and Citycare Property delivers in this niche sector.

Citycare Property commenced a Facilities Management Services agreement with the Department of Internal Affairs, Te Tari Taiwhenua (DIA). The All-of-Government (AOG) Facilities Maintenance Service encompasses the provision of a range of management, technical and non-technical maintenance services to public sector facilities including Ministerial Departments, Crown Entities, Government office buildings and other eligible government agencies. The AOG contract requires the provision of high-quality maintenance services with a focus on proactive asset management, quality data and more effective management of facilities across the public sector.



Tūranga in Christchurch City, is one of the many community facilities maintained by Citycare Property.

New Brighton Surf Life Saving Club, Marine Parade, Christchurch

The DIA contract was the first of its kind to go live under the collaborative model launched by the Ministry of Business, Innovation and Employment's Government Property Group in 2018.

The range of services provided by Citycare Property includes reactive, planned and preventative maintenance; minor works, repairs and replacements; asset management and condition assessments; building maintenance and building compliance. These services are backed by a 24/7 helpdesk and Citycare's proprietary workforce management technology that keeps clients, and teams on site, informed in real time.

Renovations at social housing properties all over the country are expertly achieved by Citycare Property teams dedicated to ensuring tenants have warm, dry, safe and secure homes.

With property maintenance expertise as one of Citycare Property's core strengths, it is really satisfying for our teams of specialists to play a part in delivering healthy homes for our clients such as Kāinga Ora, the Christchurch City Council (CCC) and Ōtautahi Community Housing Trust (ŌCHT). We support their goals as landlords caring for more vulnerable people by maintaining their assets with a long-term focus. Daily, our teams are fixing issues in bathrooms and kitchens, redecorating walls, upgrading heating systems, and improving weather-tightness of homes.

Citycare Property was one of eight contractors involved with the installation of heat pumps in the 2000 ŌCHT and CCC managed social housing units.

Citycare Property contracts with the Ministry of Education (MOE) have resulted in the completion of three school rebuilds and renovations in Canterbury over the past year and work has commenced on a further three schools in the region. This includes Isleworth School in Christchurch which caters for children in years 1-6. The 15-month project in the suburb of Bishopdale began with a site blessing in early January 2021. Once the new multi-purpose space is completed, the team will undertake internal refurbishment of three classroom blocks and demolition of the old hall.

The Property team managed the rebuild of Ngutuawa School (Bamford), in Woolston, Christchurch. The 1952 school was damaged in the Canterbury earthquakes and was scheduled for redevelopment along with incorporating increased design criteria as an "Importance Level 3 Building", which doubles as a Civil Defence assembly area for the neighbourhood.

In Auckland, the Citycare Property team assists the MOE by providing building expertise to schools which require learning support property modifications. The building work ensures all students can access rooms and facilities, thereby promoting independence.

During the January shut down of the Franklin Pool and Leisure centre, Citycare Property's Carpentry Team took care of planned upgrades to some of the Auckland Council facilities including installation of an artificial beach/splash pad made from recycled PVC plastic.

Citycare Property is the main contractor for the rebuild of New Zealand's oldest surf lifesaving club in the Christchurch suburb of New Brighton with work due for completion later this year. The design includes some special features to ensure the seaside building will cope well with exposure to the elements – wind, sand and salty air.

Sustainability

Delivery of sustainable outcomes is at the core of our commitment to operational excellence. Over the past year Citycare Property has embedded sustainable delivery as part of our ethos. The team actively seeks alternatives that deliver better environmental outcomes.

Polystyrene from the Pioneer Recreation and Sports Centre renovations has been upcycled and diverted from landfill. Citycare Property undertook a six-month repair and maintenance project at the pool complex in Somerfield, Christchurch. With the potential environmental and cost impact associated with disposing of 22 tonnes of polystyrene material to landfill, a better solution was sought. Consequently, all of the polystyrene was upcycled back into insulation material at a reduced cost than landfill disposal with zero impact on project timeline and deliverables. The steel sheet cladding was stripped and sent separately to be recycled. The whole process has since been fine-tuned and is now repeatable.

In another innovation on the sustainability front, the Citycare Property team in Auckland are trialling the use of recycled plastic fence posts, with one kilometre of the sustainable plastic posts installed at Mountfort Park in Manurewa. The posts are designed and made in New Zealand, using recycled plastic bags and milk bottles and they are more durable than traditional fence posts, lasting up to 50 years.

Our Community

At Citycare Property we know that our work makes a difference to our customers, our communities and our people. They are at the heart of what we do, either making their community spaces and places better, or enjoying the spaces we have created and evolved.

Over the past 12 months we have been involved with many community clean-up days. Much of this work is completed on a volunteer basis with our team members giving up their time to make the places where they often live, and usually work, better places to be. The commitment enhances our connection to communities and that connection helps to deliver better outcomes from both a team and community satisfaction level.

In addition to the community clean-up days, Citycare Property is supporting the Garden to Table not-for-profit organisation. Garden planters built by the Citycare Property minor capital works team, using recycled timber, are in place at several low-decile schools in South Auckland. The initiative is further supported through thousands of vegetable seedling donations by Citycare Property's local nursery suppliers.

2020–21 Financial Report

Directors' Responsibility Statement

The Directors are responsible for the preparation, in accordance with New Zealand law and Generally Accepted Accounting Practice, of consolidated financial statements which present fairly the financial position of City Care Limited and its subsidiaries ('the group') as at 30 June 2021 and the results of the operations and cash flows for the year ended 30 June 2021.

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 2021.

This Annual Report is dated 19 August 2021 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:

Bryan Jamison
Executive Chair
19 August 2021

Mark Todd
Director
19 August 2021

Citycare Group

Income Statement

For the year ended 30 June 2021

	Notes	2021 $000	2020 $000
Revenue	3	319,257	285,136
Finance income		73	102
Other income	3	2	9,169
Gain / (loss) on sale of property, plant and equipment		281	290
Raw materials and consumables used		(44,561)	(41,701)
Subcontractor costs		(105,339)	(92,205)
Employee benefits expense		(112,504)	(106,848)
Depreciation and amortisation expense	13, 15	(8,423)	(8,678)
Depreciation on right of use assets	14	(3,876)	(3,355)
Other expenses		(36,411)	(33,191)
Finance costs		(647)	(666)
Shares of profits / (losses) of Joint Venture	17	–	(62)
Profit before income tax		**7,852**	**7,991**
Income tax	5	(2,227)	(2,375)
Profit for the year		**5,625**	**5,616**
Attributable to:			
Owners of City Care Limited		5,368	5,527
Non controlling interests		257	89
		5,625	**5,616**

Statement of Comprehensive Income

For the year ended 30 June 2021

Profit for the year	5,625	5,616
Items that will not be reclassified to profit or loss:		
Gain / (loss) on revaluation of land	950	(630)
Total comprehensive income for the year	**6,575**	**4,986**
Total comprehensive income for the year is attributable to:		
Owners of City Care Limited	6,318	4,897
Non controlling interests	257	89
	6,575	**4,986**

Bryan Jamison
Executive Chair
19 August 2021

Mark Todd
Director
19 August 2021

The above Income Statement and Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2021

	Notes	2021 $000	2020 $000
Current assets			
Cash and cash equivalents	23	19,063	18,286
Sub-contractor retention deposits		1,147	1,528
Trade and other receivables	7	40,550	32,486
Inventories	11	1,974	1,728
Contract assets	12	17,064	17,334
Non-current assets classified as held for sale	13	687	–
Total current assets		**80,485**	**71,362**
Non-current assets			
Property, plant and equipment	13	35,358	37,823
Right of use asset	14	10,107	16,218
Intangible assets	15	3,513	3,837
Contract assets	12	53	64
Deferred tax assets	6	805	268
Total non-current assets		**49,836**	**58,210**
Total assets		**130,321**	**129,572**
Current liabilities			
Trade and other payables	8	32,507	29,227
Borrowings	9	10,000	–
Contract liabilities	12	5,097	3,130
Current tax liabilities	5	2,461	2,827
Provisions	18	8,073	8,410
Lease liabilities	14	3,115	3,447
Total current liabilities		**61,253**	**47,041**
Non-current liabilities			
Borrowings	9	–	10,000
Provisions	18	488	555
Lease liabilities	14	7,448	12,869
Total non-current liabilities		**7,936**	**23,424**
Total liabilities		**69,189**	**70,465**
Net assets		**61,132**	**59,107**
Equity			
Capital and other equity instruments	19	8,536	8,536
Reserves		10,200	9,250
Retained earnings		41,629	40,811
Equity attributable to owners of City Care Limited		**60,365**	**58,597**
Non-controlling interests		767	510
Total equity		**61,132**	**59,107**

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2021

Consolidated	Share capital $000	Capital reserve $000	Asset revaluation reserve $000	Retained earnings $000	Non controlling interest $000	Total equity $000
Balance as at 1 July 2019	**8,536**	**2,314**	**7,566**	**35,534**	**421**	**54,371**
Profit or loss for the year	–	–	–	5,527	89	5,616
Gain / (loss) on the revaluation of land	–	–	(630)	–	–	(630)
Total comprehensive income	**–**	**–**	**(630)**	**5,527**	**89**	**4,986**
Dividends	–	–	–	(250)	–	(250)
Balance as at 30 June 2020	**8,536**	**2,314**	**6,936**	**40,811**	**510**	**59,107**
Profit or loss for the year	–	–	–	5,368	257	5,625
Gain / (loss) on the revaluation of land	–	–	950	–	–	950
Total comprehensive income	**–**	**–**	**950**	**5,368**	**257**	**6,575**
Dividends	–	–	–	(4,550)	–	(4,550)
Balance as at 30 June 2021	**8,536**	**2,314**	**7,886**	**41,629**	**767**	**61,132**

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

The asset revaluation reserve arises on the revaluation of freehold 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.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the year ended 30 June 2021

	Notes	2021 $000	2020 $000
Cash flows from operating activities			
Receipts from customers		312,612	289,017
Receipt of government grants		2	9,169
Interest received		73	102
Payments to suppliers and employees		(295,364)	(269,368)
Interest and other finance costs paid		(638)	(575)
Income tax paid / (received)		–	14
Subvention payment		(3,129)	–
Net cash inflow / (outflow) from operating activities		**13,556**	**28,359**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		681	816
Payment for property, plant and equipment		(5,308)	(4,058)
Payment for initial direct costs relating to right of use assets		–	(100)
Payment for intangible assets		(376)	(1,574)
Net cash inflow / (outflow) from investing activities		**(5,003)**	**(4,916)**
Cash flows from financing activities			
Proceeds from borrowings		–	(2,600)
Proceeds from / (amounts placed on) deposit		381	301
Principal elements of lease payments		(3,607)	(2,772)
Dividends paid		(4,550)	(250)
Net cash inflow / (outflow) from financing activities		**(7,776)**	**(5,321)**
Net increase (decrease) in cash and cash equivalents		**777**	**18,122**
Cash and cash equivalents at the beginning of the financial year		18,286	164
Cash and cash equivalents at end of year	23	**19,063**	**18,286**

The above cash flow statement should be read in conjunction with the accompanying notes.

1. COMPANY INFORMATION

City Care Limited is a company incorporated and domiciled in New Zealand and registered under the Companies Act 1993. City Care Limited is a wholly owned subsidiary of Christchurch City Holdings Limited. The ultimate controlling party is Christchurch City Council. The company is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002. The registered office is 100C Orchard Road, Christchurch 8053.

The financial statements presented are for the City Care Limited Group ('the group') as at, and for the year ended 30 June 2021. The group comprises City Care Limited ('the parent'), its subsidiaries and its investments in joint arrangements.

The groups's activities are:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance and basis of preparation

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

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

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

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

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

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

(b) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(c) 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.

(d) 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 Finance costs'. Any other foreign exchange gains and losses are presented in the income statement within 'Other gains/(losses)' where applicable.

(e) Significant accounting policies, estimates and judgements

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

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

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

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

The group adopted all mandatory new and amended NZ IFRS Standards and Interpretations and there has been no material impact on the group's financial statements.

(g) Standards, amendments and interpretations not yet effective

There are no new standards, amendments or interpretations that have been issued and are not yet effective, that are expected to have a significant impact on the group.

3. REVENUE

The group recognises revenue from the following major sources: Rendering of maintenance services, construction contracts and the sale of goods.

	2021 $000	2020 $000
(a) Operating revenue		
Over time:		
Revenue from the rendering of maintenance services	218,523	190,680
Construction contract revenue	93,178	87,378
	311,701	**278,058**
At a point in time:		
Revenue from the sale of goods	7,556	7,078
	319,257	**285,136**
(b) Other income		
Ministry of Social Development wage subsidy	2	9,169
Total Revenue	**319,259**	**294,305**

Revenue Recognition

(i) Maintenance services

The group performs maintenance services in the following areas:
- amenity assets including water and wastewater,
- parks, trees and public spaces,
- facilities management; and
- provision of asset management services.

Contracts entered into can involve various different processes, activities and services. Where these processes and activities tend to be highly inter related, these are taken to be one performance obligation, otherwise separate performance obligations are identified. The transaction price is allocated across each service or performance obligation based on contracted prices. Revenue from maintenance services rendered is recognised in the income statement in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under NZ IFRS 15. The group becomes entitled to invoice customers on a periodic basis. The group recognises a contract asset for any work performed. Any amount recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the invoiced amount exceeds the revenue recognised to date under the stage of completion method, then the group recognises a contract liability for the difference.

(ii) Construction contracts

The group derives revenue from the construction of vertical and horizontal assets. The construction of each individual piece of infrastructure is generally taken to be one performance obligation. Where contracts are entered for several projects the total transaction price is allocated across each project based on stand alone selling prices. Revenue from construction contracts is recognised over time on a cost-to-cost method i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under NZ IFRS 15. The group becomes entitled to invoice customers through a monthly claim based on a measure and value calculation or on a milestone basis. The customer is sent a relevant claim or statement of work, the customer assesses the claim and issues a payment certificate on which an invoice is raised. The group recognises a contract asset for any work performed. Any amount recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the invoiced amount exceeds the revenue recognised to date under the cost-to-cost method, then the group recognises a contract liability for the difference.

(iii) Sale of goods

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

(iv) Variable consideration

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

(v) Warranties and defect periods

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

(vi) Interest income

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

(vii) Government grants – Ministry of Social Development wage subsidy

The group applied for and received the Ministry of Social Development wage subsidy in relation to the COVID-19 crisis during the 2020 financial year. The group applied the income approach, recognising the subsidy income in the income statement on a systematic basis over the period in which the company recognised as expenses the related employee benefits. There are no unfulfilled conditions or other contingencies in relation to the wage subsidy at 30 June 2021.

4. EXPENSES

	2021 $000	2020 $000
Profit before income tax includes the following specific expenses:		
Directors' fees	368	330
Defined contribution superannuation expense	133	137
Remuneration of Auditors:		
Audit of the financial statements	149	145
Audit fees relating to the previous financial year	9	37

Interest and dividends

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

5. INCOME TAXES

	2021 $000	2020 $000
(a) Income tax expense		
Current tax on profits for the year	2,461	2,827
Adjustments in respect of prior years	303	1
Origination and reversal of temporary differences	(537)	(453)
Income tax expense	**2,227**	**2,375**
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from operations before income tax expense	**7,852**	**7,991**
Income tax @ 28%	2,199	2,237
Tax effects of:		
• non-deductible expenses	49	77
• capital gain on sale of property, plant and equipment	(12)	(2)
• adjustments for current tax of prior periods	(9)	63
Income tax expense	**2,227**	**2,375**
(c) Imputation credits		
Imputation credits available for subsequent reporting periods	–	–

Income tax

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

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

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

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

6. DEFERRED TAX

Taxable and deductible temporary difference arising from the following:

	Opening balance $000	Charged to income $000	Closing balance $000
Balance at 30 June 2021			
Deferred tax assets / (liabilities):			
Property, plant & equipment	406	235	641
Provisions	2,131	284	2,415
Work in progress	(1,977)	(60)	(2,037)
Tax losses	103	(103)	–
Right of use assets and lease liabilities	119	97	216
Other	(514)	84	(430)
	268	**537**	**805**
Balance at 30 June 2020			
Deferred tax assets / (liabilities):			
Property, plant and equipment	265	141	406
Provisions	1,451	680	2,131
Work in progress	(2,633)	656	(1,977)
Tax losses	1,220	(1,117)	103
Right of use assets and lease liabilities	–	119	119
Other	(488)	(26)	(514)
	(185)	**453**	**268**

Deferred tax

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

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

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

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

7. TRADE AND OTHER RECEIVABLES

	2021 $000	2020 $000
Trade receivables	36,832	27,827
Allowance for doubtful debts	(121)	(123)
	36,711	**27,704**
Aging of trade receivables which the company has not provided against as still deemed recoverable:		
Not past due	35,276	26,752
Past due 1 - 30 days	1,272	763
Past due 31 - 60 days	40	46
Past due 61 - 365 days	99	152
365+ days past due	24	(9)
	36,711	**27,704**
Prepayments	1,168	1,566
Contract retentions	2,596	3,216
Other receivables	75	–
	40,550	**32,486**
The loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows:		
Expected loss rate	0.022%	0.001%
Gross carrying amount - trade receivables	36,832	27,827
	8	**–**

Loss allowance

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

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2021 and 30 June 2020 respectively and the corresponding historical credit losses experienced within this period.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the income statement.

The average age of the company's trade and other receivables which are past due at the reporting date and for which the company has not provided as the amounts are still considered recoverable and there has not been a significant change in credit quality is 48 days (2020: 57 days).

8. TRADE AND OTHER PAYABLES

	2021 $000	2020 $000
Trade payables	12,034	7,984
Sub-contractor retentions	1,119	1,530
Goods and Services Tax payable	4,101	3,682
Accrued expenses	15,253	16,031
	32,507	**29,227**

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 interest method.

In accordance with the Construction Contracts Amendments Act 2015, effective from 31 March 2017, retentions, which totalled $1,147,000 at 30 June 2021 (2020: $1,528,000), are held in separate bank accounts held in trust.

9. BORROWINGS

	2021 $000	2020 $000
Secured bank overdraft facility, reviewed annually and repayable on call:		
Amount used	–	–
Amount unused	500	500
	500	**500**
Two year rolling secured bank loan facilities maturing 31 December 2022:		
Amount used	–	–
Amount unused	10,000	20,000
	10,000	**20,000**
Two year rolling secured CCHL loan facilities maturing 31 July 2022:		
Amount used	10,000	10,000
Amount unused	5,000	5,000
	15,000	**15,000**

Borrowings are secured by a debenture over the assets and undertakings of the company and a perfected security in all present and after acquired property of City Care Limited.

Interest rates on the BNZ facility are based on bank bill rates plus a margin and averaged 2.05% for the year (2020: 2.59%). Interest rates on the CCHL facility are based on CCHL's cost of funds plus a margin and averaged 2.01% for the year (2020: 2.01%). Due to interest rates on floating debt resettling on the market rate, the carrying amounts on secured loans approximate their fair values.

During the 2020 year, the company reorganised its borrowing facilities and reduced its facility with the BNZ and partially replaced this reduction with a facility from Christchurch City Holdings Ltd. The BNZ facility was reduced further in the current year. The Christchurch City Holdings facility expires on 31 July 2022 and the BNZ facility expires on 31 December 2022.

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 method.

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.

10. FINANCIAL INSTRUMENTS AND RISK

The group holds the following financial instruments:

	2021 $000	2020 $000
Financial assets at amortised cost		
Cash and cash equivalents	19,063	18,286
Sub-contractor retention deposits	1,147	1,528
Trade receivables	36,832	27,827
	57,042	**47,641**
Financial liabilities at amortised cost		
Trade payables and sub-contractor retentions	13,153	9,514
Borrowings	10,000	10,000
Lease liabilities	10,563	16,316
	33,716	**35,830**

(a) Financial risk management objectives

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

(b) Interest rate risk and management

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

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

	2021 $000	2020 $000
Increase or decrease in net profit from a 100 basis point movement in interest rates, assuming all other variables were held constant.	100	85

(c) Foreign currency risk management

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

(d) Credit risk

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 30% (2020: 26%) of the company's revenue. Christchurch City Council's credit rating is A+.

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

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the company's short, medium and long term funding and liquidity requirements. The company manages liquidity risk by maintaining adequate reserves and 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 discounted cash flows of financial liabilities on the earliest date at which the company can be required to pay. All financial liabilities are classified as being at amortised cost.

	Less than 6 months $000	Between 6 and 12 months $000	Between 1 and 2 years $000	Between 2 and 5 years $000	Over 5 years $000	Carrying Amount liabilities $000
Balance at 30 June 2021						
Trade payables and sub-contractor retentions	13,153	–	–	–	–	13,153
Borrowings	–	–	10,000	–	–	10,000
Lease liabilities	1,574	1,541	2,334	4,211	903	10,563
	14,727	**1,541**	**12,334**	**4,211**	**903**	**33,716**
Balance at 30 June 2020						
Trade payables and subcontractor retentions	9,514	–	–	–	–	9,514
Borrowings	–	–	10,000	–	–	10,000
Lease liabilities	1,794	1,653	2,561	4,420	5,888	16,316
	11,308	**1,653**	**12,561**	**4,420**	**5,888**	**35,830**

(f) Market risk

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

(g) Fair value estimation

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

11. INVENTORIES

	2021 $000	2020 $000
Raw materials and consumables	2,004	1,764
Allowance for obsolete inventory	(30)	(36)
	1,974	**1,728**

Inventories

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

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

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2021 $000	2020 $000
Rendering of maintenance services	9,676	9,607
Construction contracts	7,366	7,696
Contract set up costs	22	31
Total current contract assets	**17,064**	**17,334**
Contract set up costs	53	64
Total non current contract assets	**53**	**64**
Rendering of maintenance services	3,316	1,293
Construction contracts	1,781	1,837
Total contract liabilities	**5,097**	**3,130**
Revenue recognised in the period from:		
Amounts included in contract liability at the beginning of the period	3,130	3,927
Revenue recognised from performance obligations satisifed in previous periods	–	–
Costs recognised in the period from:		
Amortisation of contract set up costs	39	42

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

Rendering of services

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

Construction contracts

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

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

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

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

Contract set up costs

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

13. PROPERTY, PLANT AND EQUIPMENT

Land is shown at fair value, based on periodic valuations by external independent valuers. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

All other property, plant and equipment is 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:

Buildings	2–50 years
Plant and equipment	2–22 years
Motor Vehicles	3–13 years
Office and computer equipment	2–14 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, annually.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

When revalued assets are sold, the amounts included in other reserves in respect of those assets are transferred to retained earnings.

	Freehold land at fair value $000	Buildings at cost $000	Motor vehicles at cost $000	Plant and equipment at cost $000	Office and computer equipment at cost $000	Total $000
Gross carrying amount						
Balance as at 1 July 2019	9,460	2,221	71,885	20,138	7,081	110,785
Transfers	–	(2)	2	–	–	–
Revaluation	(630)	–	–	–	–	(630)
Additions	–	131	2,067	1,213	647	4,058
Disposals	–	–	(4,397)	(2,319)	(1,354)	(8,070)
Balance as at 30 June 2020	**8,830**	**2,350**	**69,557**	**19,032**	**6,374**	**106,143**
Revaluation	950	–	–	–	–	950
Assets classified as held for sale	–	–	(4,294)	(82)	–	(4,376)
Additions	–	67	3,281	1,191	769	5,308
Disposals	–	(21)	(2,573)	(681)	(803)	(4,078)
Balance as at 30 June 2021	**9,780**	**2,396**	**65,971**	**19,460**	**6,340**	**103,947**
Accumulated depreciation						
Balance as at 1 July 2019	–	(1,157)	(46,912)	(14,527)	(5,262)	(67,858)
Disposals	–	–	4,229	2,117	1,345	7,691
Depreciation expense	–	(185)	(5,280)	(1,873)	(815)	(8,153)
Balance as at 30 June 2020	**–**	**(1,342)**	**(47,963)**	**(14,283)**	**(4,732)**	**(68,320)**
Assets classified as held for sale	–	–	3,572	60	–	3,632
Disposals	–	28	2,484	582	760	3,854
Depreciation expense	–	(175)	(5,036)	(1,747)	(797)	(7,755)
Balance as at 30 June 2021	**–**	**(1,489)**	**(46,943)**	**(15,388)**	**(4,769)**	**(68,589)**
Net book value						
As at 30 June 2020	**8,830**	**1,008**	**21,594**	**4,749**	**1,642**	**37,823**
As at 30 June 2021	**9,780**	**907**	**19,028**	**4,072**	**1,571**	**35,358**
Included in the figures is capital work in progress:						
As at 30 June 2020	**–**	**1**	**1**	**97**	**3**	**102**
As at 30 June 2021	**–**	**8**	**56**	**197**	**19**	**280**

As at 30 June 2021, there were assets classified as held for sale which had a net book value of $687,000 which have been reclassified to current assets and measured at the lower of their carrying amount and fair value less costs to sell.

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

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

An independent valuation of the company's land was performed on 11 June 2021 by independent registered valuer Gary Sellars of Colliers International, Christchurch, to determine the fair value of the land. The valuation, which conforms to NZ IAS 16 Property, Plant and Equipment, NZ IFRS 13 Fair Value Measurement, International Valuation Standards IVS300 Valuations for Financial Reporting and API/PINZ Valuation Guidance Note NZV6N1 Valuations for use in New Zealand Financial Reports, was determined by reference to the asset's highest and best use, without deducting disposal costs.

The valuer determined that the most appropriate valuation approach was the vacant land method, or land value approach, whereby sales of other parcels of land are considered and compared to the subject of the valuation, as well as considering current market factors. The impact of COVID-19 was considered in determining the market value, and the valuation report discusses the latent risk across all asset classes and property sectors due to the impact of the pandemic. The valuation report states that the latent risk is not a variable that can be explicitly priced as it will play out over the coming weeks, months and years and this should be considered by the reader(s) of these financial statements.

The valuation was on the estimated market value of the land at $155 psm. If the psm rate moves by +/– $10, the valuation would increase/(decrease) by $631,000.

Under the New Zealand Property Institute Practice Standard 1, which came into force from 1 May 2004, all valuations must be assessed as at the date of inspection of the property, except where the valuation instructions are to assess the value at a retrospective date. The Directors are satisfied that the current carrying amount reflects its fair value.

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

	2021 $000	2020 $000
Freehold land		
Cost	1,894	1,894

14. RIGHT OF USE ASSETS AND LEASE LIABILITIES

This note provides information for right of use assets and lease liabilities under IFRS 16 where the group is a lessee.

(a) Amounts recognised in the Balance Sheet

The Balance sheet shows the following amounts relating to leases:

	2021 $000	2020 $000
Right of use assets net book value		
Properties	6,690	12,010
Vehicles	3,417	4,208
	10,107	**16,218**
Lease liabilities		
Current	3,115	3,447
Non-current	7,448	12,869
	10,563	**16,316**

Additions to the right of use assets during the year ended 30 June 2021 were $1,655,000 (2020: $3,335,000).

(b) Amounts recognised in the Income Statement

	2021 $000	2020 $000
Depreciation charge of right of use assets		
Properties	2,156	1,751
Vehicles	1,720	1,604
	3,876	**3,355**
Interest expense (included in finance cost)	441	457
Expense relating to short-term leases (included in other expenses)	1,425	600
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in other expenses)	31	3
Expense relating to variable lease payments not included in lease liabilities (included in other expenses)	–	62

The total cash outflow for leases in the year ended 30 June 2021 was $5,863,000 (2020: $3,768,000).

In the 2020 financial year the group utilised the practical expedient of not assessing whether rent concessions received as a result of COVID-19 constitute a lease modification and has accounted for these as variable lease payments recognised in profit and loss. The amount recognised in profit and loss is reflective of the changes in lease payments that have arisen from rent concessions and totalled $62,000 for the year ended 30 June 2020. No rent concessions were received in the 2021 financial year.

(c) The group's leasing activities and how these are accounted for

The group leases various land and buildings, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 6 years, but may have extension options as described below.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate,
- amounts expected to be payable by the group under residual value guarantees,
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- expected restoration costs.

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less.

(d) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

15. INTANGIBLE ASSETS

(i) Goodwill

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

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

Impairment

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

Calculation of recoverable amount

The recoverable amount of assets is the greater of their market value less cost to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

(ii) Computer software

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

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

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

Subsequent expenditure

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

Amortisation

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

	Goodwill $000	Computer software $000	Total $000
Gross carrying amount			
Balance as at 1 July 2019	1,640	7,273	8,913
Additions	–	1,574	1,574
Disposals	–	(1,680)	(1,680)
Balance as at 30 June 2020	**1,640**	**7,167**	**8,807**
Additions	–	376	376
Disposals	–	(315)	(315)
Balance as at 30 June 2021	**1,640**	**7,228**	**8,868**
Accumulated amortisation and impairment			
Balance as at 1 July 2019	–	(5,972)	(5,972)
Disposals	–	1,527	1,527
Amortisation expense	–	(525)	(525)
Balance as at 30 June 2020	**–**	**(4,970)**	**(4,970)**
Disposals	–	283	283
Amortisation expense	–	(668)	(668)
Balance as at 30 June 2021	**–**	**(5,355)**	**(5,355)**
Net book value			
As at 30 June 2020	**1,640**	**2,197**	**3,837**
As at 30 June 2021	**1,640**	**1,873**	**3,513**
Included in the figures is capital work in progress:			
As at 30 June 2020	**–**	**1,039**	**1,039**
As at 30 June 2021	**–**	**64**	**64**

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

(a) Allocation of goodwill to cash generating units

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

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

	2021 $000	2020 $000
Taranaki Road Boring	360	360
Apex Environmental Limited	1,280	1,280
	1,640	**1,640**

(b) Key assumptions:

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

Apex Environmental Limited

Budgeted revenue: Revenue growth of 12% in the first year and 12% in subsequent years through nationally driven focus on water quality coupled with continued expansion in industries that Apex Environmental Limited is well regarded in. Plus, expansion into new sectors.

Budgeted gross margin: Gross margin is expected to remain consistent at 17%

Budgeted overhead: Budgeted overhead is expected to increase in line with increased revenue.

Discount rate: A discount rate of 12.6% is applied to calculate the value in use.

Terminal growth rate: A terminal growth rate of 2% has been used.

Forecast period: A three year forecast period has been assumed.

16. BUSINESS COMBINATIONS AND NON CONTROLLING INTERESTS

Apex Environmental Limited

The company is involved in the designing, building, installing and commissioning water and wastewater treatment plants for the food and beverage, dairy, textiles, winery and municipal sectors.

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

On 17 July 2015 City Care Holdings No.1 Limited purchased the trade and assets of Apex Environmental Limited and simultaneously changed its name to Apex Environmental Limited. On this day a further 24,997 shares were issued, 14,287 of these to City Care Limited resulting in a 57.16% shareholding.

On 28 June 2019, the company issued 21,805 shares for $45.96. City Care Limited purchased 20,815 of these shares which increased its shareholding to 75%.

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

During the year City Care Limited provided a working capital facility to the company. As at 30 June 2021 the outstanding amount owed by the company was $180,000 (2020: $nil).

Results included in the Consolidated Statement of Comprehensive Income

	2021 $000	2020 $000
Revenue	20,043	7,708
Profit for the year	1,027	357

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

17. JOINT ARRANGEMENTS

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

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

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

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

(i) Joint Venture

On 5 December 2014, City Care Limited entered into an unincorporated joint venture agreement, City Care Limited John Fillmore Contracting Limited Joint Venture. On 1 May 2020, both parties agreed to wind up the Joint Venture effective 31 May 2020.

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

(ii) Commitments and contingent liabilities in respect of Joint Venture

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

(iii) Summarised financial information for Joint Venture

	2021 $000	2020 $000
Current assets		
Cash and cash equivalents	–	23
Other current assets (excluding cash)	–	(19)
	–	**4**
Current liabilities		
Financial labiliites (excluding trade payables)	–	–
Other current liabilities (including trade payables)	–	(4)
	–	**(4)**
Net Assets	**–**	**–**

Summarised income statement

	2021 $000	2020 $000
Revenue	–	48
Expenses	–	(171)
Pre-tax (loss) from continuing operations	–	(123)
Income tax expense	–	–
Post-tax (loss) from continuing operations	**–**	**(123)**

The information above reflects the amounts presented in the management accounts of the joint venture for the year ended 30 June 2020. Due to the winding up of the Joint Venture during the 2020 financial year, financial statements were not prepared for the 2020 or 2021 financial year.

Reconciliation of summarised financial information

	2021 $000	2020 $000
Opening net assets 30 June	–	–
(Loss) / profit	–	(123)
Contribution from owners / (profit distribution)	–	123
Closing net assets	–	–
Interest in Joint Venture @ 50%	**–**	**–**

Due to the losses in the prior year, both of the owners made a contribution to the joint venture. The total amount of $123,000 is detailed above. At 30 June 2020, a balance of $21,000 was owing by the joint venture to City Care Limited and was included in the Joint Ventures result. This was the current account balance which was included in Trade Receivables within the City Care Limited financial statements.

Both Parties agreed on 1 May 2020 at the JV Management Committee meeting that any costs incurred post the Joint Venture wind down would be split between the partners (City Care Ltd and JFC Ltd) on a 50/50 basis.

After outstanding retention monies were received and paid, payment of the outstanding current account balance was made to City Care Limited. This resulted in the joint venture bank account having a $nil balance.

18. PROVISIONS

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

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

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

Employee benefits

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

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

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

Defined benefit scheme (the scheme)

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

Defined contribution schemes

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

Termination benefits

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

Holidays Act

Following guidance issued by the Ministry of Business, Innovation and Employment, the company has obligations to pay entitlements under the Holidays Act 2003 in respect of prior periods. A full investigation has been undertaken and MBIE have accepted the company's liability calculation. The majority of the amounts due to current and past employees were paid out in the 2019 financial year.

Loss making contracts

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

	Employee entitlements (i) $000	IFRS 16 restructuring costs (ii) $000	Other $000	Total $000
Balance at 1 July 2019	5,401	–	833	6,234
Additional provisions recognised	8,331	326	2,022	10,679
Reductions arising from payments / other sacrifices of future economic benefits	(7,364)	–	(128)	(7,492)
Reductions resulting from re-measurement or settlement without cost	(12)	–	(446)	(458)
Unwinding of discount / effect of changes in discount rate	2	–	–	2
Balance at 30 June 2020	**6,358**	**326**	**2,281**	**8,965**
Current	6,043	86	2,281	8,410
Non-current	315	240	–	555
Balance at 30 June 2020	**6,358**	**326**	**2,281**	**8,965**
Additional provisions recognised	8,220	52	1,740	10,012
Reductions arising from payments / other sacrifices of future economic benefits	(8,286)	(14)	(1,897)	(10,197)
Reductions resulting from re-measurement or settlement without cost	(87)	(47)	(72)	(206)
Unwinding of discount / effect of changes in discount rate	(13)	–	–	(13)
Balance at 30 June 2021	**6,192**	**317**	**2,052**	**8,561**
Current	5,910	111	2,052	8,073
Non-current	282	206	–	488
Balance at 30 June 2021	**6,192**	**317**	**2,052**	**8,561**

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

Average wage inflation has been assumed to be 2.72% for the year ending 30 June 2021 and 2.72% for the year ending 30 June 2020. A discount rate of 1.91% has been used for the year ending 30 June 2021 and 0.9% for the year ending 30 June 2020.

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

(ii) The provision for IFRS 16 restoration costs is an estimate of costs to be incurred in relation to restoring an asset to the condition required by the terms and conditions of leases entered into by the group.

19. CAPITAL AND OTHER EQUITY INSTRUMENTS

	2021 $000	2020 $000
Share capital		
Ordinary shares		
6,036,000 fully paid ordinary shares	6,036	6,036
2,500,000 fully paid preference shares	2,500	2,500
	8,536	**8,536**

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

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

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

20. COMMITMENTS

	2021 $000	2020 $000
Capital expenditure commitments		
Property, plant and equipment	1,367	1,100
	1,367	**1,100**

21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	2021 $000	2020 $000
Contingent liablities		
The company has arranged with Bank of New Zealand for the issue of performance related bonds in favour of:		
Local authorities (i)	8,496	8,798
Others	2,622	2,523
The company has arranged with the BNZ for the issue of import letter of credit in favour of:		
Apex Environmental Limited	–	409
	11,118	**11,730**

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

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

At 30 June 2020 a letter of credit had been issued by the company on behalf of Apex Environmental Limited for USD $262,000 (NZD $409,000). This has now expired.

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

22. RELATED PARTY DISCLOSURES

(a) Parent entities

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

(b) Key management and personnel compensation

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

	2021 $000	2020 $000
City Care Limited		
Salaries and short-term employee benefits	2,481	2,744
Post-employment benefits	58	58
Termination benefits	726	75
	3,265	**2,877**
Apex Environmental Limited		
Salaries and short-term employee benefits	582	429
Post-employment benefits	14	13
	3,861	**3,319**

Termination benefits includes amounts paid or contractually obligated to be paid in the future to a number of key management personnel whose employment ends as a result of the intended re-organisation of the Citycare Group into two distinct business units Citycare Water and CityCare Property.

(c) Transactions with other 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:

	2021 $000	2020 $000
(i) During the year		
Services provided to CCC	97,232	76,048
Services provided to other group companies	9,076	10,173
Goods and services received from CCC	(230)	(195)
Goods and services received from other group companies	(982)	(1,313)
Rent and rates paid to CCC	(27)	(12)
Rent and rates paid to other group companies	(907)	–
Interest paid to and accrued on CCHL loan	(201)	(184)
(ii) As at year end		
Amounts receivable from CCC	11,188	10,428
Amounts receivable from other group companies	1,341	1,088
Amounts payable to CCC	(41)	(13)
Amounts payable to other group companies	(132)	(53)

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 (2020: Nil). Related party transactions exclude Directors' fees which are disclosed separately under the statutory information.

Separate disclosure of individual transactions

City Care Limited made dividend payments totalling $4,550,000 (2020: $250,000) to its immediate parent, Christchurch City Holdings Limited.

During the 2021 year, the company made subvention payments totalling $1,444,000 (2020: $Nil) to Christchurch City Council with an associated tax loss offset of $3,714,000 (2020: $Nil) and a subvention payment totalling $1,685,000 (2020: $Nil) to Enable Services Limited with an associated tax loss offset of $4,333,000 (2020: $nil).

During the prior year, City Care Limited restructured its borrowing facilities. As at 30 June 2021 City Care Limited had drawn down $10,000,000 (2020: $10,000,000) on a facility with Christchurch City Holdings Limited, refer to (note 9).

23. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

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

	2021 $000	2020 $000
Bank overdrafts	–	–
Bank deposits	19,063	18,286
	19,063	**18,286**

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

	2021 $000	2020 $000
Profit after tax for the year	5,625	5,616
(Gain) / loss on sale or disposal of non-current assets	(281)	(290)
Depreciation and amortisation of non-current assets	12,299	12,033
Rent concessions on leases under NZ IFRS 16	–	(62)
Interest on make good provisions under NZ IFRS 16	–	7
Increase / (decrease) in current tax liability	(366)	2,840
Increase / (decrease) in deferred tax liability	(537)	(451)
Changes in net assets and liabilities		
(Increase) / decrease in assets:		
Current receivables	(8,064)	911
Contract assets	281	2,408
Inventories	(246)	(295)
Non-current receivables	–	1,098
Increase / (decrease) in liabilities:		
Current payables	3,280	2,936
Contract liabilities	1,967	(797)
Current provisions (excl. NZ IFRS 16 restoration cost)	(369)	2,238
Non-current provisions (excl. NZ IFRS 16 restoration cost)	(33)	167
	13,556	**28,359**

(c) Liabilities arising from financing activities

	2021 $000	2020 $000
Current borrowings	10,000	–
Non-current borrowings	–	10,000
Lease liabilities	10,563	16,316
	20,563	**26,316**
Changes in liabilities arising from financing activities		
Opening value	**26,316**	**12,600**
Proceeds from (repayment of) borrowings	–	(2,600)
NZ IFRS16 lease adoption	–	12,932
New leases	1,618	3,113
Disposed leases	(14)	(118)
Lease modifications	(3,750)	3,223
Rent concessions on leases	–	(62)
Principal repayments of lease liabilities	(3,607)	(2,772)
Closing value	**20,563**	**26,316**

24. CAPITAL MANAGEMENT

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

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

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

25. SUBSEQUENT EVENTS

There were no events occurring subsequent to balance date which require adjustment to or disclosure in the financial statements.

STATEMENT OF PERFORMANCE

(a) Financial perfomance

	Actual $000	Target $000	
Revenue	319,257	286,102	Achieved
Net profit after tax	5,625	2,855	Achieved
Total debt (excluding leasing and acquisitions)	-	5,574	Achieved
Return on average equity	9.4%	5.0%	Achieved
Shareholder funds to total assets	46.9%	51.7%	Not achieved
Dividend paid	2,750	1,853	Achieved
Declared dividend 50% of NPAT	1,800	1,428	Achieved

(b) Non-Financial perfomance

Kaitiakitanga	
Client Satisfaction	
Positive Net Promotor Score (NPS) year-on-year based on an annual survey of >5 key customers	Achieved
Ethical Business	
Full compliance with legislative and regulatory requirements	[1] Not achieved
Mana	
Innovation	
Develop and implement >4 new ideas that drive a benefit consistent with our values	Achieved
Sustainability	
Environmental	
100% of new (non-operational) passenger vehicles purchased or leased to be hybrid or EV (excludes vehicles procured through acquisitions) (subject to vehicle availability)	Achieved
Annual reduction of 5% Company-wide greenhouse gas emissions normalised against annual turnover	Achieved
No environmental prosecutions	[1] Not achieved
Fully measure waste going to landfill and set reduction targets	[2] Not achieved
People	
Health & Safety	
<15 incidents requiring notification to WorkSafe	Achieved
<1 WorkSafe investigation	Achieved
Employee Engagement	
>18% of workforce to be female	[3] Not achieved
Action items related to 3 primary findings from 2020 employee survey on attitudes to diversity in the workforce	Achieved
Increase in youth in the workforce by higher % of staff under 25 years	Achieved
Year on year improvement in staff engagement score	[4] Not achieved
System Management	
Maintain current ISO-accredited systems	Achieved
Community	
Collaborate with >3 Social Enterprises	Achieved
Coordinate safe delivery of >15,000 volunteer hours	Achieved

[1] Citycare was prosecuted in the New Plymouth District Court for breaches of Secton 338 of the Resource Management Act. The charges relate to a discharge from the Mangati Sewer Pump Station to the Mangati Stream on 21 and 22 January 2019.

[2] Not achieved due to difficulty in measurement.

[3] As at 30 June 2021 Citycare's workforce was 16.8% female.

[4] The staff engagement score was 3% lower than the previous year.

	2021 CO_2	2020 CO_2
Sustainability		
Citycare emissions (Kg Emitted CO_2)		
Stationary combustion – asphalt plant	843,511	1,153,376
Diesel and petrol in vehicles	8,951,172	8,440,544
Purchased electricity	168,183	172,968
Transmission and distribution losses for electricity	14,487	13,062
Air travel	184,715	259,107
	10,162,068	**10,039,057**

Citycare is committed to reducing CO2 emissions. Sustainability targets have been set and will be measured against on an annual basis. Apex Environmental Limited's air travel emission information was not available and therefore, has not been disclosed in above table.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of City Care Limited's Group financial statements and performance information for the year ended 30 June 2021

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

Opinion

We have audited:

- the financial statements of the Group on pages 32 to 63, that comprise the balance sheet as at 30 June 2021, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that includes accounting policies and other explanatory information; and
- the performance information of the Group on pages 64 to 65.

In our opinion:

- the financial statements of the Group on pages 32 to 63:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2021; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards.
- the performance information of the Group on pages 64 to 65 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2021.

Our audit was completed on 19 August 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors (the Board) and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board is also responsible for preparing the performance information for the Group.

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

In preparing the financial statements and the performance information, the Board is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

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

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

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

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 31 and 70 to 80 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Independence

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

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

C Genet

Chris Genet
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

STATUTORY INFORMATION

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 and trees;
- facilities management,
- provision of asset management services; and
- construction of vertical and horizontal assets.

Dividend

A final dividend of $2,750,000 in respect of the 2020 financial year was declared and paid during the current financial year. An interim dividend of $1,800,000 was declared and paid during the current financial year.

Directors for City Care Limited

The following Directors held office during the year ended 30 June 2021:

- Bryan Jamison (appointed Executive Chair 8 October 2020)
- Graham Darlow
- Penny Hoogerwerf
- Jennifer Rolfe
- Mark Todd
- Kevin Young (appointed 1 January 2021)
- Craig Price (retired 30 October 2020)

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

The following Directors held office during the year ended 30 June 2021:

- Tim Gibson (Chair)
- Steven Kroening
- Matthew Savage
- Mark Todd
- Kevin Young (appointed 23 June 2021)

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 2021.

City Care Limited Directors

DIRECTOR	ENTITY	POSITION
Bryan Jamison	City Care Property Ltd	Director
	City Care Water Ltd	Director
	Essex Investments and Developments Ltd	Director and Shareholder
	Jamison Family Trust	Trustee
	Red Bus Ltd	Director and Chair
	Southfuels Ltd	CEO
Graham Darlow	Acciona Infrastructure NZ Ltd	Business Executive
	Auckland Transport Eastern Busway 2, 3 & 4	PAB Member
	Brockway Consulting Ltd	Director and Shareholder
	Frequency NZ Ltd	Chair
	Hick Bros. Civil Construction Ltd	Director
	Hick Bros. Infrastructure Ltd	Director
	Holmes GP Structures Ltd	Chair
	Tainui Auckland Airport Hotel GP (No.2) Limited	Director
	Watercare Services Ltd	Director
Penny Hoogerwerf	Canterbury Museum Trust Board	Director
	Central Plains Water Ltd	Consultant (Legal)
	Christ Church Cathedral Reinstatement Ltd	Director
	Katamama Ltd	Director
	Moss & Moss Limited	Director
	Moss Family Trust	Trustee
	Tait International Ltd	General Counsel
	245 St Asaph Limited	Director and Shareholder
Jennifer Rolfe	Auckland Unlimited Ltd	Director
	The Barbara Andrew Family Trust	Trustee
	Bruce Mason Centre	Body Corporate Committee
	Rainger & Rolfe Ltd	Managing Partner and Director
	Regional Facilities Auckland	Director
	The Thomas Number 2 Trust	Trustee
	The Thomas Trust	Trustee
Mark Todd	Apex Environmental Ltd	Director
	Mark T Consulting Ltd	Shareholder
	McKenzie & Willis Ltd	Director
	New Zealand Lotteries Commission	Director
	Paper Plus New Zealand Ltd	Director
	The Todd Family Trust	Trustee
Kevin Young	Apex Environmental Ltd	Director
	TasWater	Director
	WaterAid Australia	Deputy Chair
Craig Price (retired 30 October 2020)	Beca Group Ltd	Chief Technical Officer, Shareholder and Share Trustee
	Beca Ltd	Chair
	Beca Projects NZ Ltd	Chair
	Engineering New Zealand Standards and Accreditation Board	Board member, Chair
	New Zealand Qualifications Authority - New Zealand Qualifications Framework Review	Advisory Group Member
	University of Canterbury Civil & Natural Resources Engineering Advisory Board (May 2011)	Board Member, Chair
	University of Canterbury Mechanical Engineering Advisory Board (Sept 2012)	Board Member
	Victoria University: Building Science Programme Industry Advisory Board	Board Member

Apex Environmental Limited Directors

DIRECTOR	ENTITY	POSITION
Tim Gibson *Chair*	City Care Ltd	Chief Executive, Citycare Water
	Water Industry Group	Chair
	Water New Zealand	Board Member
Steven Kroening *Director, Management, Shareholder*		
Matthew Savage *Director, Management, Shareholder*		
Mark Todd	As above	
Kevin Young	As above	

City Care Property Limited and City Care Water Limited Directors

DIRECTOR	ENTITY	POSITION
Bryan Jamison	As above	
Alastair Ridgway	City Care Ltd	Executive General Manager, Finance and Information Technology

Director's 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:

	2021	2020
City Care Limited		
Bryan Jamison (appointed 1 October 2019, Chair from 1 April 2020, Executive Chair from 8 October 2020)	132,457	37,395
Gary Leech (Chair, retired 31 March 2020)	–	58,027
Graham Darlow	45,685	44,555
Penny Hoogerwerf	42,185	41,482
Craig Price (retired 30 October 2020)	14,895	43,940
Jen Rolfe	41,185	40,499
Mark Todd	45,685	44,555
Kevin Young (appointed 1 January 2021)	21,093	–
	343,185	**310,453**
Apex Environmental Limited		
Mark Todd	25,000	19,584
	368,185	**330,037**

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.

Chief Executive remuneration

During the 2021 year, the group Chief Executive Officer role was dis-established, and later in the year the Executive General Managers of the Property and Water Sectors were appointed as Chief Executives of their respective business units in anticipation of the planned separation of the group into two legal entities. Their total remuneration includes base salary and Kiwisaver contributions. Their remuneration packages are reviewed annually by the Remuneration Committee and the Board after reviewing both CEO and Citycare's performance, taking advice from an external remuneration specialist.

	2021 $000	2020 $000
CEO Property	417	393
CEO Water	432	406
	849	**799**

Employees renumeration

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:

Renumeration range	2021	2020
$100,000 – $110,000	64	62
$110,000 – $120,000	43	30
$120,000 – $130,000	27	26
$130,000 – $140,000	17	31
$140,000 – $150,000	19	11
$150,000 – $160,000	10	10
$160,000 – $170,000	4	7
$170,000 – $180,000	7	3
$180,000 – $190,000	2	1
$190,000 – $200,000	–	3
$200,000 – $210,000	3	–
$210,000 – $220,000	1	2
$220,000 – $230,000	2	–
$230,000 – $240,000	–	1
$250,000 – $260,000	1	1
$260,000 – $270,000	–	2
$270,000 – $280,000	1	1
$290,000 – $300,000	3	–
$300,000 – $310,000	–	1
$390,000 – $400,000	–	1
$400,000 – $410,000	1	1
$410,000 – $420,000	1	–
$430,000 – $440,000	1	–
$670,000 – $680,000	–	1
$930,000 – $940,000	1	–
	208	**195**

Donations

The company made donations of $500 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. Group audit fees in respect of the 2021 financial year totalling $149,156 have been paid or accrued.

CORPORATE GOVERNANCE STATEMENT

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

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

Board role and responsibility

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

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

The Board has delegated to the Chief Executive Officers the day-to-day leadership and management of the company.

The Chief Executive Officers have, in some cases, formally delegated certain authorities to direct reports and have established a formal delegated authority framework for those direct reports to sub-delegate as appropriate.

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

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

Responsibility to Shareholder

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, 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 each 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 fulltime executive as a Director of the company. Bryan Jamison was appointed Executive Chair on 8 October 2020.

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

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

The Board supports the separation of the role of Chair and Chief Executive Officers. The Chair's role is to manage and provide leadership to the Board and to facilitate the Board's interface with the Chief Executive Officers.

The Board currently does not have a Deputy Chair.

Conflicts of interest

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between the company and their own interests. The Board Charter outlines the Board's policy on conflicts of interest.

Where conflicts of interest do exist at law, then the Director must disclose their interest, and if considered necessary, excuse themselves from any Board discussions and not receive any Board papers in respect of those interests.

Nominations and appointment of new Directors

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

Board meetings

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

The Chair and Chief Executive Officers 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 Chair, and having done so, shall be free to proceed.

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

Directors' induction and education

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

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

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

Board performance review

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

Chief Executive Officers performance review

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

Insurance

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

Board committees

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

Risk, Audit and Finance Committee

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

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

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

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

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

People and Culture Committee

The People and Culture Committee comprises up to three non-executive members of the Board as appointed by the Board.

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

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

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

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

Health and Safety Committee

The Health and Safety Committee comprises two non-executive Directors of the Board as appointed by the Board. The remaining Directors of the Board attend one Committee meeting per year on a rotational basis. The Chief Executive Officers, the General Manager – Corporate Services, Property, the Head of Safety, Water and four other company field representatives are required to attend the Health and Safety Committee meetings but are not members of the committee. Any non-executive Directors who are not committee members may also attend Health and Safety Committee meetings.

The Health and Safety Committee's responsibility is to:

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

Meetings are held on a two monthly basis to coincide with the timing of the various responsibilities of the committee. In fulfilling its responsibilities, the Health and Safety Committee receives regular reports from management through the Board reporting process. It also receives incident information whenever significant events occur. The need for access to auditors, legal or independent professional advice is to be determined by the committee as and when required to fulfil its obligations. The committee makes recommendations to the Board for its consideration.

DIRECTORY

Directors

Bryan Jamison
Executive Chair

Graham Darlow

Penny Hoogerwerf

Jennifer Rolfe

Mark Todd

Kevin Young

Executive Management Team

Peter Lord
Chief Executive – Citycare Property

Tim Gibson
Chief Executive – Citycare Water

Alastair Ridgway
Executive General Manager,
Finance and Information Technology

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on behalf of the Auditor General

Solicitors

Tavendale and Partners

Bankers

Bank of New Zealand

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