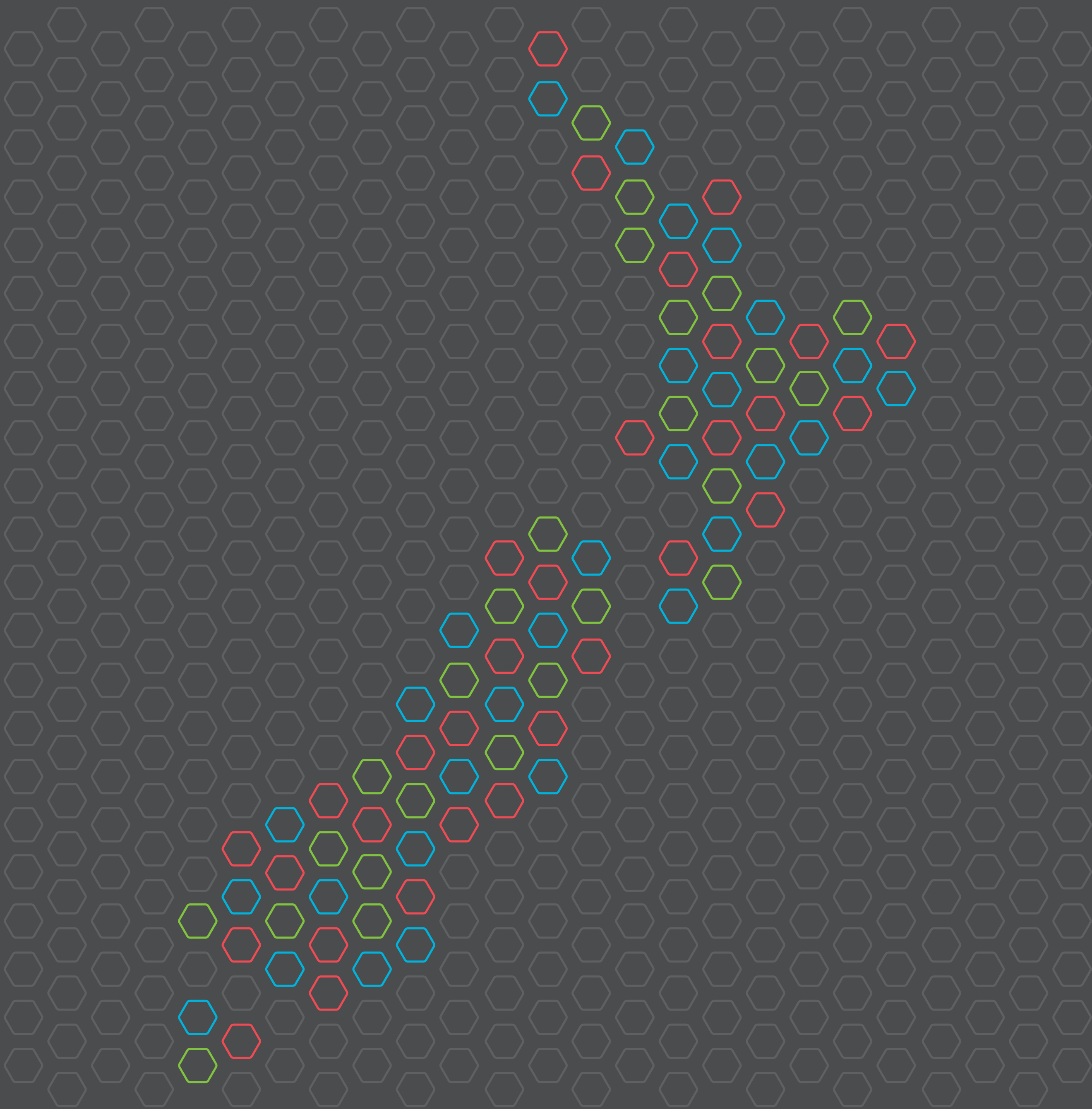
Annual Report

2020



Citycare Group

Citycare Group

Ngā Ihirangi
Contents

Chair and CEO Review

– Keeping our people safe.

– Delivering essential service throughout NZ to our clients, where we demonstrated our operational resilience.

– Closely managing our operating costs to ensure we maintained cashflow and preserved the employment of our people.

Solid Performance in spite of COVID-19 impact

Whilst COVID-19 has impacted our last quarter of operations, the 2019/20 financial year (FY20) was still a solid performing year for Citycare. All three Sectors were able to achieve, and in some cases surpass, their key performance targets.

FY20 success has been achieved through our continued focus on a strategy built on a platform of operational excellence, relevant innovation and a culture of localism and empathy for the communities we serve. A commitment to these goals has contributed to the achievement of all of the non-financial performance targets and some of the financial performance targets detailed in our FY20 Statement of Intent.

Like everyone in New Zealand, Citycare was impacted by the 25 March 2020 COVID-19 lockdown. Our main focus at that time was on:

– Keeping our people safe

– Delivering essential services throughout New Zealand to our clients, where we demonstrated our operational resilience

– Closely managing our operating costs to ensure we maintained cashflow and the employment of our people.

With many field staff not able to work during the lockdown period, the financial impact was largely offset by the Government wage subsidy which allowed us to provide certainty to our staff about pay, and confidence about not restructuring the workforce during this challenging period. The wage subsidy also helped us to maintain strength in our balance sheet which will assist in weathering any longer-term uncertainty associated with COVID-19.

Intellectual
Encouraging Practical Innovation.

Human
Looking after our People.

Social
Creating and Nurturing Communities.

Environmental
Caring for the Environment.

Financial
Managing Financial Stability

Manufactured
Considered Management of our Assets and Supply Chain.

Six Capitals

Integrated Value

Driven by a Value Proposition of
We Discover. We Deliver. We Care.

Citycare has worked hard this year to better realise and articulate the way in which we create value, guided by the Six Capitals of the International Integrated Reporting Framework.

Key focus areas to create value and associated outcomes within each Capital have been:

Intellectual

Encouraging Practical Innovation.

Technology has always played an important role in the value we offer our customers, particularly in the context of long-term maintenance contracts, where real-time asset data plays a critical role in the asset opex costs and correlated long-term capital works programme planning.

This past year we have further developed our EventManager customer data technology platform to deliver operational efficiencies and improvements in customer response time management.

We are also delivering customer value through the use of smart, fit-for-purpose sensor devices (IoT). By presenting IoT capability as part of our service offering and feeding our IoT and SCADA data through our customers' EventManager platforms, we have been able to help anticipate events and inform a proactive maintenance response which enables fixing a problem before it occurs. (see *Enhanced network data makes perfect sense article* page 23).

Human

Looking after our People.

Whilst maintaining employment certainty and the general health and wellbeing of our teams during COVID-19 lockdown has been an important focus, FY20 has also been an exceptional year for Citycare in the context of keeping our people and those who work with us safe.

By looking at safety 'differently', we have been able to embed a culture where all our teams are empowered to 'live' our safety culture. This shift ensures improved management of critical risks and has significantly improved site safety and sub-contractor engagement.

This culture of greater personal accountability is reflected in our safety performance results for the year, with a Total Recordable Injury Frequency Rate of just 5.59 – down from 13.00 last year – and zero WorkSafe investigations.

Of increasing importance is our ability to stimulate greater diversity of thought across our business, provided by employing people of different age, gender and ethnicity, ensuring fresh views that challenge previous operational norms and add value to our business.

Social

Creating and Nurturing Communities

Localism and Sustainability are now embedded in Local Government procurement channels and the impact of COVID-19 is likely to have a sustained impact on correlated Opex and Capex spend.

The influential role we play in the communities we serve has matured into a pivotal point of difference and in partnership with our clients, we have been able to deliver:

Over 39,000 community-led volunteer hours (against a target of 10,000), including tree planting, landscaping, waste collection and removal, graffiti removal and painting, through our national Community Guardians platform and continued support of the Student Volunteer Army.

The launch of a 2 in a Ute programme: an innovative collaboration with Auckland Council, deploying pairs of 'locals' provided with a ute, the necessary tools and a few weeks' specific training, to independently maintain storm water run-off areas (see *2 in a Ute* platform innovation launched article page 22).

FY20 has also seen development of a **10-year Sustainability Plan** which highlights our targets, aspirations and goals across the Sustainability spectrum. The targets and actions detailed in this Plan are directly reflected in our FY21 Statement of Intent.

Environmental

Caring for the Environment

Aligned with our enhanced focus on Sustainability, FY20 saw a continuation of our active reduction of our greenhouse gas emissions and waste.

We were delighted to achieve a FY20 company-wide reduction of 9.4% greenhouse gas emissions normalised against annual turnover (against a target of 2%) and remain committed to achieving a net carbon neutral target by no later than 2035, as detailed in our **10-year Sustainability Plan (see pages 10 - 11).**

Our ability to bring conversation and innovation related to renewable energy and energy efficiency to our customers and the communities they serve, will continue to present as a point of difference in the near future.

For example, the Citycare Property team in Auckland received EECA funding in late FY20 to undertake energy audits at five of Auckland Council's higher use facilities, which has created an excellent opportunity for local collaboration related to environmental awareness and improvements.

Citycare 10-year Sustainability Plan 2020-2030

	Why it is important to us	The challenges ahead	Our Goals for 2030	What we are going to do	UN Sustainable Goals
Economic Wellbeing	**Financial success will allow us to support our people and communities and invest in our future.**	Achieving profitable growth in markets that are cost driven. Developing long term partnerships with central and local government.	**Citycare to be 'partner of choice' for our customers in the way we perform, the way we behave and the standards we set.** **Revenue to exceed $0.5 billion with a minimum EBIT of 5%.**	We are going to protect and grow our current business activities through innovation and client satisfaction. We will seek opportunities to diversify our business through joint ventures, alliances and acquisitions.	9 Industry, Innovation and Infrastructure 8 Decent Work and Economic Growth
Thriving People	**Keeping safe and developing a diverse workforce is the backbone of the long-term sustainability of our Company.**	Providing a skilled workforce that meets the needs of our business and the diversity of our communities.	**Have people and a culture that fully reflects the Group's core values and the diversity of the communities in which we operate.**	We will continue to foster a culture of diversity, equality and inclusion. We will focus on our workforce supply chain, staff development and employee engagement.	3 Good Health and Well-Being 10 Reduced Inequalities
		Keeping our people safe.	**To have a culture that ensures all work is performed in a manner that prevents harm or injury.**	We will provide a safe, healthy work environment for all employees, subcontractors, clients and visitors. We will ensure that all employees have the required competencies to perform their tasks safely.	
Vibrant Communities	**Strong communities and relationships are essential to our success and that of New Zealand.**	New Zealand communities are developing at increasingly different rates, with many, struggling to maintain cohesion, resilience and prosperity.	**To be regarded as an exemplary corporate citizen supporting communities to thrive economically, culturally and socially.**	We will support local communities by organising and supporting local environmental and cultural events. We will continue to promote opportunities and employment for youth in our communities.	11 Sustainable Cities and Communities
		Establishing long term partnerships with local businesses that are beneficial to all parties.	**Be a partner of choice for local businesses.**	We will share our commitment to sustainability with our clients, service providers, suppliers and the communities we work in. We will continue to act in an ethical and responsible manner when engaging and working with service providers and suppliers.	

	Why it is important to us	The challenges ahead	Our Goals for 2030	What we are going to do	UN Sustainable Goals
Responsible Consumption	**Our planet has only limited resources, we must conserve and protect them for the survival of future generations.**	To reduce our consumption of natural resources and find environmentally friendly alternatives. .	**To be a leader in the development and introduction of new technologies and methodologies that enable us to reduce consumption of natural resources.**	We will reduce our consumption of natural resources and use products that will have a low lifecycle impact on the environment. We will minimise our waste going to landfill.	12 Responsible Consumption and Production
Protecting Our Environment	**Reducing our emissions is imperative for the future of our planet as we know it.**	To grow our business whilst reducing our emissions and effects on the environment.	**To be on target to be net carbon neutral by 2035.**	We will replace fossil powered vehicles, plant and equipment with electric or similar low emission alternatives. We will strive to reduce our environmental impact whilst performing our work.	13 Climate Action 6 Clean Water and Sanitation
	Protecting our natural water environments so that future generations can have safe drinking water and clean waterways.	Offering our clients services and solutions that will reduce water wastage, improve waste water treatment and stormwater management.	**To be the major service provider to New Zealand's 3 Water infrastructure delivering "Clean Water for Life".**	We will continually introduce new technologies, methodologies and expand our services to clients to reduce water wastage and improve waste water treatment and stormwater management.	

Financial

Managing Financial Stability

FY20 has seen Citycare achieve profitable and sustainable growth across each Sector.

This has enabled us to deliver financial gearing at an acceptable level. Our strong balance sheet can now support funding of future growth opportunities and appropriate investment in new technologies, plant and equipment.

Whilst revenue for FY20 was slightly down on target, largely because of the impact of COVID-19 on our last quarter, our Net Profit After Tax result of $5.6m exceeded our budget of $2.8m and compared favourably against a $0.7m loss last year. This level of profitability meant we achieved a 9.5% return on equity, which was a pleasing result considering the impacts of COVID-19.

Effective working capital resulted in a year on year increase in operating cash flow of c.$16.5m and a positive net cash position of c.$8.3m at balance date, after borrowings of $10m.

Manufactured

Considered Management of our Assets and Supply Chain

Historically, part of the challenge for Citycare was a customer perception that we were a 'jack of all trades, but master of none'.

A key achievement for this financial year has been the clear delineation of our Sector strategy, now delivering better trading performance across all three Sectors. The Water, Property and Civil businesses only present as a Group when it is in our interests to offer scale or cross-functional services to our customers or if the business needs to come together in a time of crisis.

Through building a greater consistency across our systems and processes and further strengthening our ability to manage a large, national, dispersed workforce, the business is now better positioned than ever to tell clients a convincing story about operational capabilities, agility and efficiencies.

This is reflected in a positive net promoter score of +24 from our customers, which is an improvement on last year's negative score. It is also a clear demonstration of the success of new accountability metrics and performance measures put in place this year to drive greater customer collaboration.

Sector Highlights

Citycare Water

Citycare Property

Citycare Civil

Citycare Water

Wai Ora

Safe Water For Life

Citycare Water has continued to deliver a strong performance this year both financially and operationally. This was supported by winning the Masterton District Council contract and commencing new contracts with Clutha District Council and Stratford District Council.

In Auckland, we have re-negotiated with Watercare one of our key anchor contracts, and expanded our remit there through the new *2 in a Ute* trial and a Southern Stormwater Maintenance contract for Auckland Council Healthy Waters.

As National Water Reform and Regulation starts to take effect in FY21, success in re-defining and re-negotiating our maintenance contracts with Christchurch City Council (CCC) is critical. We are confident of being able to demonstrate how our steady progression along the Asset Management value chain will be of increasing strategic value to CCC.

FY20 has also seen us better equipped to capitalise on water network asset Capex spend, delivering appropriate construction work in Auckland, Hastings, Wellington, Dunedin and Christchurch.

Since increasing our shareholding in Apex Environmental, we have seen significant improvement in Apex's year on year financial performance and a strong forward pipeline of work that indicates further growth to come. This success, in part, can be attributed to greater integration with Citycare Water, both through our ability to provide full turn-key design and build services in the treatment space and through the role Apex product smarts play in demonstration of Citycare Water as thought leaders and innovators.

Citycare Property

Te Waihanga Wāhi Noho, Wāhi Mahi, Wāhi Tākaro

Creating Better Places to Live, Work and Play

Evidenced by strong revenue and profit growth across all regions, the performance of Citycare Property in FY20 was significantly improved over the prior year.

This was achieved through a combination of targeted account management strategies and an investment in systems and processes that simplified our workflow and provided greater transparency on asset and contract performance. An increased focus on data management enabled improved asset management and the ability to add contract value through the provision of a balanced programme of reactive and preventative maintenance alongside a programme of tactical asset renewal. Looking ahead in FY21, the business is well positioned to continue driving customer solutions and to optimise delivery through our large national workforce.

An emerging trend in FY20 was the growing requirement of our customers for community and social outcomes to be a key component of the services we deliver. Combined with the impact of COVID-19, it is likely that more emphasis will be placed on the theme of Localism and Community Engagement going forward.

The achievements of our team in Auckland this year, in helping Council and its partners meet some aspirational community outcomes, is a strong demonstration of the Citycare Property team's culture and our commitment to delivery of this opportunity. As a result, FY21 will see even greater focus on ensuring that this type of value-add service is an integrated part of our service delivery model across the sector.

Citycare Civil

Te Whakahono Hapori

Connecting Communities

Citycare Civil's 'back to basics' approach for FY20 has seen the business appropriately right-sized and able to deliver a stable financial result, halting the decline of the previous two years.

The impact of COVID-19 may mean that the contracting environment will remain challenging for us, at least in the short term. However, a secure contract base, Roading Maintenance and a pipeline of Canterbury subdivision work, sees the business now poised for a modest return-to-growth in the medium term. We are well-positioned with our focus solely in Canterbury, to capitalise on any post COVID-19 recovery spend.

Complementing our roading activity, in FY20 Citycare Civil continued to deliver specific civil structures and in-river work. Our ongoing work on remediating the Heathcote River demonstrates specialised capability in enhancing the natural environment whilst improving floodwater defences and is a strong potential differentiator in this specialist area.

A Look Ahead

With the impact of COVID-19 likely to see Councils deferring both Capex and discretionary Opex spend, our ability to work across the full spectrum of an asset's lifecycle, from design and planning through to construction, maintenance, repair and renewal, remains one of our most compelling selling points.

It is anticipated that Councils are more likely to use their maintenance contracts to bring work to market quicker which positions Citycare well to capitalise on activities during the next 12 months.

Across the board, Localism is likely to be an increasingly strong selling point for Citycare. Well-established local and regional workforces present a reliable, home-grown option, with COVID-19 severely impacting the ability of non New Zealand-based competitors to manage a project or workforce from further afield.

Water Reform and Regulation presents a significant opportunity for the business. Citycare must continue to have the agility to adapt the business to align with customer and network needs. This is aligned with our ability to better leverage our technology capability, to enable a better understanding of our customers' asset and maintenance requirements. Citycare has capacity to achieve this by harnessing the data we collect and using innovation and disruptors to improve both our business success and customer relationships.

Sustainability, as it talks to the development of our people, the diversity of thought in our business and our strong commitment to environmental responsibility and climate action, will be another area of considerable focus in FY21.

We recognise that we could not have achieved this year's strong all-round performance without the commitment of our customers, partners and the wider Citycare team and we would like to thank them for their important contribution and continued hard work.

The further development of our Sector businesses promises an exciting phase for Citycare, however we have to accept that the impact of COVID-19 could have an enduring effect on our business, on our clients' businesses and the many suppliers that support us. We must counter this by continuing to enhance the integrated value of Citycare going forwards.

Bryan Jamison
Chair

Onno Mulder
CEO

Citycare Group

Ka Tūhuratia Mātou.
Ka Puakina Mātou.
Ka Kumanutia Mātou.

We discover.
We deliver.
We care.

Citycare Water

2 in a Ute platform innovation launched

This year saw the launch of an innovative collaboration between Citycare Water and Auckland Council, deploying pairs of 'locals' – provided with a Ute, the necessary tools and a few weeks' specific training – to independently maintain the various swales, rain gardens, ponds and coastal outfalls that have been established across the City to filter out pollutants from storm water run-off and to improve the quality of the water that filters into Auckland's waterways.

Much of the work is labour intensive and requires small, agile units to be deployed. The 2 in a Ute platform innovation pilot is now well underway and more permanent investment in the programme is currently being considered. If the pilot is a success, Citycare Water is well-positioned to establish similar delivery models in other parts of the country, with the potential to provide some significant longer term social and environmental outcomes for our clients.

Essential Services

With COVID-19 shining a light on services recognised as 'essential', much of Citycare Water's maintenance team fell into this essential worker category, ensuring three water services around the nation were kept up and running.

This commitment was clearly evident across the 12 water treatment plants, eight wastewater treatment plants and 3,500 kilometres of pipes spread out over a large geographical area in the Clutha District of South Otago. With three mega litres of water a day being supplied to nearby farms by a single treatment plant, the essential role being played by Citycare Water in keeping the country going has never been more apparent.

Enhanced network data makes perfect sense

Citycare Water's maturing IoT network capability is increasingly enabling our teams to respond more quickly and with a higher degree of accuracy to problem areas.

As we continue to deploy more IoT sensors into the network, complementing existing SCADA feeds, we are increasingly able to offer customers 24/7 'real-time' field service data collection, which feeds directly into the Citycare EventManager diagnostic, workflow and job scheduling platform. This capability is fast closing the gap between reactive asset servicing and proactive asset management.

This 'IoT as a Service' model is a potential game changer, particularly as Water Reform and Regulation starts to take shape and in the context of the likely impact of COVID-19 on Capex spend. Our customers are already starting to better understand how the predictive use of smart asset condition data informs their capital works programme, for an asset or network of assets, and how widely deployed IoT will significantly reduce the long-term cost of asset ownership, through less disruption to service and the ability to reduce unscheduled maintenance.

Citycare Property

Niche Growth Area Booked

Shirley Library in Christchurch has been transformed into a light, bright and modern environment for staff and the public as part of a refurbishment project undertaken by the Citycare Property Christchurch minor capital works team.

The library re-opened in mid 2020 with a refreshed look – a new colour scheme, carpet, energy efficient LED lighting, new and refurbished furniture, and a more open layout.

The six-week renovation was part of Christchurch City Libraries' 10-year refurbishment programme with the library closed while work was undertaken. Early involvement for Citycare in the planning of the renewals package meant the project flowed smoothly.

As well as a more open library space, the Council's Shirley Service Centre and NZ Post postal and bill-paying services were integrated into the lobby to create a user-friendly customer environment.

Previously, Citycare Property Christchurch Property teams had worked on refurbishment of the libraries in Akaroa and Redwood.

Citycare Property keeps perfect pitch

A dedicated, 16-strong team of sports field staff ensures that 288 of Auckland's local sports fields are maintained to the standards expected of the sport being played. This includes ground care of softball pitches, tennis courts, netball courts and outside basketball courts, as well as management of pitches for a range of grass sports.

The winter weather presents as the most challenging season for this team of specialists and the COVID-19 lockdown months further complicated the preparation for the FY20 winter sports season with restrictions on when and how grass could be mowed.

Field-marking is a weekly task and the team is also required to manage the occasional substantive one-off requirements. For example, High Goal Polocrosse (which sees horses pounding the turf) took place in February 2020 at the Waiuku District Rugby Football Club, with the Citycare Property team deployed to mark out the 150m pitch and remove the existing rugby posts only to reinstate the turf, pitch, posts and markings ready for commencement of the rugby season a few weeks later.

Horticulture 'care' on display

One of the less mainstream jobs being undertaken by the Citycare Property team in Tauranga is maintenance of the Tropical Display House in Robbins Park, caring for its huge display of orchids.

Moa Palo and Melanie Wards are dedicated to looking after the unique plants in this warm and humid temperature-controlled environment. The team has painstakingly brought the display house back to its former glory days, ensuring a constant 25-26°C temperature and a regimented irrigation timetable, matching the specific needs of the wild and rare orchids and other precious plants on display.

Pumping the Heat

Citycare Property was selected as one of the contractor teams tasked with the installation of over 1900 heat pumps into Ōtautahi Community Housing Trust (OCHT) homes.

The Warm & Dry Initiative is a collaboration between the Christchurch City Council and OCHT to manage and deliver this significant programme of work to improve the warmth and dryness of OCHT community rental properties.

Installation work started in February 2020 but was put on hold in March due to the COVID-19 lockdown. Work restarted in late April with strict guidelines in place to ensure contractor and tenant safety. A great deal of hard work was put in by contractors to bring the installation programme back on track and provide tenants with warmer homes for winter.

Citycare Civil

Patience and innovation cornerstone of waterside success

Proving its value as not just another contractor, Citycare Civil has carved out a bit of a niche reputation for its work in and around the Canterbury rivers. Undertaking a range of river-side regeneration work on the Styx, Heathcote and Christchurch's Avon Loop.

A key project was completion of the one kilometre stretch of redevelopment work in the earthquake Red Zone which transformed a ruined and inaccessible stretch of the Red Zone into a community space with easy access to the water's edge. The Avon Loop is one of the final pieces of the seven-year project known as Te Papa Ōtākaro/Avon River Precinct Anchor Project.

A clean sweep in Autumn

While winter can present challenges for the Citycare Property grounds-keeping team, autumn is the season of most disruption for Citycare Civil's street sweeping teams. A seemingly endless supply of falling leaves wreak havoc on Canterbury's streets, blocking drains and stormwater systems and keeping Citycare Civil on a permanent state of alert.

A 15-strong team keeps the streets and roads clear of leaves, deploying five street sweeping heavy trucks around the clock, with three people in each crew including a specialist driver. This team is further bolstered by 11 specialist staff in the busy Roading Maintenance team, responsible for maintaining the road network in the northern corridor of Christchurch.

The street sweeping crews are utilised alongside the road maintenance team to suck up loose asphalt chips on the road surface when streets are resealed. Between them, the teams are focused on keeping the roads, pathways and pavements safe.

Head to Head Walkway

Citycare Civil's landscape team is assisting volunteers and Christchurch City Council with establishment of a walkway from Godley Head to Adderley Head. The complicated structural carpentry involved in this type of walkway project requires specialist skills with the job made harder by site access - the team has to carry everything into the site, including timber, cement, water, shingle and tools.

One part of the track used 13 tonnes of shingle which was manually carried to the site by the bucket load.

River Dredging experts

Quietly working away on the banks of Christchurch's rivers for the last two years, Citycare Civil has gained significant experience in river dredging, delivering end-to-end contracts for Christchurch City Council along the Styx, the entire length of the Woolston Cut and now the lower Heathcote River.

With the bulk of the river works being delivered in stages, based between Aynsley Terrace and Ensors Road in Opawa, the team has steadily removed over 18,000 tonnes of material whilst completing construction of the Gabion Baskets and Stone Facing Bank works and some bank widening.

At the time of publishing this Annual Report, the team is actively engaged on the next stage of works, which includes removal of a similar amount of material further up the river, along with more Stone Facing Bank Works to be carried out and delivery of a recently awarded Heathcote River bank stabilisation contract, to aid scour protection and future erosion.

Financial Statements 2020

Financial Statements

Independent Auditor's Report

Statutory Information

Directory

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 2020 and the results of the operations and cash flows for the year ended 30 June 2020.

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 judgements 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 2020.

This Annual Report is dated 13 August 2020 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 Chairman 13 August 2020	Mark Todd Director 13 August 2020

Citycare Group

Contents

Income Statement
For the year ended 30 June 2020

	Notes	2020 $000	2019 $000
Revenue	3(a)	285,136	298,883
Other income	3(b)	9,169	-
Finance income		102	166
Gain / (loss) on sale of property, plant and equipment		290	179
Raw materials and consumables used		(41,701)	(45,562)
Subcontractor costs		(92,205)	(95,851)
Employee benefits expense		(106,848)	(108,854)
Depreciation and amortisation expense	13, 14, 15	(12,033)	(9,006)
Other expenses		(33,191)	(39,401)
Finance costs		(666)	(567)
Share of profit / (losses) of Joint Venture	17	(62)	(1,038)
Profit/(loss) before income tax expense		**7,991**	**(1,051)**
Income tax benefit/(expense)	6(a)	(2,375)	327
Profit/(loss) for the year		5,616	**(724)**
Attributable to:			
Owners of the parent		5,527	(423)
Non-controlling interests		89	(301)
		5,616	**(724)**

Statement of Comprehensive Income
For the year ended 30 June 2020

	2020 $000	2019 $000
Profit / (loss) for the year	5,616	(724)
Gain / (loss) on property revaluation	(630)	-
Total comprehensive income/(loss)	**4,986**	**(724)**
Attributable to:		
Owners of the parent	4,897	(423)
Non-controlling interests	89	(301)
	4,986	**(724)**

Bryan Jamison
Chairman
13 August 2020

Mark Todd
Director
13 August 2020

Balance Sheet
As at 30 June 2020

	Notes	2020 $000	2019 $000
Current assets			
Cash and cash equivalents	23(a)	18,286	164
Sub-contractor retention deposits	8	1,528	1,829
Trade and other receivables	7	32,486	33,396
Current tax receivable		-	13
Inventories	11	1,728	1,433
Contract assets	12	17,334	19,768
Total current assets		**71,362**	**56,603**
Non-current assets			
Property, plant and equipment	13	37,823	42,927
Right of use assets	14	16,218	-
Intangible assets	15	3,837	2,941
Trade and other receivables	7	-	1,098
Contract assets	12	64	38
Deferred tax asset	6(b)	268	-
Total non-current assets		**58,210**	**47,004**
Total assets		**129,572**	**103,607**
Current liabilities			
Borrowings	9	-	12,600
Trade and other payables	8	29,227	26,291
Contract liabilities	12	3,130	3,927
Current tax payable	6(a)	2,827	-
Provisions	18	8,410	5,932
Lease liabilities	14	3,447	-
Total current liabilities		**47,041**	**48,750**
Non-current liabilities			
Borrowings	9	10,000	-
Deferred tax liability	6(b)	-	184
Provisions	18	555	302
Lease liabilities	14	12,869	-
Total non-current liabilities		**23,424**	**486**
Total liabilities		**70,465**	**49,236**
Net assets		**59,107**	**54,371**
Equity			
Capital and other equity instruments	19(a)	8,536	8,536
Reserves	19(b)	9,250	9,880
Retained earnings		40,811	35,534
Equity attributable to owners of the parent		**58,597**	**53,950**
Non-controlling interests		510	421
Total equity		**59,107**	**54,371**

Statement of Changes in Equity

For the year ended 30 June 2020

	Share Capital $000	Capital Reserve $000	Asset Revaluation Reserve $000	Retained Earnings $000	Non-Controlling Interests $000	Total $000
Balance as at 30 June 2018	8,536	2,314	7,566	35,957	676	55,049
Gain/(loss) on property revaluation	-	-	-	-	-	-
Profit / (loss) for the year	-	-	-	(423)	(301)	(724)
Total recognised income and expense for the year	**-**	**-**	**-**	**(423)**	**(301)**	**(724)**
Dividends	-	-	-	-	-	-
Acquisition by non-controlling interests	-	-	-	-	46	46
Balance as at 30 June 2019	**8,536**	**2,314**	**7,566**	**35,534**	**421**	**54,371**
Gain/(loss) on property revaluation	-	-	(630)	-	-	(630)
Profit / (loss) for the year	-	-	-	5,527	89	5,616
Total recognised income and expense for the year	**-**	**-**	**(630)**	**5,527**	**89**	**4,986**
Dividends	-	-	-	(250)	-	(250)
Balance at 30 June 2020	**8,536**	**2,314**	**6,936**	**40,811**	**510**	**59,107**

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

Cash Flow Statement

For the year ended 30 June 2020

	Notes	2020 $000	2019 $000
Cash flows from operating activities			
Receipts from customers		289,017	305,823
Receipt of Government grants		9,169	-
Interest received		102	166
Payments to suppliers and employees		(269,368)	(293,547)
Interest and other finance costs paid		(575)	(567)
Income taxes paid/received		14	19
Net cash used in / provided from operating activities	23(b)	**28,359**	**11,894**
Cash flows from investing activities			
Payment for property, plant and equipment		(4,058)	(3,643)
Payment for initial direct costs relating to right of use assets		(100)	-
Proceeds from sale of property, plant and equipment		816	915
Payment for intangible assets		(1,574)	(949)
Acquisition of non-controlling interest in subsidiary		-	46
Net cash used in investing activities		**(4,916)**	**(3,631)**
Cash flows from financing activities			
Finance lease payments		(2,772)	-
Proceeds from/ (repayment of) borrowings		(2,600)	(5,840)
Proceeds from / (amounts placed on) deposit		301	(1,829)
Dividends paid		(250)	-
Net cash used in financing activities	23(c)	**(5,321)**	**(7,669)**
Net increase / (decrease) in cash and cash equivalents		18,122	594
Cash and cash equivalents at the beginning of the year		164	(430)
Cash and cash equivalents at the end of the year	23(a)	**18,286**	**164**

Notes to the Financial Statements

For the year ended 30 June 2020

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 2020. The group comprises City Care Limited ('the parent'), its subsidiaries and its investments in joint arrangements.

The group's activities are:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation

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

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

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

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

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

(c) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

(d) Goods and Services Tax (GST)

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

(e) Foreign currency translation

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

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

(f) Significant accounting policies, estimates and judgements

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

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

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

The group has assessed that Covid-19 has had a moderate impact on the results for the year ended 30 June 2020, particularly in the month of April 2020. Note 26 provides further detail regarding the event and the impact on the group.

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

NZ IFRS 16 Leases

IFRS 16 was adopted using the modified retrospective approach from 1 July 2019.
The new accounting policies and disclosure are disclosed in note 14 and 25.

(h) Standards or interpretations net yet effective

There are no standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the group.

3. REVENUE

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

	2020 $000	2019 $000
(a) Operating revenue		
Over time:		
Revenue from the rendering of maintenance services	190,680	201,325
Construction contract revenue	87,378	89,574
	278,058	**290,899**
At a point in time:		
Revenue from the sale of goods	7,078	7,984
	285,136	298,883
(b) Other income		
Ministry of Social Development wage subsidy	9,169	-
Total Revenue	294,305	298,883

Revenue Recognition

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.

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.

Sale of Goods

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

Variable Consideration

It is common for contracts to include performance bonuses or penalties assessed against the timeliness or cost effectiveness of work completed or other performance KPIs. Where consideration in respect of a contract is variable, the expected value of revenue is only recognised to the amount management considers it recoverable. This is assessed on a periodic basis and is based 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.

Warranties and Defect Periods

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

Interest Income

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

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. The group has 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 the balance date that has been recognised.

4. EXPENSES

	2020 $000	2019 $000
Profit / (loss) before income tax has been arrived at after charging / (crediting) the following expenses:		
Directors' fees	328	286
Employee benefits expense:		
Defined contributions plans	137	144
Remuneration of Auditors:		
Audit of the financial statements	145	116
Audit fees relating to the previous financial year	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. LEASES

	2019 $000
Non-cancellable operating lease payments	
No longer than 1 year	3,000
Longer than 1 year and not longer than 5 years	4,675
Longer than 5 years	350
	8,025

Leased assets

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

Operating lease payments

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

From 1 July 2019 the group has recognised right of use assets for these leases (note 14), except for short term and low value leases which are disclosed separately in note 14. As a result of this change in accounting policy, there is no information to be disclosed for the 2020 financial year, refer to note 14.

6. INCOME TAXES

	2020 $000	2019 $000
(a) Income tax recognised in profit / (loss) comprises		
Current tax on profits for the year	2,827	-
Prior year adjustments to current tax	1	201
Deferred tax (benefit) / expense	(453)	(528)
Total tax (benefit) / expense	**2,375**	**(327)**

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2020 $000	2019 $000
Profit / (loss) from operations	7,991	(1,051)
Income tax at 28% (2019: 28%)	2,237	(294)
Tax effect of non-deductible expenses	77	28
Tax effect of capital gain on sale of property, plant and equipment	(2)	(28)
Prior year adjustment	63	(33)
	2,375	**(327)**

Income tax

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

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

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

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

	Opening Balance $000	Charged to Income $000	Closing Balance $000
(b) Deferred tax balances			
Taxable and deductible temporary difference arising from the following:			
Balance at 30 June 2019			
Deferred tax assets / (liabilities):			
Property, plant and equipment	128	137	265
Provisions	2,050	(599)	1,451
Work in progress	(2,421)	(212)	(2,633)
Tax losses	-	1,221	1,221
Other	(469)	(19)	(488)
	(712)	**528**	**(184)**
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
IFRS 16	-	119	119
Other	(488)	(26)	(514)
	(185)	**453**	**268**

	2020 $000	2019 $000
(c) Imputation credit account		
Imputation credits available for use in subsequent periods	-	-

Deferred tax

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

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

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

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

7. TRADE AND OTHER RECEIVABLES

	2020 $000	2019 $000
Current		
Trade receivables	27,827	28,788
Allowance for doubtful debts	(123)	(44)
	27,704	**28,744**
Aging of trade receivables which the company has not provided against as still deemed recoverable:		
Not past due	26,752	26,845
Past due 1 - 30 days	763	1,391
Past due 31 - 60 days	46	124
Past due 61 - 365 days	152	384
365+ days past due	(9)	-
	27,704	**28,744**
Contract retentions	3,216	3,385
Prepayments and other debtors	1,566	1,267
	32,486	**33,396**
Non-current		
Trade receivables	-	1,098
	-	**1,098**

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.

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 57 days (2019: 68 days).

	2020 $000	2019 $000
The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows:		
Expected loss rate	0.001%	0.023%
Gross carrying amount – trade receivables	28,827	28,788
Loss allowance	-	7

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 2020 and 30 June 2019 respectively and the corresponding historical credit losses experienced within this period.

The impact of Covid-19 was considered on the existing expected credit loss model. Management considers that given the relatively short term nature of the debtors and the financial security of the customer base, the impact on the expected credit loss model is not significant.

8. TRADE AND OTHER PAYABLES

	2020 $000	2019 $000
Trade payables	7,984	5,609
Sub-contractor retentions	1,530	1,870
Goods and Services Tax payable	3,682	3,695
Accrued expenses	16,031	15,117
	29,227	**26,291**

Payables

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

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

9. BORROWINGS

	2020 $000	2019 $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 2021:		
Current		
Amount used	-	12,600
	-	**12,600**
Amount unused	20,000	37,400
	20,000	**50,000**
Two year rolling secured bank loan facilities maturing 31 July 2021:		
Non-current		
Amount used	10,000	-
	10,000	-
Amount unused	5,000	-
	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 floating rate debt are based on bank bill rates plus a margin and averaged 2.59% for the year (2019: 3.26%). Due to interest rates on floating debt resettling on the market rate, the carrying amounts on secured loans approximate their fair values.

Borrowings

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

Borrowing costs

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

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

During the 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 expires on 31 December 2021 and the Christchurch City Holdings facility expires on 31 July 2022.

10. FINANCIAL INSTRUMENTS AND RISK

(a) Financial risk management objectives

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

(b) Interest rate risk and management

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

	2020 $000	2019 $000
Increase or decrease in net profit from a 100 basis point movement in interest rates, assuming all other variables were held constant.	85	172

(c) Foreign currency risk management

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

(d) Credit risk management

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

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

Financial instruments which potentially subject the company to credit risk consist primarily of cash and trade receivables. The concentration of credit risk with respect to accounts receivable is high due to the reliance on the Christchurch City Council for 26% (2019: 26%) of the company's revenue. Christchurch City Council's credit rating is A+.

(e) Liquidity risk management

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

The following table details the company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the 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	6-12 Months $000	1-2 Years $000	2-5 Years $000	5+ Years $000	Total $000
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**
Balance at 30 June 2019						
Trade payables and subcontractor retentions	7,479	-	-	-	-	7,479
Borrowings	12,600	-	-	-	-	12,600
	20,079	**-**	**-**	**-**	**-**	**20,079**

(f) Market risk

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

(g) Fair value of financial instruments

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

11. INVENTORIES

	2020 $000	2019 $000
Raw materials, consumables, stores at cost	1,764	1,477
Allowance for obsolete inventory	(36)	(44)
	1,728	**1,433**

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

	2020 $000	2019 $000
Rendering of maintenance services	9,607	12,908
Construction contracts	7,696	6,827
Contract set up costs	31	33
Total current contract asset	**17,334**	**19,768**
Contract set up costs	64	38
Total non current contract asset	**64**	**38**
Rendering of maintenance services	1,293	1,302
Construction contracts	1,837	2,625
Total contract liabilities	**3,130**	**3,927**
Revenue recognised in the period from:		
Amounts included in contract liability at the beginning of the period	3,927	2,206
Performance obligations satisfied in previous periods	-	-
Costs recognised in the period from:		
Amortisation of contract set up costs in the period	42	43

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

Rendering of services

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

Construction contracts

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

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

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

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

Contract set up costs

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

13. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

Assets to be depreciated include:

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

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

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

	Freehold Land at Fair Value $000	Buildings at Cost $000	Plant and Equipment at Cost $000	Motor Vehicles at Cost $000	Office and Computer Equipment at Cost $000	Total $000
Gross carrying amount						
Balance at 30 June 2018	9,460	2,341	21,653	69,387	7,718	110,559
Transfers	-	-	(64)	(1)	65	-
Assets classified as held for sale	-	-	250	1,593	-	1,843
Additions	-	11	1,011	2,274	348	3,644
Disposals	-	(131)	(2,712)	(1,368)	(1,050)	(5,261)
Balance at 30 June 2019	**9,460**	**2,221**	**20,138**	**71,885**	**7,081**	**110,785**
Transfers	-	(2)	-	2	-	-
Revaluation	(630)	-	-	-	-	(630)
Additions	-	131	1,213	2,067	647	4,058
Disposals	-	-	(2,319)	(4,397)	(1,354)	(8,070)
Balance at 30 June 2020	**8,830**	**2,350**	**19,032**	**69,557**	**6,374**	**106,143**
Accumulated depreciation and impairment						
Balance at 30 June 2018	-	(1,004)	(15,040)	(40,984)	(5,139)	(62,167)
Transfers	-	-	25	(12)	(13)	-
Assets classified as held for sale	-	-	(179)	(1,510)	-	(1,689)
Disposals	-	50	2,622	1,225	788	4,685
Depreciation expense	-	(203)	(1,955)	(5,631)	(898)	(8,687)
Balance at 30 June 2019	**-**	**(1,157)**	**(14,527)**	**(46,912)**	**(5,262)**	**(67,858)**
Disposals	-	-	2,117	4,229	1,345	7,691
Depreciation expense	-	(185)	(1,873)	(5,280)	(815)	(8,153)
Balance at 30 June 2020	**-**	**(1,342)**	**(14,283)**	**(47,963)**	**(4,732)**	**(68,320)**
Net book value						
As at 30 June 2019	**9,460**	**1,064**	**5,611**	**24,973**	**1,819**	**42,927**
As at 30 June 2020	**8,830**	**1,008**	**4,749**	**21,594**	**1,642**	**37,823**
Included in the above figures is capital work in progress of:						
As at 30 June 2019	**-**	**-**	**45**	**17**	**28**	**90**
As at 30 June 2020	**-**	**1**	**97**	**1**	**3**	**102**

At 30 June 2018 there were assets held for sale with a net book value of $301,000 (estimated realisable value of $314,000). Not all of these were sold in the year to June 2019. Assets with a net book value of $154,000 were redistributed within the company and have been added back into the property, plant and equipment note. There were no assets held for sale as at 30 June 2020.

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

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

An independent valuation of the company's land was performed on 30 June 2020 by independent registered valuer Gary Sellars of Colliers International, Christchurch, to determine the fair value of the land. The valuation, which conforms to NZ IAS 16 Property, Plant and Equipment, NZ IFRS 13 Fair Value Measurement, International Valuation Standards IVS300 Valuations for Financial Reporting and API/PINZ Valuation Guidance Note NZV6N1 Valuations for use in New Zealand Financial Reports, was determined by reference to the asset's highest and best use, without deducting disposal costs. The valuation was on the estimated market value of the land at $140 psm. If the psm rate moves by +/– $10, the valuation would increase/(decrease) by $631,000.

It is noted in the Colliers valuation report that Covid-19 was a factor in the reduction in market value, "As at the valuation date, we consider it appropriate to attach less weight to previous market evidence for comparison purposes, to inform opinions of value". Colliers have stated that "the valuation is therefore reported on the basis of 'material valuation uncertainty'".

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:

	2020 $000	2019 $000
Freehold land	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

	2020 $000	2019 $000
Right of use assets		
Buildings	12,010	9,235
Vehicles	4,208	3,905
	16,218	**13,140**

	2020 $000	2019 $000
Lease liabilities		
Current	3,447	2,628
Non-current	12,869	10,304
	16,316	**12,932**

In the previous year, the group did not recognise any lease assets and lease liabilities as under NZ IAS 17 Leases this was only necessary for finance leases. The group did not have any finance leases.
For adjustments recognised on adoption of NZ IFRS 16 on 1 July 2019, please refer to note 25.

Additions to the right of use assets during the 2020 financial year were $3,335,000.

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2020 $000
Depreciation charge of right of use assets	
Buildings	1,751
Vehicles	1,604
	3,355
Interest expense	457
Expense relating to short-term leases	600
Expense relating to leases of low-value assets that are not shown above as short-term leases	3
Expense relating to variable lease payments not included in lease liabilities	62

The total cash outflow for leases in 2020 was $3,768,000.

The group has 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 totals $62,000 for the year ended 30 June 2020.

(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 in (d) below.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. See note 5 for details of operating leases for the prior financial year. From 1 July 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

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 payment 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. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the Right of use buildings held by the group.

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

(a) Software licences

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

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

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

Subsequent expenditure

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

Amortisation

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

(b) Goodwill

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

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

Impairment

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

Calculation of recoverable amount

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

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

	Software Licences $000	Goodwill $000	Total $000
Gross carrying amount			
Balance at 30 June 2018	6,329	1,640	7,969
Additions	949	-	949
Disposals	(5)	-	(5)
Balance at 30 June 2019	**7,273**	**1,640**	**8,913**
Additions	1,574	-	1,574
Disposals	(1,680)	-	(1,680)
Balance at 30 June 2020	**7,167**	**1,640**	**8,807**
Accumulated amortisation and impairment			
Balance at 30 June 2018	(5,656)	-	(5,656)
Disposals	3	-	3
Amortisation expense	(319)	-	(319)
Balance at 30 June 2019	**(5,972)**	**-**	**(5,972)**
Disposals	1,527	-	1,527
Amortisation expense	(525)	-	(525)
Balance at 30 June 2020	**(4,970)**	**-**	**(4,970)**
Net book value			
As at 30 June 2019	**1,301**	**1,640**	**2,941**
As at 30 June 2020	**2,197**	**1,640**	**3,837**
Included in the above figures is capital work in progress of:			
As at 30 June 2019	**411**	**-**	**411**
As at 30 June 2020	**1,039**	**-**	**1,039**

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

Allocation of goodwill to cash-generating units

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

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

	2020 $000	2019 $000
Taranaki Road Boring	360	360
Apex Environmental Limited	1,280	1,280
	1,640	**1,640**

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

Key assumptions:

Apex Environmental Limited

Budgeted revenue	Revenue growth of 24% 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 17.5%
Budgeted overhead	Budgeted overhead is expected to increase in-line with increased revenue.
Discount rate	A discount rate of 14% is applied to calculate the value in use.
Terminal growth rate	A terminal growth rate of 2% has been used.
Forecast period	A four year forecast period has been assumed.

16. BUSINESS COMBINATIONS AND NON-CONTROLLING INTERESTS

Apex Environmental Limited

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

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

On 28 June 2019, Apex Environmental Limited 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 Apex Environmental Limited because it has a 75% shareholding.

During the year City Care Limited provided a working capital facility to Apex Environmental Limited. As at 30 June 2020 there was no outstanding amount owed by Apex Environmental Limited (2019: $278k).

Results included in the Consolidated Statement of Comprehensive Income:

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

	2020 $000	2019 $000
Revenue	7,708	6,650
Profit for the year	357	(702)

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.

(a) (i) Joint Venture

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

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

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

(ii) Commitment and contingent liabilities

There are no commitment or contingent liabilities in respect of the Joint Venture.

(iii) Summarised financial information for Joint Venture

	2020 $000	2019 $000
Balance sheet		
Current assets		
Cash	23	23
Other current assets	(19)	898
	4	**921**
Current liabilities		
Financial liabilities	-	-
Other current liabilities	4	921
	4	**921**
Net Assets	-	-

	2020 $000	2019 $000
Statement of comprehensive income		
Revenue	48	445
Expenses	(171)	(2,520)
Pre-tax (loss) from continuing operations	(123)	(2,075)
Income tax expense	-	-
Post-tax (loss) from continuing operations	**(123)**	**(2,075)**

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, Financial Statements were not prepared for the 2020 financial year.

(iv) Reconciliation of summarised financial information

	2020 $000	2019 $000
Opening net assets	-	278
(Loss) / profit	(123)	(2,075)
Contribution from owners / (profit distribution)	123	1,797
Closing net assets	-	-
Interest in Joint Venture at 50%	-	-

Due to the losses in the current year, both of the owners have made a contribution to the joint venture. The total amount of $123k is detailed above. At the year end, a balance of $21k owing by the joint venture to City Care Limited is included in the Joint Ventures result. This is the current account balance which has been included in Trade Receivables within the City Care Limited accounts.

After outstanding retention monies are received and paid, payment of the outstanding current account balance will be made to City Care Limited. This will clear the joint venture bank account balance. Both Parties agreed on 1 May 2020 at the JV Management Committee meeting that any costs incurred post the Joint Venture wind down will be split between the partners (City Care Ltd and JFC Ltd) on a 50/50 basis.

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 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 Restoration Costs (ii) $000	Other $000	Total $000
Balance at 30 June 2018	7,197	-	170	7,367
Additional provisions recognised	8,310	-	755	9,065
Reductions arising from payments / other sacrifices of future economic benefits	(10,041)	-	(55)	(10,096)
Reductions resulting from re-measurement or settlement without cost	(107)	-	(37)	(144)
Unwinding of discount / effect of changes in discount rate	42	-	-	42
Balance at 30 June 2019	**5,401**	-	**833**	**6,234**
Current	5,100	-	832	5,932
Non-current	301	-	1	302
Balance at 30 June 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
	6,358	**326**	**2,281**	**8,965**

(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 2020 and 3.1% for the year ending 30 June 2019. A discount rate of 0.9% has been used for the year ending 30 June 2020 and 1.79% for the year ending 30 June 2019.

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

(a) Share capital

	2020 $000	2019 $000
6,036,000 fully paid ordinary shares	6,036	6,036
2,500,000 fully paid preference shares	2,500	2,500
	8,536	8,536

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

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

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

(b) Reserves

	2020 $000	2019 $000
Capital reserve (i)	2,314	2,314
Asset revaluation reserve (ii)	6,936	7,566
	9,250	9,880

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

(ii) 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.

(ii) Asset revaluation reserve	2020 $000	2019 $000
Balance at the beginning of the year	7,566	7,566
Revaluation increments	(630)	-
	6,936	7,566

20. COMMITMENTS FOR EXPENDITURE

	2020 $000	2019 $000
Capital expenditure commitments		
Plant and equipment	1,100	461
	1,100	461

21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	2020 $000	2019 $000
Contingent liabilities		
The company has arranged with Bank of New Zealand for the issue of performance related bonds in favour of:		
Local authorities (i)	8,798	9,835
Others	2,523	2,164
The company has arranged with the BNZ for the issue of import letter of credit in favour of:		
Apex Environmental Limited	409	-
	11,730	11,999

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.

On 30 June 2020 a letter of credit was issued by the company on behalf of Apex Environmental Limited for USD $262,000 (NZD $409,000).

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

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

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) Transactions with related parties

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

	2020 $000	2019 $000
As at year end		
Services provided to CCC	76,048	77,405
Services provided to other group companies	10,173	21,736
Goods and services received from CCC	(195)	(784)
Goods and services received from other group companies	(1,313)	(798)
Rent and rates paid to CCC	(12)	(765)
Interest paid toand accrued on CCHL loan	(184)	-
As at year end		
Amounts receivable from CCC	10,428	9,382
Amounts receivable from other group companies	1,088	1,795
Amounts payable to CCC	(13)	(40)
Amounts payable to other group companies	(53)	(203)

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 (2019: 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 $250k (2019: Nil) to its immediate parent, Christchurch City Holdings Limited.

During the 2020 year, the company did not make any subvention payments (2019: Nil) to Christchurch City Council. There was no tax loss offset (2019: Nil).

During the year, City Care Limited restructured its borrowing facilities and drew down $10m on a facility with Christchurch City Holdings Limited, refer to note 9 for further information.

(c) Key management personnel compensation

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

	2020 $000	2019 $000
City Care Limited		
Salaries and short-term employee benefits	2,725	2,655
Post-employment benefits	58	62
Termination benefits	75	78
	2,857	2,795
Apex Environmental Limited		
Salaries and short-term employee benefits	447	310
Post-employment benefits	13	9
	3,317	3,114

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:

	2020 $000	2019 $000
Bank overdraft	-	-
Bank deposits	18,286	164
	18,286	**164**

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

	2020 $000	2019 $000
Profit after tax for the period	5,616	(724)
(Gain)/loss on sale or disposal of non-current assets	(290)	(179)
Depreciation and amortisation of non-current assets	12,033	9,006
Rent concessions on leases under NZ IFRS 16	(62)	-
Interest on make good provisions under NZ IFRS 16	7	-
Decrease / (increase) in share of net assets of Joint Venture	-	139
Increase/(decrease) in current tax liability	2,840	227
Increase/(decrease) in deferred tax liability	(451)	(536)
Changes in net assets and liabilities		
(Increase)/decrease in assets:		
Current receivables	911	3,067
Contract assets	2,408	3,085
Inventories	(295)	(16)
Non-Current receivables	1,098	(48)
Increase/(decrease) in liabilities:		
Current payables	2,936	(2,715)
Contract liabilities	(797)	1,721
Current provisions (excl. NZ IFRS 16 restoration cost)	2,238	(1,052)
Non-current provisions (excl. NZ IFRS 16 restoration cost)	167	(81)
	28,359	**11,894**

(c) Reconciliation of financing activities

	2020 $000	2019 $000
Current borrowings	-	12,600
Non-current borrowings	10,000	-
Lease liabilities	16,316	-
	26,316	**12,600**
Cash flows		
Proceeds from/ (repayment of) borrowings	(2,600)	(5,840)
Proceeds from / (amounts placed on) deposit	301	(1,829)
Dividend payments to shareholder	(250)	-
Principal repayments of lease liabilities	(2,772)	-
	(5,321)	**(7,669)**
Non-cash changes		
NZ IFRS 16 lease adoption	12,932	-
New leases	3,113	-
Disposed leases	(118)	-
Lease modifications	3,223	
Rent concessions on leases	(62)	-
	19,088	-

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. CHANGES IN ACCOUNTING POLICY

This note explains the impact of the adoption of NZ IFRS 16 Leases on the group's financial statements.

As indicated in note 2(g), the group has adopted NZ IFRS 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in note 14(c).

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.05%.

On 1 July 2019 the group did not have any finance leases, and as such opening retained earnings has not been adjusted for a cumulative impact.

(a) Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 "Determining whether an Arrangement contains a Lease".

(b) Measurement of lease liabilities

	$000
Operating lease commitments disclosed as at 1 July 2019 (per Note 5) Current borrowings	8,025
Discounted using the lessee's incremental borrowing rate of at the date of initial application	7,660
(Less): short-term leases not recognised as a liability	(700)
(Less): low-value leases not recognised as a liability	(8)
Add/(less): adjustments as a result of a different treatment of extension and termination options	6,240
Other	(260)
Lease liability recognised as at 1 July 2019	**12,932**
Of which were:	
Current lease liabilities	2,628
Non-current lease liabilities	10,304
	12,932

26. SUBSEQUENT EVENTS

No significant events have occurred subsequent to balance date.

27. COVID-19

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. From this, the country was in lockdown at Alert Level 4 for the period 26 March to 27 April and remained in lockdown at Alert Level 3 until 13 May inclusive.

Covid-19 has had an economic impact globally throughout 2020. The impact on the group's operations and financial performance and position was directly related to the New Zealand Alert Level 4 lockdown during March and April and into early May 2020, and Alert Level 3 during May 2020. The impact of Covid-19 resulted in a significant reduction in operations and therefore revenue and profit in April 2020, however the business recovered in line with the lowering of Alert Levels in May.

All three City Care Limited sectors provided essential services to a varying degree during Alert Level 3 and 4, however this work was well down on normal operations, particularly during the month of April.

- The Water sector provided essential services relating to New Zealand's three waters infrastructure to ensure the health and safety of the public.
- The Civil sector provided services related to road maintenance inspections and essential repairs, with the asphalt plant operating at a reduced capacity to support essential services being carried out.
- The Property sector provided services relating to the maintenance of public facilities that were deemed essential by our clients.

Employees in non-essential roles who were able to work from home during the Level 4 lockdown continued to work, however a large number of employees were unable to work during the Level 4 Lockdown period. All staff returned to work at Alert Level 3, with those who were able to work from home continuing to do so. All offices reopened for employees to return from 18 May 2020.

The group committed to retaining all employees, with staff entitlements partly offset by wage subsidy claimed from the Ministry of Social Development. The key focus for the group was the health and safety and the immediate retention, of staff.

As part of the impact assessment of Covid-19, Management and the Directors considered whether there has been any impact on going concern or impairment of assets. This review includes discounted cashflow modelling for various cash generating units to reflect the potential impact from Covid-19 on the operations of the group. The group has a strong balance sheet, both at 30 June 2020 and for the forecast 2021 year ahead and forecast cash requirements can be met by cash on hand and existing facilities. As per Note 13, the market valuation of the land in Springs Road has reduced as a direct result of Covid-19 uncertainties however, there has been no other significant impact on asset values or impairment. Goodwill balances have been assessed for impairment and remain unimpaired. An assessment on debtor balances has been completed and there has been no material impact as a result of Covid-19.

The group continues to monitor the Covid-19 situation and is working closely with the Board and customers to ensure the appropriate actions are taken as required and ensuring that health, safety and wellbeing continues to be an area of focus.

28. STATEMENT OF PERFORMANCE

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

	Actual $000		Target $000
(a) Financial performance			
Revenue	285,136	Refer note (i)	299,830
Net (Loss) / Profit After Tax	5,616	Achieved	2,859
Dividends	250	Refer note (ii)	715
Equity to total assets	45.6%	Not achieved	50.4%
Return on average equity	9.5%	Achieved	5%
(b) Non-financial performance			
Client Satisfaction			
Positive Net Promotor Score (NPS) year-on-year based on an annual survey of >5 key customers.			Achieved
Sustainability			
20% of new (non-operational) passenger vehicles purchased or leased to be hybrid or EV (excludes vehicles procured through acquisitions).			Achieved
Annual reduction of 2% company-wide greenhouse gas emissions normalised against annual turnover.			Achieved
Health and Safety			
<20 incidents requiring notification to WorkSafe.			Achieved
<2 WorkSafe investigations.			Achieved
Maintain NZS4801 Health & Safety Management accreditation.			Achieved
Employee Engagement			
>16% of workforce to be female.			Achieved
Run an employee survey related to attitudes to Diversity in the workforce.			Achieved
System Management			
Maintain ISO-accredited systems.			Achieved
Innovation			
Develop and implement >3 new ideas that drive a significant productivity benefit for one of our key clients.			Achieved
Community			
Establish 1 x Community Guardian client reference site.			Achieved
Collaborate with >1 Social Enterprises.			Achieved
Coordinate safe delivery of >10,000 volunteer hours.			Achieved

(i) Revenue: Forecasted revenue targets were not achieved due to implications from Covid-19.

(ii) At the time of declaring the interim dividend for the 2020 financial year, there was uncertainty around the Company's performance regarding settlement of legacy issues that have now been resolved, therefore the full interim dividend was not declared. Had the full value of the interim dividend been declared, this performance target would have been achieved.

Independent Auditor's Report

To the readers of City Care Limited's Group financial statements and performance information for the year ended 30 June 2020

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

Opinion

We have audited:

- the financial statements of the Group on pages FA4 to FA35, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages FA36.

In our opinion:

- the financial statements of the Group on pages FA4 to FA35:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; 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 FA36 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 2020.

Our audit was completed on 13 August 2020. This is the date at which our opinion is expressed.

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

Emphasis of matter - COVID-19 pandemic

Without modifying our opinion, we draw your attention to the disclosures in note 27 on page FA35 of the financial statements, which explains the impact of the COVID-19 pandemic on the Group.

As part of the impact assessment of COVID-19, the Group has considered the going concern assumption, impairment of assets and cash generating units. The assessment has confirmed that no assets need to be impaired.

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Group’s framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express

an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 28, FA1 to FA3 and FA41 to FA50 to but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

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

Statutory Information

For the year ended 30 June 2020

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

An interim dividend of $250,000 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 2020:

- Gary Leech (Chair) (retired 31 March 2020)
- Bryan Jamison (appointed 1 October 2019) (appointed Chair 31 March 2020)
- Graham Darlow
- Penny Hoogerwerf
- Craig Price
- Jennifer Rolfe
- Mark Todd

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

The following Directors held office during the year ended 30 June 2020:

- Tim Gibson (Chair)
- Paul Kiesanowski (retired 30 October 2019)
- Steven Kroening
- Matthew Savage
- Mark Todd (appointed 20 August 2019)

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 2020.

Company Directors

DIRECTOR	ENTITY	POSITION
Bryan Jamison	Essex Investments and Developments Limited	Director and Shareholder
	Jamison Family Trust	Trustee
	Red Bus Limited	Director and Chair
	Southfuels Ltd	CEO
Graham Darlow	Acciona Infrastructure NZ Ltd	Business Executive
	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
	Piritahi Auckland Civils Alliance (Kaingaora Ora)	PAB Member
	Tainui Auckland Airport Hotel GP (No.2) Limited	Director
Penny Hoogerwerf	Central Plains Water Ltd	Consultant (Legal)
	Katamama Ltd	Director
	Moss & Moss Limited	Director
	Moss Family Trust	Trustee
	Tennis Canterbury Region Incorporated	Director
	Wilding Park Foundation	Director
Craig Price	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
Jennifer Rolfe	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
	The Arts Centre of Christchurch	Trust Board Member
	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
Gary Leech (retired 31 March 2020)	Back Track Diaries Ltd (Murney Group)	Director
	The Boundary Ltd (formerly Waitakere Mega Centre Ltd)	Director and Shareholder
	Cariboo New Zealand (2011) Ltd	Director and Shareholder
	Fairbanks Seeds NZ Ltd (South Pacific Seeds Group)	Director
	G R & A M Leech Family Trust	Trustee and Beneficiary
	Hank Murney Family Trust #2 (Murney Group)	Trustee

DIRECTOR	ENTITY	POSITION
Gary Leech (retired 31 March 2020) *Continued*	iSelect Group Ltd	Chair and Shareholder
	iSelect Trustee Services Ltd (iSelect Group)	Director
	Linc-ed Technologies Ltd	Director
	Londale Development Ltd (WH Collins Group)	Director
	Lye Properties Ltd (WH Collins Group)	Director
	Murney Custodians Ltd (Murney Group)	Director and Non-Beneficial Shareholder
	Murney Investments Ltd (Murney Group)	Director and Non-Beneficial Shareholder
	Murney Trust (Murney Group)	Trustee
	Murney Trustees Ltd (Murney Group)	Director and Non-Beneficial Shareholder
	The New Zealand Sock Company Ltd	Chair and Non-Beneficial Shareholder
	South Beach Properties Ltd	Director and Shareholder
	South Pacific Seeds (NZ) Ltd	Director and Shareholder
	South Pacific Seeds Pty Ltd (Australia)	Director and Shareholder
	South Pacific Seeds Sales (NZ) Ltd	Chair
	TCB Results Ltd	Director and Shareholder
	Trevor Wilson Charitable Trust No2	Trustee
	Trotts Garden Charitable Trust	Trustee
	Tuam Street West Ltd (Murney Group)	Director and Non-Beneficial Shareholder
	WH Collins & Co Ltd (WH Collins Group)	Director

Subsidiary Directors

DIRECTOR	ENTITY	POSITION
Tim Gibson	City Care Ltd	Executive General Manager, Citycare Water
	Apex Environmental Ltd	Chair
	Water Industry Group	Chair
Steven Kroening	Apex Environmental Ltd	Director, Management, Shareholder
Matthew Savage	Apex Environmental Ltd	Director, Management, Shareholder
Mark Todd	Apex Environmental Ltd	Director
	The Arts Centre of Christchurch	Trust Board Member,
	City Care Limited	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
Paul Kiesanowski (retired 30 Oct 2019)	Apex Environmental Ltd	Director
	Amalgamated Holdings Ltd	Director
	City Care Ltd	Company Secretary, Citycare Group
	Craigpine Timber Ltd	Director
	Earthquake Commission	Commissioner
	Electricity Invercargill Ltd	Director
	Paul Kiesanowski Advisory Ltd	Shareholder
	PowerNet Ltd	Director
	Pylon Ltd	Director
	Red Bus Ltd	Director

Directors' remuneration

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

	2020 $	2019 $
City Care Limited		
Gary Leech (Chair, retired 31 March 2020)	58,027	74,668
Bryan Jamison (appointed 1 October 2019, Chair from 1 April 2020)	37,395	-
Graham Darlow	44,555	44,800
Penny Hoogerwerf	41,482	41,066
Craig Price	43,940	41,066
Jen Rolfe	40,499	39,200
Mark Todd	44,555	44,800
	310,453	285,600
Apex Environmental Limited		
Mark Todd	17,917	-
	328,370	285,600

Use of company information by Directors

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

Directors' insurance

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

Employees' remuneration

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

Remuneration range	2020	2019
$100,000 – $110,000	62	69
$110,000 – $120,000	30	37
$120,000 – $130,000	26	29
$130,000 – $140,000	31	19
$140,000 – $150,000	11	20
$150,000 – $160,000	10	8
$160,000 – $170,000	7	8
$170,000 – $180,000	3	6
$180,000 – $190,000	1	-
$190,000 – $200,000	3	2
$200,000 – $210,000	-	2
$210,000 – $220,000	2	2
$220,000 – $230,000	-	1
$230,000 – $240,000	1	2
$240,000 – $250,000	-	1
$250,000 – $260,000	1	-
$260,000 – $270,000	2	2
$270,000 – $280,000	1	1
$280,000 – $290,000	-	1
$300,000 -- $310,000	1	-
$320,000 -- $330,000	-	1
$330,000 – $340,000	-	1
$370,000 – $380,000	1	-
$390,000 – $400,000	-	1
$400,000 – $410,000	1	-
$570,000 – $580,000	-	1
$670,000 – $680,000	1	-
	195	214

Cessation of short term incentives

At the commencement of the 2020 financial year, the Board negotiated the removal of short term incentives for the Chief Executive and five other key management personnel. For all of these employees, the short term incentive was replaced with an increase in the annual salary of these employees, equivalent to 50% of their previous short term incentive value.

Chief Executive remuneration

As a result of the cessation of the CEO's short term incentive component referred to above, that portion of the remuneration package (a maximum of $220,604) was replaced by an increase in annual salary equivalent to 50% of that maximum value from 1 July 2019. No other adjustment was made to the CEO's remuneration in the 2020 financial year. The CEO's package is reviewed annually by the Remuneration Committee and the Board after reviewing the CEO's and Citycare's performance and taking advice from an external remuneration specialist.

	2020 $000	2019 $000	2018 $000	2017 $000
Fixed Remuneration (i)	675	574	575	547
Short term incentive (ii)	Removed	-	-	163
	675	**574**	**575**	**710**

Notes
(i) Fixed remuneration includes salary and KiwiSaver.
(ii) Removed for the 2020 year and onwards.

Donations

The company made donations of $5,500 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 2020 financial year totalling $145,479 have been paid or accrued.

Corporate Governance Statement

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

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

Board role and responsibility

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

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

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

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

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

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

Responsibility to Shareholder

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.

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 Officer. The Chair's role is to manage and provide leadership to the Board and to facilitate the Board's interface with the Chief Executive Officer.

The Board currently does not have a Deputy 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 Officer establish meeting agendas to ensure adequate coverage of all key issues. The Directors receive Board papers one week in advance of Board meetings, except in the case of special meetings for which the time period may be shorter.

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

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

Directors' induction and education

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

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

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

Board performance review

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

Chief Executive Officer performance review

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

Insurance

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

Board committees

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

Risk, Audit and Finance Committee

The Risk, Audit and Finance Committee is chaired by a Director who is not the Board Chair. It comprises non-executive members of the Board as appointed by the Board from time to time. The Chief Executive Officer and Executive General Manager, Finance and Administration 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 – currently the committee Chair is the Board Chair.

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

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

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

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

Health and Safety Committee

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

The Health and Safety Committee's responsibility is to:

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

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

In fulfilling its responsibilities, the 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.

Citycare Group

Directory

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Chair

Graham Darlow

Penny Hoogerwert

Craig Price

Jennifer Rolfe

Mark Todd

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Executive Management Team

Onno Mulder
Chief Executive Officer

Alastair Ridgway
Executive General Manager
Finance and Administration

Michael Grey
Executive General Manager, Civil

Tim Gibson
Executive General Manager, Water

Peter Lord
Executive General Manager, Property

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

Andy McIntosh
General Manager,
Technology and Fleet

Mike Killick
Acting Executive General
Manager, Civil

Auditor

Audit New Zealand
on behalf of the
Auditor-General

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Tavendale and Partners

Bankers

Bank of New Zealand

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Citycare Group

We discover.
We deliver.
We care.

Better people. Better places.
Better communities.

Citycare Civil
Citycare Property
Citycare Water