
Citycare Group
ANNUAL
2022
REPORT

Contents.

Chair's Report 2021/22.

The past year has been one of change and consolidation for the Citycare Group. Citycare Property and Citycare Water continued their pursuit of independent sector strategies, a strategic approach that was endorsed by the Board in 2020 and which is scheduled for completion in 2023. This will enable both businesses to maximise opportunities within their niche markets and to focus on what they deliver best. This approach has been successful, and Citycare Water and Citycare Property have both delivered solid financial results and growth within their sector base. As a result, Citycare Group recorded a 2021/22 Net Profit after Tax of $3.7M.

Both businesses continue to grow their portfolio of customers. Citycare Property secured a significant greenfield contract with Whangārei District Council and secured an extended contract for facilities management with Tauranga District Council. The purchase by Citycare Property of Spencer Henshaw, an Auckland property maintenance company with a strong presence in social housing, will further consolidate the foundations of the Property business and cement its role as a strong national provider within the social infrastructure space.

Citycare Water commenced a renewed 10-year contract with Watercare early in the 2021/22 financial year and several other contracts have also been extended or renewed. This ongoing business provides Citycare Water with longer-term security during a period of unprecedented sector change and transformation. In June 2022 the Water Services Entities Bill was introduced into Parliament enabling the formal establishment of four new Water Services Entities that will provide drinking water, wastewater and stormwater services to our communities from 1 July 2024. Citycare Water has remained at the forefront of required change and participated in the process, providing its knowledge and expertise to ensure the best result for New Zealand and New Zealanders.

The Citycare Group maintains a commitment to delivery on our shareholders' five strategic pillars: Kaitiakitanga, Mana, Financial, Sustainability and People. Kaitiakitanga ranks high in our delivery. Our teams are charged with ensuring the provision of essential service to our communities to make them great places to live and work, and they do this well.

Any business is only as good as its people, and the Citycare Group is no exception. Despite the difficulties faced over the past year, our people have been out in their communities delivering results. On behalf of the Board, I want to thank them for this mahi.

The effects of COVID-19, including lockdowns in various parts of the country from mid-July through to December 2021, had a significant impact on our results. Not only were we limited in terms of where, how and when we could deliver, but the ongoing impact of absenteeism and supply chain issues have all had a flow on effect on the business. This disruption impacted our ability to meet budget, however, the business still ended the year slightly ahead of a 6+6 reforecast that was completed in early January. I anticipate that there will be ongoing fallout throughout 2022/23.

It has been positive to see the progress made across The Citycare Group towards achieving Living Wage. This has been a complex issue to resolve but one that both Property and Water have committed to and are close to achieving.

The implementation of the Group IT project, Evolve, will position the two businesses well to deliver on their strategic priorities as they pursue independent strategies. The initial steps have been to focus on reduction of technical debt, reduction of IT risk and the implementation of systems that enable better and more strategic use of data.

Finally, I want to thank my fellow Board members for their ongoing commitment to the business, and to thank our CEOs, Peter Lord and Tim Gibson, for their leadership of their respective businesses throughout the year.

Bryan Jamison
Executive Chair
Citycare Group

> "Any business is only as good as its people, and the Citycare Group is no exception."

Citycare Group

24
Playgrounds built

141,463
Plants planted

45,317
Reactive jobs completed

650
Employees

46
Apprentices / Trainees

1,200
Facilities we manage

28,000
Open spaces maintained

700
Minor capital projects completed

Citycare Property

CITYCARE
PROPERTY

CEO's Report

Tēnā koutou.

The past 12 months have brought a mix of opportunity and challenge for Citycare Property as we have leaned into the challenge of doing business in a COVID-19 world. I am extremely proud of how our business and our people have performed and of their continuous pursuit of business growth and expansion under extremely trying circumstances.

We commenced the year with a commitment to embedding Towards 2030 – our business strategy. The 2021/22 year was one of shaping and moulding to secure the future that we had defined in our strategy. A core strategic pillar of Towards 2030 is the pursuit of social infrastructure opportunities, in particular social housing. It is our intention to continue to grow our capacity and market share in this sector.

With this objective at the forefront, Citycare Property confirmed the purchase of Spencer Henshaw (Spencers) in 2022. Spencers is one of the oldest property maintenance companies in New Zealand, employing more than 250 people and with a subcontractor network of more than 3000 tradespeople. Spencers offers a full range of property repair, maintenance and upgrade services to customers and specialises in assisting organisations with large portfolios of social housing.

Like Citycare Property, Spencers is a New Zealand company, and we share similar values and commitments to delivery in our communities. The fit is excellent, and the purchase will facilitate and fast track our growth further in the social housing segment of social infrastructure. The purchase is one of the more significant acquisitions supported by our shareholder CCHL (Christchurch City Holdings Ltd) in the past decade, which is further endorsement of the opportunity. Spencers continues to operate independently, with the existing management team maintaining their roles under the new ownership structure.

One consequence of COVID-19 has been the war for talent in a labour-constrained market. This has required a dual focus within the business on both retention of existing staff and smarter attraction, engagement, and recruitment practices of candidates. Whilst remuneration is an important retention factor for staff, the environment and culture we create, and the autonomy we give our leaders to support their staff and their whānau in small and meaningful ways, are also essential to making Citycare Property an employer of choice.

We all know there is no "silver bullet" when it comes to recruitment, and we have implemented a range of initiatives to deliver results. This has included activities such as local job fairs, an employee referral scheme and an invigorated positioning of our employment brand using social media channels for promotion.

A key element of the Towards 2030 strategy is a commitment to becoming a Living Wage employer. Our intention to move all our staff to the Living Wage has included the development of a consistent National Remuneration Framework, developed in partnership with the Unions, with Living Wage as the entry level. All Citycare Property workers will be paid at or above the Living Wage by the end of the first quarter of FY23.

The August 2021 lockdown did impact operational and financial performance, however, an upswing in performance post lockdown meant we were able to deliver a dividend to our shareholder in line with the 2021/22 Statement of Intent.

A further step towards the achievement of our Towards 2030 goals was Citycare Property being awarded a greenfield contract with Whangārei District Council, and the securing of a new contract in Mount Maunganui. Both contracts are with local authorities and build on and strengthen our social infrastructure presence in the marketplace.

The wellbeing of our people and their health and safety continues to be top of mind for the business. Our safety philosophy is underpinned by core beliefs that we support the capacity and capability of our people to anticipate and manage risk, monitor for and respond to change, and to learn continuously.

Over the past 12 months we have implemented a project to measure and drive improvement in our internal safety culture with success of this project being independently assessed. We have also focussed on the maintenance of an accredited safety system to support staff and provide assurance to customers.

Despite uncontrollable external factors, Citycare Property has continued to forge a path of growth and success based on our strategic foundations. I have no doubt that the coming year will present opportunities that make us further interrogate our business processes, seek new ways to deliver and seek new operational areas of opportunity. I know that our team is ready for the challenge and match-fit to deliver. I want to thank them for their ongoing commitment and hard work through another challenging year.

Peter Lord
Chief Executive
Citycare Property

> "The fit is excellent, and the purchase will facilitate and fast track our growth further in the social housing segment of social infrastructure."

Our Strategic Progress.

Our TOWARDS 2030 strategy is measured by delivery across our five core strategies. Referenced as the "High5", these include:

Strategic Priority 1
We are for Social Infrastructure 01

Strategic Priority 2
We are a Good Kiwi Company 02

Strategic Priority 3
People and their Safety are at the Heart of Everything we do 03

Strategic Priority 4
We deliver a World-Class Service 04

Strategic Priority 5
We Build, Operate, Maintain and Renew 05

In FY22 we made significant progress against our strategic plan to bring our TOWARDS 2030 strategy to life.

#01

We are for Social Infrastructure

Over the past year, Citycare Property was awarded a five-year contract for the maintenance of Parks and Gardens across the Whangārei district. The contract includes the management of parks in high profile areas within the town centre as well as outlying parks in rural areas of the district. The contract has enabled Citycare Property to provide employment opportunities for 27 new staff in a range of roles, from mower operator through to gardener. To attract the right staff in a tight market, the team pursued new ways of encouraging interest and applications. A job fair held in the city in early 2022 attracted significant interest and facilitated growth of our capacity in the city. Citycare Property also expanded existing operations in Tauranga, requiring the employment of 15 new staff in a variety of roles.

The selection of Citycare Property for these contracts reflects the commitment we have to the communities where we work and the effective engagement we cultivate with stakeholders. Both these aspects mean that we are partners with our customers in delivering on community aspirations across New Zealand. Those aspirations range from delivery of complex construction projects through to the care and maintenance of community facilities.

#02

We are a Good Kiwi Company

Community Planting

In Auckland, Citycare Property, in conjunction with Auckland Council, completed a 450-metre section of concrete footpath at Rongomai Park in the Auckland suburb of Flat Bush. The footpath was the continuation of a larger project, designed to improve accessibility in and around the park. The project also included a planting scheme of more than 2150 native plants, supplied by Auckland Council. Citycare Property invited local schools to participate in the planting to help educate students about the importance of diversity within their environment, and to encourage pride in their contribution to beautifying their community. About 50 East Tāmaki Primary School and 70 Tangaroa College students, along with their teachers and volunteers, took part in the planting.

This was just one of several volunteer projects that the Citycare Property team undertook over the past year.

Takapūneke Reserve

Citycare Property had the privilege of being involved with some of New Zealand's more unique and iconic projects over the past year. One of these was the development phase of the Landscape Master Plan for Takapūneke Reserve in Akaroa, Banks Peninsula. Located on Akaroa Harbour, close to the Ōnuku Marae and approximately

1.8 km south-west of Akaroa township, Takapūneke was one of many Māori settlements located throughout Akaroa Harbour. The hapū of Ngāi Tārewa and Ngāti Irakehu are the tangata whenua of the takiwā and Ōnuku Rūnanga have the responsibility to act as kaitiaki over the land. Takapūneke Reserve is a registered wāhi tapu with Heritage New Zealand Pouhere Taonga (HNZPT) meaning it is "a place sacred to Māori in the traditional, spiritual, religious, ritual, or mythological sense" and HNZPT provides statutory protection of the site. The Landscape Master Plan included a series of Takarangi (double-spiral pathways with feature Pou), boardwalk, trails through the bush, seating, extensive native restoration planting, and a toilet block. There are two main entry points with waharoa structures, interpretation panels, signage, and a water element for cleansing. The design is founded on kaupapa Māori concepts. Due to the historic nature of the site, the works were subject to extensive Environmental Management Protection controls, which meant keeping partners and others up to date with progress, and the sloping site required extensive sediment control management to meet stringent Environment Canterbury regulations.

#03

People and their Safety are at the Heart of Everything we do

Our People

Key aspects of our commitment to our people and their safety have been ensuring our people receive the Living Wage, a broadening of our Health and Safety commitment and the development of a Cultural Advisory Rūnanga.

Health and Safety of our team

This year we completed a baseline survey to measure the underlying internal safety culture. Sixty-nine per cent of our staff contributed to the survey and their feedback has influenced our continuous improvement plan. We have invested in additional Health and Safety technical resource to provide increased coverage to the national business, and we have supported improved worker participation to maximise the input and increase our team's voice at local meetings. These actions have all been supported with a communications plan designed to build knowledge, celebrate successes and drive stronger culture. Our future goal is to build the depth of our safety-leadership capability and leverage this to maintain our focus on the critical risks we face through work delivered by our staff and our sub-contractors.

#04

We deliver a World-Class Service

Delivering first rate technology

At Citycare Property we embrace new technologies that inform decision making. They make the difference to our teams and our customers and to the result of the jobs we deliver. One example of how we use technology daily is the application of Geographical Information Systems mapping or GIS. GIS uses software to convert geographical data efficiently and effectively into an easily discernible format, i.e. a map.

Using a combination of GPS numerical data and high-definition imagery supplied by GNSS Satellites, we overlay the raw data and imagery to produce highly detailed digital representations of council-owned attributes and facilities, with the data collected being used to revalidate changes to infrastructure. Having information in a geo-spatial system allows councils to better maintain spaces based on individual lifecycles of the assets within those spaces. The technology also allows Citycare Property to map the exact shape and size of open spaces, which in turn allows for accurate pricing of jobs, often leading to significant cost savings for customers.

#05

We Build, Operate, Maintain and Renew

Te Kura Kōaka School

During 2021/22 Citycare Property teams managed the redevelopment of Christchurch's Hoon Hay Te Kura Kōaka school. A seven-month refurbishment of the school hall was the first step in the project and in late 2021 Citycare Property commenced stage two, which involved the construction of a new five-classroom block.

More than 140 playgrounds are designed, built and/or managed by Citycare Property throughout New Zealand every year. Our specialist team delivers the design and installation of new playground environments, and our maintenance work ensures communities can be safe and enjoy well-maintained facilities. Our Landscape Construction team has Royal Society for the Prevention of Accidents (RoSPA) accreditation, which covers playground construction facets, including fall zones, health and safety considerations, such as entrapment minimisation, and environmental controls of the site during construction.

We are proud of the fact that two open-space areas that we maintain received Green Flag awards for 2021/22 — Auckland's Ambury Regional Park and Randwick Park. The Green Flag Award® is an internationally recognised programme that acknowledges well-managed parks and open spaces that provide their communities with high-quality recreational experiences.

Keeper of the Grounds

We know that it takes a great team to deliver, and we are proud of the outstanding work our people complete every day of the week. Vijay Changotra was named Community Groundskeeper of the Year at the annual Northern Districts Cricket Association Awards. The award recognised Vijay's outstanding work renovating and maintaining four cricket blocks at Mountfort Park in the Auckland suburb of Manurewa — that's a total of 20 cricket pitches.

Vijay began his career with Citycare Property in 2018 as a line marker.

"Then, around three years ago the company placed its faith in me and tapped me on the shoulder to become a Cricket Technician, even though I didn't have any prior experience."

Since then, Vijay has proved himself to be a quick study on the finer techniques of pitch maintenance and will soon complete his Level 4 Turf Management certificate.

Our Community and Our Kaitiakitanga

Our purpose is to enhance the wellbeing of our communities and we are very proud of our community engagement programme.

This year we have contributed to, participated, and led a number of high-quality community initiatives across Aotearoa in collaboration with our community partners. In our community support programme, we focus on areas of strategic alignment, including sustainability, Māori participation, and open space revival initiatives, including planting, waste diversion and clean-ups.

One of our strategic commitments is to honour Te Tiriti o Waitangi and in FY22 we developed a Māori Pathways Programme to help guide our organisation on its journey to better understand Mātauranga Māori, Tikanga Māori and Te Reo Māori.

Looking Forward

In FY22 we commenced the Evolve Programme, which is intended to refresh and re-establish our digital and technology platforms to ensure that we have an IT system that meets the needs of our strategic ambition.

Our initial focus is to reduce our technical debt and ensure that we have contemporary fit for purpose hardware and software solutions that reduce risk and enables us to work, collaborate, manage data, and extract insights in a safe and efficient manner.

The year ahead will see this programme progress even further by identifying and implementing the solutions that will enable us to deliver on our strategy. The year ahead will also see further growth as we finesse our approach to customer service, work on harnessing our technical capability and expertise for the benefit of our customers, seek new opportunities, work hard on our sustainability journey and build cultural competence and confidence across our organisation.

Our Kaimahi / Employees

Citycare Property is a good Kiwi company and we always put our people first.

This year we established a Cultural Advisory Rūnanga made up of staff representatives from across the business to provide a panel of people from a broad range of cultures who feel comfortable offering advice and contributing to a diverse, safe and supportive environment within the workplace. Sixteen staff volunteered to be part of the original group, and each has brought a unique perspective to our operations. The panel has a focus on improving inclusivity and promoting diversity, eliminating barriers to the recruitment and/or development of our people, building the cultural competence of our workforce and building a customer-centric culture that reflects the diversity of the communities we work in.

Our Kiritaki / Customers

In every aspect of our Strategic High5, the customer is always front and centre. We have a diverse range of public sector and local government customers as well as privately owned entities who we proudly serve across a range of services, including full facilities maintenance, parks, recreation, and landscaping maintenance services, including tree planting, and minor and major capital works.

Focus on Customer Engagement

At the end of FY22 we made an appointment to the newly created role of General Manager – Customer Engagement. The primary purpose of this role is to ensure that our customer focus is inherent in everything we do. Over the coming 12 months this role will develop and commence execution of a customer strategy that will include opportunities for us to add value to our existing and prospective customers across a range of offerings.

CITYCARE

WATER

Citycare Water

9,035
9,035 metres of wastewater pipe replacement

725
Managed over 725 km of waterways

290k
290,000 kgs of aquatic weed cut in Christchurch's 3 rivers

600
More than 600 staff in 10 locations

11,286
Installation of 11,286 water meters

17,994
17,994 metres of potable water pipe replaced

871
871 backflow prevention devices installed

25%
Maintains 25% of billed properties in NZ *(Source: DIA)*

>12k
12,081 emergency callouts attended

CEO's Report

Tēnā koutou.

Once again in 2021/22, COVID-19 challenged the business community, either through lockdowns, staff shortages or supply chain issues. I'm very proud of the way in which the Citycare Water team has adapted to the change that was required, and pulled together, to ensure we continued to deliver excellent service to our communities and customers.

Our response included development of a specific COVID-19 Protection Framework to better reflect operations under the Government's Traffic Light System. Delivering uninterrupted service is essential to Citycare Water. Our customers and communities need to know that Three Waters infrastructure is secure, safe and available.

These challenges experienced over the past 12 months, have had a significant impact on the financial performance of the business, resulting in profitability falling short of expectations. COVID-19 lockdowns resulted in high non-productive time and discretionary leave costs, supply chain disruption and unrecoverable project delays. Staff absenteeism increased significantly during the period due to COVID-19 and influenza-related illness, and a significant increase in inflation during the period also resulted in increased operating costs.

Despite these challenges, Citycare Water has continued to secure new work and has a strong foundation of both long-term maintenance contracts and project work moving forward. We commenced a renewed 10-year contract with Watercare early in the 2021/22 financial year and several other contracts have also been extended or renewed. This ongoing business provides Citycare Water with longer-term security during a period of unprecedented sector change and transformation.

In November 2021, Taumata Arowai became fully operational as the new water services regulator for Aotearoa. The Water Services Entities Bill was introduced into Parliament in June 2022 to begin the formal establishment of four new Water Services Entities that will provide drinking water, wastewater and stormwater services from 1 July 2024. The new entities will inherit existing contracts such as those Citycare Water already has in place with councils across the country. These changes are the most significant to the sector since Citycare Water commenced operations, and our business has committed resource to ensuring we are well prepared to participate and support our customers effectively and efficiently. This preparation has included input to the Three Waters National Transition Unit (NTU).

During the year I participated on the steering group of the Three Waters Workforce Development Strategy project, which is a collaboration between Waihanga Ara Rau Construction and Infrastructure Workforce Development Council, Water New Zealand, Department of Internal Affairs, Taumata Arowai, Connexis, and industry. The project was

established to develop a workforce strategy for the water sector that will assist with future labour demand and capability stemming from sector reform. As a sector we are very aware of the nation's current skills shortage across many areas, and it will be essential to ensure there is a sufficient pool of skilled talent available to deliver on the reforms as they roll out. The skills shortage is not exclusive to the water sector and is prevalent across many industries and skill bases. To ensure we retain our competitive position, Citycare Water has set in place several initiatives to drive staff retention and recruitment. One of these has been a commitment to becoming a Living Wage employer with an equitable remuneration foundation for employees.

> "We know that making Citycare Water a better business helps to retain staff. We want our staff to feel proud of the work we do and the way we go about delivering."

We are implementing a National Remuneration Framework for waged employees with the Living Wage as the entry point. This framework provides for equitable remuneration across roles as well as providing career pathways and it has been phased in throughout 2022, on a collective-by-collective agreement basis. This initiative has been positively received by unions with active engagement from them in the process. Our Christchurch and Dunedin collectives have been implemented to date.

We have a strong commitment to developing long-term relationships with mana whenua, based on shared values and partnerships that deliver mutual benefits and meaningful outcomes. Over the past year our initial focus has been to build relationships with Ngāi Tahu, starting with Te Ngāi Tūāhuriri Rūnanga in the Christchurch area, to identify and provide pathways for rakatahi to gain recognised qualifications and pursue exciting careers in the water sector. This includes ensuring that the right support is available for young Ngāi Tahu to succeed at all levels in the industry.

Our focus on improving our safety performance continues and it is pleasing to report that during the reporting period, the TRIFR (Total Recordable Incident Frequency Rate) had reduced by over 45% on the previous year.

Citycare Water has also participated in several recruitment initiatives, such as Girls in Hi Vis, to encourage greater diversity and curiosity about a career in the sector.

We know that making Citycare Water a better business helps to retain staff. We want our staff to feel proud of the work we do and the way we go about delivering. It is some of these more intangible aspects that employees are seeking in the current climate.

Citycare Water has a commitment to several charitable initiatives, including Tread Lightly. This school programme provides thousands of children with education on sustainability and caring for our waterways. Citycare Water sponsors the Tread Lightly Drain Game and during the year 1244 students from five schools were hosted by the Drain Game team. These children learned the difference between the wastewater and stormwater systems and the effects that pollutants, contaminants and litter have on our waterways. Our team enjoys the opportunities to engage with the next generation and make a difference.

As one of the CCHL companies, we chose to participate in the CCHL Gender Balance Research Project. The purpose of this project was to understand how CCHL could become more gender balanced and to support more women to develop and progress within CCHL subsidiary companies. Female executives at Citycare will be sharing their leadership team experiences as part of the project.

Each of these initiatives has been designed and developed to demonstrate a commitment to our people, our places and our communities.

Our focus has been ensuring the business is well prepared to respond to the rapidly changing sector and wider environmental issues. We have stepped up to the plate and contributed at a leadership level. I want to thank my leadership team for their support over the past year and to thank each team member for making a contribution towards both the business and their community.

Tim Gibson
Chief Executive
Citycare Water

Our People.

The Citycare Water team, of more than 600 people operating out of ten locations around New Zealand, is at the heart of our operations. Every day, Citycare Water employees contribute to the smooth running of our communities. Technology is at the core of our delivery, we rely on data and the accurate interpretation of that data to deliver excellence. This requires a team of skilled and qualified staff, with a range of knowledge and expertise, to ensure delivery of safety requirements and consistent service.

Citycare Water invests in our people, upskilling our teams and supporting our staff to attain new skills and competencies that provide them with the ability to better complete their job and ensure lifelong learning. Citycare Water currently has 75 trainees working in the business, including 48 who are doing apprenticeships. During the year 31 new trainees commenced qualifications and 38 staff completed qualifications. This commitment to professional development assists Citycare Water with attraction and retention of new and existing staff which is essential in the current climate of skilled labour shortages.

During the year our people's unwavering dedication and work ethic during the stressful times of the COVID-19 pandemic created real pride in our mahi and culture. Mental health awareness is a key focus for Citycare. Each Auckland employee of Citycare Group received a wellbeing package of groceries in November as a token of our appreciation during their extended lockdown.

Keeping our People Safe.

Health and Safety (H&S) is vital to our business. We are committed to keeping our people safe when they are at work, and we are proud of the reduction in the number of workplace incidents. Last year our Total Recordable Incident Frequency Rate (TRIFR), which is the rate of recordable injuries that occur per million hours worked, was 5.75, a reduction of 45% on 2020/21.

Our H&S initiatives focus on leadership, visible commitment, active involvement and focused engagement with our teams around critical risk activities.

An independent H&S benchmark culture survey was conducted, with the results forming a baseline for measuring the impact of our H&S business plans, as well as enabling identification of areas requiring improvement.

Citycare Water remains actively involved with WorkSafe, Whakaiti Kino, and industry associations in progressing industry health and safety initiatives, including the review of standards and qualifications for working safely around underground infrastructure. Our teams don't just work with water, some of them work on water, and this involves particular H&S measures.

The Land Drainage Team in Christchurch is running a specified limits plan through Maritime New Zealand, which is a training programme built to show the crew of our main "boat", the weed harvester, are competent in lifesaving and rescue exercises, alongside day-to-day running tasks and operational procedures.

Three Waters Reform.

The future of the water sector offers new and exciting experiences, job opportunities and career pathways for everyone involved.

Knowing that our mahi contributes to Aotearoa's prosperity, health, safety, and environmental protection and enhancement motivates us as we connect with and work alongside our communities every day. It is inherent in the Citycare Water work ethic that all drinking water, wastewater and stormwater network operators perform their duties in a manner that ensures care for the natural environment – something that is now recognised and required under the new Water Services Act.

The proposed Water Services Entities Bill will result in the formal establishment of four new Water Services Entities that will provide drinking water, wastewater and stormwater services from 1 July 2024. The Government expects its reforms to enable a greater level of expenditure in capital works and maintenance of Three Waters assets, as well as an increase in employment and opportunities for training and qualifications for staff. Therefore, there are likely to be significant growth opportunities for businesses such as Citycare Water that have a proven track record in consistently delivering strong performance and service excellence.

We are working towards giving effect to Te Mana o te Wai – a concept focused on restoring and preserving the balance between water (wai), the wider environment (taiao), and people (tāngata), now and in the future. In doing so, we are building our relationships with mana whenua in the local communities where we work throughout Aotearoa, based on shared values and co-designed pursuit of agreed outcome in a manner which recognises, in the first instance, City Care Limited's origins in Christchurch.

Operational Excellence

Every day, Citycare Water expert teams undertake emergency and planned maintenance of Three Waters services for our customers around New Zealand. This work is an exemplar of collaboration between councils and Citycare Water, with teams responding in a timely manner to issues reported by residents as well as continuously and proactively improving the pipe networks serving our communities.

Over the past year, this work has included the installation and/or remediation of over 14 km of pipes, the installation of close to 21,000 water meters, the installation of 1.26 km of sewer mains and over 800 backflow prevention devices and the maintenance of 385 stormwater basins. We also managed over 640 km of waterways, including three rivers where we harvested over 700 tonnes of weed for compost.

Citycare Water staff have a reputation and legacy as first responders during emergencies and extreme weather events and they also actively prepare to manage risk and protect our communities should these events occur.

An example of disaster prevention work is the New Plymouth team's assistance during the year with the testing of new flood gates in the Waitara township bridge that crosses the Waitara River.

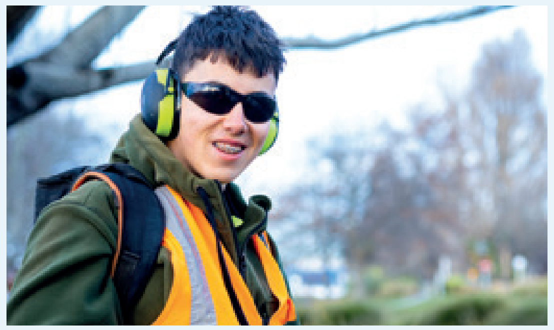
Citycare Water's teams responded to major weather events in Christchurch, New Plymouth and Auckland during the summer months, often working through the night. We received very positive customer feedback.

As wastewater testing was extended around New Zealand during the COVID-19 pandemic, Citycare Water's Clutha team played an important part in this early warning system.

They collected raw sewage samples in the towns of Milton and Balclutha on behalf of the Clutha District Council and then sent them to the Institute of Environmental Science and Research (ESR) in Porirua for analysis of traces of COVID-19.

Water New Zealand

After a virtual conference in February/March 2022, the shortened Water New Zealand conference and expo was held in Hamilton on 24–26 May 2022. As a premier sponsor of the event, Citycare Water had a strong presence. New digital technology business leads were generated, and the conference provided further insight into possible new IoT capabilities. We also sponsored the Water New Zealand Trainee of the Year award to support success among young people in our industry.



Smart Water Technologies

Technology is at the heart of our business and the future of our industry. Citycare Water has proven expertise in smart water technology that enables our operations and provides specific solutions to meet our customers needs.

The numerous benefits our innovative solutions, such as smart meters and sensors, that we provide for customers include streamlining the data capturing process and enabling a shift from reactive to proactive asset management.

Improvement in the overall health of water assets is possible through reducing maintenance costs and increasing asset life as well as minimising unplanned incidents and risk of environmental impact.

Sustainable water use is the purpose of a pilot smart water meter project being led by Citycare Water in Glenorchy and Luggate for the Queenstown Lakes District Council. Two different types of smart meter hardware solutions are on trial.

Advanced Three Waters technology solutions are assisting the New Plymouth District Council to better understand the capacity and performance of its wastewater network.

A total of 130 flow gauges and 22 rain gauges have been installed to collect, model and interpret wastewater reticulation network and rainfall data over two winter seasons.

The modelling project will enable ongoing strategic management and provide a baseline for system performance, while supporting wastewater systems planning, design and construction for projected urban growth.

Citycare Water is part of a project in Greytown for Wellington Water and the South Wairarapa District Council to trial the potential benefits of smart water metering.

The trial, involving 250 smart meters, will assess the ways in which smart water metering technology can help residents better manage their water usage and assist in detecting potential water leaks.

Apex Water

During a successful year Apex Environmental rebranded as Apex Water and grew the business to employ 34 staff in Timaru, Auckland, Christchurch and Queenstown. Apex Water is a subsidiary of Citycare Water, specialising in the design and build of bespoke water and wastewater treatment plants of all sizes throughout New Zealand.

Whether it's systems for small communities and subdivisions, or for towns and large cities, Apex Water ensures resilient, cost-effective water and wastewater infrastructure is designed and installed to meet the needs of the local community.

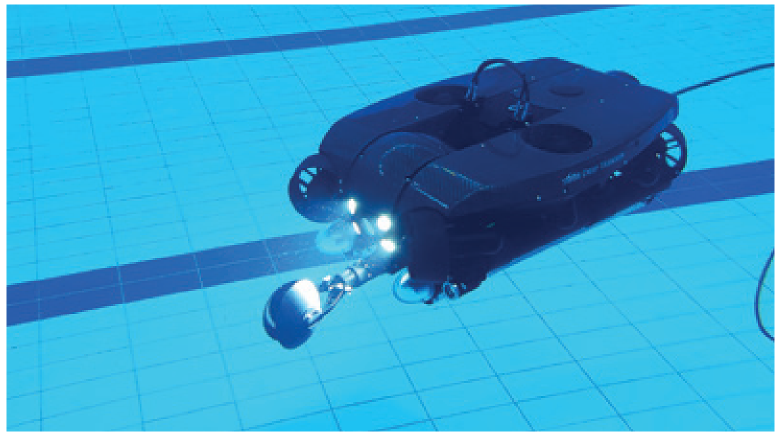
The challenge of solving customers problems and a passion for enabling growth while preserving, if not improving, the natural environment for generations to come are key values in the Apex delivery approach.

During the year Apex completed industrial and municipal projects, including a membrane bioreactor wastewater treatment plant for Watercare Meremere; a sequencing batch reactor wastewater treatment plant for Cardrona Valley Wastewater and Queenstown Lakes District Council (QLDC); an activated sludge wastewater treatment plant for NZSki at Coronet Peak; and a water treatment plant for Tasman District Council at Motueka. An upgrade to a water treatment plant at Lake Hawea for QLDC is near completion.

The exceptional reliability and performance of the new Meremere process enabled the facility to be granted a 35-year discharge consent. Meanwhile, Apex staff are now operating the Cardrona plant for a three-year period and providing 12 months of operational support to NZSki.

The Apex Water team has begun work on a number of projects, some of which include water treatment plants for Whakatāne District Council at Braemar Springs and Far North District Council at Kerikeri; wastewater treatment plants for Olam Dairy in Tokoroa; and the New Zealand Defence Force at the Devonport Naval Base.

Apex Water



Innovation in Action

State-of-the art technology is evident in our daily tool kit, with the acquisition of a new Deep Trekker Revolution underwater remote-operated vehicle (ROV). This machine is used primarily for water reservoir inspections in the hills around Christchurch but has many other potential uses.

The footage it captures is analysed for signs of wear and tear in the reservoirs and the key benefit for councils is that they don't need to take an asset offline to undertake an inspection. Our teams are accomplished at creating bespoke solutions for our customers.

For example, innovative water sampling points were invented by our Water Technology Team and installed in Christchurch to enhance the city's drinking-water testing programme. The new designated sample points improve the way Citycare Water staff carry out routine water sampling by reducing property visits and water pressure interruptions.

More than 100 sanitary water sample spigots and taps are now installed inside fibre optic pedestals outside pump stations and in council road reserve at residents' property frontages.

The Community

During the year our teams are out and about in their communities giving Mother Nature a helping hand.

The amazing efforts of community volunteers involved in the Mother of All Clean-ups 2022 in Christchurch were supported by a team from Citycare Water's Land Drainage Team. Citycare Water also donated rubbish bags for the clean-up. The great mahi led to a total of 376 bags of rubbish and 267 large items weighing 1800 kg being collected.

Blue fish plaques representing school pupils' respect for their stormwater drains have cropped up in Christchurch. As the kids learn to help protect local waterways, their new understanding is acknowledged with some blue fish plaques on their school drains.

St Albans Catholic School was the first in Christchurch where Citycare Water installed the fish on stormwater grates to support the Christchurch City Council blue fish programme.

CITYCARE

2021–22 FINANCIAL REPORT

Directors' Responsibility Statement

The Directors are responsible for the preparation, in accordance with New Zealand law and Generally Accepted Accounting Practice, of consolidated financial statements which present fairly the financial position of City Care Limited and its subsidiaries ('the group') as at 30 June 2022 and the results of the operations and cash flows for the year ended 30 June 2022.

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 2022.

This Annual Report is dated 25 August 2022 and is signed in accordance with a resolution of the Directors made pursuant to section 211(1) (k) of the Companies Act 1993.

For and on behalf of the Board of Directors:

Bryan Jamison
Executive Chair
25 August 2022

Mark Todd
Director
25 August 2022

Income Statement

For the year ended 30 June 2022

	Notes	2022 $'000	2021 $'000
Revenue	3	**306,358**	319,257
Finance income		**272**	73
Other income	3	**1,884**	2
Gain / (loss) on sale of property, plant and equipment		**3,052**	281
Raw materials and consumables used		**(41,965)**	(44,561)
Sub-contractor costs		**(112,361)**	(105,339)
Employee benefits expense		**(105,443)**	(112,504)
Depreciation and amortisation expense		**(7,254)**	(8,423)
Depreciation on right-of-use assets	15	**(3,656)**	(3,876)
Other expenses		**(34,995)**	(36,411)
Finance costs		**(439)**	(647)
Profit before income tax		**5,453**	**7,852**
Income tax	5	**(1,739)**	(2,227)
Profit for the year		**3,714**	**5,625**
Attributable to:			
Owners of City Care Limited		**3,638**	5,368
Non-controlling interests		**76**	257
		3,714	**5,625**

Statement of Comprehensive Income

For the year ended 30 June 2022

Profit for the year	3,714	5,625
Items that will not be reclassified to profit or loss:		
Gain / (loss) on revaluation of land	-	950
Total comprehensive income for the year	**3,714**	**6,575**
Total comprehensive income for the year is attributable to:		
Owners of City Care Limited	3,638	6,318
Non-controlling interests	76	257
	3,714	**6,575**

Bryan Jamison
Executive Chair
25 August 2022

Mark Todd
Director
25 August 2022

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

Balance Sheet

As at 30 June 2022

	Notes	2022 $'000	2021 $'000
Current assets			
Cash and cash equivalents	23	16,330	19,063
Term deposit		5,000	-
Sub-contractor retention deposits	8	883	1,147
Trade and other receivables	7	37,460	40,550
Inventories	11	2,217	1,974
Contract assets	12	21,096	17,064
Non-current assets classified as held for sale	14,25	10,051	687
Total current assets		**93,037**	**80,485**
Non-current assets			
Property, plant and equipment	13	24,576	35,358
Right of use asset	15	12,177	10,107
Intangible assets	16	3,145	3,513
Contract assets	12	147	53
Deferred tax assets	6	793	805
Total non-current assets		**40,838**	**49,836**
Total assets		**133,875**	**130,321**
Current liabilities			
Trade and other payables	8	29,846	32,507
Borrowings	9	10,000	10,000
Contract liabilities	12	8,367	5,097
Current tax liabilities	5	1,692	2,461
Provisions	18	8,517	8,073
Lease liabilities	15	3,334	3,115
Total current liabilities		**61,756**	**61,253**
Non-current liabilities			
Provisions	18	535	488
Lease liabilities	15	9,338	7,448
Total non-current liabilities		**9,873**	**7,936**
Total liabilities		**71,629**	**69,189**
Net assets		**62,246**	**61,132**
Equity			
Capital and other equity instruments	19	8,536	8,536
Reserves		10,200	10,200
Retained earnings		42,667	41,629
Equity attributable to owners of City Care Limited		**61,403**	**60,365**
Non-controlling interests		843	767
Total equity		**62,246**	**61,132**

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

Statement of Changes in Equity

For the year ended 30 June 2022

Consolidated	Share capital $'000	Capital reserve $'000	Asset revaluation reserve $'000	Retained earnings $'000	Non controlling interest $'000	Total equity $'000
Balance as at 1 July 2020	**8,536**	**2,314**	**6,936**	**40,811**	**510**	**59,107**
Profit or loss for the year	-	-	-	5,368	257	5,625
Gain / (loss) on the revaluation of land	-	-	950	-	-	950
Total comprehensive income	**-**	**-**	**950**	**5,368**	**257**	**6,575**
Dividends	-	-	-	(4,550)	-	(4,550)
Balance as at 30 June 2021	**8,536**	**2,314**	**7,886**	**41,629**	**767**	**61,132**
Balance as at 1 July 2021	**8,536**	**2,314**	**7,886**	**41,629**	**767**	**61,132**
Profit or loss for the year	-	-	-	3,638	76	3,714
Gain / (loss) on the revaluation of land	-	-	-	-	-	-
Dividends	-	-	-	(2,600)	-	(2,600)
Balance as at 30 June 2022	**8,536**	**2,314**	**7,886**	**42,667**	**843**	**62,246**

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

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

Cash Flow Statement

For the year ended 30 June 2022

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers		309,518	312,612
Receipt of government grants		1,884	2
Interest received		272	73
Payments to suppliers and employees		(298,171)	(295,364)
Interest and other finance costs paid		(439)	(638)
Income tax (paid) / received		(211)	-
Subvention payment		(2,286)	(3,129)
Net cash inflow / (outflow) from operating activities		**10,567**	**13,556**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4,214	681
Payment for property, plant and equipment		(6,350)	(5,308)
Payment for intangible assets		(296)	(376)
Net cash inflow / (outflow) from investing activities		**(2,432)**	**(5,003)**
Cash flows from financing activities			
Proceeds from / (amounts placed on) deposit		(4,736)	381
Principal elements of lease payments		(3,532)	(3,607)
Dividends paid		(2,600)	(4,550)
Net cash inflow / (outflow) from financing activities		**(10,868)**	**(7,776)**
Net increase (decrease) in cash and cash equivalents		**(2,733)**	**777**
Cash and cash equivalents at the beginning of the financial year		19,063	18,286
Cash and cash equivalents at end of year	**23**	**16,330**	**19,063**

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

1. COMPANY INFORMATION

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

The financial statements presented are for the City Care Limited Group ('the group') as at, and for the year ended 30 June 2022. The group comprises City Care Limited ('the company'), its subsidiaries and its investments in joint arrangements.

The group's activities are:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance and basis of preparation

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

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

The consolidated financial statements have been prepared on a going concern basis. City Care Limited has embarked on a process of eventually being split into two separate legal entities – City Care Water Limited and City Care Property Limited. These two entities are in existence but remain dormant. The legal split is not expected to occur within the next financial year and could take a number of months to be finalised and approved. There are currently three proposed legal structures under consideration. No decisions have been made. The Directors are of the view that the going concern basis is appropriate, considering the future cashflows, future banking facilities and the resources to adequately meet any commitments.

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

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

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

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

(b) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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

(c) Goods and Services Tax (GST)

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

(d) Foreign currency translation

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

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

(e) Significant accounting policies, estimates and judgements

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

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

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

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

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

(g) Standards, amendments and interpretations not yet effective

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

3. REVENUE

Revenue recognition

(i) Maintenance services

The group performs maintenance services in the following areas:

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

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

(ii) Contract revenue

The group derives revenue from the construction of vertical and horizontal assets. The construction of each individual piece of infrastructure is generally taken to be one performance obligation. Where contracts are entered for several projects the total transaction price is allocated across each project based on stand-alone selling prices.

Revenue from construction contracts is recognised over time using the measure of progress that best reflects the group's performance in satisfying the performance obligation within the contract. For horizontal construction projects, an input method is used, by calculating the cost to complete, based on cost incurred for work performed relative to the estimated total contract costs. For vertical construction projects, an output method is used, by reference to the performance milestones reached during the performance of the contract. The same method of measuring progress will be consistently applied to similar performance obligations. The Directors consider that these methods are appropriate measures 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-complete method, then the group recognises a contract liability for the difference.

(iii) Sale of goods

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

(iv) Variable consideration

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

(v) Warranties and defect periods

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

(vi) Interest income

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

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

The group applied for and received the Ministry of Social Development wage subsidy in relation to the COVID-19 pandemic during the 2022 financial year. The group applied the income approach, recognising the subsidy income in the income statement on a systematic basis over the period in which the company recognised as expenses the related employee benefits. There are no unfulfilled conditions or other contingencies in relation to the wage subsidy at 30 June 2022.

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

	2022 $'000	2021 $'000
(a) Operating revenue		
Over time:		
Revenue from the rendering of maintenance services	**197,298**	218,523
Construction contract revenue	**101,324**	93,178
	298,622	311,701
At a point in time:		
Revenue from the sale of goods	**7,736**	7,556
	306,358	319,257
(b) Other income		
Ministry of Social Development subsidies	**1,884**	2

4. EXPENSES

	2022 $'000	2021 $'000
Profit before income tax includes the following specific expenses:		
Directors' fees	468	368
Defined contribution superannuation expense	103	133
Remuneration of Auditors:		
Audit of the financial statements	154	149

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.

5. INCOME TAXES

	2022 $'000	2021 $'000
(a) Income tax expense		
Current tax on profits for the year	1,692	2,461
Adjustments in respect of prior years	34	303
Origination and reversal of temporary differences	13	(537)
Income tax expense	**1,739**	**2,227**
(b) Income tax reconciliation		
Profit from operations before income tax expense	**5,453**	**7,852**
Income tax @ 28%	1,527	2,199
Tax effects of:		
• non-deductible expenses	246	49
• capital gain on sale of property, plant and equipment	(26)	(12)
• adjustments for current tax of prior periods	(8)	(9)
Income tax expense	**1,739**	**2,227**
(c) Imputation credits		
Imputation credits available for subsequent reporting periods	-	-

Income tax

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

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

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

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

6 DEFERRED TAX

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.

Taxable and deductible temporary differences arising from the following:

	Opening Balance $'000	Charged to Income $'000	Closing Balance $'000
Balance at 30 June 2022			
Deferred tax assets / (liabilities):			
Property, plant and equipment	641	(55)	586
Provisions	2,415	(222)	2,193
Work in progress	(2,037)	245	(1,792)
Right of use assets and lease liabilities	216	11	227
Other	(430)	9	(421)
	805	**(12)**	**793**

	Opening balance $'000	Charged to income $'000	Closing balance $'000
Balance at 30 June 2021			
Deferred tax assets / (liabilities):			
Property, plant and equipment	406	235	641
Provisions	2,131	284	2,415
Work in progress	(1,977)	(60)	(2,037)
Tax losses	103	(103)	-
Right of use assets and lease liabilities	119	97	216
Other	(514)	84	(430)
	268	**537**	**805**

7. TRADE AND OTHER RECEIVABLES

	2022 $'000	2021 $'000
Trade receivables	33,190	36,832
Allowance for doubtful debts	(69)	(121)
	33,121	**36,711**
Aging of trade receivables which the group has not provided against as still deemed recoverable:		
Not past due	31,531	35,276
Past due 1 - 30 days	1,387	1,272
Past due 31 - 60 days	(14)	40
Past due 61 - 365 days	208	99
365+ days past due	9	24
	33,121	**36,711**
Prepayments	2,001	1,168
Contract retentions	2,338	2,596
Other receivables	-	75
	37,460	**40,550**

	2022 $'000	2021 $'000
The loss allowance as at 30 June 2022 and 30 June 2021 was determined as follows:		
Expected loss rate	0.021%	0.022%
Gross carrying amount - trade receivables	33,190	36,832
	7	**8**

Loss allowance

The group applies the NZ 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 2022 and 30 June 2021 respectively and the corresponding historical credit losses experienced within this period.

Trade receivables

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

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

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

The average age of the group's trade and other receivables which are past due at the reporting date and for which the group has not provided as the amounts are still considered recoverable and there has not been a significant change in credit quality is 54 days (2021: 48 days).

8. TRADE AND OTHER PAYABLES

	2022 $'000	2021 $'000
Trade payables	10,147	12,034
Sub-contractor retentions	883	1,119
Goods and Services Tax payable	4,214	4,101
Accrued expenses	14,602	15,253
	29,846	**32,507**

Payables

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

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

In accordance with the Construction Contracts Amendments Act 2015, effective from 31 March 2017, retentions, which totalled $883,000 at 30 June 2022 (2021: $1,147,000), are held in separate bank accounts held in trust.

9. BORROWINGS

	2022 $'000	2021 $'000
Secured bank overdraft facility, reviewed annually and repayable on call:		
Amount used	-	-
Amount unused	500	500
	500	**500**
Two year rolling secured bank loan facilities maturing 31 December 2022:		
Amount used	-	-
Amount unused	10,000	10,000
	10,000	**10,000**
Two year rolling secured Christchurch City Holdings Limited loan facilities maturing 31 July 2022:		
Amount used	10,000	10,000
Amount unused	5,000	5,000
	15,000	**15,000**

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

Interest rates on the Bank of New Zealand facility are based on bank bill rates plus a margin and averaged 2.84% for the year (2021: 2.05%). Interest rates on the Christchurch City Holdings Limited facility are based on Christchurch City Holdings Limited's cost of funds plus a margin and averaged 1.38% for the year (2021: 2.01%). Due to interest rates on floating debt resettling on the market rate, the carrying amounts on secured loans approximate their fair values.

The Christchurch City Holdings Limited facility expired and was fully repaid on 31 July 2022. A new facility is being arranged with Christchurch City Holdings Limited. The Bank of New Zealand facility expires on 31 December 2022 at which point those facilities will be rolled or rearranged.

Borrowings

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

Borrowing costs

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

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

10. FINANCIAL INSTRUMENTS AND RISK

The group holds the following financial instruments:

	2022 $'000	2021 $'000
Financial assets at amortised cost		
Cash and cash equivalents	16,330	19,063
Sub-contractor retention deposits	883	1,147
Trade receivables	33,190	36,832
	50,403	**57,042**
Financial liabilities at amortised cost		
Trade payables and Sub-contractor retentions	11,030	13,153
Borrowings	10,000	10,000
Lease liabilities	12,672	10,563
	33,702	**33,716**

(a) Market risk

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

(b) Credit risk

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

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

Financial instruments which potentially subject the group 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 29% (2021: 30%) of the group's revenue. Christchurch City Council's credit rating is A+.

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

(c) Liquidity risk management

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

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

Balance at 30 June 2022	Less than 6 months $'000	Between 6 - 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Carrying Amount liabilities $'000
Trade payables and Sub-contractor retentions	11,016	14	-	-	-	11,030
Borrowings	10,000	-	-	-	-	10,000
Finance lease liabilities	1,654	1,680	3,114	5,438	786	12,672
	22,670	**1,694**	**3,114**	**5,438**	**786**	**33,702**
Balance at 30 June 2021						
Trade payables and Sub-contractor retentions	13,153	-	-	-	-	13,153
Borrowings	-	-	10,000	-	-	10,000
Finance lease liabilities	1,574	1,541	2,334	4,211	903	10,563
	14,727	**1,541**	**12,334**	**4,211**	**903**	**33,716**

(d) Fair value estimation

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

(e) Financial risk management objectives

The group 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 group has policies providing for risk management for interest rates and the concentration of credit.

(f) Interest rate risk and management

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

	2022 $'000	2021 $'000
Increase or decrease in net profit from a 100 basis point movement in interest rates, assuming all other variables were held constant	**100**	100

(g) Foreign currency risk management

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

11. INVENTORIES

	2022 $'000	2021 $'000
Raw materials and consumables	2,217	2,004
Allowance for obsolete inventory	-	(30)
	2,217	**1,974**

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

	2022 $'000	2021 $'000
Rendering of maintenance services	14,042	9,676
Construction contracts	7,017	7,366
Contract set up costs	37	22
Total current contract assets	**21,096**	**17,064**
Contract set up costs	147	53
Total non current contract assets	**147**	**53**
Construction contracts	1,795	1,781
Rendering of maintenance services	6,572	3,316
Total contract liabilities	**8,367**	**5,097**
Revenue recognised in the period from:		
Amounts included in contract liability at the beginning of the period	5,097	3,130
Revenue recognised from performance obligations satisifed in previous periods	-	-
Costs recognised in the period from:		
Amortisation of contract set up costs	22	39

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

Rendering of services

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

Construction contracts

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

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

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

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

Contract set up costs

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

13. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

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

	Freehold land at fair value $'000	Buildings at cost $'000	Motor vehicles at cost $'000	Plant and equipment at cost $'000	Office and computer equipment at cost $'000	Total $'000
Gross carrying amount						
Balance as at 1 July 2020	8,830	2,350	69,557	19,032	6,374	106,143
Revaluation	950	-	-	-	-	950
Assets classified as held for sale	-	-	(4,294)	(82)	-	(4,376)
Additions	-	67	3,281	1,191	769	5,308
Disposals	-	(21)	(2,573)	(681)	(803)	(4,078)
Balance as at 30 June 2021	**9,780**	**2,396**	**65,971**	**19,460**	**6,340**	**103,947**
Transfers	-	-	-	(61)	61	-
Assets classified as held for sale	(9,780)	-	3,476	(30)	-	(6,334)
Additions	-	156	4,245	1,270	679	6,350
Disposals	-	(242)	(9,706)	(1,551)	(1,909)	(13,408)
Balance as at 30 June 2022	**-**	**2,310**	**63,986**	**19,088**	**5,171**	**90,555**
Accumulated depreciation						
Balance as at 1 July 2020	-	(1,342)	(47,963)	(14,283)	(4,732)	(68,320)
Disposals	-	28	2,484	582	760	3,854
Assets classified as held for sale	-	-	3,572	60	-	3,632
Depreciation expense	-	(175)	(5,036)	(1,747)	(797)	(7,755)
Balance as at 30 June 2021	**-**	**(1,489)**	**(46,943)**	**(15,388)**	**(4,769)**	**(68,589)**
Assets classified as held for sale	-	-	(3,047)	14	-	(3,033)
Disposals	-	178	8,734	1,443	1,875	12,230
Depreciation expense	-	(155)	(4,257)	(1,422)	(753)	(6,587)
Transfers	-	-	-	25	(25)	-
Balance as at 30 June 2022	**-**	**(1,466)**	**(45,513)**	**(15,328)**	**(3,672)**	**(65,979)**
Net book value						
As at 30 June 2021	**9,780**	**907**	**19,028**	**4,072**	**1,571**	**35,358**
As at 30 June 2022	**-**	**844**	**18,473**	**3,760**	**1,499**	**24,576**
Included in the figures is capital work in progress:						
As at 30 June 2021	**-**	**8**	**56**	**197**	**19**	**280**
As at 30 June 2022	**-**	**83**	**951**	**80**	**153**	**1,267**

Property, plant and assets have no restrictions over their titles. The group's assets have been pledged as security for the Bank of New Zealand bank facility.

Freehold Land

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

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

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

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

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

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

	2022* $'000	2021 $'000
Freehold land		
Cost	-	1,894

**Springs Road land has been reclassed under assets held for sale. See note 14.*

14. CURRENT ASSETS - NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Accounting policy

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. On classification as 'Held for Sale', non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as 'Held for Sale' are included in the income statement.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

	2022 $'000	2021 $'000
Land	9,780	-
Plant and equipment	271	687
Total	**10,051**	**687**

(i) *Land held for sale*

The Directors approved the marketing of Springs Road for sale by Colliers at the April Board meeting. In early June, the Directors approved the conditional sale of the land to Cristo Limited for circa $14.25m. Full payment was received in settlement of this land sale on 1 August 2022 following completion of due diligence. At 30 June 2022 the revaluation reserve recognised in equity in relation to Springs Road is $7.886m.

15. RIGHT OF USE ASSETS AND LEASE LIABILITIES

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

(a) Amounts recognised in the Balance Sheet

The balance sheet shows the following amounts relating to leases:

	2022 $'000	2021 $'000
Right of use assets (non-current)		
Properties	9,700	6,690
Vehicles	2,477	3,417
	12,177	**10,107**
Lease liabilities		
Current	3,334	3,115
Non-current	9,338	7,448
	12,672	**10,563**

Additions to the right of use assets during the year ended 30 June 2022 were $5,096,000 (2021: $1,655,000).

(b) Amounts recognised in the Income Statement

	2022 $'000	2021 $'000
Depreciation charge of right of use assets		
Properties	2,451	2,157
Vehicles	1,205	1,719
	3,656	**3,876**
Interest expense (included in finance cost)	302	441
Expense relating to short-term leases (included in other expenses)	1,646	1,425
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in other expenses)	20	31
Expense relating to variable lease payments not included in lease liabilities (included in other expenses)	-	-

The total cash outflow for leases in the year ended 30 June 2022 was $5,795,000 (2021: $5,863,000).

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

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

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

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

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

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

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

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

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

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

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

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

(d) Extension and termination options

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

16. INTANGIBLE ASSETS

(i) Goodwill

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

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

Impairment

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

Calculation of recoverable amount

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

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

(ii) Computer software

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

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

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

Licenses and development costs associated with software as a service solutions are expensed in the period in which they are incurred, except for vendor configuration costs where these are indistinct from the underlying license agreement. Such configuration costs are treated as prepayments.

Subsequent expenditure

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

Amortisation

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

	Goodwill $'000	Computer software $'000	Total $'000
Gross carrying amount			
Balance as at 1 July 2020	1,640	7,167	8,807
Additions	-	376	376
Disposals	-	(315)	(315)
Balance as at 30 June 2021	**1,640**	**7,228**	**8,868**
Additions	-	296	296
Disposals	-	(195)	(195)
Balance as at 30 June 2022	**1,640**	**7,329**	**8,969**
Accumulated amortisation and impairment			
Balance as at 1 July 2020	-	(4,970)	(4,970)
Disposals	-	283	283
Amortisation expense	-	(668)	(668)
Balance as at 30 June 2021	**-**	**(5,355)**	**(5,355)**
Disposals	-	197	197
Amortisation expense	-	(666)	(666)
Balance as at 30 June 2022	**-**	**(5,824)**	**(5,824)**
Net book value			
As at 30 June 2021	**1,640**	**1,873**	**3,513**
As at 30 June 2022	**1,640**	**1,506**	**3,145**
Included in the figures is capital work in progress:			
As at 30 June 2021	**-**	**64**	**64**
As at 30 June 2022	**-**	**68**	**68**

Intangible assets have no restrictions over their titles. The group's assets have been pledged as security for the Bank of New Zealand bank facility.

(a) Allocation of goodwill to cash-generating units

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

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

	2022 $'000	2021 $'000
Taranaki Road Boring	360	360
Apex Water Limited	1,280	1,280
	1,640	**1,640**

(b) Key assumptions

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

Apex Water Limited

Budgeted gross margin: Gross margin has been budgeted at a rate consistently achieved in previous years.
Budgeted overhead: Budgeted overhead is expected to increase in-line with increased revenue.
Discount rate: A discount rate of 12.6% is applied to calculate the value in use.
Terminal growth rate: A terminal growth rate of 2% has been used.
Forecast period: A three year forecast period has been assumed.

17. BUSINESS COMBINATIONS AND NON-CONTROLLING INTERESTS

Apex Water Limited

Apex Water Limited is involved in the designing, building, installing and commissioning water and wastewater treatment plants primarily for the food and beverage, dairy, textiles, winery and local government sectors.

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

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

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

During the year City Care Limited provided a working capital facility to Apex Water Limited. As at 30 June 2022 the outstanding amount owed by the company was $nil (2021: $180,000).

Results included in the Consolidated Statement of Comprehensive Income

	2022 $'000	2021 $'000
Revenue	15,571	20,043
Profit after tax for the year	303	1,027

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

18. PROVISIONS

A provision is recognised in the balance sheet when the group 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 group in respect of services provided by employees up to the reporting date.

Defined benefit 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 group 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.

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	NZ IFRS 16 Restoration costs (ii) $'000	Other $'000	Total $'000
Balance at 1 July 2020	6,358	326	2,281	8,965
Additional provisions recognised	8,220	52	1,740	10,012
Reductions arising from payments / other sacrifices of future economic benefits	(8,286)	(14)	(1,897)	(10,197)
Reductions resulting from re-measurement or settlement without cost	(87)	(47)	(72)	(206)
Unwinding of discount / effect of changes in discount rate	(13)	-	-	(13)
Balance at 30 June 2021	**6,192**	**317**	**2,052**	**8,561**
Current	5,910	111	2,052	8,073
Non-current	282	206	-	488
Balance at 30 June 2021	**6,192**	**317**	**2,052**	**8,561**
Additional provisions recognised	8,394	85	1,245	9,724
Reductions arising from payments / other sacrifices of future economic benefits	(7,994)	(23)	(553)	(8,570)
Reductions resulting from re-measurement or settlement without cost	(136)	(79)	(434)	(649)
Unwinding of discount / effect of changes in discount rate	(21)	7	-	(14)
Balance at 30 June 2022	**6,435**	**307**	**2,310**	**9,052**
Current	6,161	46	2,310	8,517
Non-current	274	261	-	535
Balance at 30 June 2022	**6,435**	**307**	**2,310**	**9,052**

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

Average wage inflation has been assumed to be 3.08% for the year ending 30 June 2022 and 2.72% for the year ending 30 June 2021. A discount rate of 3.89% has been used for the year ending 30 June 2022 and 1.91% for the year ending 30 June 2021.

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

(ii) The provision for NZ 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

	2022 $000	2021 $000
Share capital		
Ordinary shares		
6,036,000 fully paid ordinary shares	6,036	6,036
2,500,000 fully paid preference shares	2,500	2,500
	8,536	**8,536**

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

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

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

20. COMMITMENTS

	2022 $'000	2021 $'000
Capital expenditure commitments		
Property, plant and equipment	3,394	1,367
	3,394	**1,367**

Commitments are higher in the year ended 30 June 2022 due to supply chain interuptions as a result of the COVID-19 pandemic.

21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	2022 $'000	2021 $'000
Contingent liablities		
The group has arranged with Bank of New Zealand for the issue of performance related bonds in favour of:		
Local authorities*	9,194	8,496
Others	2,236	2,622
	11,430	**11,118**

**This includes councils and council controlled trading organisations.*

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

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

22. RELATED PARTY DISCLOSURES

(a) Parent entities

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

(b) Key management and personnel compensation

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

	2022 $'000	2021 $'000
City Care Limited		
Salaries and short-term employee benefits	4,183	2,481
Post-employment benefits	83	58
Termination benefits	-	726
	4,266	**3,265**
Apex Water Limited		
Salaries and short-term employee benefits	790	582
Post-employment benefits	21	14
	811	596
	5,077	**3,861**

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

(c) Transactions with other related parties

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

	2022 $'000	2021 $'000
(i) During the year		
Services provided to Christchurch City Council	84,829	97,232
Services provided to other group companies	8,513	9,076
Goods and services received from Christchurch City Council	(194)	(230)
Goods and services received from other group companies	(883)	(982)
Rent and rates paid to Christchurch City Council	(28)	(27)
Rent and rates paid to other group companies	(926)	(907)
Interest paid to and accrued on Christchurch City Holdings Limited loan	(138)	(201)
(ii) As at year end		
Amounts receivable from Christchurch City Council	6,408	11,188
Amounts receivable from other group companies	835	1,341
Amounts payable to Christchurch City Council	(6)	(41)
Amounts payable to other group companies	(122)	(132)

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 (2021: Nil). Related party transactions exclude Directors' fees which are disclosed separately under the statutory information.

(d) Separate disclosure of individual transactions

City Care Limited made dividend payments totalling $2,600,000 (2021: $4,550,000) to its immediate parent, Christchurch City Holdings Limited.

During the 2022 year, the group made subvention payments totalling $2,285,000 (2021: $1,444,000) to Christchurch City Council with an associated tax loss offset of $5,876,000 (2021: $3,714,000) and no subvention payment was made to Enable Services Limited (2021: $1,685,000) with no associated tax loss offset (2021: $4,333,000).

City Care Limited has a two year rolling secured facility of $15m with Christchurch City Holdings Limited. The facility matures on 31st July 2022. At 30 June 2022, $10m (2021: $10m) of this facility had been drawn down.

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:

	2022 $'000	2021 $'000
Bank overdrafts	-	-
Bank deposits	16,330	19,063
	16,330	**19,063**

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

	2022 $'000	2021 $'000
Profit after tax for the year	3,714	5,625
(Gain) / loss on sale or disposal of non-current assets	(3,052)	(281)
Depreciation and amortisation of non-current assets	10,910	12,299
Increase / (decrease) in current tax liability	(769)	(366)
Increase / (decrease) in deferred tax liability	12	(537)
Changes in net assets and liabilities		
(Increase) / decrease in assets:		
Current receivables	3,090	(8,064)
Contract assets	(4,126)	281
Inventories	(243)	(246)
Increase / (decrease) in liabilities:		
Current payables	(2,661)	3,280
Contract liabilities	3,270	1,967
Current provisions (excl. NZ IFRS 16 restoration cost)	375	(369)
Non-current provisions (excl. NZ IFRS 16 restoration cost)	47	(33)
	10,567	**13,556**

(c) Liabilities arising from financing activities

	2022 $'000	2021 $'000
Current borrowings	10,000	10,000
Non-current borrowings	-	-
Lease liabilities	12,672	10,563
	22,672	**20,563**
Changes in liabilities arising from financing activities		
Opening value	**20,563**	**26,316**
Proceeds from (repayment of) borrowings	**-**	-
NZ IFRS 16 lease adoption	**-**	-
New leases	5,035	1,618
Disposed leases	(815)	(14)
Lease modifications	1,435	(3,750)
Rent concessions on leases	-	-
Principal repayments of lease liabilities	(3,546)	(3,607)
Closing value	**22,672**	**20,563**

24. CAPITAL MANAGEMENT

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

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

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

25. SUBSEQUENT EVENTS

Springs Road Sale

The Directors approved the marketing of Springs Road for sale by Colliers at the April Board meeting. In early June, the Directors approved the conditional sale of the land to Cristo Limited for circa $14.25m. Full payment was received in settlement of this land sale on 1 August 2022 following completion of due diligence.

The above does not require any adjustment to these financial statements for the year ended 30 June 2022 apart from the requirement under NZ IFRS 5 which covers non-current assets, held for sale. In this regard, we have reallocated the Springs Road asset to a current asset in accordance with the standard.

Acquisition

On 27 May 2022, the company entered into a conditional agreement to acquire 100% of the shares of the Spencer Henshaw Group of companies, comprising Spencer Henshaw Limited, SW Scaffolding Limited, and Panmure Property Holdings Limited for the price of $71 million.

The Spencer Henshaw group delivers a full range of property repair, maintenance and upgrade services to government and commercial organisations.

At the date of signing these financial statements, even though all the purchasing conditions have now been met, settlement as per the agreement only takes place on 1 September 2022. "Control" set out in NZ IFRS 10 paragraph 7 will be met on settlement date when the shares of the Spencer Henshaw group, with all their rights attached, transfer to City Care Limited. No business combination occurs before such settlement date.

The above does not require any adjustment to these financial statements for the year ended 30 June 2022.

STATEMENT OF PERFORMANCE

(a) Financial performance - consolidated

	Actual $'000		Target $'000
Revenue	306,358	Not achieved	307,891
Net profit after tax	3,714	Not achieved	6,421
Return on invested capital (group)	7.0%	Not achieved	13.8%
Shareholder funds to total assets (group)	46.3%	Not achieved	52.0%
Net funds	11,330	Achieved	9,464

The majority of the financial targets were not met as a direct result of the impact of the COVID-19 pandemic and other association implications on business performance in the first half of the year.

(b) Non-Financial perfomance

Kaitiakitanga	
Client Satisfaction - City Care Limited	
Positive Net Promotor Score (NPS) based on an annual customer survey	Achieved

Environmental	
100% of new (non-operational) passenger vehicles purchased or leased to be hybrid or EV excludes vehicles procured through acquisitions (subject to vehicle availability)	Achieved
Annual reduction of Company-wide greenhouse gas emissions normalised against annual turnover to reach 2030 goals	Achieved

Health & Safety	
<10 incidents requiring notification to WorkSafe annually	Achieved
<1 WorkSafe investigation annually	Achieved

Employee Engagement / Diversity	
Incremental increase in the number of women in leadership roles	Achieved
Increase in youth in the workforce measured by higher % of staff under 25 years	Achieved
More than 50 people in registered training annually	Achieved

System Management	
Maintain current ISO-accredited systems	Achieved

Community Performance	
Collaborate with community stakeholders to deliver the safe coordination of >15,000 volunteer hours	Achieved

Health & Safety - Apex Water Limited	2022 Actual	
Lost Time Injuries - 2023 target <2	**0**	No SOI target set for 2022
Medical Treatment Injuries - 2023 target <3	**0**	No SOI target set for 2022

Greenhouse Gas (GHG) Emissions

The group are on a journey towards measuring company wide emissions. For the 2020/21 and 2021/22 financial years the group have included in the reported results only those emissions sources where there is sufficient data to measure and where there is the greatest ability to reduce. Specific exclusions from within these sources have been noted below. This means we have excluded some potential significant emission sources such as: sub-contractor emissions, emissions generated through the asphalt plant other than diesel used to power the plant, fertilisers and other products used to provide our maintenance and capital works. It also does not include any other supply chain emissions such as the mining and transportation of fuels.

The group are working to include further sources in the coming financial years to represent our company wide emissions more fully. The company is working with suppliers to gather the required information and developing our internal systems to ensure that the ability exists to document, collate, measure and analyse our emissions more thoroughly. While this work is underway, we continue to be committed to reducing CO_2 emissions. Sustainability targets have been set and will be measured against on an annual basis.

The group use the equity consolidation approach to determine our organisational boundary. This means the reported results include the company and 75% of Apex Water Limited. The group have included all sites within this boundary for 2022 and for the year ended 30 June 2023 we will also include the new depot in Whangārei.

The group is reporting an intensity factor to ensure that we can compare the impact of our reduction initiatives over time without being influenced by increases or decreases in the overall size of the group. This intensity factor is our normalised kg of emissions from the subset of emission sources per $ of revenue (less contractor cost + 10% margin). This adjustment has been made because the related contractor emissions are not included in our reporting.

	2022 CO_2^e	2021[2] CO_2^e
City Care emissions (Kg Emitted CO_2)		
Diesel to power asphalt plant	1,221,650	1,241,574
Diesel and petrol in vehicles	7,375,918	8,745,541
Diesel and petrol in vehicles - Apex Water	86,830	77,577
Purchased electricity[1]	183,346	211,544
Transmissions and distribution losses for electricity	16,807	17,544
Air travel[1]	86,533	120,383
Accommodation[1]	5,292	5,781
Rental cars[1]	4,459	9,116
Total Emissions	**8,980,835**	**10,429,060**
Normalised Emissions (Kg / $ Revenue)	0.0491	0.0513

[1] These sources do not include Apex Water Limited usage. Due to the size of Apex Water Limited these exclusions in total have been assessed as de minimus.

[2] Prior year result has been updated from 10,162,000 to 10,429,060 $kgCO_2^e$ of total emissions. This is due to the change in consolidation approach to include 75% of Apex Water Limited which has added emissions of 77,577 $kgCO_2^e$ and improvements to underlying data used such as emissions factor for the asphalt plant data source, removal of Apex Water Limited fuel within diesel and petrol in vehicles and emissions factor updates which has added prior year emissions by 189,483 $kgCO_2^e$.

There is a level of uncertainty in reporting greenhouse gas emissions factors, this is due to a level of scientific uncertainty as well as estimation uncertainty involved in the measurement processes. The group have used the published emissions factors from the MFE 2022 guidance document and obtained quantity data direct from suppliers (electricity invoice, fuel card and travel agent statements), for emission sources such as air travel, accommodation and rental cars there is a greater degree of uncertainty due to generic emission factors being used. The level of uncertainty is not considered significant given the sources that have been included in the current year.

Environment performance target is considered achieved, as tracked 2022 normalised emissions are lower than 2021.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of City Care Limited's Group financial statements and performance information for the year ended 30 June 2022

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

Opinion

We have audited:

- the financial statements of the Group on pages 32 to 59, that comprise the balance sheet as at 30 June 2022, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement 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 60 to 61.

In our opinion:

- the financial statements of the Group on pages 32 to 59:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; 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 60 to 61 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 2022.

Our audit was completed on 25 August 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to inherent uncertainties in the measurement of greenhouse gas emissions. In addition, we outline the responsibilities of the Board of Directors (the Board) and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of Matter – Inherent uncertainties in the measurement of greenhouse gas emissions

The Group has chosen to include a measure of its greenhouse gas (GHG) emissions in its performance information. Without modifying our opinion and considering the public interest in climate change related information, we draw attention to page 61 of the Statement of Performance, which outlines the uncertainty in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources is still evolving, as are GHG reporting and assurance standards.

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 31 and 66 to 75 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

C Genet

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

STATUTORY INFORMATION

Ownership

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

Principal activities

The group's principal activities during the year were:
- maintenance of amenity assets including water and wastewater, parks and trees;
- facilities management;
- construction of vertical and horizontal assets; and
- provision of asset management services.

Directors for City Care Limited

The following Directors held office during the year ended 30 June 2022:
- Bryan Jamison (Executive Chair)
- Penny Hoogerwerf
- Jennifer Rolfe
- Mark Todd
- Kevin Young
- Elena Trout (appointed 1 January 2022)
- Graham Darlow (retired 31 August 2021)

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

The following Directors held office during the year ended 30 June 2022:
- Tim Gibson (Chair)
- Steven Kroening
- Matthew Savage
- Mark Todd
- Kevin Young

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 2022.

Director	Entity	Position
City Care Limited Directors		
Bryan Jamison	City Care Property Ltd	Director
	City Care Water Ltd	Director
	Essex Investments and Developments Ltd	Director and Shareholder
	Jamison Family Trust	Trustee
	Southfuels Ltd	CEO
Penny Hoogerwerf	Canterbury Museum Trust Board	Director
	Christ Church Cathedral Reinstatement Ltd	Director
	Katamama Ltd	Director
	Moss & Moss Ltd	Director
	Moss Family Trust	Trustee
	Tait International Ltd	General Counsel
	245 St Asaph Ltd	Director and Shareholder
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
	Tataki Auckland Unlimited Ltd	Director
	The Thomas Number 2 Trust	Trustee
	The Thomas Trust	Trustee
Mark Todd	Apex Water Ltd	Director
	Dairy NZ Inc	Board Observer
	Mark T Consulting Ltd	Shareholder
	McKenzie & Willis Ltd	Director
	New Zealand Lotteries Commission	Director
	Paper Plus New Zealand Ltd	Director
	St George's Hospital Inc	Director
	The Todd Family Trust	Trustee
Kevin Young	Apex Water Ltd	Director
	Department of Internal Affairs	Technical Advisor
	TasWater	Director
	University of Newcastle Council	Council Member
Elena Trout (appointed 1 January 2022)	Ara Ake Limited	Director
	Callaghan Innovation	Director
	Contact Energy Ltd	Director
	EECA	Chair
	Hapaitia Ltd	Director
	Harrison Grierson Holdings Ltd	Director
	Harrison Grierson Consultants Ltd	Director

Director	Entity	Position
	Ministry of Defence/ NZDF - Capability Governance Board	External Independent Member
	Motiti Investments Ltd	Director
	Ngapuhi Asset Holding Company Ltd	Director
	Te Rahui Herenga Waka Whakatane Ltd	Director
	Waihanga Ara Rau	Co Chair
Graham Darlow (retired 31 August 2021)	Acciona Infrastructure NZ Ltd	Business Executive
	Auckland Transport Eastern Busway 2, 3 & 4	PAB Member
	Brockway Consulting Ltd	Director and Shareholder
	Frequency NZ Ltd	Chair
	Hick Bros. Civil Construction Ltd	Director
	Hick Bros. Infrastructure Ltd	Director
	Holmes GP Structures Ltd	Chair
	Tainui Auckland Airport Hotel GP (No.2) Ltd	Director
	Watercare Services Ltd	Director
Apex Water Directors		
Tim Gibson	City Care Ltd	Chief Executive, City Care Water
	Apex Water Ltd	Chair
	Water Industry Group	Chair
	Water New Zealand	Board Member
Steven Kroening	Apex Water Ltd	Director, Management, Shareholder
Matthew Savage	Apex Water Ltd	Director, Management, Shareholder
Mark Todd	As above	
Kevin Young	As above	
City Care Property Limited and City Care Water Limited Directors		
Bryan Jamison	As above	
Alastair Ridgway	City Care Ltd	Executive General Manager Finance
	City Care Property Ltd	Director
	City Care Water 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:

	2022 $	2021 $
City Care Limited		
Bryan Jamison (Chair from 1 April 2020, Executive Chair from 8 October 2020)	170,000	132,457
Graham Darlow (retired 31 August 2021)	7,614	45,685
Penny Hoogerwerf	43,386	42,185
Craig Price (retired 30 October 2020)	-	14,895
Jennifier Rolfe	42,386	41,185
Mark Todd[1]	70,886	45,685
Elena Trout (appointed 1 January 2022)	19,943	-
Kevin Young (appointed 1 January 2021)	49,386	21,093
	403,601	**343,185**
Apex Water Limited		
Mark Todd	32,000	25,000
Kevin Young[2]	32,000	701
	64,000	**25,701**

[1] Additional remuneration from November 2021, chairing steering committee overseeing technology transformation programme required to enable separation of Water and Property companies.

[2] Kevin Youngs' Apex Water Limited fees were omitted from the 2021 financial statements in error, due not being paid till the current financial year, these are now disclosed above.

Use of company information by Directors

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

Directors' insurance

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

Chief Executive Remuneration

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

	2022 $'000	2021 $'000
CEO Property	501	417
CEO Water	495	432
	996	**849**

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:

	2022	2021
Remuneration range		
$100,000 – $110,000	64	64
$110,000 – $120,000	43	43
$120,000 – $130,000	27	27
$130,000 – $140,000	15	17
$140,000 – $150,000	15	19
$150,000 – $160,000	3	10
$160,000 – $170,000	9	4
$170,000 – $180,000	8	7
$180,000 – $190,000	3	2
$190,000 – $200,000	2	-
$200,000 – $210,000	1	3
$210,000 – $220,000	3	1
$220,000 – $230,000	-	2
$230,000 – $240,000	2	-
$250,000 – $260,000	1	1
$270,000 – $280,000	1	1
$280,000 – $290,000	1	-
$290,000 – $300,000	-	3
$300,000 – $310,000	1	-
$310,000 – $320,000	2	-
$400,000 – $410,000	-	1
$410,000 – $420,000	-	1
$430,000 – $440,000	-	1
$490,000 – $500,000	1	-
$500,000 – $510,000	1	-
$930,000 – $940,000	-	1
	203	**208**

Donations

The group did not make any donations during the year.

Auditor

The Auditor-General is appointed under Section 70 of the Local Government Act 2002. Audit New Zealand has been appointed to provide these services on behalf of the Auditor-General. Group audit fees in respect of the 2022 financial year totalling $154,000 have been paid or accrued.

CORPORATE GOVERNANCE STATEMENT

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

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

Board role and responsibility

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

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

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

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

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

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

Responsibility to Shareholder

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

Board composition

The company's constitution provides that the Board will consist of a maximum of seven Directors. Currently the Board comprises six non-executive Directors. With the prior approval of the Shareholder, the Board may appoint one fulltime executive as a Director of the company. Bryan Jamison was appointed Executive Chair on 8 October 2020.

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

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

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

The Board currently does not have a Deputy Chair.

Conflicts of interest

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

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

Nominations and appointment of new Directors

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

Board meetings

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

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

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

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

Directors' induction and education

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

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

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

Board performance review

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

Chief Executive Officers' performance reviews

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

Insurance

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

Board committees

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

Risk, Audit and Finance Committee

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

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

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

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

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

People and Culture Committee

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

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

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

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

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

Health and Safety Committee

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

The Health and Safety Committee's responsibility is to:

- Advise and assist the Board in the development and maintenance of a health and safety governance charter that serves as Citycare's highest level health and safety document. The charter defines how health and safety expectations and strategy are set, and outlines how health and safety is managed at Citycare;
- Identify and recommend to the Board the use of good practice principles such as the Institute of Director's Good Governance Practices Guidelines for Managing Health and Safety Risks;

- Understand and monitor the company's compliance with all relevant health and safety legislation. Act as a conduit for engagement with the company's workers, ensuring effective communication of work concerns to the Board.

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

DIRECTORY

Directors	
Executive Chair	Bryan Jamison
	Penny Hoogerwerf
	Jennifer Rolfe
	Mark Todd
	Kevin Young
	Elena Trout
Executive Management Team	
Chief Executive – Citycare Property	Peter Lord
Chief Executive – Citycare Water	Tim Gibson
Executive General Manager, Finance	Alastair Ridgway
Auditor	Audit New Zealand on behalf of the Auditor-General
Solicitors	Tavendale and Partners
Bankers	Bank of New Zealand
Registered Office	100c Orchard Road, Harewood, Christchurch 8053, New Zealand PO Box 7669, Sydenham Christchurch 8240 Phone: 0508 CITYCARE (248 922)

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