Citycare Group

# Annual Report 2018

Citycare Group

# What's Inside



# Chairman and CEO 2018 Year in Review

## A challenging year but a confident outlook.

The end of the SCIRT Alliance was always going to see a downturn in the Canterbury construction market, driving an over-supply of contractors as opportunities in the region began to normalise.

We predicted this downturn and executed a transformational re-shaping of the Citycare business to set ourselves up for future success in the market sectors we operate in. However the speed of the downturn was unprecedented and was further compounded by a notable reduction in discretionary Territorial Local Authority (TLA) maintenance expenditure.

As a consequence of this downturn and the additional costs associated with trying to mitigate this situation (notably the initial rebrand and latterly redundancy costs), we have reported an after tax loss of $0.445 million for the year, with annual revenue sitting at $313 million, $9.9 million down on our Statement Of Intent target.

Regardless of the state of the Canterbury market and the now very evident general malaise in the wider construction industry, this loss is unacceptable and both Citycare Board and Management have been working hard over the last six months to rectify this situation. This has included right-sizing the business, a company-wide cost saving exercise and a strong focus on fleet optimisation.

Citycare's financial performance in FY18 was further impacted by provisions for costs expected to be incurred to complete a problematic project.

One positive is that the Holiday Pay audit was completed satisfactorily. Employees are being paid amounts owing early in FY19 and no further provision was required.

Our focus is to quickly move on from this challenging year and build on the many positive operational and market indicators we are seeing, as we set ourselves up to bounce back strongly in FY19.

# Looking ahead

In spite of our FY18 financial performance, both the FY18 Customer Satisfaction Survey and Employee Engagement Survey have shown improvement on previous years' results.

Client satisfaction is up to 73% (a 3% improvement on FY17), but of more interest is the positive 45% swing in our Net Promoter Score, which we see as evidence that Citycare has continued to perform well against our current and ongoing contractual obligations and as a strong endorsement of the new sector-led model and supporting brand positioning and value proposition.

Similarly, the employee engagement score is at an all-time high of 85% (up from 80% last year), which is a strong indicator that our people understand and embrace the new direction of the organisation.

Citycare's *We Discover. We Deliver. We Care.* value set is also well-reflected in the customer survey feedback which points to three distinct emerging customer trends:

- a wave of interest in AI technology and Big Data (which talks strongly to Citycare's continued investment in its EventManager multi-tenancy application suite and in our use of the Internet of Things (IoT) to enhance productivity;
- contracts that are founded on much greater degrees of collaboration, from co-sourcing to alliance-style 'partner' relationships; and
- a bow-wave of interest in community connection and social procurement practices aimed at positive social, cultural, environmental or economic outcomes for the communities Citycare works in.

Noting this, FY19 will see progression of some exciting new initiatives aimed at capturing the spirit of these emerging trends and building on both our technology platforms and customer relationships to enhance productivity and reduce operating costs.

## These include:

**Development of industry-leading initiatives in the IoT space**, with proprietary developed sensor devices now providing accurate reliable data on client assets.

**The Citycare Ideas Suite** a new online platform specifically dedicated to the generation of new ideas and at driving employee interest and involvement in finding appropriate technology or common-sense solutions to everyday, on-the-ground challenges – ways of doing things better, more efficiently and adding value to our customers.

Accessible via desktops, tablets and smartphones alike, this system has already started to digitally connect the entire Citycare community in an engaging and solution-focused fashion and will quickly become the cornerstone foundation of Citycare's innovation platform.

**The newly launched Community Guardians scheme** a collaboration between Citycare Group and the Student Volunteer Army Foundation that will act as an umbrella vehicle for all community initiatives being embarked on or supported by Citycare nationwide.

This will better enable the business to demonstrate the significant role we play in driving sustainable and meaningful community outcomes that will positively influence our clients' commitment to fostering more connected and sustainable communities.

## Key Stats for 2018



## Amplifying our Sustainability effort

With the new Community Guardians scheme helping us drive Sustainability from one angle, FY18 saw continued rigour around initiatives that reinforce our commitment to reducing our Greenhouse Gas Emissions. These include:

– The replacement of petroleum-powered plant and equipment with electric or low-emitting equivalents, including three commercial grade electric mowers.

– The purchase of the first large LDV van to be registered in New Zealand, along with a number of electric cars and small vans.

– Deployment of thermal weed control units for sensitive catchment areas.

FY19 will see an even greater focus on continual improvement of environmental mitigation practices.

## Safety always

A relentless commitment and drive to improve our safety performance will also remain front and centre of our agenda for FY19. In spite of not achieving our targeted FY18 Total Recordable Injury Frequency Rate (TRIFR), the year has seen a strong focus on reviewing our risk profile and provided better definition and safety assurance measures around our Critical Risks.

There were no serious injuries to any of our 1450 staff in FY18 and we are confident our sustained and balanced approach to addressing safety behaviour and safety compliance will continue to keep our people safe from harm.

We thank our teams for their continued, shared commitment to Safety and we would like to take this opportunity to publicly thank all Citycare employees and their supportive families for the significant effort and hard work they have put into FY18.

Whilst FY18 has delivered an unsatisfactory financial performance, we have been greatly encouraged by the significant effort put in by our teams to help turn this situation around. This has included a concentrated effort on building a secured pipeline of forward work as we move into FY19 and we are confident that the 'value add' initiatives outlined above will help us again safely deliver the profitability we have achieved in the past.

Gary Leech
Chairman

Onno Mulder
CEO

While every effort has been taken to present accurate information, the base data and qualitative statements located in pages 1 – 18 of this document have not been externally audited and are not addressed in Audit New Zealand's report on our financial statements.

> "A strong culture of safety does not arise from the top of an organisation. It comes from small acts of reciprocal trust built up over time."

DR DREW RAE, MANAGER OF THE SAFETY SCIENCE INNOVATION LAB AT GRIFFITHS UNIVERSITY, AUSTRALIA





# Health and Safety

Through the year, Citycare has embarked on a carefully managed journey towards driving a cultural shift from a compliance driven / process centric vehicle towards a behavioural-led competency model. Our focus has been on building a strong safety culture that puts the individual at the centre of their own safety environment.

Key to this journey has been the development of a new, singular Health and Safety Framework and a program of process simplification, that included a review of Critical Risks to ensure the primary focus of all our teams is on identifying and mitigating the areas and activities with the most potential for harm.

This work has seen the introduction of practical support tools, aimed more at engagement and empowerment, some examples include:

- The introduction of a series of easy-to-follow, highly visual, weather-proof Quick Cards, to provide considerably simplified, on-the-spot ready reckoners of mitigation against each key risk (all supported by a more detailed Standard Operating Procedure held online in the Citycare EventManager safety management system).
- A quick, 3-step, online vehicle check on detail pertaining to all operational vehicles being used on that project at the start of each day.
- Simplification and handwritten JSEAs (Job Safety and Environmental Assessments) and/or 'Take Five' check-sheets.
- The development of new, GIS supported pre-dig checklists online.
- Field staff representatives attend Board Health and Safety Committee Meetings.

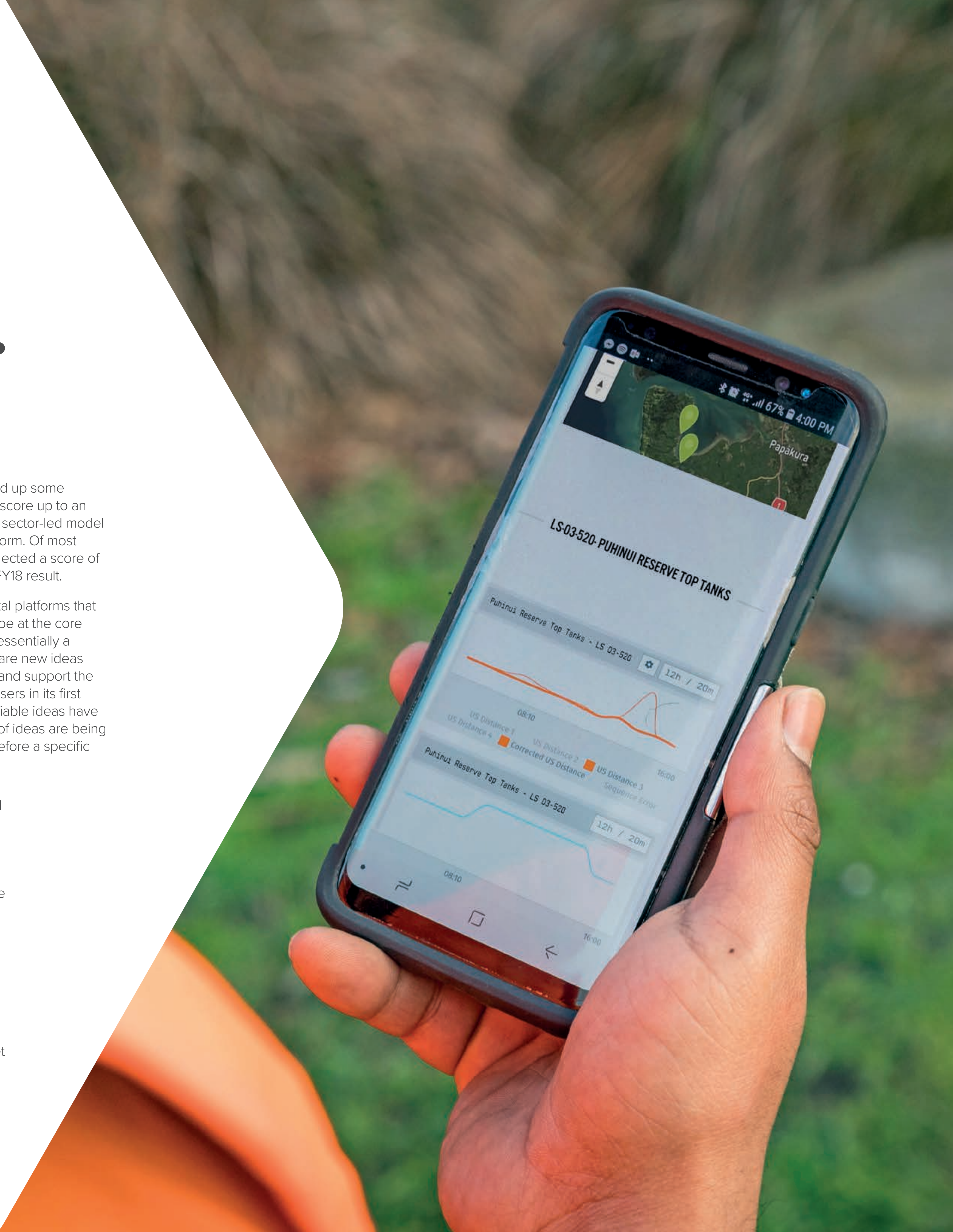
# We Discover.

## Social and Our People

Pleasingly, this year's Employee Feedback Survey turned up some exceptionally strong results, with the overall satisfaction score up to an all-time high of 85%, reflecting strong uptake in the new sector-led model and a warm reception for the new brand and value platform. Of most interest was the fact that the percentage of staff who selected a score of 7 or higher has moved from 21% in 2017 to 68% for the FY18 result.

A concerted effort to empower our people through digital platforms that stimulate their collaboration and engagement may well be at the core of this shift. The newly launched Citycare Ideas Suite is essentially a tool for our people, through which they can post and share new ideas about practical improvements and, importantly, vote on and support the progression of each other's ideas. Attracting over 250 users in its first six weeks as a live operational tool, several potentially viable ideas have already been socialised through the site and a number of ideas are being pushed through a rigorous internal validation process before a specific cost/benefit analysis is applied prior to adoption.

Empowering our staff is a key foundation in helping to redress the current industry-wide challenges associated with talent recruitment and retention. In a year that saw Citycare continue to concentrate on our message around stable careers, encouraging diversity and particularly targeting younger, more tech-savvy talent, we also became a founding sponsor of the Infrastructure NZ's Women In Infrastructure (WIN) chapter to further emphasise the high importance Citycare places on diversity in the workplace. We have also invested heavily this year in relationships with organisations like The Southern Initiative (TSI) in Auckland, that promote apprenticeships and career options for people from a low socio-demographic background. People from a Christchurch-based social enterprise, Kilmarnock, were also used to assist with the re-branding of our white fleet and plant equipment. The over-arching messages have consistently been around empowerment, diversity, collaboration and engagement.




## Key Social Stats for 2018

85% Employee Satisfaction

68% Selected 7 or Higher

## Using technology to optimise assets

The steady convergence of Information Technology (IT) and Operational Technology (OT) and the concurrent evolution of low-cost communication technologies and the Internet of Things (IoT) is causing Citycare to radically reposition its technology thinking.

Working with a recognised NZ device supplier, Citycare has already co-designed and operationalised low cost IoT devices for monitoring specific components of water and wastewater systems. Offering remote dashboard monitoring, these devices are housed in a rugged, customised application specific firmware and are set up to observe and respond to network dynamics. Set up to measure upstream and overflow levels, the devices can be used to detect rain and flood events, in addition to normal diurnal flows, enabling a real-time maintenance response to specific changes in network performance and thereby facilitating the identification of critical points in the network where I&I driven overflow is suspected.


Citycare continued in its annual support of Girls with Hi-Vis® embracing the benefits of diversity through supporting the women in our business and demonstrating our commitment to increasing females in trade and technical roles within the industry.

# We Deliver.

## Putting our Customers at the heart of our operations

Citycare's FY18 Customer Satisfaction Survey delivered a significant ratings improvement that saw the Net Promoter Score improve from a -17% negative position to a +28% NPS, due to 45% of the customer ratings being 8/10 or higher.

This represents a marked improvement on previous years and supporting customer commentary strongly suggests that the move to a Sector-led model, supported by the new brand positioning and value proposition, have resonated well with our key customer base.

Other highlights from the survey point to more proactive account management. In the future, our customers are now looking for more innovation and building even stronger connections with their customers.

**73%**
Client Satisfaction
70% FY17

**+28%**
Net Promoter Score
-17% FY17

## Flying high with CIAL contract

Midway through the year, Citycare Property also secured another significant win for the business, being awarded a 10-year Full Facilities Management and Open Spaces Maintenance contract with Christchurch International Airport. This relationship has already seen Citycare able to progress additional contract opportunities for its Property, Water and Civil businesses, reaching into new projects highlighted in the Christchurch International Airport Master Plan.

"Through our work with Wellington and Christchurch Airports, where we provide a range of land and air-side services, we've developed a sound understanding of what's required to operate in this specialised environment."

PETER LORD
EGM CITYCARE PROPERTY

## Engineering Outcomes for Water

Citycare subsidiary company, Apex Environmental, continues to enjoy significant growth with annual revenue up 61% on last year, having successfully secured significant 'design build' wastewater treatment plant contracts for Open Country Dairy, Fonterra, Villa Maria Winery and Watercare. Apex is set up to deliver a single point of accountability to its clients, overseeing all aspects from the design and consenting through to the build, installation and commissioning.

"The fact that Apex operates differently to Citycare and has established relationships in different market sectors, builds more diversity into Citycare Water's pipeline of opportunity and conversely creates a complementary product and service solution we can also offer our mainstream public sector clients."

TIM GIBSON
EGM CITYCARE WATER

**Photo:** Fonterra Clandyboye Wastewater Treatment Plant

## Cyclone Gita hits Taranaki

In February 2018, a State of Emergency was declared in Taranaki due to the impact of Cyclone Gita on roads and essential services, which included the rupture of a 650mm trunk main water pipe and 23,000 properties being left without power.

As soon as the site was safe to access, Citycare Water set about the repair of the feeder pipe. This once again demonstrated our organisation's capacity to respond to a major event and to act quickly to professionally manage the restoration of critical infrastructure. Trained water crews were also flown in from our Auckland operation to help the team quickly close out the 150+ related jobs that had been logged during the network down-time.

"Citycare staff responded incredibly well at very short notice. Their work was completed in trying circumstances without any injuries."

MARK HALL, MANAGER WATER AND WASTES,
NEW PLYMOUTH DISTRICT COUNCIL

## Stand-up job in Auckland

Winning your single biggest contract is only part of the challenge, standing it up for long-term success is the real test. Having been awarded one of the new Auckland Council, super-sized, Full Facilities Maintenance (up to 10-year term) contracts at the start of the financial year, a largely new Citycare Property team has set about the maintenance and management of all community-owned Facilities and Parks in Auckland South, with diligence and a professionalism that has consistently received favourable praise from our client.

"Our 4-month long procurement process looked at how suppliers could deliver the most cost-effective solutions, reduce duplication of services, embrace world leading and emerging technology and introduce new social and environmental targets for maintenance of our assets and spaces.'"

ROD SHERIDAN, AUCKLAND COUNCIL GENERAL MANAGER
COMMUNITY FACILITIES

# Silent partner in Christchurch Rebuild

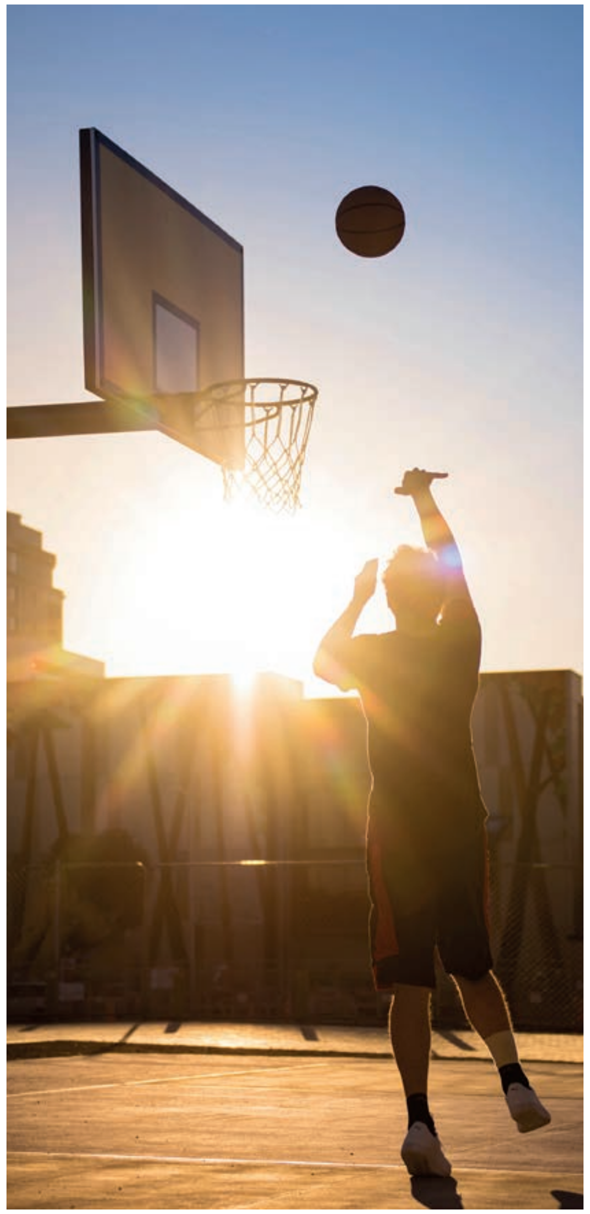
Content in its role as a quiet achiever, FY18 has seen Citycare Civil complete a number of projects designed to restore Christchurch to its former glory as the Garden City.

From the Victoria Square restoration through the East Frame, along the Avon River precinct and into the South Frame, restoring notable and sensitive sites like the former CTV Site and Rauora Park along the way, Citycare Civil has worked alongside its JV partner on the Christchurch rebuild.

Work completed in Victoria Square alone included replacing 170,000 paving stones, laying three kilometres of pipes and cabling, building a new punt stop and restoring the floral clock, as well as lifting the 38-tonne historic Bowker Fountain off its foundation and removing it while remedial work was carried out on its pipes, wiring and mechanics.

Christchurch's historic Sunnyside Fountain had lain in a state of disrepair, with broken concrete and missing parts, for more than 10 years due to vandals and thieves.

Called on by Christchurch City Council to attempt a full repair of the former heritage fountain, a Citycare Property team used 3D-printing technology to recreate and install the missing parts and renovated the concrete tiers. The fully restored fountain was switched on in February, providing a real boost to the local community.



# We Care.

## Sustainability and Environment

Following a similar theme to the approach taken on safety, the year has been very much about empowering our teams to trial and adopt tools and technology that will have a positive impact on the environment. To this end, Citycare has established a new Sustainability Charter and Framework as a platform for our future sustainability and environmental performance metrics and ambition.

Electric mowers and work vehicles, thermal weeding as an alternative to chemical sprays, the replacement of petrol-driven hand tools with electric hand tools and the improvement of waterways through dredging to remove silt, noxious weeds and contaminants...these are just some of the things that have steadily been introduced, where feasible and in collaboration with our clients.

One clear example of this is the FY18 launch of the Community Guardians scheme, aimed at linking thousands of local community members nationwide to a safe operational delivery model through Citycare and to ensure that local community volunteer projects are not just delivered, but sustained for years to come.

Talking to a nationwide shift towards more active engagement with local communities, the Community Guardians scheme moves Citycare away from a more traditional community sponsorship space, into an arena where we are facilitating true community partnerships and therefore driving sustainable impact.

"There are already a huge number of people doing great work in the community – we've simply realised there's a gap we can help to fill, in terms of bringing the aspirations of community groups and local government together and of supporting volunteer leads or guardians to ensure that the projects have longevity beyond that initial day of action."

SOCIAL ENTREPRENEUR SAM JOHNSON IS HEAD OF COMMUNITY FOR MYCARE AND CHAMPION OF COMMUNITY GUARDIANS

# Financial Statements 2018

# Financial Statements

## Directors’ Responsibility Statement

The Directors are responsible for the preparation, in accordance with New Zealand law and Generally Accepted Accounting Practice, of consolidated financial statements which present fairly the financial position of City Care Limited and its subsidiaries (‘the group’) as at 30 June 2018 and the results of the operations and cash flows for the year ended 30 June 2018.

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 2018.

This Annual Report is dated 10 August 2018 and is signed in accordance with a resolution of the Directors made pursuant to section 211(1) (k) of the Companies Act 1993.

For and on behalf of the Board of Directors:

Gary Leech
Chairman
10 August 2018

Mark Todd
Director
10 August 2018

# Contents

## Income Statement For the year ended 30 June 2018

| | Notes | 2018 $000 | 2017 $000 |
|---|---|---|---|
| Revenue | 3 | 312,539 | 303,547 |
| Finance income | | 14 | 53 |
| Gain / (loss) on sale of property, plant and equipment | | 936 | 246 |
| Raw materials and consumables used | | (47,896) | (43,141) |
| Subcontractor costs | | (109,360) | (115,608) |
| Employee benefits expense | | (119,011) | (116,548) |
| Depreciation and amortisation expense | | (9,942) | (9,367) |
| Other expenses | | (27,944) | (15,616) |
| Finance costs | | (365) | (84) |
| Share of profit / (losses) of Joint Venture | | 436 | 1,456 |
| **Profit / (loss) before income tax expense** | | **(593)** | **4,938** |
| Income tax benefit / (expense) | 6a | 148 | (1,399) |
| **Profit / (loss) for the year** | | **(445)** | **3,539** |
| **Attributable to:** Owners of the parent | | (557) | 3,456 |
| Non-controlling interests | | 112 | 83 |
| | | **(445)** | **3,539** |

## Statement of Comprehensive Income For the year ended 30 June 2018

| | Notes | 2018 $000 | 2017 $000 |
|---|---|---|---|
| Profit / (loss) for the year | | (445) | 3,539 |
| **Total comprehensive income** | | **(445)** | **3,539** |
| **Attributable to:** | | | |
| Owners of the parent | | (557) | 3,456 |
| Non-controlling interests | | 112 | 83 |
| | | **(445)** | **3,539** |

## Balance Sheet As at 30 June 2018

| | Notes | 2018 $000 | 2017 $000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 23(a) | 13 | 1,136 |
| Trade and other receivables | 7 | 36,536 | 31,808 |
| Current tax receivable | | 240 | - |
| Inventories | 11 | 1,417 | 1,409 |
| Work in progress | 12 | 22,817 | 18,093 |
| Assets classified as held for sale | | 314 | 607 |
| **Total current assets** | | **61,337** | **53,053** |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 48,392 | 47,568 |
| Intangible assets | 14 | 2,313 | 2,097 |
| Trade and other receivables | 7 | 1,050 | - |
| Share of net assets of Joint Venture | 16(iv) | 139 | 153 |
| **Total non-current assets** | | **51,894** | **49,818** |
| **Total assets** | | **113,231** | **102,871** |
| Current liabilities | | | |
| Bank Overdraft | 9 | 592 | |
| Borrowings | 9 | 18,440 | - |
| Trade and other payables | 8 | 31,063 | 29,302 |
| Current tax payable | | - | 1,623 |
| Provisions | 17 | 6,984 | 7,553 |
| **Total current liabilities** | | **57,079** | **38,478** |
| **Non-current liabilities** | | | |
| Borrowings | 9 | - | 6,900 |
| Deferred tax liability | 6(b) | 712 | 830 |
| Provisions | 17 | 383 | 361 |
| **Total non-current liabilities** | | **1,095** | **8,091** |
| **Total liabilities** | | **58,174** | **46,569** |
| **Net assets** | | **55,057** | **56,302** |
| **Equity** | | | |
| Capital and other equity instruments | 18 | 8,536 | 8,536 |
| Reserves | | 9,880 | 9,880 |
| Retained earnings | | 35,965 | 37,322 |
| **Equity attributable to owners of the parent** | | **54,381** | **55,738** |
| Non-controlling interests | | 676 | 564 |
| **Total equity** | | **55,057** | **56,302** |

## Statement of Changes in Equity For the year ended 30 June 2018

| | Share Capital $000 | Capital Reserve $000 | Asset Revaluation Reserve $000 | Retained Earnings $000 | Non-Controlling Interests $000 | Total $000 |
|---|---|---|---|---|---|---|
| **Balance as at 30 June 2016** | 8,536 | 2,314 | 7,566 | 40,020 | 481 | 58,917 |
| Gain/(loss) on property revaluation | - | - | - | - | - | - |
| Profit / (loss) for the year | - | - | - | 3,456 | 83 | 3,539 |
| **Total recognised income and expense for the year** | - | - | - | **3,456** | **83** | **3,539** |
| Dividends | - | - | - | (6,154) | - | (6,154) |
| **Balance as at 30 June 2017** | **8,536** | **2,314** | **7,566** | **37,322** | **564** | **56,302** |
| Gain/(loss) on property revaluation | - | - | - | - | - | - |
| Profit / (loss) for the year | - | - | - | (557) | 112 | (445) |
| **Total recognised income and expense for the year** | - | - | - | **(557)** | **112** | **(445)** |
| Dividends | - | - | - | (800) | - | (800) |
| **Balance as at 30 June 2018** | **8,536** | **2,314** | **7,566** | **35,965** | **676** | **55,057** |

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



## Cash Flow Statement For the year ended 30 June 2018

| | Notes | 2018 $000 | 2017 $000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 303,544 | 307,856 |
| Profit distribution from Joint Venture | | 450 | 1,650 |
| Interest received | | 14 | 53 |
| Payments to suppliers and employees | | (304,551) | (290,405) |
| Interest and other finance costs paid | | (365) | (84) |
| Subvention payment | | (1,664) | (2,524) |
| Income taxes paid | | (170) | - |
| **Net cash used in / provided from operating activities** | 23(b) | **(2,742)** | **16,546** |
| **Cash flows from investing activities** | | | |
| Payment for property, plant and equipment | | (10,577) | (10,060) |
| Proceeds from sale of property, plant and equipment | | 1,342 | 704 |
| Payment for intangible assets | | (478) | (278) |
| **Net cash used in investing activities** | | **(9,713)** | **(9,634)** |
| **Cash flows from financing activities** | | | |
| Proceeds from/(repayment of) borrowings | | 11,540 | 380 |
| Dividends paid | | (800) | (6,154) |
| **Net cash used in financing activities** | 23(c) | **10,740** | **(5,774)** |
| **Net increase/(decrease) in cash and cash equivalents** | | (1,715) | 1,138 |
| Cash and cash equivalents at the beginning of the year | | 1,136 | (2) |
| **Cash and cash equivalents at the end of the year** | 23(a) | **(579)** | **1,136** |

# Notes to the Financial Statements For the year ended 30 June 2018

## 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 226 Antigua Street, Christchurch 8011.

The financial statements presented are for the City Care Limited Group ('the group') as at and for the year ended 30 June 2018. The group comprises City Care Limited ('the parent'), its subsidiaries and its investments in joint arrangements.

The group's activities are:

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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

### (b) Basis of preparation

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

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

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

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

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

### (c) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.



### (d) Goods and Services Tax (GST)

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

### (e) Foreign Currency Translation

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

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

### (f) Significant Accounting Policies, Estimates and Judgements

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

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

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

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

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

- **NZ IFRS 9, 'Financial instruments'**: The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

  At 30 June 2018, Citycare's only financial instruments were its borrowings with the bank and it is unlikely that Citycare will enter into any new contractual provisions that would be party to a financial instrument. Under the new standard the accounting treatment and disclosure requirements of Citycare's borrowings do not change. Therefore NZ IFRS 9 is not expected to have a material impact on the group. The standard will be adopted for the financial year ending 30 June 2019.
- **NZ IFRS 15, 'Revenue from contracts with customers'**: The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised.

  Citycare is currently undergoing analysis of its major contracts to determine the effect of NZ IFRS 15, it is not anticipated that there will have a material impact on the group.

  This standard will be adopted for the financial year ending 30 June 2019 using the modified retrospective approach which negates the need to adjust the 2018 comparatives. Earlier application was permitted but has not been applied
- **NZ IFRS 16, 'Leases'**: The standard removes the classification of leases as either operating or financing lease, for the lessee, effectively treating all leases as finance leases with the exception of certain short-term leases and leases of low value assets.

  As at 30 June 2018 Citycare had long-term lease obligations of $6.2m ($1.7m of leased vehicles and $4.5m of leased property). For the year ended 30 June 2019 these obligations will be re-measured to present value and recognised on the balance sheet with a corresponding right of use asset. Note 5 will be redundant, and instead a lease liability disclosure will be used to support the new recognition and treatment.

  Citycare is currently undergoing further analysis to quantify the exact impact of NZ IFRS 16 on the profit and loss and balance sheet of the group. It is therefore not practical to provide a reasonable estimate of the effect of NZ IFRS 16 until this detailed review has been completed.

  The standard will be adopted for the financial year ending 30 June 2019.

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

There were no amendments to New Zealand Equivalents to International Financial Reporting Standards which became effective as of 1 July 2017 which had a material impact on the group.

## 3. REVENUE

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Revenue from continuing operations consisted of the following items: | | |
| Revenue from the rendering of services | 197,794 | 164,785 |
| Construction contract revenue | 105,865 | 129,758 |
| Revenue from the sale of goods | 8,880 | 9,004 |
| | **312,539** | **303,547** |

**Revenue Recognition**

***Goods sold and services rendered***

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

***Interest Income***

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

## 4. EXPENSES

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Profit before income tax has been arrived at after charging/(crediting) the following expenses: | | |
| Directors' fees | 288 | 315 |
| Operating lease rental expenses: | | |
| Lease payments | 4,104 | 5,026 |
| Employee benefits expense: | | |
| Defined contributions plans | 154 | 156 |
| Remuneration of Auditors: | | |
| Audit of the financial statements | 120 | 113 |

**Interest and Dividends**

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

## 5. LEASES

| | 2018 $000 | 2017 $000 |
|---|---|---|
| **Non-cancellable operating lease payments** | | |
| No longer than 1 year | 4,159 | 3,646 |
| Longer than 1 year and not longer than 5 years | 6,176 | 4,322 |
| Longer than 5 years | - | - |
| | **10,335** | **7,968** |

**Leased Assets**

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

**Operating lease payments**

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

## 6. INCOME TAXES

| | 2018 $000 | 2017 $000 |
|---|---|---|
| **(a) Income tax recognised in profit / loss comprises** | | |
| Current tax benefit / (expense) | (160) | 1,623 |
| Prior year adjustments to current tax | 130 | 292 |
| Deferred tax benefit / (expense) | (118) | (516) |
| **Total tax benefit / (expense)** | **(148)** | **1,399** |

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

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Profit / (loss) from operations | (593) | 4,938 |
| Income tax expense at 28% (2017: 28%) | (166) | 1,383 |
| Tax effect of non-deductible expenses | 29 | 33 |
| Tax effect of capital gain on sale of property, plant and equipment | (2) | (21) |
| Prior year adjustment | (9) | 4 |
| | **(148)** | **1,399** |

**Income Tax**

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

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

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

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

| | Opening Balance $000 | Charged to Income $000 | Closing Balance $000 |
|---|---|---|---|
| **(b) Deferred tax balances** | | | |
| Taxable and deductible temporary difference arising from the following: | | | |
| **Balance at 30 June 2017** | | | |
| Deferred tax assets/(liabilities): | | | |
| Property, plant and equipment | (76) | 245 | 169 |
| Provisions | 1,565 | 322 | 1,887 |
| Work in progress | (2,238) | 119 | (2,119) |
| Other | (597) | (170) | (767) |
| | **(1,346)** | **516** | **(830)** |
| **Year ended 30 June 2018** | | | |
| Deferred tax assets/(liabilities): | | | |
| Property, plant and equipment | 169 | (41) | 128 |
| Provisions | 1,887 | 163 | 2,050 |
| Work in progress | (2,119) | (302) | (2,421) |
| Other | (767) | 298 | (469) |
| | **(830)** | **118** | **(712)** |

| | 2018 $000 | 2017 $000 |
|---|---|---|
| **(c) Imputation credit account** | | |
| Imputation credits available for use in subsequent periods | - | - |

**Deferred Tax**

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

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

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

A deferred tax asset of $160,000 has been recognised in relation to current year tax losses as the directors expect the losses to be able to be offset against future assessable income.

## 7. TRADE AND OTHER RECEIVABLES

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Trade receivables | 31,964 | 25,932 |
| Allowance for doubtful debts | (178) | (200) |
| | **31,786** | **25,732** |
| Aging of trade receivables which the company has not provided against as still deemed recoverable: | | |
| Not past due | 27,324 | 23,184 |
| Past due 1-30 days | 2,802 | 1,665 |
| Past due 31-60 days | 1,212 | 266 |
| Past due 61-365 days | 414 | 617 |
| 365+ days past due | 34 | - |
| | **31,786** | **25,732** |
| Contract retentions | 3,427 | 4,782 |
| Prepayments | 1,250 | 1,183 |
| Contract set up costs | 73 | 111 |
| | **36,536** | **31,808** |
| **Non-current** | | |
| Trade receivables | 1,050 | - |
| | **1,050** | - |

**Trade and Other Receivables**

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

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

The average age of the company's trade and other receivables which are past due at the reporting date and for which the company has not provided as the amounts are still considered recoverable and as there has not been a significant change in credit quality is 60 days (2017: 69 days)..

**Capitalisation of contract set up costs**

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

## 8. TRADE AND OTHER PAYABLES

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Trade payables | 9,493 | 11,426 |
| Goods and Services Tax payable | 3,396 | 2,811 |
| Accrued expenses | 15,968 | 14,337 |
| Revenue in advance | 2,206 | 697 |
| Deferred income | - | 31 |
| | **31,063** | **29,302** |

**Payables**

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

## 9. BORROWINGS

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Secured bank overdraft facility, reviewed annually and repayable on call: | | |
| Amount used | 592 | - |
| Amount unused | - | 500 |
| | **592** | **500** |
| Two year rolling secured bank loan facilities maturing 30 November 2019: | | |
| **Current** | | |
| Amount used | 18,440 | - |
| **Non-Current** | | |
| Amount used | - | 6,900 |
| | **18,440** | **6,900** |
| **Amount unused** | **31,560** | **43,100** |
| | **50,000** | **50,000** |

Bank loans are secured by a debenture over the assets and undertakings of the company. Interest rates on the floating rate debt are based on bank bill rates plus a margin and averaged 3.30% for the year (2017: 3.16%). Due to interest rates on floating debt resettling on the market rate, the carrying amounts on secured loans approximate their fair values.

**Borrowings**

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

**Borrowing costs**

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

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

Due to the financial performance for the year the company was in breach of its interest cover covenant at 30 June 2018. As a result the bank borrowings are reclassified to current liabilities.

The company's bankers (Bank of New Zealand) have subsequently waived this breach on 2 August 2018.

## 10. FINANCIAL INSTRUMENTS AND RISK

### (a) Financial risk management objectives

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

### (b) Interest rate risk and management

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

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

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Increase or decrease in net profit from a 100 basis point movement in interest rates, assuming all other variables were held constant. | 109 | 25 |

### (c) Foreign currency risk management

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

### (d) Credit risk management

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

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

Financial instruments which potentially subject the company to credit risk consist primarily of cash and trade receivables. The concentration of credit risk with respect to accounts receivable is high due to the reliance on the Christchurch City Council for 30% (2017: 26%) of the company's revenue. Christchurch City Council's credit rating remains at A+.

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

### (e) Liquidity risk management

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

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

| | Less than 6 Months $000 | 6-12 Months $000 | 1-2 Years $000 | 2-5 Years $000 | 5+ Years $000 | Total $000 |
|---|---|---|---|---|---|---|
| **Balance at 30 June 2017** | | | | | | |
| Trade and other payables | 11,426 | - | - | - | - | 11,426 |
| Borrowings | - | - | 6,900 | - | - | 6,900 |
| | **11,426** | **-** | **6,900** | **-** | **-** | **18,326** |
| **Balance at 30 June 2018** | | | | | | |
| Trade and other payables | 9,493 | - | - | - | - | 9,493 |
| Borrowings | 18,440 | - | - | - | - | 18,440 |
| | **27,933** | **-** | **-** | **-** | **-** | **27,933** |

### (f) Market risk

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

### (g) Fair value of financial instruments

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

## 11. INVENTORIES

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Raw materials, consumables, stores at cost | 1,509 | 1,446 |
| Allowance for obsolete inventory | (92) | (37) |
| | **1,417** | **1,409** |

**Inventories**

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

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

## 12. WORK IN PROGRESS

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Construction work in progress (i) | 105,754 | 263,454 |
| Progress billings | (93,273) | (251,036) |
| Unbilled construction work in progress | 12,481 | 12,418 |
| Other contract work in progress | 10,336 | 5,675 |
| **Total work in progress** | **22,817** | **18,093** |

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

**Construction Contracts**

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

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

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

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

## 13. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

Assets to be depreciated include:

| | |
|---|---|
| Buildings | 2-50 years |
| Plant and equipment | 2-22 years |
| Motor vehicles | 3-13 years |
| Office and computer equipment | 2-12 years |

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

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

| | Freehold Land at Fair Value $000 | Buildings at Cost $000 | Plant and Equipment at Cost $000 | Motor Vehicles at Cost $000 | Office and Computer Equipment at Cost $000 | Total $000 |
|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | |
| Balance at 30 June 2016 | 9,460 | 2,018 | 17,202 | 67,261 | 5,551 | 101,492 |
| Transfers | - | 52 | 543 | (543) | (55) | (3) |
| Reclassification | - | - | 1,790 | - | - | 1,790 |
| Assets classified as held for sale | - | - | (161) | (1,964) | - | (2,125) |
| Additions | - | 80 | 2,538 | 6,503 | 939 | 10,060 |
| Disposals | - | - | (668) | (2,958) | (113) | (3,739) |
| **Balance at 30 June 2017** | **9,460** | **2,150** | **21,244** | **68,299** | **6,322** | **107,475** |
| Transfers | - | - | - | - | - | - |
| Reclassification | - | - | 39 | - | - | 39 |
| Assets classified as held for sale | - | - | (253) | (2,755) | - | (3,008) |
| Additions | - | 195 | 1,272 | 7,585 | 1,524 | 10,576 |
| Disposals | - | (4) | (649) | (3,742) | (128) | (4,524) |
| **Balance at 30 June 2018** | **9,460** | **2,341** | **21,653** | **69,387** | **7,718** | **110,558** |
| **Accumulated depreciation and impairment** | | | | | | |
| Balance at 30 June 2016 | - | (626) | (10,391) | (40,073) | (3,581) | (54,671) |
| Transfers | - | (9) | (234) | 234 | 9 | - |
| Reclassification | - | - | (989) | - | - | (989) |
| Assets classified as held for sale | - | - | 137 | 1,381 | - | 1,518 |
| Disposals | - | - | 570 | 2,675 | 39 | 3,284 |
| Depreciation expense | - | (170) | (2,555) | (5,570) | (754) | (9,049) |
| **Balance at 30 June 2017** | **-** | **(805)** | **(13,462)** | **(41,353)** | **(4,287)** | **(59,907)** |
| **Transfers** | - | - | - | - | - | - |
| Reclassification | - | - | - | - | - | - |
| Assets classified as held for sale | - | - | 182 | 2,525 | - | 2,707 |
| Disposals | - | 2 | 622 | 3,979 | 124 | 4,726 |
| Depreciation expense | - | (201) | (2,382) | (6,135) | (976) | (9,694) |
| **Balance at 30 June 2018** | **-** | **(1,004)** | **(15,040)** | **(40,984)** | **(5,139)** | **(62,168)** |
| **Net book value** | | | | | | |
| **As at 30 June 2017** | **9,460** | **1,345** | **7,782** | **26,946** | **2,035** | **47,568** |
| **As at 30 June 2018** | **9,460** | **1,337** | **6,613** | **28,403** | **2,579** | **48,392** |
| **Included in the above figures is capital work in progress of:** | | | | | | |
| **As at 30 June 2017** | **-** | **40** | **873** | **3,316** | **157** | **4,386** |
| **As at 30 June 2018** | **-** | **4** | **250** | **128** | **181** | **563** |

At 30 June 2018 there were assets held for sale with a net book value of $301,000 (2017: $607,000).

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

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

An independent valuation of the company's land was performed by independent registered valuer Gary Sellars of Colliers International, Christchurch, to determine the fair value of the land. The valuation, which conforms to NZ IAS 16: Property, Plant and Equipment, NZ IFRS: 13 Fair Value Measurement, International Valuation Standards IVS300: Valuations for Financial Reporting and API/PINZ Valuation Guidance Note NZV6N1: Valuations for use in New Zealand Financial Reports, was determined by reference to the asset's highest and best use, without deducting disposal costs. The valuation was on the estimated market value of the land at $150 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. A valuation was carried out by Mr Sellars on 28 June 2018. 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:

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Freehold land | 1,894 | 1,894 |

## 14. INTANGIBLE ASSETS

**(a) Software Licences**

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

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

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

***Subsequent expenditure***

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

***Amortisation***

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

**(b) Goodwill**

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

***Impairment***

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

***Calculation of recoverable amount***

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

| | Software Licences $000 | Goodwill $000 | Total $000 |
|---|---|---|---|
| **Gross carrying amount** | | | |
| Balance at 30 June 2016 | 5,603 | 2,387 | 7,990 |
| Transfers | 3 | - | 3 |
| Additions | 278 | - | 278 |
| Disposals | (5) | - | (5) |
| **Balance at 30 June 2017** | **5,879** | **2,387** | **8,266** |
| Adjustments | - | (747) | (747) |
| Additions | 478 | - | 478 |
| Disposals | (28) | - | (28) |
| **Balance at 30 June 2018** | **6,329** | **1,640** | **7,969** |
| **Accumulated amortisation and impairment** | | | |
| Balance at 30 June 2016 | (5,107) | (747) | (5,854) |
| Transfers | - | - | - |
| Disposals | 3 | - | 3 |
| Impairment | - | - | - |
| Amortisation expense | (318) | - | (318) |
| **Balance at 30 June 2017** | **(5,422)** | **(747)** | **(6,169)** |
| Adjustments | - | 747 | 747 |
| Disposals | 14 | - | 14 |
| Amortisation expense | (248) | - | (248) |
| **Balance at 30 June 2018** | **(5,656)** | **-** | **(5,656)** |
| **Net book value** | | | |
| **As at 30 June 2017** | **457** | **1,640** | **2,097** |
| **As at 30 June 2018** | **673** | **1,640** | **2,313** |
| **Included in the above figures is capital work in progress of:** | | | |
| **As at 30 June 2017** | **93** | **-** | **93** |
| **As at 30 June 2018** | **5** | **-** | **5** |

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

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

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

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

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Taranaki Road Boring | 360 | 360 |
| Apex Environmental Ltd | 1,280 | 1,280 |
| | **1,640** | **1,640** |

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

### Key assumptions

| | |
|---|---|
| Budgeted revenue | Revenue is based on initial contract term and past performance. A growth rate of 3.5% per annum has been included. |
| Budgeted gross margin | Gross margin is expected to continue at margins achieved in the current period. |
| Budgeted overhead | Budgeted overhead is expected to reflect overhead incurred immediately before the budget period. |
| Discount rate | A discount rate of 11.00% is applied to calculate the value in use. |
| Forecast period | A four year forecast period has been assumed. |

## 15. BUSINESS COMBINATIONS AND NON-CONTROLLING INTERESTS

### Christchurch International Airport Limited

In November 2017 City Care Limited purchased the business assets of Propel. The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed:

| | $000 |
|---|---|
| **Purchase of net assets in Propel** | |
| Cash | 869 |
| **Total Consideration** | **869** |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipment | 1,059 |
| Other assets | 79 |
| Other payables | (269) |
| **Total identifiable net assets** | **869** |

### Apex Environmental Limited

On 9 July 2015, City Care Holdings No.1 Limited, a wholly owned subsidiary was incorporated with 3 shares. On 17 July 2015 City Care Holdings No.1 Limited purchased the trade and assets of Apex Environmental Limited and simultaneously changed its name to Apex Environmental Limited. On this day a further 24,997 shares were issued, 14,287 of these to City Care resulting in a 57.16% shareholding. Apex Environmental Limited is involved in the designing, building, installing and commissioning water and wastewater treatment plants for the food and beverage, dairy, textiles, winery and municipal sectors. The acquisition complements the Group's existing maintenance of amenity assets activities. The Directors have determined that the group controls Apex Environmental Limited because it has a 57.16% shareholding. During the year City Care has provided working capital. As at 30 June 2018 the outstanding balance was $1,052,000 (2017: $384,000).
The following table summarises the consideration paid for the assets and business, the fair value of assets acquired and liabilities assumed at the acquisition date:

| | $000 |
|---|---|
| **Investment in Apex Environmental Limited** | |
| Cash | 1,149 |
| **Total Consideration** | **1,149** |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipment | 58 |
| Other assets | 53 |
| Other payables | (242) |
| **Total identifiable net assets** | **(131)** |
| Goodwill | 1,280 |
| Total | **1,149** |

**Results included in the Consolidated Statement of Comprehensive Income**

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Revenue | 7,357 | 4,674 |
| Profit/(Loss) for the year | 263 | 197 |

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

### Command Building Services Limited

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

On 31 October 2014, Command Building Services Limited purchased the assets and business of Command Management Limited, Command Care Limited and Command HVAC Limited, a heating, ventilation and air conditioning installation and servicing business.

On 10 March 2017 Command Building Services Limited was amalgamated into the Parent (City Care Limited) using the short-form amalgamation process under the Companies Act 1993. Under the amalgamation City Care Limited took control of all the assets of Command Building Services Limited and assumed responsibility for its liabilities. Command Building Services has been removed from the New Zealand register of companies.

**Results included in the Consolidated Statement of Comprehensive Income**

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Revenue | - | 3,201 |
| Profit/(Loss) for the year | - | (662) |

## 16. JOINT ARRANGEMENTS

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

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

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

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

**(a) (i) Joint Venture**

On 5 December 2014, City Care Limited entered into an unincorporated joint venture agreement, City Care Limited John Fillmore Contracting Limited Joint Venture. This joint venture is a strategic partnership to tender for relevant contracts.

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

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

**(ii) Commitment and contingent liabilities**

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

**(iii) Summarised financial information for joint venture**

| | 2018 $000 | 2017 $000 |
|---|---|---|
| **Balance Sheet** | | |
| **Current Assets** | | |
| Cash | 77 | 290 |
| Other current assets | 2,719 | 2,559 |
| | **2,796** | **2,849** |
| **Current Liabilities** | | |
| Financial liabilities | - | - |
| Other current liabilities | 2,518 | 2,543 |
| | **2,518** | **2,543** |
| **Net assets** | **278** | **306** |

| | 2018 $000 | 2017 $000 |
|---|---|---|
| **Statement of Comprehensive Income** | | |
| Revenue | 28,020 | 27,684 |
| Expenses | (27,149) | (24,771) |
| Pre-tax profit from continuing operations | 871 | 2,913 |
| Income tax expense | - | - |
| **Post-tax profit from continuing operations** | **871** | **2,913** |

The information above reflects the amounts presented in the financial statements of the joint venture which are prepared in accordance with NZ IFRS.

**(iv) Reconciliation of summarised financial information**

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Opening net assets | 306 | 693 |
| Profit | 871 | 2,913 |
| Less profit distribution | (900) | (3,300) |
| Closing net assets | 278 | 306 |
| **Interest in Joint Venture at 50%** | **139** | **153** |

## 17. PROVISIONS

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

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

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

### Employee benefits

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

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

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

### Defined Benefit Scheme (the Scheme)

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

### Defined Contribution Schemes

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

### Termination benefits

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

### Holiday Act

Following guidance issued by the Ministry of Business, Innovation and Employment, the company has obligations to pay entitlements under the Holidays Act 2003 in respect of prior periods. A full investigation has been undertaken and MBIE have accepted the company's liability calculation. The provision made for this liability at 30 June 2017 is sufficient and the amounts due to current and past employees will be paid out in the 2019 financial year.

| | Employee Entitlements (i) $000 | SCIRT (ii) $000 | Other $000 | Total $000 |
|---|---|---|---|---|
| Balance at 30 June 2016 | 6,288 | 400 | 31 | 6,719 |
| Additional provisions recognised | 11,129 | 301 | 175 | 11,605 |
| Reductions arising from payments/other sacrifices of future economic benefits | (9,937) | (451) | (12) | (10,400) |
| Reductions resulting from re-measurement or settlement without cost | (18) | - | - | (18) |
| Unwinding of discount/effect of changes in discount rate | 8 | - | - | 8 |
| **Balance at 30 June 2017** | **7,470** | **250** | **194** | **7,914** |
| Current | 7,109 | 250 | 194 | 7,553 |
| Non-current | 361 | - | - | 361 |
| | **7,470** | **250** | **194** | **7,914** |
| Balance at 30 June 2017 | 7,470 | 250 | 194 | 7,914 |
| Additional provisions recognised | 10,343 | - | 170 | 10,513 |
| Reductions arising from payments/other sacrifices of future economic benefits | (10,235) | (250) | (133) | (10,618) |
| Reductions resulting from re-measurement or settlement without cost | (377) | - | (61) | (438) |
| Unwinding of discount/effect of changes in discount rate | (4) | - | - | (4) |
| **Balance at 30 June 2018** | **7,197** | **-** | **170** | **7,367** |
| Current | 6,814 | - | 170 | 6,984 |
| Non-current | 383 | - | - | 383 |
| | **7,197** | **-** | **170** | **7,367** |

(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 3.1% for the year ending 30 June 2018 and 3.0% for the year ending 30 June 2017. A discount rate of 2.85% has been used for the year ending 30 June 2018 and 2.61% for the year ending 30 June 2017.

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

(ii) The SCIRT Alliance agreement contains provision for sharing contract gains and /or losses against budget on conclusion of the agreement. Physical construction works concluded at 30 June 2017. At 30 June 2017 the Alliance was in a net gain position. City care's share of the gain position has been reflected in the Income Statement. The company's obligations under the defects liability obligations concluded at 30 June 2018. The Directors concluded that no provision is required going forward.

## 18. CAPITAL AND OTHER EQUITY INSTRUMENTS

| | 2018 $000 | 2017 $000 |
|---|---|---|
| 6,036,000 fully paid ordinary shares | 6,036 | 6,036 |
| 2,500,000 fully paid preference shares | 2,500 | 2,500 |
| | **8,536** | **8,536** |

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

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

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

## 19. COMMITMENTS FOR EXPENDITURE

| | 2018 $000 | 2017 $000 |
|---|---|---|
| **Capital expenditure commitments** | | |
| Plant and equipment | 186 | 4,785 |
| | **186** | **4,785** |

Included in 2017 capital commitments was $3,199,000 for assets required for the Auckland Full Facilities contract. The contract became effective 1 July 2017.

## 20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

| | 2018 $000 | 2017 $000 |
|---|---|---|
| **Contingent liabilities** | | |
| The company has arranged with Bank of New Zealand for the issue of performance related bonds in favour of: | | |
| Local authorities (i) | 9,125 | 4,946 |
| Transit New Zealand | 159 | - |
| Others | 3,003 | 3,913 |
| | **12,287** | **8,859** |

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

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

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

## 21. RELATED PARTY DISCLOSURES

### (a) Parent entities

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

### (b) Transactions with related parties

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

| | 2018 $000 | 2017 $000 |
|---|---|---|
| **During the year** | | |
| Services provided to CCC | 94,878 | 79,493 |
| Services provided to other group companies | 5,670 | 2,455 |
| Goods and services received from CCC | (565) | (739) |
| Goods and services received from other group companies | (623) | (610) |
| Rent and rates paid to CCC | (764) | (840) |
| Purchase of assets and liabilities from other group companies | (869) | - |
| **As at year end** | | |
| Amounts receivable from CCC | 10,506 | 8,064 |
| Amounts receivable from other group companies | 987 | 288 |
| Amounts payable to CCC | (182) | (189) |
| Amounts payable to other group companies | (1) | (4) |

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 (2017: Nil). Related party transactions exclude Directors' fees which are disclosed separately under the statutory information.

**Separate disclosure of individual transactions**

City Care Limited made dividend payments totalling $800,000 (2017: $6,154,000) to its immediate parent, Christchurch City Holdings Limited.

During the year, the company made subvention payments totalling $1,664,000 (2017: $2,524,000) to Christchurch City Council with an associated tax loss offset of $4,280,000 (2017: $6,490,000).

The company also made sales of $3,014,000 (2017:$39,587,000) to its jointly controlled operation, Stronger Christchurch Infrastructure Rebuild Team Joint Venture and had an outstanding receivable balance of nil at 30 June 2018 (2017: $96,000).

### c) Key Management Personnel Compensation

| | 2018 $000 | 2017 $000 |
|---|---|---|
| The compensation of the Directors and executives, being the key management personnel of the entity, is set out below: | | |
| Salaries and short-term employee benefits | 3,004 | 2,551 |
| Post-employment benefits | 61 | 61 |
| Termination benefits | - | 64 |
| | **3,065** | **2,676** |

There were close family members of key management personnel employed by the company at periods during the year. The terms and conditions of the arrangements were no more or less favourable than if there was no relationship to key management personnel.

## 22. SUBSEQUENT EVENTS

No significant events have occurred subsequent to balance date.

## 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:

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Cash | 8 | 4 |
| Bank Overdraft | (592) | - |
| Bank deposits | 5 | 1,132 |
| | **(579)** | **1,136** |

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

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Profit after tax for the period | (445) | 3,539 |
| (Gain)/loss on sale or disposal of non-current assets | (936) | (246) |
| Depreciation and amortisation of non-current assets | 9,942 | 9,367 |
| Share of Joint Venture (profit)/loss | 14 | 194 |
| Increase/(decrease) in current tax liability | (1,863) | (609) |
| Increase/(decrease) in deferred tax liability | (117) | (516) |
| **Changes in net assets and liabilities** | | |
| ***(Increase)/decrease in assets:*** | | |
| Current receivables | (4,727) | 2,709 |
| Work in progress | (4,725) | 1,027 |
| Current inventories | (10) | 713 |
| Non Current receivables | (1,050) | - |
| Reclassification | (39) | (801) |
| **Increase/(decrease) in liabilities:** | | |
| Operating current payables | 1,761 | (26) |
| Current provisions | (569) | 1,149 |
| Non-current provisions | 22 | 46 |
| | **(2,742)** | **16,546** |

### (c) Reconciliation of financing activities

| | 2018 $000 | 2017 $000 |
|---|---|---|
| Current Borrowings | 18,440 | - |
| Non Current Borrowings | - | 6,900 |
| | **18,440** | **6,900** |
| Movement in borrowings | 11,540 | 380 |
| Dividend payment to shareholder | (800) | (6,154) |
| | **10,740** | **(5,774)** |

## 24. STATEMENT OF PERFORMANCE

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

| | Actual $000 | | Target $000 |
|---|---|---|---|
| **(a) Financial performance** | | | |
| Revenue | 312,539 | Refer note (i) | 322,395 |
| Equity | 55,057 | Not achieved | 60,049 |
| Net Profit After Tax | (445) | Refer note (ii) | 4,594 |
| Dividends | 0.8m | Refer note (iii) | 1.4m |
| Debt to debt plus equity | 25.1% | Refer note (iv) | 14.6% |
| Equity to total assets | 48.6% | Not achieved | 56.2% |
| Return on average equity | (0.8%) | Not achieved | 7.7% |
| **(b) Non-financial performance** | | | |
| **Client Satisfaction** | | | |
| Net promoter score of >+5% rating | | | Achieved |
| **Environmental Management** | | | |
| Trial three electric mowers, three electric vans/trucks | | | Achieved |
| Continue programme of changing out petrol-driven hand tools in preference for electric hand tools and promotion of the retrofit of inverters on work trucks/vans instead of petrol-charged generators. | | | Achieved |
| Measure greenhouse gas emissions to deliver a company-wide emission reduction of 5% of revenue | | | Refer note (v) |
| **Health and Safety** | | | |
| 5% reduction in TRIF (Total Recordable Incident Frequency) accident rates from prior year | | | Refer note (vi) |
| Maintain NZS4801 Health and Safety Management accreditation | | | Achieved |
| Develop company-wide Wellness program | | | Achieved |
| Ensure all (sub)contractors have a prequalified level of Health and Safety management systems in their own operations (PREQUAL) | | | Achieved |
| **Staff Engagement** | | | |
| Increase level of staff satisfaction by 2.5% (as recorded through annual survey) | | | Achieved |
| Reduce voluntary staff turnover by 2.5% | | | Achieved |
| **System Management** | | | |
| Maintain ISO-accredited systems | | | Achieved |
| **Growth** | | | |
| Win one new 'significant' (>$5m) contract or client for the company | | | Achieved |
| **Innovation** | | | |
| Establish an innovation hub | | | Achieved |
| Develop performance measurement for specific innovation being delivered through customer contracts. | | | Achieved |

(i) Revenue: Forecasted revenue targets were not achieved due to an industry-wide tightening of the construction market.

(ii) Net Profit After Tax: The shortfall in revenue explained in note (i) had a direct impact on NPAT. Furthermore, redundancy costs as a result of changes in the market affected the profitability in the current year.

(iii) Dividends: The dividends paid during the year related to a final dividend for 2017 and an interim dividend for 2018. No final dividend is anticipated for 2018.

(iv) Debt To Debt Plus Equity: The higher than forecasted Debt To Debt Plus Equity ratio is a result of the poor trading performance.

(v) Despite the focus on diversification away from hydrocarbon fuel to electricity, this target was not achieved due to the additional vehicles required for the new Auckland Council and Christchurch International Airport contracts, and increased production at the Citycare Asphalt Plant.

(vi) Total Recordable Incident Frequency: Whilst the 5% targeted reduction in TRIF has not been achieved this year, the business continues to place the highest levels of attention to driving a 100% safe workplace culture and positively benchmarks our performance against similar organisations through active participation in the Business Leaders' Health & Safety Forum.

## 25. CAPITAL MANAGEMENT

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

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

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

Audit New Zealand
Mana Arotake Aotearoa

## Independent Auditor's Report

## To the readers of City Care Limited's group financial statements and performance information for the year ended 30 June 2018

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

### Opinion

We have audited:

- the financial statements of the Group on pages 25 to 49 and 51, that comprise the balance sheet as at 30 June 2018, the income statement, the 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 50.

In our opinion:

- the financial statements of the Group on pages 25 to 49 and 51:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2018; 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; and
- the performance information of the Group on pages 50 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 2018.

Our audit was completed on 10 August 2018. This is the date at which our opinion is expressed.

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



### Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 24 and 57 to 64, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

## Independence

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

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

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

# Statutory Information For the year ended 30 June 2018

## 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:

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

## Dividend

A final dividend of $412,000 in respect of the 2017 financial year was paid on 3 November 2017.

An interim dividend of $388,000 in respect of the 2018 financial year was paid on 28 February 2018.

## Directors for City Care Limited

The following Directors held office during the year ended 30 June 2018:

- Hugh Martyn (Chairman) (retired 27 October 2017)
- Margaret Devlin (retired 27 October 2017)
- Craig Price
- Mark Todd
- Gary Leech (appointed Chairman 27 October 2017)
- Jennifer Rolfe
- Graham Darlow (appointed 1 November 2017)
- Penny Hoogerwerf (appointed 3 November 2017)

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

The following Directors held office during the year ended 30 June 2018:

- Tim Gibson (Chairman)
- Paul Kiesanowski
- Matthew Savage
- Steven Kroening

## 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 2018.

## Company Directors

| ***Director*** | ***Entity*** | ***Position*** |
|---|---|---|
| Hugh Martyn | The Britten Institute | Director |
| | Hadstock Park Ltd | Director |
| | NZ Rugby League | Vice-Chairman |
| | W D Boyes & Sons Ltd | Advisor |
| Margaret Devlin | Aurora Energy | Director |
| | Harrison Grierson Consultants Ltd | Chairman, Chair of Audit & Risk Committee and Remuneration Committee |
| | Harrison Grierson Holdings Ltd | Director |
| | Indepen (NZ) Ltd (Oct 2006) | Director |
| | Institute of Directors of New Zealand Inc | Chartered Fellow |
| | Institute of Directors in NZ Inc - Waikato Branch | Committee Member |
| | IT Partners Group Ltd | Director |
| | Meteorological Services of New Zealand Ltd | Director |
| | National Infrastructure Advisory Board | Board Member |
| | Titanium Park Ltd (a subsidiary of Waikato Airport) | Chairman |
| | University of Waikato | Councillor, Member Risk Management Committee |
| | Waikato District Council | External appointment and Chair of Audit & Risk Committee |
| | Waikato Regional Airport Ltd (T/A Hamilton International Airport) | Director and Member of Audit Committee |
| | Waikato Spatial Plan Joint Committee | Chair |
| | Watercare | Chairman |
| | WINTEC | Councillor |
| | Women in Infrastructure Network | Chairman |
| Craig Price | Beca Group Ltd | Chief Technical Officer, Shareholder and Share Trustee |
| | Beca Ltd | Chairman |
| | Beca Projects NZ Ltd | Chairman |
| | East Christchurch Water Sports Community Trust (resigned April 2018) | Trustee |
| | Engineering New Zealand Governing Board (previously IPENZ) | Immediate Past President |
| | New Zealand Qualifications Authority - New Zealand Qualifications Framework Review | Advisory Group Member |
| | Power Engineering Excellence Trust (PEET), University of Canterbury | Trustee |
| | University of Canterbury Civil & Natural Resources Engineering Advisory Board (May 2011) | Board Member, Chairman |
| | University of Canterbury Mechanical Engineering Advisory Board (Sept 2012) | Board Member |
| Mark Todd | The Arts Centre of Christchurch | Trust Board Member, Chair Audit & Risk Committee |
| | Mark T Consulting Ltd | Shareholder |
| | McKenzie & Willis Ltd | Director |
| | Stirling Sports | Advisory Board Member |
| | The Todd Family Trust | Trustee |
| Gary Leech | Back Track Diaries Ltd (Murney Group) | Director |
| | The Boundary Ltd (formerly Waitakere Mega Centre Ltd) | Director and Shareholder |
| | Cariboo New Zealand (2011) Ltd | Director and Shareholder |
| | Electricity Ashburton Ltd | Chairman |
| | Fairbanks Seeds NZ Ltd (South Pacific Seeds Group) | Director |
| | G R & A M Leech Family Trust | Trustee and Beneficiary |
| | Hank Murney Family Trust #2 (Murney Group) | Trustee |
| | iSelect Group Ltd | Chairman and Shareholder |
| | iSelect Trustee Services Ltd (iSelect Group) | Director |
| | Linc-ed Technologies Ltd | Director |
| | Londale Development Ltd (WH Collins Group) | Director |
| | Lye Properties Ltd (WH Collins Group) | Director |
| | Murney Custodians Ltd (Murney Group) | Director |
| | Murney Investments Ltd (Murney Group) | Director and Non-Beneficial Shareholder |
| | Murney Trust (Murney Group) | Trustee |
| | Murney Trustees Ltd (Murney Group) | Director |
| | The New Zealand Sock Company Ltd | Chairman |
| | Sheffield South Island Ltd (resigned 1 Dec 2017) | Advisory Board Member |
| | South Beach Properties Ltd | Director and Shareholder |
| | South Pacific Seeds (NZ) Ltd | Director and Shareholder |
| | South Pacific Seeds Pty Ltd (Australia) | Director and Shareholder |
| | South Pacific Seeds Sales (NZ) Ltd | Chairman |
| | TCB Results Ltd | Director and Shareholder |
| | Trevor Wilson Charitable Trust No2 | Trustee |
| | Trotts Garden Charitable Trust | Trustee |
| | Tuam Street West Ltd (Murney Group) | Director |
| | WH Collins & Co Ltd (WH Colins Group) | Director |

| *Director* | *Entity* | *Position* |
|---|---|---|
| Jennifer Rolfe | The Barbara Andrew Family Trust | Trustee |
| | New Zealand Rugby League (resigned 6 Dec 2017) | Director,<br>Chair of Remuneration Committee |
| | Rainger & Rolfe Ltd | Managing Partner and Director |
| | The Thomas Number 2 Trust | Trustee |
| | The Thomas Trust | Trustee |
| Graham Darlow | Acciona Infrastructure NZ Ltd | Business Executive |
| | Brockway Consulting Ltd | Director and Shareholder |
| | Frequency NZ Ltd | Director |
| | Hick Bros. Civil Construction Ltd | Director |
| | Hick Bros. Heavy Haulage Ltd | Director |
| | Hick Bros. Holdings Ltd | Director |
| | Hick Bros. Infrastructure Ltd | Director |
| | Holmes GP Structures Ltd | Chairman |
| Penny Hoogerwerf | Central Plains Water Ltd | Consultant (Legal) |
| | Katamama Ltd | Director |
| | Tennis Canterbury Region Incorporated | Director |

### Subsidiary Directors

| *Director* | *Entity* | *Position* |
|---|---|---|
| Tim Gibson | City Care Ltd | Executive General Manager,<br>Citycare Water |
| | Apex Environmental Ltd | Chairman |
| Paul Kiesanowski | Apex Environmental Ltd | Director |
| | City Care Ltd | Company Secretary,<br>Citycare Group |
| | Earthquake Commission | Commissioner |
| | New Zealand Red Cross (resigned 29 Oct 2017) | National Board Member,<br>Chair Audit & Risk Committee |
| | Red Bus Ltd | Chairman |
| | Red Cross Foundation (resigned 29 Oct 2017) | Trustee |
| Matthew Savage | Apex Environmental Ltd | Director |
| Steven Kroening | Apex Environmental 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:

| | 2018 | 2017 |
|---|---|---|
| Hugh Martyn | 27,852 | 109,587 |
| Margaret Devlin | 15,131 | 45,536 |
| Craig Price | 41,248 | 41,023 |
| Mark Todd | 43,465 | 41,023 |
| Gary Leech | 63,649 | 39,457 |
| Jen Rolfe | 39,373 | 38,374 |
| Graham Darlow | 29,867 | - |
| Penny Hoogerwef | 27,377 | - |
| | **287,962** | **315,000** |

### Use of company information by Directors

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

### Directors' insurance

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

### Employees' remuneration

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

| *Remuneration range* | *2018* | *2017* |
|---|---|---|
| $100,000 – $110,000 | 75 | 65 |
| $110,000 – $120,000 | 43 | 51 |
| $120,000 – $130,000 | 35 | 25 |
| $130,000 – $140,000 | 21 | 18 |
| $140,000 – $150,000 | 22 | 16 |
| $150,000 – $160,000 | 5 | 6 |
| $160,000 – $170,000 | 8 | 6 |
| $170,000 – $180,000 | 6 | 6 |
| $180,000 – $190,000 | 2 | 4 |
| $190,000 – $200,000 | 3 | 4 |
| $200,000 – $210,000 | 6 | 8 |
| $210,000 – $220,000 | 2 | 2 |
| $220,000 – $230,000 | 4 | 1 |
| $230,000 – $240,000 | - | 1 |
| $240,000 – $250,000 | 1 | 3 |
| $250,000 – $260,000 | 1 | 2 |
| $260,000 – $270,000 | 2 | - |
| $270,000 – $280,000 | 2 | - |
| $280,000 – $290,000 | - | 1 |
| $290,000 – $300,000 | - | 1 |
| $330,000 – $340,000 | 1 | - |
| $350,000 – $360,000 | 2 | - |
| $360,000 – $370,000 | 1 | 1 |
| $390,000 – $400,000 | - | 1 |
| $420,000 – $430,000 | - | 1 |
| $570,000 – $580,000 | 1 | - |
| $710,000 – $720,000 | - | 1 |
| | **243** | **224** |

### Chief Executive Remuneration

The Chief Executive Officer's (CEO) remuneration consists of a fixed and variable remuneration. The CEO's package is reviewed annually by the Remuneration Committee and the Board after reviewing the CEO's and Citycare's performance, taking advice from an external remuneration specialist.

| $000's | 2018 | 2017 | 2016 |
|---|---|---|---|
| Fixed Remuneration | 575 | 547 | 499 |
| Short term incentive | - | 163 | 86 |
| Total remuneration | 575 | 710 | 585 |

Notes

(i) Fixed remuneration includes base salary, vehicle and Kiwisaver employer contributions. It also includes fluctuations in holiday pay as a result of the short term incentive scheme payments.

(ii) Any short term incentive scheme payment relates to the prior year's performance.

### Donations

The company made donations of $3,000 during the year.

### Auditor

The Auditor-General is appointed under Section 70 of the Local Government Act 2002. Audit New Zealand has been appointed to provide these services on behalf of the Auditor-General. Audit fees in respect of the 2018 financial year totalling $120,000 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 Officer the day-to-day leadership and management of the company. The Chief Executive Officer has, in some cases, formally delegated certain authorities to direct reports and has established a formal delegated authority framework for those direct reports to sub-delegate as appropriate.

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

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

### Responsibility to Shareholder

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

### Board composition

The company's constitution provides that the Board will consist of a maximum of seven Directors. Currently the Board comprises six non-executive Directors. With the prior approval of the Shareholder, the Board may appoint one full-time executive as a Director of the company.

Up to one-third of the ordinary Directors retire by rotation at each Annual 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 Chairman and (if it considers appropriate), a Deputy Chairman for such periods as it sees fit. If the Shareholder does not exercise that right, then the Board may elect their own Chairman or Deputy Chairman.

The Board supports the separation of the role of Chairman and Chief Executive Officer. The Chairman's role is to manage and provide leadership to the Board and to facilitate the Board's interface with the Chief Executive Officer. The Board currently does not have a Deputy Chairman.

### Conflicts of interest

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between the company and their own interests. The Board Charter outlines the Board's policy on conflicts of interest. Where conflicts of interest do exist at law, then the Director must disclose their interest, and if considered necessary, excuse themselves from any Board discussions and not receive any Board papers in respect of those interests.

### Nominations and appointment of new Directors

The procedures for appointing and removing Directors are governed by the company's constitution. When considering candidates to act as Director, the Shareholder considers such factors as it deems appropriate, including the experience, qualifications, availability and judgement 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 Chairman and Chief Executive Officer establish meeting agendas to ensure adequate coverage of all key issues. The Directors receive Board papers one week in advance of Board meetings, except in the case of special meetings for which the time period may be shorter.

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

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

### Directors' induction and education

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

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

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

### Board performance review

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

### Chief Executive Officer performance review

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

### Insurance

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

### Board committees

The Board has three formally constituted committees, the Risk, Audit and Finance Committee, the 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 Chairman. It comprises non-executive members of the Board as appointed by the Board from time to time. The Chief Executive Officer, Company Secretary and General Manager, Finance and Procurement and Property 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;
- 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.

## Corporate Governance Statement continued

### People and Culture Committee

The People and Culture Committee comprises up to three non-executive members of the Board as appointed by the Board – currently the committee Chair is the Board Chairman.

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

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

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

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

### Health and safety committee

The Health and Safety Committee comprises two non-executive Directors of the Board as appointed by the Board. The Citycare Chief Executive Officer, the Executive General Manager - People, Culture and Safety, the Health, Safety and Wellbeing Manager, the operational Executive General Managers and three company 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; and
- 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

Gary Leech
*Chairman*

Graham Darlow

Penny Hoogerwert

Craig Price

Jennifer Rolfe

Mark Todd

### Registered Office

226 Antigua Street
PO Box 7669
Christchurch 8240
New Zealand
Phone: +64 3 941 7200
Fax: +64 3 941 7202
www.citycare.co.nz

### Executive Management Team

Onno Mulder
*Chief Executive Officer*

Alastair Ridgway
*General Manager Finance*

Paul Blackler
*Executive General Manager, Civil*

Tim Gibson
*Executive General Manager, Water*

Peter Lord
*Executive General Manager, Property*

Nige Cottingham
*Executive General Manager Strategy, Marketing and Business Development*

Leeanne Carson-Hughes
*Executive General Manager People, Culture and Safety*

Paul Kiesanowski
*Company Secretary*

### Auditor

Audit New Zealand
on behalf of the
Auditor-General

### Solicitors

Tavendale and Partners

### Bankers

Bank of New Zealand

# Our Locations

**National Office**
226 Antigua Street
PO Box 7669
Sydenham
Christchurch 8240
Phone: (03) 941 7200

**Auckland Office**
Phone: (09) 966 2700

**Tauranga Office**
Phone: (07) 927 7100

**Waikato Office**
Phone: (09) 966 2700

**New Plymouth Office**
Phone: (06) 769 5670

**Hastings Office**
Phone: (06) 879 8626

**Palmerston North Office**
Phone: (03) 941 6010

**Greytown Office**
Phone: (06) 946 7180

**Masterton Office**
Phone: (06) 370 2476

**Wellington Office**
Phone: (04) 891 1300

**Milton Street Office**
Phone (03) 941 7199

**Pages Road Office**
Phone: (03) 941 5778

**Springs Road Office**
Phone: (03) 941 7610

**Birmingham Drive Office**
Phone (03) 941 7200

**Dunedin Office**
Phone: (03) 951 0270

**Timaru Office**
Phone: (03) 941 6190

**Apex Environmental Timaru**
Phone: (03) 929 2675