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# ANNUAL REPORT

Citycare  
Group



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## CHAIR'S REPORT 2022/23

**The Citycare Group has had an outstanding year financially with all four businesses exceeding financial targets, resulting in a record profit for the Group. While Property and Water continue to pursue independent sector strategies, there is no doubt there are common factors that impact both entities. These include a labour market skills shortage, with the Group facing challenges to recruit the right people, and the work of both entities being impacted by weather events. Neither of these two factors are unique to our operations, with both issues being tackled by many businesses in Aotearoa. Despite these challenges, Citycare has focused on building resilience and strength into the business to ensure we are well positioned to maximise future opportunities and to better manage the challenges that we know are part of the continuum of doing business in our modern environment.**

Over the past financial year both Citycare Water and Citycare Property have confirmed and commenced implementation of their longer-term business strategies. Both have invested significant time and resource into the development and testing of these strategies, and the Board has confidence that as these are rolled out, they will provide the structure and discipline required to ensure continued growth and enhanced service delivery. We are mindful that a strategy should be a living document, which means these strategies will continue to evolve and reflect the status of the businesses and the environments in which they operate.

Citycare has experienced a period of financial growth that has ensured we are well positioned to take advantage of future opportunities. CCHL partially debt-funded the acquisition of Spencer Henshaw (Spencers) with a shareholder loan to Citycare. In accordance with the terms of the shareholder loan, Citycare will suspend dividends this year to prioritise scheduled debt repayments. Citycare is confident it will continue to meet all obligations associated with the shareholder loan.

The synergy between Citycare Property and Spencers means that there is huge potential for enhanced delivery within, and commitment to, the social infrastructure sector — in particular social housing. Both operations have a strong Health and Safety culture with people at the centre of operations and both are great Kiwi businesses.

Citycare Water has had a keen eye and focus on the Government's Affordable Water Reforms (previously Three Waters) for the past 18 months. It has been focused on building internal capability to ensure it is well positioned for the changes. It has also continued to engage with the National Transition Unit within the Department of Internal Affairs to assist with transitioning to the new water services environment under this reform. There is no doubt this will present significant opportunities for our Water business operations. The best way that we can maximise these opportunities is to be well prepared and well positioned, and the Water team has completed excellent groundwork to ensure this is the case.

Both entities are aware of the transformative opportunities enabled by the application of new technologies. Much work has been completed over the past year to position both businesses strongly for the introduction of new software and

business practices that will enable enhanced management of many of our business processes. This will make sure we are able to sustain and grow our current commercial position. This programme of work will ensure Citycare is in the right space to maximise opportunities through effective technology solutions. One example of this has been the introduction of our new Health and Safety system, launched in May 2023. This new software works across all devices and provides a single central hub for all things H & S. It has been designed to make life easier and safer for our team members working in the field and in our depots and sites across the country.

The Group has worked hard to ensure our operations deliver on our shareholders' five strategic pillars: Kaitiakitanga, Mana, Financial, Sustainability and People. As part of our sustainability future, the Group is currently working on further development of our Group Greenhouse Gas (GHG) emissions reduction plan. We have also aligned our sustainability approach to the Integrated Reporting Capitals and we are working towards achievement of relevant UN Sustainable Development Goals. With more than 90% of Citycare's current reported emissions generated by fossil-fuelled vehicles and plant, we will continue with a replacement plan where practical and possible. The business also continues to investigate and adopt new technologies to reduce, measure and manage our emissions. This will be a key focus of work in FY24.

Our people have worked hard this year to ensure smooth and seamless operations for our communities. I want to thank you for your hard work on behalf of the Board.

Finally, I want to thank my fellow Board members for their ongoing commitment to the business and to thank our two CEOs, Peter Lord and Tim Gibson, for continued leadership of their respective businesses throughout the year. I also want to welcome Murray Stevenson and the Spencers team into the Group.



BRYAN JAMISON

CHAIR

### CITYCARE GROUP RESULTS

 **\$20.0m** operating profit

 **\$586.6m** revenue (FY22 \$311.6m)

 **18%** reduction in emissions



# CITYCARE PROPERTY.

HERE'S WHAT WE'VE  
BEEN UP TO OVER THE  
PAST 12 MONTHS...

 **359** Playgrounds Maintained

 **47,725,776** m<sup>2</sup> of turf maintained

 **1,835,028** m<sup>2</sup> of gardens maintained

 **2,098** buildings maintained

 **40,961** reactive tasks completed

 **346,362** planned tasks completed

 **634** staff in over 7 locations



**Citycare Property has enjoyed a successful past year. The business exceeded budget expectations and delivered a strong financial performance. We launched a new online Health and Safety platform that will provide our teams with a proactive mobile system that meets their individual requirements, we have been successful in securing new contracts for work across the motu and, in alignment with our Towards 2030 strategy, we have enhanced our presence across the social infrastructure market.**

Our purchase of Spencer Henshaw (Spencers) in September 2022 contributed to our business growth in the social housing sector and we now operate the largest social housing maintenance company in Aotearoa/New Zealand.

Like Citycare Property, Spencers was a Kiwi-owned company, which makes us somewhat unique in the sector. We also shared a similar commitment to building thriving communities and between the two businesses we have continued to make a visible difference to our team members and the communities we work in. From supporting our kaimahi to undertake additional life-skills training or learning te reo, to assisting with community clean-up and planting days, each company has contributed to *enhancing the wellbeing of our communities*.

Our business success comes from delivering operational excellence to our customers and continuing to secure new business. We were pleased to have been successful in the tender for the Parks and Gardens Maintenance contract for Whangārei District Council in the first half of FY23. The contract includes the ongoing management of more than 300 hectares of parks across the district and provided us with the opportunity to establish a base in Whangārei, from which we hope to grow our operations. In early November we officially opened our Whangārei depot with representatives from the local hapū, Te Parawhau, Ministry of Social Development, Whangārei District Council and the Citycare Property executive team in attendance.

In May 2023 we were successful in re-securing the Christchurch City Council Road Landscape Maintenance Contract for a further five-year period. Citycare Property has now held this contract for 17 years and it sustains the employment of 60 kaimahi/workers who undertake gardening and turf maintenance, roadside weed control and associated works. Securing this contract demonstrates the value with which our staff and their work is acknowledged by our valued customers.

Change is a constant, with the ability to adapt to new environments and conditions quickly being a hallmark of success for any contemporary organisation. The past 12 months have seen significant change, not just in the places we operate, but also in the ways we operate. Our business model is transitioning from a task-delivery focus to one that is more customer centric and service oriented.

To start this journey, we established a Transformation team that will work across all aspects of our business to ensure that we are well placed to meet the evolving expectations of our stakeholders. The Transformation team will execute initiatives, programmes, and process improvements to transform our culture and increase the attraction, engagement and retention of our stakeholders who include our people, our customers, and our suppliers. This drive for, and focus on, transformation and innovation will position Citycare Property well to achieve its aspiration to deliver a world-class service.

Over the past year, extreme weather events have impacted our work, with Cyclone Gabrielle providing a major challenge for many in the North Island. Our key focus during weather events is to ensure the safety of our staff — this is a priority.

The early warnings about the cyclone and other weather events enabled us to plan and prepare well. Our after-hours call centre triaged jobs appropriately, with most of our work focusing on clearing accessways, footpaths and areas of debris.

In Auckland, Citycare Property also took responsibility for the installation of generators at all 23 Civil Defence hubs from Wellsford through to Waiuku.

Thank you to all those kaimahi across Whangārei, Tāmaki Makaurau/Auckland and Tauranga who contributed to our response. Extreme weather events will become more regular for us to manage and we will ensure that we prepare for them as well as we can.

A key internal project for the year was the development and confirmation of our Environmental, Social and Governance (ESG) Roadmap, which includes KPIs and targets. During FY24 we will introduce a targeted carbon reduction plan, a waste management programme and a climate risk adaptation plan. These are essential components to ensure that Citycare Property is playing its part in achieving the national net carbon zero targets.

We are committed to promoting gender equality and ensuring fair pay practices for all kaimahi/workers and we continue to monitor and rectify any anomalies. Moving forward, we plan to take a proactive approach by conducting regular pay equity audits and adjustments to ensure our employees are compensated fairly. We will also be reviewing our recruitment and promotion processes to promote diversity and inclusivity in all levels of our organisation. Our People teams will work closely with other CCHL subsidiaries to raise awareness and educate our employees on gender equality, discrimination and bias.

Our business could not operate without the people who turn up for work every day and deliver the services our customers deserve. From our Sexton teams that dig graves and care for our cemeteries to our construction teams responsible for

building local schools and maintaining housing, through to our office staff who keep the “machine” running smoothly. Each and every one plays an important role in the success of Citycare Property.

It is critical to me that we ensure that our kaimahi/workers are operating in a safe work environment. One that respects diversity and is committed to continuous learning and development. Personally, it's important to me that every single one of our kaimahi feels like they have a home at Citycare Property where they can bring their “whole selves” to work and that we are investing in their future as well as ours. The introduction of several new people-related technology systems including SafetyNet and Dayforce will support our ambitions in this area.

Over the year we have also committed to the ongoing training and development of our kaimahi. Our Kickstart Pre-apprenticeship programme is an important part of supporting “earn as you learn” work skills. The scheme allows kaimahi to experience the varied career paths available in the Social Infrastructure industry, and within the programme each person gains hands-on experience of different workstreams through rotational placements. As well as on-the-job learning, trainees gain life skills with the full support of mentors and supervisors.

Citycare Property is a business that I am very proud to lead and I congratulate all of our people on another very successful year.

I know that our team is ready for the challenge and match-fit to deliver. I want to thank them for their ongoing commitment and hard work through another challenging year.

**Peter Lord**  
Chief Executive  
Citycare Property

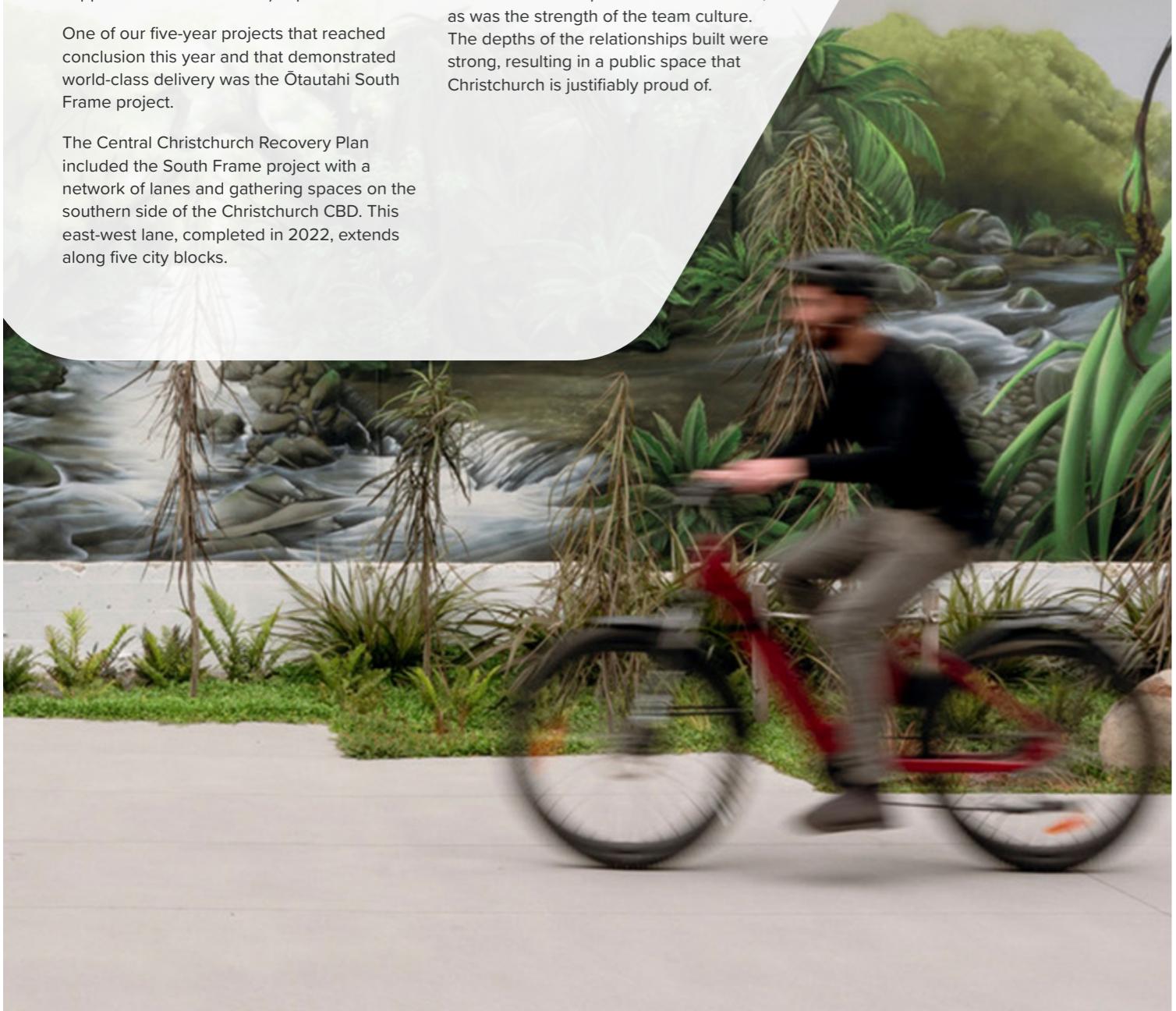
## An Expert Delivery Team

**Delivery of a world-class service is at the centre of our business model. This aspirational component of our Towards 2030 strategy is a focus for activities and lies at the heart of the new operational model announced this year.**

Our Transformation team is tasked with initiating change across all facets of the business to make sure that we are not just leading edge, but delivering in a way that meets stakeholder (people, customer, suppliers and communities) expectations.

One of our five-year projects that reached conclusion this year and that demonstrated world-class delivery was the Ōtautahi South Frame project.

The Central Christchurch Recovery Plan included the South Frame project with a network of lanes and gathering spaces on the southern side of the Christchurch CBD. This east-west lane, completed in 2022, extends along five city blocks.



## H&S Front and Centre

**Health and Safety is the responsibility of each worker within Citycare Property. However, it is the business's responsibility to empower people with the tools and skills to enable them to deliver on that responsibility every day, on every job.**

This ethos was the impetus for the Citycare Property Waikato Branch Health and Safety Day. The day was designed to give field staff an opportunity to learn about plant maintenance and innovations within the industry, as well as to broaden their understanding of Health and Safety management and to undertake refresher training for plant operation competencies.

Upskilling and wellbeing were the underlying themes of the day with two types of competency activities available. The two options included refresher training — including hedge and line trimmer competency, small truck operation and blovac training, which pitted team members against each other around an obstacle course — and learning-based activities where team members worked through hazard identification, first aid and emergency response, and risk assessment and management scenarios.

There was also time for the team to focus on supporting wellbeing with the introduction of Te Whare Tapa Whā model — the four cornerstones of health, including mental, physical, spiritual, whanau and connection to whenua.



# Building for tomorrow

In the development of our Towards 2030 strategy we were very deliberate in clearly identifying and defining our strategic operational space. One of our High5 priorities, “We are for Social Infrastructure”, not only establishes the space we choose to participate in but also ring-fences the spaces within social infrastructure that are our priority. One of these is the education sector and we continued to deliver contracts to a high standard in this space.

The Ministry of Education’s Christchurch Schools Rebuild (CSR) programme — a \$1 billion-plus initiative to rebuild and/or repair schools within the greater Christchurch area that had been damaged in the earthquakes — has now been operating for 10 years. Citycare Property is one of six contractors involved in the rebuild programme, with a total to date of 79 schools being refurbished, rebuilt or built new. All but four of the remaining 36 schools are scheduled to be completed by the end of 2024, with the full programme planned to finish in 2025.

As one of the first contractors appointed to the programme, Citycare Property started out with an initial six projects. At the core of our construction delivery was a strong team of subcontractors who all met our accreditation standards that focus on a proven track record, delivery of health and safety and quality assurance.

One of the projects completed by the Citycare Property team during the past year is the new multi-purpose gymnasium and the refurbishment of three classroom blocks at Isleworth School in Bishopdale.

Working with the school, the Citycare Property team devised a build programme that included the establishment of a haul road, enabling works to proceed with minimal disruption and maximum safety.

The gymnasium also had a complex roof structure, which required particular attention to detail. The geometry of the building is very unusual, requiring precise work to deliver the angles involved. Similarly, interior details included hidden fixings in the plywood linings and the use of concrete as both a structural element and an aesthetic one.

In addition to the construction of the multi-purpose gymnasium, the Citycare Property team refurbished three of the classroom blocks — a total of 13 classrooms.

All exterior wall linings were removed with new insulation installed before new Autex linings were put on. This combination provides great thermal insulation and great acoustic insulation. The classrooms also had new double-glazed windows and doors installed, new carpet and suspended ceilings with acoustic tiles.



# Caring for our Communities

One of the things that makes Citycare Property unique among our competitors is our New Zealand ownership.

This enables us to bring a Kiwi perspective to the way we do business as well as our delivery priorities. We have a strong commitment to the communities where we live and work and that results in us participating in a range of projects and opportunities where we can add special value. One of those projects was the 2023 Ōtautahi Summer in the Styx event, re-introduced following a two-year COVID hiatus. The first Summer in the Styx event was held in 2018 with the goal of getting people involved in conservation by taking part in hands-on activities.

The event, run by the Styx Living Laboratory Trust and held at the Te Waoku Kahikatea Reserve, provided an opportunity for the local community to participate in various activities designed to impart valuable information about the reserve and the Pūharakekenui Styx River.

A number of Citycare Property teams were involved in the event where we managed a fun event for whānau as well as providing participants with native plants to take home.

This year we were also contracted to partner with Auckland Botanic Gardens on their newly revamped Kiwi Backyard display, complete with raised vegetable beds of varying heights to cater to a wide range of accessibility needs.

The project grew out of a discussion amongst Botanic Garden staff on how to improve accessibility. This then led to a discussion with the Citycare Property team, to turn ideas into reality.



The space was reconfigured to increase sitting and standing areas, surface areas and places for wheelchair users. Citycare Property was responsible for extending the paved area and installing a new path to improve access.

As well as creating a garden that promotes accessibility, the goal was to also showcase to visitors the benefits of being outdoors, connected with nature, gardening and growing things.

The Kiwi Backyard forms part of the Edible Garden exhibit, which features a range of productive plants — from traditional Kiwi vegetables to more unusual or heritage varieties from around the world — that thrive in Auckland conditions and can be easily grown throughout the year.



# THOSE SPECIAL PROJECTS...

While we identified Social Infrastructure as the market that would have our commercial focus, we also specified the activities we would deliver within that market. Our final High5 priority is to “Build, Operate, Maintain and Renew” and our teams have demonstrated a successful year with a range of Build and Renew projects completed and underway.

One of the more unique renewal projects for the team was the restoration of the Citizens' War Memorial in Cathedral Square, Ōtautahi/Christchurch and 2023 was the first year since the 2011 earthquakes that the annual ANZAC dawn service was held at the Memorial. Originally designed by renowned Christchurch sculptor William Trethewey and architect George Hart, the memorial was unveiled in a ceremony on Wednesday, 9 June 1937. Damage sustained during the Christchurch

earthquakes necessitated repair, and the rebuild of the Cathedral required its relocation.

The memorial was deconstructed in 2021 and placed in temporary storage to enable a shift from its original site, owned by the Anglican Church, to land owned by the Christchurch City Council.

Citycare Property's Structures and Landscape team project managed the 18-month reconstruction project with support from some key specialist subcontractors ensuring the successful delivery of the project.

Our maintenance work wasn't limited to physical structures and during the year the Citycare Property Open Spaces Maintenance (OSM) team began a three-year, native restoration and enhancement project on the Waimakariri River berm, northwest of Christchurch city. Comprising 54 hectares, the Waimakariri Upstream

Berm Transition Project is being undertaken on behalf of Environment Canterbury.

The project is designed to improve biodiversity within the catchment area through a staged programme of pest weed control, access clearing and planting of more than 12,000 native plants — with the objective of retaining, supplementing and increasing the existing native plant population.

Much of the early work involved cutting paths through the almost impenetrable scrub, clearing vast tracts of old man's beard (*Clematis vitalba*) – an invasive vine species that climbs high into tree canopies, eventually smothering even very mature trees – and identifying female specimens of grey willow for future treatment.

The team discovered a surprising number of unexpected native plants growing in conditions not traditionally considered likely for survival, including toe toe (*Austroderia richardii*) and kanuka (*Kunzea serotina*) in the depths of the wetland zone.

The discovery and management of these native species relied heavily on the expertise of our OSM team in identifying and understanding the best ways to nurture these species.

The partnership approach that the Citycare Property team has developed with Environment Canterbury has been important in driving the success of the programme.



## Caring for our Future

This year we engaged thinkstep-anz to help us confirm and prioritise the sustainability topics that matter most to our stakeholders and our business.

As part of this process Citycare Property completed its first materiality assessment. The assessment involved 17 targeted stakeholder interviews, which in turn identified 20 material topics. These were subsequently ranked against a range of assessments by our Leadership team resulting in the materiality assessment that has provided the foundation for our Environmental, Social and Governance Strategic Roadmap (ESG Roadmap).

The ESG Roadmap takes a strategic long-term view and includes four guiding principles that leverage the United Nations Sustainable Development Goals (SDGs) as well as incorporating shareholder expectations. Each guiding principle is underpinned by key focus areas, KPIs and 2025, 2030 and 2050 targets.

The appointment of a Sustainability and Environment Manager will ensure the business makes progress towards achievement of our sustainability work programme.



## Growing Leadership and Acknowledging Diversity

A critical aspect of the implementation of our Towards 2030 strategy is to develop and execute the leadership framework required to achieve strategic goals. With this in mind, we have developed How We Lead @ Citycare Property.

This outlines the expectations of our people leaders by defining the core behavioural expectations required of a people leader, clearly articulating what those behaviours do and don't look like and providing a framework by which we can measure our current leadership cohort. The programme also identifies gaps so we can implement individual and collective development plans. We have provided active investment in leadership development, including Speak Easy training for people leaders to build confidence in delivering compelling and persuasive briefings, updates and stand-ups, and the continued delivery of our in-house Field Leadership Programme

The establishment of a Citycare Property Cultural Rūnanga is a key commitment for us in honouring the principles of Te Tiriti o Waitangi/the Treaty of Waitangi. The Rūnanga has focused on Mātauranga Māori and has developed a strategy that details the core purpose of the proposed mahi in this area. A number of initiatives have subsequently commenced, including Mihi Whakatau for new employees, Kupu o te Rā (Word of the Day), Te Reo Māori lessons for employees, internal hui

on marae and the development and delivery of some simple training modules around Te Reo, Tikanga and Marae protocols.

Citycare Property plays a role in leading the CCHL He Huanui Māori Pathways Programme, for the benefit of our wider CCHL whānau. The purpose of this programme is to walk hand-in-hand with mana whenua to realise shared aspirations of Māori progression, leadership and economic success. We seek to do this through embedding Māori culture within our organisation, honouring the principles of Te Tiriti o Waitangi and, most importantly, through strong partnerships and enduring relationships.

Building a culture of innovation is critical for the success of Citycare Property. For us to remain relevant, our ability to find a good balance between innovation and our core business is essential. To help achieve this balance we have delivered several programmes with a focus on innovation, including a workshop series called 'Shifting the Dial', to enrol our people leaders in our vision and the piloting of a Gr'innovation Group in Christchurch to provide a forum for our emerging talent to offer feedback, share ideas and address common challenges.

The future for Citycare Property looks bright. We have a strong team who make a difference every day to the communities where we live and work and, with the appointment of a new business development team, we look forward to exploring new opportunities across the motu.



**This is the first time that Spencer Henshaw (Spencers) has reported as part of the Citycare Group annual report. In September 2022 Citycare Property purchased the Spencer Henshaw business and since acquisition, Spencers has operated as a standalone entity with its own statutory board.**

Spencers is one of the oldest property maintenance companies in New Zealand, employing over 230 staff and with a subcontractor network of more than 3,000 tradespeople. The business provides a strong strategic fit with Citycare Property's Towards 2030 strategy with their focus on social housing. Spencers provide a full range of property repair, maintenance, and upgrade services with Kāinga Ora and Tāmaki Housing as key clients.

Citycare Property and Spencers share similar values, including a 100% commitment to health and safety, genuine care for our people and sub-contractors and the provision of excellent service to our customers and our communities. It is this "values fit" that made the acquisition such a solid option for Citycare Property.

Spencers has delivered strong financial performance during FY22/23. Key contracts for Spencers include Kāinga Ora and Tāmaki Housing, making them the largest property maintenance provider of social housing in Tāmaki Makaurau.

Spencers has continued with delivery of a range of services that help support their teams, contractors and customers to succeed through provision of a range of community and life-skill programmes.

Over the past year, the business has implemented a compensation programme to enable and facilitate building better and stronger businesses among their Māori and Pasifika contractors and supporting lifelong learning for their staff. When staff attend Life Online and Money Confidence courses Spencers' contractors are compensated for lost-time earnings. This commitment has removed financial barriers for contractors and their staff to enable them to take on valuable life-skill training. The commitment will continue in 2023/24 with Future Ready leadership courses added to the offering.



## Women in Trades Expo

Spencers' Northland team participated in the Women in Trades Expo in Whangārei in November 2022. The event was designed to encourage and support women to enter the construction industry as well as to celebrate their success in the sector. Kowhai Leigh, the keynote speaker at the event, was assisted by Spencers to gain a joinery apprenticeship with one of our Far North contractors based in Kaitaia.

Her ongoing progress through the ranks has been particularly satisfying for Spencers and is testament to the strong support systems available through programmes like Women in Trades.



## Hutt Valley Kaumātua

The Spencers team in Wellington's Hutt Valley has built a relationship with the Wellington Tenths Trust and supported their Kaumātua programme throughout the year by completing gardening and maintenance work around Kaumātua properties. Spencers has developed a simple process for managing contact from Kaumātua, with staff members rostered to help as required.

## Project Ikuna

In 2022/23 Spencers was the largest employer of participants in Auckland's Project Ikuna, a fully-funded workplace-based training programme for Pasifika employees. The programme goal is to assist staff to adapt to the changing nature of work. Many of the Spencers team graduates attended the first Project Ikuna graduation ceremony in Auckland.

Over the coming year Spencers intends to further extend its commitment to Project Ikuna by introducing and offering its Leadership Training model to our operational staff.

# CITYCARE WATER.

HERE'S OUR  
YEAR IN A  
NUTSHELL...

 **15,598** hydrants refreshed

 **738** (km) of waterways maintained

 **293** (tonnes) of aquatic weed cut

 **600+** more than 600 staff in 10 locations

 **9,153** smart meters installed

 **4,279** Toby numbers replaced

 **10,709** (m) of drinking water pipeline replaced

 **882** backflow devices installed

 **13,263** emergency call outs

 **2,869** stormwater basins maintained



# WELCOME.



**A central focus for our business over the past 12 months has been preparation for potential change under the Government's Water Services Reform Programme and associated legislation. Known more commonly as the Three Waters legislation, the intent of the reform remained unchanged when the Labour Government announced changes to the programme in April 2023. While the number of proposed water service entities was expanded from four to 10, they retained the proposed governance structure consisting of local councils and mana whenua representatives. The 10 new entities will "go live" in a staged approach, from 1 July 2024 to 1 July 2026, rather than all going live on the original start date of 1 July 2024. The final two pieces of legislation to complete the government's rebranded Affordable Water Reforms passed their third readings under urgency in Parliament on 23 August 2023.**

Citycare welcomed the decision in May 2023 by the Minister of Local Government Kieran McAnulty, and Cabinet, that Citycare Water was exempt from the asset and staff transfer provisions of the Water Services Entities Act.

Minister McAnulty highlighted that the decision to exempt Citycare Water was based on Citycare Water not being an owner of water services infrastructure, but instead a deliverer of maintenance services to local authorities across New Zealand. Cabinet noted that if the transfer provisions were applied, there would be unacceptable risks to service continuity across the country.

This decision enables us to proceed with greater clarity and certainty. We look forward to using our sector expertise, resources and professional team of experienced practitioners to help support the new water services entities, local councils and their communities as they navigate the changes that will be introduced as the legislation is implemented. I particularly want to acknowledge the collaboration and support from both Christchurch City Council and Christchurch City Holdings Ltd in achieving this outcome.

It has been pleasing to see that Taumata Arowai, the water services regulator, has continued to take a collaborative approach to ensure a strong and stable base for the practical roll-out of the legislative changes. We enjoy a positive relationship with the team at Taumata Arowai and we look forward to working with them and assisting them to ensure all communities have access to safe and reliable drinking water every day.

It is the development of relationships like this that are at the heart of our operations. This, combined with our delivery model and the way in which we operate our business, is reflected in the overall Citycare Group financial result. This is an excellent improvement on the previous year and one that all our team members can be justifiably proud of.

Our team has continued to demonstrate high standards of professionalism in their delivery to our customers. As a result of that commitment to excellence, we were successful this year in securing a renewal of our contracts with Christchurch City Council for delivery of Water, Wastewater Reticulation, Stormwater and Waterways services for a further five years.

In addition, our contracts with Timaru District Council and New Plymouth District Council were extended for further terms, with Timaru through to 2027 and the New Plymouth contract through to 2029. These successes provide both the business and our teams with a level of stability to navigate the future.

We continue to explore new technologies that enable our business to perform better and our customers to receive great results. For example, our advanced Three Waters technology solutions have been used to assist the New Plymouth District Council to better understand its wastewater network. Working in partnership with Beca, Black & Veatch, and Watershed Engineering we have embarked on a programme to develop knowledge of the existing district-wide wastewater network and better understand capacity and performance. The data insights will help provide better system performance during significant wet weather events and related network inflow and infiltration. Our commitment to technology and exploration of better ways to do business is part of our DNA and we will continue to seek out better ways to enhance our operations and service delivery.

Our subsidiary company Apex Water Ltd has continued to grow and prosper throughout the year. The team has grown considerably to support major projects across the country and opened a new office in Christchurch. Major design-build treatment plant contracts were won and delivered both for local authorities and the private sector, together with securing a number of distribution agencies for products that add value to the sector. Apex Water has a healthy order book and the prospect of continued future growth remains very positive.

I want to acknowledge and thank our Citycare Water Auckland crews who put in a huge effort to repair and clean up flood-impacted communities following the adverse weather events in the North Island during the first part of the year. Our teams worked alongside more than 1,000 students who joined the Student Volunteer Army (SVA) effort to provide relief and assistance. The assistance provided during a time of need was highly valued by local communities. Some of our team members were facing their own issues at home or in their local communities, and yet they still committed to ensuring that others in the wider community were safe and received assistance during the flood recovery.

SVA is just one of the community organisations that we support through the contribution of funding and resources. As a business we have a commitment to assisting our communities to be stronger where there is a synergy with our operations. This also includes the Tread Lightly school programme in Auckland/Tāmaki Makaurau. Tread Lightly helps educate primary school students about the effects stormwater and

wastewater pollutants and contaminants can have on our freshwater and marine environments.

Citycare Water also provides support for the "Mother of All Clean Ups" in Ōtautahi and other community stream clean-up initiatives.

During the year we left our long-term premises at Milton Street in Christchurch and moved our depot to Hazeldean Road. The new premises have ensured we have the fit-for-purpose space we need for our specialist vehicle fleet and equipment, as well as a professional environment where our teams undertake their work. Hazeldean Road quickly transformed into our new Christchurch HQ.

Citycare Water has worked constructively over the past year with a range of stakeholders to implement a remuneration framework that not only recognises the essential work we do, but also rewards our staff appropriately for the role they play in achieving this.

Last year we joined with Citycare Property to launch our shared IT evolutionary project designed to deliver on our independent strategic priorities. We have made significant progress in delivering effective outcomes.

The health, safety and wellbeing of our kaimahi is paramount, and our business places a huge amount of focus on ensuring their safety while in the workplace. In May we launched our new Health and Safety software Safety Hub that makes Health & Safety accessible, easy and top of mind for all kaimahi. As we roll the system out across the Water business, I look forward to seeing the positive impact this will have on our team members.

We know that our investment in training attracts and retains great people. In FY23, 30 of our kaimahi completed a range of qualifications including achieving their National Certificate Level 2 to Level 5. In addition to this, 70 new trainees were enrolled in industry qualifications throughout the year. For this reason, we were pleased to note the Government's announcement in late May of an extension to the Apprenticeship Boost Scheme. This does make a difference and it will support us to support more of our kaimahi as they strive to enhance their qualifications and expertise. Congratulations to all those who achieved a qualification.

In conclusion I want to thank the Citycare Board and our leadership team for their ongoing commitment and support throughout the year. I also want to thank our teams in the field who are out on the tools whatever the weather and whatever the need.

**Tim Gibson**  
Chief Executive  
Citycare Water

# Our People

**The Citycare Water team, of more than 650 kaimahi operating out of nine locations around New Zealand, is at the heart of our operations.**

We are proud that every day we contribute to the smooth running of our communities. Technology is at the core of our delivery: we rely on data and the accurate interpretation of that data to deliver excellence. This requires a team of skilled and qualified kaimahi with a range of knowledge and expertise to ensure the delivery of safety requirements and consistent service.

At Citycare Water, we invest in our people, upskilling our teams and supporting our kaimahi to attain new competencies that provide them with the ability to perform confidently in their jobs and ensure lifelong learning. Currently 99 trainees work in the business, including 45 completing apprenticeships. During the year 70 new trainees commenced qualifications and 30

kaimahi completed qualifications. This commitment to professional development assists Citycare Water with attracting and retaining new and existing kaimahi, which is essential in the continuing climate of skilled-labour shortages.

Our Christchurch team in June hosted high school students as part of the 'Connexis Girls with High-Vis' programme to encourage young women into infrastructure careers. The informative and interactive day involved a pump station visit, the opportunity to operate our CCTV equipment, Water Careers virtual reality demonstrations and a water pipe assembly race simulating a household connection.



## Keeping our People Safe

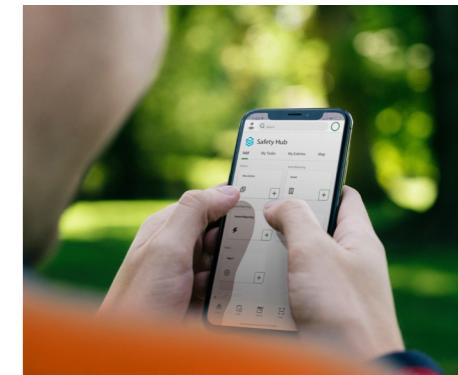
**We are dedicated to ensuring our team gets home safe to their families each day and have a shared commitment to creating a great workplace that is healthy and safe for everyone.**

We introduced a Fair and Just Culture to drive accountability and simplified our lifesaving rules. To support this reset, we invested in a simple new tool to make the Health and Safety aspects of our daily routines easier. The EcoPortal app is branded as Safety Hub and is accessible on any device. It is an easy way for our people to record safety actions and report incidents. As our one-stop shop for all things safety, it will improve our ability to respond to any safety concerns raised.

One example of our team's ongoing specialist safety training was a confined space evacuation drill held at Pump Station 1 in Christchurch with Citycare Water, Christchurch City Council and Fire and Emergency New Zealand. The drill aimed to ensure that our planning for any emergency is workable and up to date.

Also, Christchurch operations teams attended situational awareness training in response to an escalation in verbal and physical altercations for our people out in our community. Being able to assess the mood by observing people's attitudes when we're communicating with residents on the job is crucial for personal safety and security.

Our Health and Safety reps took part in training with WorkSafe to understand the law and the best practice for how H&S safety committees should operate.



# Operational Excellence

**Emergency and planned maintenance of Three Waters services for our customers around New Zealand is the crux of our operations. Citycare Water's teams are on-call 24/7 to respond to emergencies and maintain essential services outside office hours.**

Our teams actively prepare to manage risk and protect our communities in the event of emergencies or extreme weather, as this is our reputation and legacy.

The mahi and efforts of our teams in times of crises show courage and strength and how we care about our communities. The outstanding support we provide is appreciated by the people we serve, and our teams say that every acknowledgement and thanks they receive gives them satisfaction in a job well done.

In January and February, our Auckland teams helped in the ongoing flood recovery. The ground crews put in a huge effort to repair and clean up our flood-impacted communities and took care of a massive number of stormwater callouts.

We operate in collaboration with councils as our teams respond in a timely manner to issues reported by residents as well as continuously and proactively improving the

pipe networks serving our communities. Over the past year, this work has included the installation and/or remediation of over 10 km of drinking water pipes, the installation of 9,153 smart water meters and over 882 backflow prevention devices, and the maintenance of 2,869 stormwater basins. We also managed more than 738 km of waterways, including three rivers, where we harvested over 293 tonnes of aquatic weed for compost.

Our excellent service was recognised during the year with our Three Waters contracts renewed with Christchurch City Council, New Plymouth District Council and Timaru District Council. The outstanding work of our Two in a Ute teams gained a contract extension for two years to look after a greater number of stormwater assets for Auckland Council. Their efforts in maintaining vegetation around stormwater ponds, taking care of small water wastewater disposal fields, and undertaking riparian planting across ponds, swales and disposal fields made a real difference in reducing the effect of the flooding events experienced in the region. Our Small Waters contract with Auckland Council was also rolled over for a further two years.



# Valuing our Water

**Sustainability involves responsibly meeting the needs of the present generation while safeguarding the ability of future generations to meet their own needs.**

It takes a comprehensive approach that considers the broader environmental, social and economic factors to ensure long-term viability. This encompasses the preservation and protection of the natural environment, ecosystems and biodiversity, as well as promoting inclusivity and equitable societies for sustainable social development.

Our sustainability commitment increasingly prioritises social programmes aimed at education and awareness. We believe in empowering our younger generation, educating them about the significance of water and fostering a sense of responsibility. By engaging with our tamariki, we aim to instil an understanding of the value of water and the importance of environmentally sustainable practices for their future wellbeing and that of the community as a whole.

Our sponsorship of the work of the Tread Lightly Trust continues to support the Tread Lightly Drain Game. This programme reaches more than 6,000 Auckland school students each year. They learn how their daily actions and lifestyle choices have an impact on the world they live in. It is great to see how kids pledge to do something good for the environment as part of the programme and take home important learnings and messages to whānau and friends.

Students work with Tread Lightly educators to install traps into stormwater inlets in and around schools so they can analyse, classify, and measure litter, debris and other contaminants. They track the channels from these inlets to the stream, lake, wetland or harbour that receives the stormwater and learn about the impacts the concoction of materials in the stormwater is having on natural ecosystems.

Examples of the sustainable practices of our teams are evident all over the country. For instance, some creative thinking in Bombay, south of Auckland, resulted in a trial to divert PE waste pipe cut-offs away from landfill to a local recycling initiative. The small pipe offcuts, which are an unavoidable part of the work process, are stockpiled and regularly donated to Future Post, who turn them, along with other domestic and commercial plastic waste, into a range of 100% recycled products, such as farm fence posts and bollards.





## Water Services Reform

**The Government is continuing to progress its reform to deliver improved, effective and efficient management of water services delivery, infrastructure and regulation so New Zealanders can access safe, reliable and affordable water.**

In the last year, the Government supported several new pieces of legislation through Parliament, including the Water Services Entities Act — to enable the establishment of four new Water Services Entities (WSEs), which became law in December 2022. At the same time, the Government introduced the Water Services Legislation Bill, which provides detailed arrangements for the WSEs, and the Water Services Economic Efficiency and Consumer Protection Bill.

In response to significant feedback from territorial authorities during the passage of the Water Services Legislation Bill through the select committee stage, in April 2023 the Government announced it would increase the number of proposed WSEs to 10. This change means every territorial authority will be represented on the Regional Representative Group for their district, together with equal representation from mana whenua. The WSEs will be established in a staggered approach between 1 July 2024 and 1 July 2026 rather than all going live simultaneously. Consequently, in June 2023, the Government introduced the Water Services Entities Amendment Bill to provide for and adjust the establishment, governance, functions, and accountability arrangements for the 10 WSEs.

Significantly for Citycare Water, following direct engagement with government agencies, Parliament's Finance and Expenditure Select Committee and the Minister of Local Government, the business was recognised for the important role we play in providing water services to territorial authorities throughout Aotearoa New Zealand. Both the select committee and Minister of Local Government considered that any changes brought about by water reform legislation should not affect Citycare Water's ownership structure or our kaimahi, as to do so would result in unacceptable risks to water services continuity. This exemption to provisions in the new legislation is a testament to the work our kaimahi do every day in our communities.

The Government has forecast future water sector investment of \$120 billion to \$185 billion, with a corresponding increase of 6,000 to 9,000 workers. Citycare Water's predominant market share in water infrastructure and asset maintenance positions the company strongly for these future growth opportunities. We are building relationships with mana whenua in a manner that recognises City Care Limited's origins in Christchurch. In doing so, we are working towards giving effect to Te Mana o te Wai – a concept focused on restoring and preserving the balance between water (wai), the wider environment (taiao), and people (tāngata), now and in the future.

## The Community

**We are proud to support the communities where we live and work at the same time as empowering our younger generation and fostering community service.**

Citycare Water sponsors the Student Volunteer Army and provided support to the 1,000+ students who rallied and got stuck in to help Auckland communities with big clean-up events in the aftermath of the Auckland floods. Nearly 200 volunteers door-knocked about 1,200 homes in West Auckland, on the North Shore and in Central Auckland to let those affected know we care and to help clean dozens of homes along the way.

For Seaweed Kaupapa Moana in Timaru, our team took part in an eco-friendly charity car-wash initiative. It aims to increase awareness about what should (and should not) go down our stormwater drains, into the waterways and out to sea.

Mother Nature sometimes needs a helping hand, and there were helpers galore involved in the Mother of All Clean-ups 2023 in Christchurch in May, supported by our Waterways Team. Citycare Water also donated rubbish bags for the waterways and coastal clean-up, which collected a total of 438 bags of rubbish weighing 2,370 kilograms.



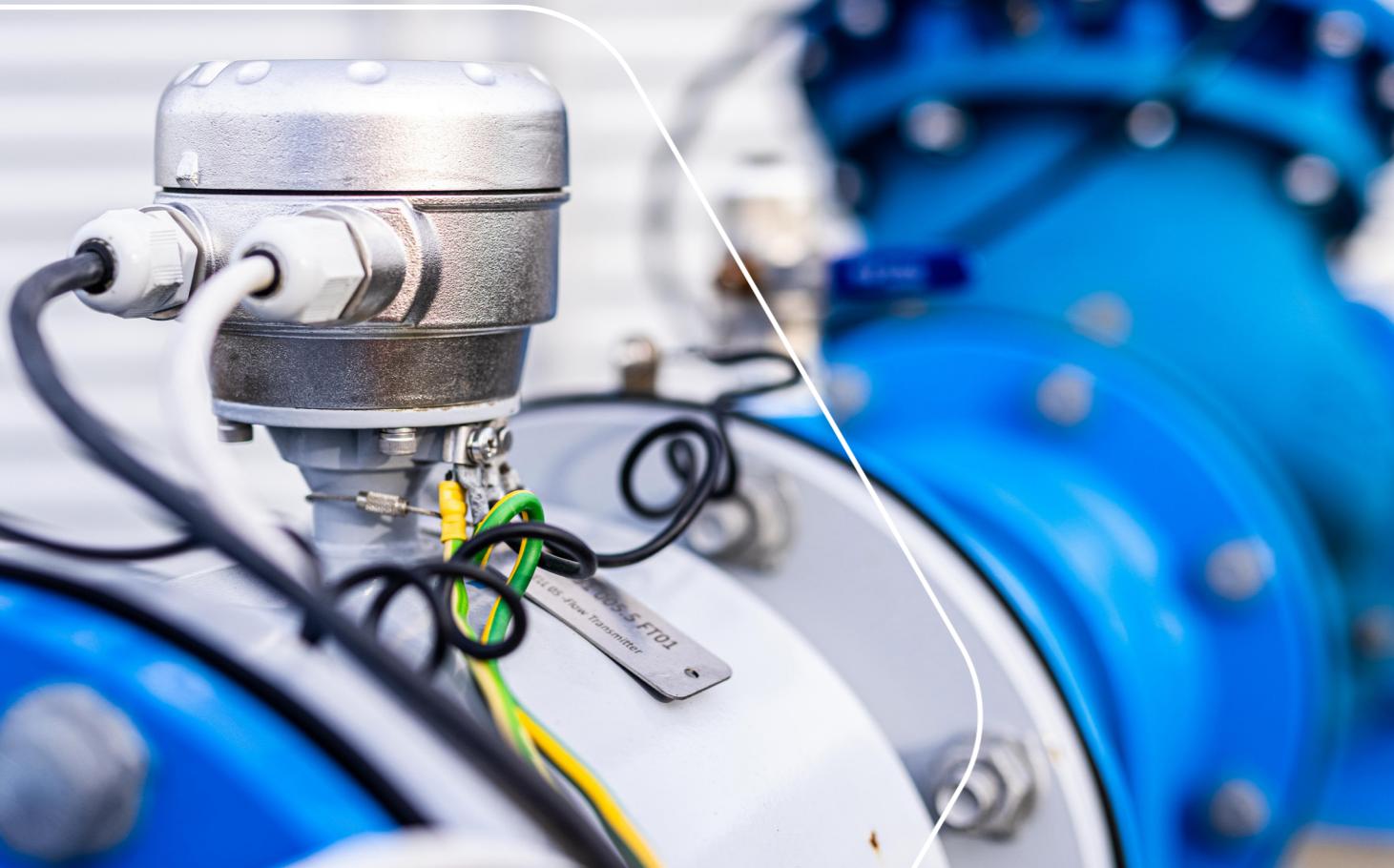
# Smart Water Technologies

**Delivering Safe Water for Life and being committed to sustainability involves using the best technology available. We actively invest in innovative technologies that contribute to water conservation and management.**

Our specialist teams deploy smart-meter technology to assist local authorities across New Zealand to identify leaks and reduce water usage. We undertake intricate inflow and infiltration (I&I) investigations and have proven expertise in designing and building scalable water telemetry network solutions. Furthermore, we embrace advanced tools like remotely operated robots and drones, enabling our customers to identify and address infrastructure issues swiftly.

Our teams transform data into customer insights, harnessing our collective intelligence for a smarter approach to water maintenance. This delivery model pulls on location intelligence and geospatial technology to evaluate trends and support proactive asset management. This approach supports the Christchurch City Council water network every day.

During the year, the Kaipara District Council used an Auckland Special Projects crew to investigate sources of stormwater entering the wastewater system in



Maungaturoto. The small town's treatment plant had breached its resource consent for treated water discharge, and the council needed to identify and fix the causes of the I&I. The investigation involved smoke testing, CCTV, and property inspections. Our team entered their investigation findings into a geographic information system (GIS) app on their phone/tablet, and the results were recorded for a visual representation of the issues.

Our smart-meter technology was deployed and tested in the Queenstown Lakes District to ensure data collection is accurate for the residents of the small communities of Glenorchy and Luggate.

Our I&I work in Inglewood in Taranaki is part of the New Plymouth District Council's programme to develop knowledge of the capacity and performance of its wastewater network. Our Digital Services Team installed Distributed Temperature Sensing technology, while our Taranaki crews supported that work with house inspections, CCTV investigations and deployment of I-tracker level sensors in manholes.

# Apex Water

**Designing and building more bespoke industrial and municipal water and wastewater treatment plants around the country led Apex Water to grow further during the year.**

It now employs 45 kaimahi in Timaru, Auckland, Hamilton, New Plymouth, Christchurch and Queenstown. A subsidiary of Citycare Water, Apex Water designs and installs resilient, cost-effective water and wastewater infrastructure for communities and businesses, large and small.

During the year, Apex Water completed water treatment plant projects for the Far North District Council and Whakātane District Council. In Kerikeri, new lamella clarifiers were designed, supplied and installed, while the Braemar Springs project involved adding filtration to remove arsenic from the water supply.

A project for the Christchurch City Council added aeration to assist with odour problems at the Bromley water treatment oxidation ponds.

Apex is a passionate advocate of new technology for sustainable and healthier outcomes. Its ongoing work highlights the team's ability to tackle challenging solutions.

Some wastewater treatment plants are in various stages of completion. At Lake Hawea in Central Otago, Apex Water has completed a moving bed biofilm reactor (MBBR) plant

to treat a side stream from the existing pond-based system to enhance nitrogen removal and bring the plant into compliance with its resource consent. In Tokoroa, work on a biological wastewater treatment plant for the Olam Food Ingredients dairy factory continues. This facility includes raw wastewater flow balancing, primary treatment in a dissolved air flotation unit, biological treatment in a sequencing batch reactor and sludge management. The plant is designed to ensure that the irrigation of treated wastewater onto land is sustainable in the long term.

With Apex Water's expertise, the New Zealand Defence Force (NZDF) will soon have upgraded dry dock facilities at the Devonport Naval Base. A wastewater treatment plant will treat effluent from ship bilges and water used for cleaning during ship maintenance.

At Karaka in South Auckland, works are nearly completed on a water and wastewater plant to provide services to a new 1100-house subdivision on a greenfield site.

Looking ahead, wastewater plants are planned for Scapegrace Distillery near Cromwell and Southern Hemisphere Proving Grounds near Cardrona, where new car models are tested, while a chemical upgrade is scheduled at the NZDF Ohakea Air Force Base water treatment plant. Apex Water is on the CCC water and wastewater contractors' panel and the Auckland Council small waters contractors' panel.



# 22–23 FINANCIAL REPORT



## Directors' Responsibility Statement

**The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of City Care Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.**

The directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the group as at 30 June 2023 and its financial performance for the year ended on that date.

The directors consider that the financial statements of the group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the group and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The directors have responsibility for the maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The directors consider they have taken adequate steps to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

This report is made in accordance with a resolution of directors, pursuant to section 211(1)(k) of the Companies Act 1993.

On behalf of the directors:



**Bryan Jamison**  
Chair  
17 August 2023



**Mark Todd**  
Director  
17 August 2023

## Income Statement

For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>Revenue</b>			
Operating revenue	3	579,670	306,358
Finance income		706	272
Other income	3	23	1,884
Gain on sale of property, plant and equipment		6,231	3,052
<b>Total revenue</b>		<b>586,630</b>	<b>311,566</b>
<b>Expenses</b>			
Raw materials and consumables used		(45,220)	(41,965)
Sub-contractor costs		(328,073)	(112,361)
Employee benefits expense		(129,189)	(105,443)
Depreciation and amortisation expense	13,16	(7,860)	(7,254)
Depreciation on right-of-use assets	15	(4,183)	(3,656)
Other expenses		(49,221)	(34,995)
Finance costs		(2,863)	(439)
<b>Total expenses</b>		<b>(566,609)</b>	<b>(306,113)</b>
<b>Operating profit</b>		<b>20,021</b>	<b>5,453</b>
Amortisation of intangibles acquired on business combination	16	(5,403)	-
<b>Profit before income tax</b>		<b>14,618</b>	<b>5,453</b>
Income tax	5	(3,198)	(1,739)
<b>Profit after income tax for the year</b>		<b>11,420</b>	<b>3,714</b>
Profit for the year is attributable to:			
Non-controlling interest		407	76
Owners of City Care Limited		11,013	3,638
		<b>11,420</b>	<b>3,714</b>

The above income statement should be read in conjunction with the accompanying notes

## Statement of Comprehensive Income

For the year ended 30 June 2023

	2023 \$'000	2022 \$'000
<b>Profit after income tax for the year</b>	<b>11,420</b>	<b>3,714</b>
<b>Other comprehensive income</b>		
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of land and buildings, net of tax	408	-
<b>Total comprehensive income for the year</b>	<b>11,828</b>	<b>3,714</b>
<b>Total comprehensive income for the year is attributable to:</b>		
Non-controlling interest	407	76
Owners of City Care Limited	11,421	3,638
	<b>11,828</b>	<b>3,714</b>

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Bryan Jamison

Chair  
17 August 2023

Mark Todd

Director  
17 August 2023

## Balance Sheet

For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	23	17,118	16,330
Accounts held on trust		4,801	-
Term deposit		-	5,000
Sub-contractor retention deposits		1,089	883
Trade and other receivables	7	46,323	37,460
Inventories	11	2,408	2,217
Contract assets	12	28,659	21,096
Non-current assets classified as held for sale	14	48	10,051
<b>Total current assets</b>		<b>100,446</b>	<b>93,037</b>
<b>Non-current assets</b>			
Property, plant and equipment	13	34,711	24,576
Right-of-use assets	15	12,592	12,177
Intangible assets	16	70,160	3,145
Contract assets	12	106	147
Deferred tax assets	6	-	793
<b>Total non-current assets</b>		<b>117,569</b>	<b>40,838</b>
<b>Total assets</b>		<b>218,015</b>	<b>133,875</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	43,984	29,846
Borrowings	9	11,000	10,000
Contract liabilities	12	8,902	8,367
Current tax liabilities	5	2,420	1,692
Provisions	18	10,231	8,517
Lease liabilities	15	3,988	3,334
<b>Total current liabilities</b>		<b>80,525</b>	<b>61,756</b>
<b>Non-current liabilities</b>			
Borrowings	9	45,000	-
Deferred tax liabilities	6	6,464	-
Provisions	18	2,688	535
Lease liabilities	15	9,264	9,338
<b>Total non-current liabilities</b>		<b>63,416</b>	<b>9,873</b>
<b>Total liabilities</b>		<b>143,941</b>	<b>71,629</b>
<b>Net assets</b>		<b>74,074</b>	<b>62,246</b>
<b>Equity</b>			
Capital and other equity instruments	19	8,536	8,536
Reserves		2,722	10,200
Retained earnings		61,566	42,667
<b>Equity attributable to the owners of City Care Limited</b>		<b>72,824</b>	<b>61,403</b>
Non-controlling interest		1,250	843
<b>Total equity</b>		<b>74,074</b>	<b>62,246</b>

The above balance sheet should be read in conjunction with the accompanying notes

## Statement of Changes in Equity

For the year ended 30 June 2023

	Issued capital \$'000	Capital reserve \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Non-controlling interest \$'000	Total equity \$'000
<b>Balance at 1 July 2021</b>	<b>8,536</b>	<b>2,314</b>	<b>7,886</b>	<b>41,629</b>	<b>767</b>	<b>61,132</b>
Profit after income tax for the year	-	-	-	3,638	76	3,714
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,638</b>	<b>76</b>	<b>3,714</b>
Dividends paid	-	-	-	(2,600)	-	(2,600)
<b>Balance at 30 June 2022</b>	<b>8,536</b>	<b>2,314</b>	<b>7,886</b>	<b>42,667</b>	<b>843</b>	<b>62,246</b>
	Issued capital \$'000	Capital reserve \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Non-controlling interest \$'000	Total equity \$'000
<b>Balance at 1 July 2022</b>	<b>8,536</b>	<b>2,314</b>	<b>7,886</b>	<b>42,667</b>	<b>843</b>	<b>62,246</b>
Profit after income tax for the year	-	-	-	11,013	407	11,420
Other comprehensive income for the year, net of tax	-	-	408	-	-	408
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>408</b>	<b>11,013</b>	<b>407</b>	<b>11,828</b>
Disposal of assets held for sale	-	-	(7,886)	7,886	-	-
<b>Balance at 30 June 2023</b>	<b>8,536</b>	<b>2,314</b>	<b>408</b>	<b>61,566</b>	<b>1,250</b>	<b>74,074</b>

The asset revaluation reserve arises on the revaluation of land and buildings. When the revalued assets are sold, the portion of the asset revaluation reserve that relates to that asset is effectively realised and is transferred to retained earnings.

The above statement of changes in equity should be read in conjunction with the accompanying notes

# Cash Flow Statement

For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		570,326	309,518
Receipt of government grants		8	1,884
Payments to suppliers and employees		(546,830)	(298,171)
Interest received		692	272
Interest and other finance costs paid		(2,502)	(439)
Subvention payment		(1,461)	(2,286)
Income taxes paid		(2,573)	(211)
<b>Net cash inflow from operating activities</b>	<b>23</b>	<b>17,660</b>	<b>10,567</b>
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	17	(67,632)	-
Payments for property, plant and equipment	13	(13,152)	(6,350)
Payments for software intangibles	16	(156)	(296)
Proceeds from / (amounts placed on) deposit		5,000	(4,736)
Proceeds from sale of property, plant and equipment		17,681	4,214
<b>Net cash (outflow) from investing activities</b>		<b>(58,259)</b>	<b>(7,168)</b>
<b>Cash flows from financing activities</b>			
Principal elements of lease payments		(4,513)	(3,532)
Proceeds from borrowings		56,000	-
Repayment of borrowings		(10,100)	-
Dividends paid		-	(2,600)
<b>Net cash inflow / (outflow) from financing activities</b>		<b>41,387</b>	<b>(6,132)</b>
Net increase / (decrease) in cash and cash equivalents		788	(2,733)
Cash and cash equivalents at the beginning of the financial year		16,330	19,063
<b>Cash and cash equivalents at the end of the financial year</b>	<b>23</b>	<b>17,118</b>	<b>16,330</b>

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

## Note 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 818 Wairakei Road, Christchurch 8053.

The financial statements presented are for the City Care Limited Group ('the group') as at, and for the year ended 30 June 2023. The group comprises City Care Limited ('the company') and its subsidiaries.

The group's activities are:

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

## Note 2. Summary of significant accounting policies

### (a) Statement of compliance and basis of preparation

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

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

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

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

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

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

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

### (b) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

**(c) Goods and Services Tax (GST)**

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

**(d) Foreign currency translation**

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

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

**(e) Significant accounting policies, estimates and judgements**

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

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

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

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

Where relevant, the group adopted all mandatory new and amended NZ IFRS standards and interpretations and there has been no material impact on the group's financial statements.

**(g) Standards, amendments and interpretations not yet effective**

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

**Note 3. Revenue**

**Revenue recognition**

*(i) Maintenance services*

The group performs maintenance services in the following areas:

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

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

*(ii) Contract revenue*

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

Revenue from construction contracts is recognised over time using the measure of progress that best reflects the group's performance in satisfying the performance obligation within the contract. For horizontal construction projects, an input method is used, by calculating the cost to complete, based on cost incurred for work performed relative to the estimated total contract costs. For vertical construction projects, an output method is used, by reference to the performance milestones reached during the performance of the contract. The same method of measuring progress will be consistently applied to similar performance obligations. The Directors consider that these methods are appropriate measures of the progress towards complete satisfaction of these performance obligations under NZ IFRS 15.

The group becomes entitled to invoice customers through a monthly claim based on a measure and value calculation or on a milestone basis. The customer is sent a relevant claim or statement of work, the customer assesses the claim and issues a payment certificate on which an invoice is raised. The group recognises a contract asset for any work performed. Any amount recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the invoiced amount exceeds the revenue recognised to date under the cost-to-complete method, then the group recognises a contract liability for the difference.

*(iii) Sale of goods*

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

*(iv) Variable consideration*

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

(v) *Warranties and defect periods*

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

(vi) *Interest income*

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

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

The group applied for and received the Ministry of Social Development wage subsidy in relation to the COVID-19 pandemic during the 2022 financial year. The wage subsidy included in 2023 relates to June 2022 applications and the associated funds were received in July 2022. The group applied the income approach, recognising the subsidy income in the income statement on a systematic basis over the period in which the company recognised as expenses the related employee benefits. There are no unfulfilled conditions or other contingencies in relation to the wage subsidy at 30 June 2023.

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

	2023 \$'000	2022 \$'000
<b>(a) Operating revenue</b>		
Over time:		
Revenue from the rendering of maintenance services	252,529	197,298
Construction contract revenue	322,000	101,324
	<b>574,529</b>	<b>298,622</b>
At a point in time:		
Revenue from the sale of goods	5,141	7,736
	<b>579,670</b>	<b>306,358</b>
<b>(b) Other income</b>		
Ministry of Social Development subsidies	8	1,884
Sundry income	15	-
	<b>23</b>	<b>1,884</b>

**Note 4. Expenses**

	2023 \$'000	2022 \$'000
Profit before income tax includes the following specific expenses:		
Directors' fees	552	468
Defined contribution superannuation expense	93	103
Remuneration of Auditors:		
Audit of financial statements	410	154

**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.

**Note 5. Income taxes**

	2023 \$'000	2022 \$'000
<b>(a) Income tax expense</b>		
Current tax on profits for the year	4,254	1,692
Adjustments in respect of prior years	(48)	34
Origination and reversal of temporary differences	(1,008)	13
	<b>3,198</b>	<b>1,739</b>
<b>(b) Income tax reconciliation</b>		
Profit before income tax	<b>14,618</b>	<b>5,453</b>
Income tax at the statutory tax rate of 28%	4,093	1,527
Tax effects of:		
• non-deductible expenses	519	246
• capital gain of sale of property, plant and equipment	(1,362)	(26)
• adjustments for current tax of prior periods	(48)	(8)
• non-assessable income	(4)	-
Income tax expense	<b>3,198</b>	<b>1,739</b>
<b>(c) Imputation credits</b>		
Imputation credits available for subsequent reporting periods	-	-
<b>Income tax</b>		
<b>Income tax</b>		
Income tax on the profit or loss for the year comprises of 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 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 balance sheet date, and any adjustment to tax payable in respect of previous years.		
Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).		
It is normal practise for City Care Limited to purchase tax losses from Christchurch City Council by way of a subvention payment.		

**Note 6. Deferred tax**

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

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

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

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

Taxable and deductible temporary differences arising from the following:

	Acquired through business combination	Charged to income	Charged to equity	Closing balance
Opening balance \$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 30 June 2022</b>				
Deferred tax assets / (liabilities):				
Property, plant and equipment	641	-	(55)	586
Provisions	2,415	-	(222)	2,193
Work in progress	(2,037)	-	245	(1,792)
Right of use assets and lease liabilities	216	-	11	227
Other	(430)	-	9	(421)
	<b>805</b>	-	<b>(12)</b>	<b>793</b>

	Acquired through business combination	Charged to income	Charged to equity	Closing balance
Opening balance \$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 30 June 2023</b>				
Deferred tax assets / (liabilities):				
Property, plant and equipment	586	(94)	(125)	(175)
Provisions	2,193	372	237	2,802
Work in progress	(1,792)	-	(539)	(2,331)
Right of use assets and lease liabilities	227	48	2	277
Intangibles	-	(8,438)	1,432	(7,006)
Other	(421)	-	23	(398)
	<b>793</b>	<b>(8,112)</b>	<b>1,030</b>	<b>(175)</b>
				<b>(6,464)</b>

## Note 7. Trade and other receivables

	2023 \$'000	2022 \$'000
Trade receivables	41,518	33,190
Allowance for doubtful debts	(30)	(69)
	<b>41,488</b>	<b>33,121</b>
Aging of trade receivables which the group has not provided against as still deemed recoverable:		
Not past due	39,952	31,531
Past due 1 - 30 days	1,296	1,387
Past due 31 - 60 days	163	(14)
Past due 61 - 365 days	80	208
365+ days past due	(3)	9
	<b>41,488</b>	<b>33,121</b>
Prepayments	2,175	2,001
Contract retentions	2,639	2,338
Other receivables	21	-
<b>Total trade and other receivables</b>	<b>46,323</b>	<b>37,460</b>

The loss allowance as at 30 June 2023 and 30 June 2022 was determined as follows:

Expected loss rate	0.002%	0.021%
Gross carrying amount - trade receivables	41,518	33,190
	1	7

### Loss allowance

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

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2023 and 30 June 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are then adjusted for current and forward-looking information including macroeconomic factors affecting the group's customers.

### Trade receivables

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

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

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

The average age of the group's trade and other receivables which are past due at the reporting date and for which the group has not provided as the amounts are still considered recoverable and there has not been a significant change in credit quality is 47 days (2022: 54 days).

#### Note 8. Trade and other payables

	2023 \$'000	2022 \$'000
Trade payables	18,954	10,147
Sub-contractor retentions	1,094	883
Goods and Services Tax payable	3,870	4,214
Accrued expenses	20,066	14,602
	<b>43,984</b>	<b>29,846</b>

#### Payables

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

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

In accordance with the Construction Contracts Amendments Act 2015, retentions, which totalled \$1,094,000 at 30 June 2023 (2022: \$883,000), are held in separate bank accounts on trust.

#### Note 9. Borrowings

##### Borrowings

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

##### Borrowing costs

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

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

	2023 \$'000	2022 \$'000
<i>Current</i>		
Christchurch City Holdings Limited loan facilities maturing 31 July 2022	-	10,000
Christchurch City Holdings Limited senior term notes maturing 31 August 2032	5,000	-
Christchurch City Holdings Limited second lien notes maturing 1 September 2023	6,000	-
<b>Total current borrowings</b>	<b>11,000</b>	<b>10,000</b>
<i>Non-current</i>		
Christchurch City Holdings Limited senior term notes maturing 31 August 2032	45,000	-
<b>Total non-current borrowings</b>	<b>56,000</b>	<b>10,000</b>

Interest rates on the Bank of New Zealand facility are based on bank bill rates plus a margin and averaged 5.86% for the year (2022: 2.84%). Interest rates on the loan is based on the higher of Christchurch City Holdings Limited's cost of funds plus a margin or 5%. This averaged 5% for the year (2022: 1.38%). Due to interest rates on floating debt resetting on the market rate, the carrying amounts on secured loans approximate their fair values.

City Care Limited has two facilities with Bank of New Zealand. An overdraft facility of which \$0.5m was unused as at 30 June 2023 (2022: \$0.5m) and a loan facility of \$10m which was unused as at 30 June 2023 (2022: \$10m).

The Christchurch City Holdings Limited loan facility as at 30 June 2022 was fully repaid on its expiry at 31 July 2022.

A loan was arranged with Christchurch City Holdings Limited of \$56m to fund the Spencer Henshaw acquisition. The funding was provided in two tranches as shown in the table above. Refer to note 10 for the repayment schedule.

The following covenants are in place:

Covenant	Calculation	Threshold	Frequency
Gearing Ratio	Group Debt / Consolidated Shareholder Equity	40%	Quarterly
Interest Cover Ratio	Group EBITDA / Group Interest Costs	>1.5x	Quarterly / Annually

\*Christchurch City Holdings Limited acknowledge in the loan agreement that the group will not be below the gearing ratio threshold prior to the 30 June 2025, and any breach of this covenant up to 30 June 2025 will not constitute a default or review event under the terms of the loan.

Based on this, the group have been compliant with all covenants during the year ending 30 June 2023.

#### Note 10. Financial instruments and risk

The group holds the following financial instruments:

	2023 \$'000	2022 \$'000
<b>Financial assets at amortised cost</b>		
Cash and cash equivalents	17,118	16,330
Sub-contractor retention deposits	1,089	883
Trade receivables	41,518	33,190
	<b>59,725</b>	<b>50,403</b>
<b>Financial liabilities at amortised cost</b>		
Trade payables and sub-contractor retentions	20,048	11,030
Borrowings	56,000	10,000
Lease liabilities	13,252	12,672
	<b>89,300</b>	<b>33,702</b>

##### (a) Fair value estimation

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

##### (b) Financial risk management objectives

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

**(c) Credit risk**

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

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

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

**(d) Liquidity risk**

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

The following table details the group's remaining contractual maturity for its non-derivative financial liabilities. The table has been prepared using amortised cost.

	Less than 6 months \$'000	Between 6 - 12 months \$'000	Between 1 - 2 years \$'000	Between 2 - 5 years \$'000	Over 5 years \$'000	Carrying amount \$'000
<b>Balance at 30 June 2022</b>						
Trade payables and sub-contractor retentions	11,016	14	-	-	-	11,030
Borrowings	10,000	-	-	-	-	10,000
Finance lease liabilities	1,654	1,680	3,114	5,438	786	12,672
	<b>22,670</b>	<b>1,694</b>	<b>3,114</b>	<b>5,438</b>	<b>786</b>	<b>33,702</b>

	Less than 6 months \$'000	Between 6 - 12 months \$'000	Between 1 - 2 years \$'000	Between 2 - 5 years \$'000	Over 5 years \$'000	Carrying amount \$'000
<b>Balance at 30 June 2023</b>						
Trade payables and sub-contractor retentions	20,047	1	-	-	-	20,048
Borrowings	11,000	-	20,000	-	25,000	56,000
Finance lease liabilities	2,060	1,965	3,406	5,111	710	13,252
	<b>33,107</b>	<b>1,966</b>	<b>23,406</b>	<b>5,111</b>	<b>25,710</b>	<b>89,300</b>

**(e) Interest rate risk and management**

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

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

	2023 \$'000	2022 \$'000
Increase or decrease in net profit from a 100 basis point movement in interest rates, assuming all other variables were held constant		
	560	100

**(f) Foreign currency risk management**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The group has some exposure to foreign currency risk as a result of transactions that are denominated in a foreign currency risk as a result of transactions that are denominated in a foreign currency - primarily Australian dollars and US dollars. The group's policy is to hedge any material foreign currency exposure, usually with forward exchange contracts.

**(g) Market risk**

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

**Note 11. Inventories**

	2023 \$'000	2022 \$'000
Raw materials and consumables	2,467	2,217
Allowance for obsolete inventory	(59)	-
	<b>2,408</b>	<b>2,217</b>

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.

**Note 12. Contract assets and contract liabilities**

	2023 \$'000	2022 \$'000
Rendering of maintenance services	15,887	14,042
Construction contracts	12,726	7,017
Contract set up costs	46	37
<b>Total current contract assets</b>	<b>28,659</b>	<b>21,096</b>
Contract set up costs	106	147
<b>Total non current contract assets</b>	<b>106</b>	<b>147</b>
<b>Total contract assets</b>	<b>28,765</b>	<b>21,243</b>
Rendering of maintenance services	3,155	1,795
Construction contracts	5,747	6,572
<b>Total contract liabilities</b>	<b>8,902</b>	<b>8,367</b>

**Revenue recognised in the period from:**

Amounts included in contract liability at the beginning of the period  
Revenue recognised from performance obligations satisfied in previous periods

8,367  
5,097

**Costs recognised in the period from:**

Amortisation of contract set up costs

70  
22

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

#### Rendering of services

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

#### Construction contracts

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

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

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

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

#### Contract set up costs

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

#### Note 13. Property, plant and equipment

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

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

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

Any revaluation increase arising on the revaluation of land and buildings 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 the income statement, 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 and buildings is charged as an expense in the income statement to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

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

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

<b>Buildings</b>	2-50 years
<b>Plant and equipment</b>	1-22 years
<b>Motor vehicles</b>	3-15 years
<b>Office and computer equipment</b>	2-14 years

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

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

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

	<b>Freehold land at fair value \$'000</b>	<b>Buildings at cost \$'000</b>	<b>Motor vehicles at cost \$'000</b>	<b>Plant and equipment at cost \$'000</b>	<b>Office and computer equipment at cost \$'000</b>	<b>Total \$'000</b>
<b>Gross carrying amount</b>						
Balance as at 1 July 2021	9,780	2,396	65,971	19,460	6,340	103,947
Assets classified as held for sale	(9,780)	-	3,476	(30)	-	(6,334)
Additions	-	156	4,245	1,270	679	6,350
Disposals	-	(242)	(9,706)	(1,551)	(1,909)	(13,408)
Transfers	-	-	-	(61)	61	-
<b>Balance as at 30 June 2022</b>	<b>-</b>	<b>2,310</b>	<b>63,986</b>	<b>19,088</b>	<b>5,171</b>	<b>90,555</b>
Assets acquired on business combination						
Revaluation	938	1,543	3,914	1,573	3,560	11,528
Assets classified as held for sale	152	431	-	-	-	583
Additions	9,780	-	432	11	-	10,223
Disposals	-	821	8,647	2,149	1,535	13,152
<b>Balance as at 30 June 2023</b>	<b>1,090</b>	<b>4,554</b>	<b>67,690</b>	<b>18,299</b>	<b>9,406</b>	<b>101,039</b>
<b>Accumulated depreciation</b>						
Balance as at 1 July 2021	-	(1,489)	(46,943)	(15,388)	(4,769)	(68,589)
Disposals	-	178	8,734	1,443	1,875	12,230
Assets classified as held for sale	-	-	(3,047)	14	-	(3,033)
Depreciation expense	-	(155)	(4,257)	(1,422)	(753)	(6,587)
Transfers	-	-	-	25	(25)	-
<b>Balance as at 30 June 2022</b>	<b>-</b>	<b>(1,466)</b>	<b>(45,513)</b>	<b>(15,328)</b>	<b>(3,672)</b>	<b>(65,979)</b>
Assets acquired on business combination						
Disposals	-	(143)	(2,135)	(937)	(2,716)	(5,931)
Assets classified as held for sale	-	416	7,931	3,843	786	12,976
Depreciation expense	-	-	(152)	(8)	-	(160)
<b>Balance as at 30 June 2023</b>	<b>-</b>	<b>(221)</b>	<b>(4,479)</b>	<b>(1,487)</b>	<b>(1,047)</b>	<b>(7,234)</b>
<b>Net book value</b>						
<b>As at 30 June 2022</b>	<b>-</b>	<b>844</b>	<b>18,473</b>	<b>3,760</b>	<b>1,499</b>	<b>24,576</b>
<b>As at 30 June 2023</b>	<b>1,090</b>	<b>3,140</b>	<b>23,342</b>	<b>4,382</b>	<b>2,757</b>	<b>34,711</b>
<b>Included in the figures is capital work in progress:</b>						
<b>As at 30 June 2022</b>	<b>-</b>	<b>83</b>	<b>951</b>	<b>80</b>	<b>153</b>	<b>1,267</b>
<b>As at 30 June 2023</b>	<b>-</b>	<b>-</b>	<b>16</b>	<b>99</b>	<b>207</b>	<b>322</b>

Property, plant and assets have no restrictions over their titles. Historically the group's assets have been pledged as security for the Bank of New Zealand facilities, however this is now covered by a shareholder guarantee.

#### *Valuations of land and buildings*

The majority of the group's land and buildings were revalued to fair value as at 30 June 2023, by Henry Morris, in accordance with NZ IAS 16, NZ IAS 36, and NZ IFRS 13. Henry Morris is a registered valuer employed by Seagar & Partners Limited. Henry Morris used significant observable inputs (level 2, as defined in NZ IFRS 13).

Henry Morris determined a fair value of \$2.4m for the land and buildings at 289 (Unit) Onehunga Mall, Onehunga, Auckland using a market rental assessment and a capitalisation rate between 6.75% - 7.00% and compared his result with recent market transactions (level 2).

#### **Note 14. Non-current assets classified as held for sale**

##### *Accounting policy*

Non-current assets (or disposal groups) are classified and presented separately as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the income statement.

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

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

	2023 \$'000	2022 \$'000
Land	-	9,780
Plant and equipment	48	271
	<b>48</b>	<b>10,051</b>

#### **Note 15. Right-of-use assets and lease liabilities**

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

#### **(a) Amounts recognised in the balance sheet**

The balance sheet shows the following amounts relating to leases:

	2023 \$'000	2022 \$'000
<b>Right-of-use assets (non-current)</b>		
Properties	9,734	9,700
Vehicles	2,830	2,477
Computer equipment	28	-
	<b>12,592</b>	<b>12,177</b>
<b>Lease liabilities</b>		
Current	3,988	3,334
Non-current	9,264	9,338
	<b>13,252</b>	<b>12,672</b>

Additions to the right-of-use assets during the year ended 30 June 2023 were \$3,054,000 (2022: \$5,096,000).

#### **(b) Amounts recognised in the income statement**

	2023 \$'000	2022 \$'000
<b>Depreciation charge of right-of-use-assets</b>		
Properties	2,864	2,451
Vehicles	1,319	1,205
	<b>4,183</b>	<b>3,656</b>
Interest expense (included in finance cost)	526	302
Expense relating to short-term leases (included in other expenses)	1,535	1,646
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in other expenses)	9	20

The total cash outflow for leases in the year ended 30 June 2023 was \$6,083,000 (2022: \$5,795,000).

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

The group leases various land and buildings, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 to 6 years, but may have extension options as described below.

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

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

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

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

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

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

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

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

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

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

#### (d) Extension and termination options

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

#### Note 16. Intangible assets

##### (i) Goodwill

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired entity at the date of acquisition.

##### 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 fair value less cost to sell or value in use.

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

##### (ii) Computer software

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

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

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

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

##### (iii) Customer relationships and customer contracts

Customer relationships and customer contracts acquired as part of a business combination are recognised separately from goodwill. Customer relationships and customer contracts have a finite life and are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method over the period of projected cash flows of the contracts and relationships over their estimated useful lives, which are amortised over an estimated useful life of 2-13 years.

##### Subsequent expenditure

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

##### Amortisation

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

	Goodwill \$'000	Computer Software \$'000	Customer Contracts \$'000	Customer Relationships \$'000	Total \$'000
<b>Gross carrying amount</b>					
Balance as at 1 July 2021	1,640	7,228	-	-	8,868
Additions	-	296	-	-	296
Disposals	-	(195)	-	-	(195)
<b>Balance as at 30 June 2022</b>	<b>1,640</b>	<b>7,329</b>	<b>-</b>	<b>-</b>	<b>8,969</b>
Acquired through business combination	42,583	2,216	12,366	16,085	73,250
Additions	-	154	-	-	154
Disposals	-	(1,265)	-	-	(1,265)
Impairment	(360)	-	-	-	(360)
<b>Balance as at 30 June 2023</b>	<b>43,863</b>	<b>8,434</b>	<b>12,366</b>	<b>16,085</b>	<b>80,748</b>
<b>Accumulated amortisation and impairment</b>					
Balance as at 1 July 2021	-	(5,355)	-	-	(5,355)
Disposals	-	197	-	-	197
Amortisation expense	-	(666)	-	-	(666)
<b>Balance as at 30 June 2022</b>	<b>-</b>	<b>(5,824)</b>	<b>-</b>	<b>-</b>	<b>(5,824)</b>
Disposals	-	1,265	-	-	1,265
Amortisation expense	-	(1,088)	(3,637)	(1,304)	(6,029)
<b>Balance as at 30 June 2023</b>	<b>-</b>	<b>(5,647)</b>	<b>(3,637)</b>	<b>(1,304)</b>	<b>(10,588)</b>
<b>Net book value</b>					
As at 30 June 2022	1,640	1,505	-	-	3,145
As at 30 June 2023	43,863	2,787	8,729	14,781	70,160
Included in the figures is capital work in progress:					
As at 30 June 2022	-	68	-	-	68
As at 30 June 2023	-	-	-	-	-

Intangible assets have no restrictions over their titles. Historically the group's assets have been pledged as security for the Bank of New Zealand facilities, however this is now covered by a shareholder guarantee.

#### (a) Allocation of goodwill to cash-generating units

The group regularly monitors the carrying value of its goodwill and reviews it annually to determine whether goodwill may be impaired. The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

There has been an increase to Goodwill of \$42.6m, relating to the acquisition of the Spencer Henshaw Group (2022: \$nil).

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

Goodwill associated with the Taranaki Road boring operating cash generating unit ("CGU") has been fully impaired in the current financial year, with the loss being recognised through the income statement. This is largely due to increase cost pressures in the current environment specific to the CGU which has caused the carrying amount of the CGU to exceed the assessed recoverable amount. No further impairment was recognised in respect of the remaining assets of the CGU.

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

	2023 \$'000	2022 \$'000
Taranaki Road Boring	-	360
Apex Water Limited	1,280	1,280
Spencer Henshaw Group	42,583	-
	<b>43,863</b>	<b>1,640</b>

#### (b) Key assumptions

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

##### Apex Water Limited

Budgeted gross margin: Gross margin has been budgeted at a rate consistently achieved in previous years.

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

Discount rate: A pre tax discount rate of 17.5% is applied to calculate the value in use.

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

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

##### Spencer Henshaw Group

Budgeted gross margin: Gross margin has been budgeted at a rate consistently achieved in previous years.

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

Discount rate: A pre tax discount rate of 14.1% is applied to calculate the value in use.

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

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

#### Note 17. Business combinations and non-controlling interests

##### Apex Water Limited

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

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

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

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

The Directors have determined that the group controls the Apex Water Limited because it has a 75% shareholding

#### Results included in the consolidated statement of comprehensive income

	2023 \$'000	2022 \$'000
Revenue	32,210	15,571
Profit after tax for the year	1,627	303

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

##### Spencer Henshaw Group

On 27 May 2022, the company entered into a Sale and Purchase Agreement for the purchase of 100% of the total shares of the Spencer Henshaw Group of companies ('SH Group'), consisting of Spencer Henshaw Ltd (5,000 shares), SW Scaffolding Ltd (600,000 shares) and Panmure Property Holdings Ltd (5,000 shares), for total consideration of \$72.3m, including \$6.8m held in escrow in relation to warrant issues, and \$2.2m of contingent consideration (refer below).

The SH Group provides a full range of property repair, maintenance and upgrade services to government and commercial organisations.

The acquisition strengthens the company's market position in the social housing sector, a key segment within the company's property social infrastructure strategy. The company's acquisition of SH Group will support it to re-engage with the social housing sector by leveraging the SH Group's experience and capability in this area. The SH Group is aligned to the company's core values by demonstrating care for people and communities, and being a leading NZ-owned facilities maintenance service provider.

Following satisfaction of certain conditions, the acquisition settled on 2 September 2022. The breakdown of assets acquired, liabilities assumed, and consideration paid are set out below.

	Fair value \$'000
Cash and cash equivalents	2,423
Accounts held on trust	7,719
Trade receivables	3,347
Land and buildings	1,850
Plant and equipment	3,746
Right-of-use assets	1,196
Customer relationships	16,085
Customer contracts	12,366
Software	2,216
Other assets	1,144
Trade payables	(8,374)
Deferred tax liability	(8,111)
Lease liability	(1,276)
Other liabilities	(4,620)
Net assets acquired	29,711
Goodwill	42,583
<b>Acquisition-date fair value of the total consideration transferred</b>	<b>72,294</b>
Representing:	
Cash paid	63,255
Cash held in escrow	6,800
Contingent consideration	2,239
	<b>72,294</b>

Identifiable assets includes \$3.2m of acquired receivables from Kāinga Ora and Tāmaki Regeneration Company. This represents the contractual value as well as the fair value of acquired receivables, as all contractual cash flows are expected to be collected. Ten per cent (\$6.8m) of the initial consideration of \$68m, is held in escrow for a period of 24 months post-settlement for applying to any vendors' liability for breach of warranties or indemnities.

Certain shareholders are subject to additional deferred consideration by way of an earn out, subject to SH Group's commercial arrangements and financial performance over the three years following settlement. This has been valued at a fair value of up to \$2.2m. The fair value of deferred consideration has been determined based on management expectations and forecasts and discounted to a present value based on the term of the performance targets and commercial arrangements. The deferred consideration has a range of zero to \$3.0m in nominal terms.

The company incurred acquisition-related costs of \$0.2m in the year to 30 June 2023 (2022: \$0.7m) relating to external legal fees and due diligence costs. These costs are included in operating expenses.

Goodwill on acquisition of \$42.6m has arisen due to the expected benefits of the newly acquired business. SH Group's value is derived from its excellent systems and processes, the institutional and industry know-how of its people, and its subcontractor network and supply chain management. SH Group has secured a strong market position in the social housing sector, in particular with Kāinga Ora and Tāmaki Regeneration. It has delivered a consistent track record of success over many years, based on leading KPI performance to become a trusted service provider for its key customers.

#### Results included in the consolidated statement of comprehensive income

SH Group's results since acquisition are presented below, along with the impact of SH Group's results on the group's results both since acquisition and assuming a full year to 30 June 2023.

	Full year to 30 June 2023 \$'000	Since acquisition to 30 June 2023 \$'000
Revenue	273,587	229,782
Profit after tax	7,737	6,383

#### Note 18. Provisions

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

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

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

#### Employee benefits

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

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

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

#### Defined benefit scheme

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

#### Defined contribution schemes

The group participates in other schemes in addition to the defined benefit scheme which are all defined contribution plans, and contributions to the plans are expensed as incurred.

#### Termination benefits

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

#### Loss making contracts

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

	Employee Entitlements (i) \$'000	NZ IFRS 16 restoration costs (ii) \$'000	Other \$'000	Total \$'000
Balance at 1 July 2021	6,192	317	2,052	8,561
Additional provisions recognised	8,394	85	1,245	9,724
Reductions arising from payments / other sacrifices of future economic benefits	(7,994)	(23)	(553)	(8,570)
Reductions resulting from re-measurement or settlement without cost	(136)	(79)	(434)	(649)
Unwinding of discount / effect of changes in discount rate	(21)	7	-	(14)
<b>Balance at 30 June 2022</b>	<b>6,435</b>	<b>307</b>	<b>2,310</b>	<b>9,052</b>
Current	6,161	46	2,310	8,517
Non-current	274	261	-	535
<b>Balance at 30 June 2022</b>	<b>6,435</b>	<b>307</b>	<b>2,310</b>	<b>9,052</b>
Acquired through business combination	1,524	41	-	1,565
Additional provisions recognised	12,229	43	2,779	15,051
Reductions arising from payments / other sacrifices of future economic benefits	(11,064)	-	(1,526)	(12,590)
Reductions resulting from re-measurement or settlement without cost	(76)	(52)	(50)	(178)
Unwinding of discount / effect of changes in discount rate	11	8	-	19
<b>Balance at 30 June 2023</b>	<b>9,059</b>	<b>347</b>	<b>3,513</b>	<b>12,919</b>
Current	8,862	95	1,274	10,231
Non-current	197	252	2,239	2,688
<b>Balance at 30 June 2023</b>	<b>9,059</b>	<b>347</b>	<b>3,513</b>	<b>12,919</b>

(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 3.35% for the year ending 30 June 2023 and 3.08% for the year ending 30 June 2022. A discount rate of 4.67% has been used for the year ending 30 June 2023 and 3.89% for the year ending 30 June 2022.

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

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

#### Note 19. Capital and other equity instruments

	2023 \$'000	2022 \$'000
6,036,000 fully paid ordinary shares	6,036	6,036
2,500,000 fully paid preference shares	2,500	2,500
	<b>8,536</b>	<b>8,536</b>

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.

#### Note 20. Commitments

	2023 \$'000	2022 \$'000
<b>Capital expenditure commitments</b>		
Property, plant and equipment	1,915	3,394
	<b>1,915</b>	<b>3,394</b>

#### Note 21. Contingent liabilities and contingent assets

	2023 \$'000	2022 \$'000
<b>Contingent liabilities</b>		
The group has arranged with Bank of New Zealand for the issue of performance related bonds in favour of:		
Local authorities*	10,003	9,194
Others	5,428	2,236
	<b>15,431</b>	<b>11,430</b>

\*This includes councils and council controlled trading organisations.

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

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

#### Note 22. Related party transactions

##### (a) Parent entities

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

##### (b) Key management and personnel compensation

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

	2023 \$'000	2022 \$'000
<b>City Care Limited</b>		
Salaries and short-term employee benefits	4,512	4,183
Post-employment benefits	94	83
Termination benefits	72	-
	<b>4,678</b>	<b>4,266</b>
<b>Apex Water Limited</b>		
Salaries and short-term employee benefits	713	790
Post-employment benefits	18	21
	<b>731</b>	<b>811</b>
<b>Spencer Henshaw Group</b>		
Salaries and short-term employee benefits	938	-
Post-employment benefits	25	-
	<b>963</b>	<b>-</b>
	<b>6,372</b>	<b>5,077</b>

##### (c) Transactions with other related parties

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

	2023 \$'000	2022 \$'000
<b>(i) During the year</b>		
Services provided to Christchurch City Council	82,264	84,829
Services provided to other group companies	9,822	8,513
Goods and services received from Christchurch City Council	(203)	(194)
Goods and services received from other group companies	(636)	(883)
Rent and rates paid to Christchurch City Council	-	(28)
Rent and rates paid to other group companies	(629)	(926)
Interest paid to and accrued on Christchurch City Holdings Limited loan	(2,324)	(138)
<b>(ii) As at year end</b>		
Amounts receivable from Christchurch City Council	7,163	6,408
Amounts receivable from other group companies	1,158	835
Amounts payable to Christchurch City Council	(92)	(6)
Amounts payable to other group companies	(74)	(122)
Loan and interest payable to Christchurch City Holdings Limited	(56,084)	-

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 (2022: nil). Related party transactions exclude Directors' fees which are disclosed separately under the statutory information.

**(d) Separate disclosure of individual transactions**

The company made dividend payments totalling \$nil (2022: \$2.6m) to its immediate parent, Christchurch City Holdings Limited.

During the 2023 year, the group made subvention payments totalling \$1.46m (2022: \$2.29m) to Christchurch City Council with an associated tax loss offset of \$3.76m (2022: \$5.88m).

The company had a two year rolling secured facility of \$15m with Christchurch City Holdings Limited. At 30 June 2022, \$10m of this facility had been drawn down and was paid in full on its expiry of 31 July 2022.

The company has a secured loan of \$56m with Christchurch City Holdings Limited. The loan matures on 31 August 2032. At 30 June 2023, the balance of this loan was \$56m (2022: \$nil).

All transactions were made on normal commercial terms and conditions and at market rates.

**Note 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:

	2023 \$'000	2022 \$'000
Cash at bank	17,118	16,330

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

	2023 \$'000	2022 \$'000
Profit after income tax for the year	11,420	3,714
Adjustments for:		
(Gain) / loss on sale or disposal of non-current assets	(6,231)	(3,052)
Depreciation and amortisation of non-current assets	17,448	10,910
Impairment of goodwill	359	-
Unwinding of the discount on provisions	548	-
Increase / (decrease) in current tax liability	(8,286)	(769)
Increase / (decrease) in deferred tax liability	7,454	12
<b>Changes in net assets and liabilities</b>		
Current receivables	(2,084)	3,090
Contract assets	(6,707)	(4,126)
Inventories	(178)	(243)
Current payables	3,041	(2,661)
Contract liabilities	535	3,270
Current provisions (excl. NZ IFRS 16 restoration cost)	351	375
Non-current provisions (excl. NZ IFRS 16 restoration cost)	(10)	47
<b>Net cash inflow from operating activities</b>	<b>17,660</b>	<b>10,567</b>

**(c) Liabilities arising from financing activities**

	2023 \$'000	2022 \$'000
Current borrowings	11,000	10,000
Non-current borrowings	45,000	-
Lease liabilities	13,252	12,672
	<b>69,252</b>	<b>22,672</b>

**Changes in liabilities arising from financing activities**

	2023	2022
<b>Opening value</b>	<b>22,672</b>	<b>20,563</b>
Leases acquired on business combination	1,276	-
New leases	3,104	5,035
Disposed leases	(70)	(815)
Lease modifications	257	1,435
Unwinding of discount	526	-
Principal repayments of lease liabilities	(4,513)	(3,546)
Repayment of borrowings	(10,000)	-
Drawdown of borrowings	56,000	-
<b>Closing value</b>	<b>69,252</b>	<b>22,672</b>

**Note 24. Capital management**

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

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

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

**Note 25. Subsequent events**

Subsequent to reporting date a decision was made to amalgamate Spencer Henshaw Limited with its sister company, Panmure Property Holdings Limited, with Spencer Henshaw Limited being the surviving entity. The application to amalgamate was lodged with the Companies Office on Tuesday 15 August.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

## Statement of Performance

As a council-controlled trading organisation, City Care Group issued a Statement of Intent (SOI) for the year ended 30 June 2023, as required by section 64 of the Local Government Act 2002 (the Act).

Spencer Henshaw Limited, SW Scaffolding Limited and Panmure Property Holdings Limited did not prepare a SOI for 2023, as they were acquired during the year and prior to this change of ownership the entities were not governed by the Act. As this was not completed, there are no performance targets set for 2023.

### (a) Financial performance

All financial targets for the year were achieved with the exception of those impacted by the new debt facility provided by CCHL to fund the acquisition.

	Actual \$'000	Target \$'000	
Revenue	586,630	326,975	Achieved
Growth (Revenue Growth)	88.3%	6.2%	Achieved
Earnings Before Interest, Tax, Depreciation & Amortisation	34,927	20,458	Achieved
Earnings Before Interest & Tax	17,481	9,619	Achieved
Interest Expenses	2,863	327	Not Achieved <sup>1</sup>
Net Profit After Tax	11,420	7,858	Achieved
Profitability/Efficiency (Operating Margin)	51.2%	31.6%	Achieved
Debt (CCHL)	56,000	-	Not Achieved <sup>1</sup>
Leverage/Solvency (Debt to EBITDA)	1.6x	-	Not Achieved <sup>1</sup>
Net Funds	(38,882)	20,370	Not Achieved <sup>1</sup>
Equity	74,074	66,532	Achieved
Return on Invested Capital	10.0%	7.4%	Achieved
Shareholder Funds to Total Assets	34.0%	54.7%	Achieved
Shareholder returns (Dividend Yield)	-%	6.4%	Not Achieved <sup>2</sup>

<sup>1</sup> Acquisition of Spencer Henshaw, SW Scaffolding and Panmure Property Holdings Limited was debt funded by CCHL. All funding covenants met.

<sup>2</sup> Dividends suspended under funding arrangement with CCHL.

### (b) Non-financial performance

	2023
<b>City Care Ltd</b>	
<b>Client Satisfaction</b>	Positive Net Promotor Score (NPS) based on an annual customer survey
	Achieved
<b>Environmental</b>	100% of new (non-operational) passenger vehicles purchased or leased to be hybrid or EV excludes vehicles procured through acquisitions (subject to vehicle availability)
	Achieved
	Annual reduction of Company-wide greenhouse gas emissions normalised against annual turnover to reach 2030 goals
	Achieved
<b>Health &amp; Safety</b>	10 incidents requiring notification to WorkSafe annually
	Achieved
	1 WorkSafe investigation annually
	Achieved
<b>Employee Engagement / Diversity</b>	Incremental increase in the number of women in leadership roles
	Achieved
	Increase in youth in the workforce measured by higher % of staff under 25 years
	Achieved
	Incremental increase in the number of Māori/Pasifika in leadership roles
	Achieved
	More than 50 people in registered training annually
<b>System Management</b>	Maintain current ISO-accredited systems
	Achieved
<b>Community Performance</b>	Collaborate with community stakeholders to deliver the safe coordination of >15,000 volunteer hours
	Achieved
<b>Apex Water Ltd</b>	
<b>Client Satisfaction</b>	Positive Net Promoter Score (NPS)
	Achieved
<b>Innovation</b>	Identify two new products or technologies to bring to market
	Achieved
<b>Health &amp; Safety</b>	Lost Time Injuries less than 2
	Achieved
	Medical Treatment Injuries less than 3
	Achieved
<b>Spencer Henshaw Ltd</b>	
<b>Health &amp; Safety</b>	Notifiable events
	1
	N/A
<b>SW Scaffolding Ltd</b>	
<b>Health &amp; Safety</b>	Lost Time Injuries
	1
	N/A
	Medical Treatment Injuries
	1
	N/A
<b>Panmure Property Holdings Ltd</b>	
	There are no non-financial performance measures for 2023.

## Greenhouse Gas (GHG) Emissions

The group continues its journey towards measuring companywide emissions. The group set an annual emissions reduction intensity target to ensure that we can compare the impact of our reduction initiatives over time without being influenced by increases or decreases in the overall size of the group. Normalised emissions – tCO<sub>2</sub>/\$ revenue decreased from 0.0000502 against our audited 2022 emissions to 0.0000413 in 2023, a reduction of 18%. This intensity factor is our normalised tonnes of emissions from the subset of emission sources per \$ of revenue (less contractor cost + 10% margin). This adjustment has been made because the related contractor emissions are not included in our reporting.

During the year ended 30 June 2023 Citycare Property purchased the shares of the Spencer Henshaw Group of companies (Spencer Henshaw) and sold its Christchurch asphalt plant. To enable like-for-like comparisons for future inventories against an audited base year, the group has:

- set its base year as the 2022 financial year,
- added Spencer Henshaw's total fuel and electricity emissions to the base year and 2023 emissions inventory, and
- removed the asphalt plant's emissions from the base year and 2023 emissions inventory.

This base year recalculation has resulted in revised group emissions of 615 tCO<sub>2</sub> lower than the emissions previously reported in the 2022 financial year. The 2023 scope 1 and 2 gross emissions increased by 1% from the 2022 recalculated base year. Total gross emissions also increased by 1%.

For the 2022 and 2023 financial years the group have included in the reported results only those emissions sources where there is sufficient data to measure and where there is the greatest ability to reduce. Specific exclusions from within these sources have been noted below. This means some potentially significant emission scope 3 sources have been excluded, such as: subcontractor emissions and emissions from employee commute. The reported emissions also exclude any other scope 3 supply chain emissions such as purchased goods and services.

The group are working to include further emission sources in the coming financial years. The group is implementing ESP's carbon management software to assist with the inclusion of further sources, to help streamline data collection, improve emissions data visibility, and increase reporting capabilities.

While this work is underway, we continue to be committed to reducing GHG emissions. Science-based reduction targets and an accompanying emissions reduction plan are currently under-development. The group uses the equity consolidation approach to determine our organisational boundary. This means the reported results include the company, 100% of Spencer Henshaw Limited and SW Scaffolding Limited, and 75% of Apex Water Limited. The group have included all sites within this boundary for 2023.

	Recalculated 2023 tCO <sub>2</sub> <sup>e</sup>	Recalculated 2023 tCO <sub>2</sub> <sup>e</sup>	Recalculated 2022 tCO <sub>2</sub> <sup>e</sup>	Recalculated 2022 tCO <sub>2</sub> <sup>e</sup>
<b>City Care Group emissions (t emitted CO<sub>2</sub>)</b>				
<b>Scope 1 emissions</b>				
Diesel to power asphalt plant	379.0	-	1,222.0	-
Diesel and petrol in vehicles	7,402.0	7,402.0	7,376.0	7,376.0
Diesel and petrol in vehicles - Apex Water Limited	116.0	116.0	87.0	87.0
Diesel and petrol in vehicles - Spencer Henshaw Limited***	548.0	661.0	-	514.0
Diesel and petrol in vehicles - SW Scaffolding Limited	69.0	84.0	-	83.0
Purchased electricity	92.0	83.0	183.0	163.0
Purchased electricity - Apex Water Limited	4.0	4.0	-	7.0
Purchased electricity - Spencer Henshaw Limited	12.0	15.0	-	21.0
Purchased electricity - SW Scaffolding Limited	0.4	0.5	-	0.7
Air travel*	73.0	73.0	87.0	87.0
Accommodation*	4.0	4.0	5.0	5.0
Rental cars*	2.0	2.0	4.0	4.0
Transmission & Distribution losses	11.0	11.0	17.0	15.0
Transmission & Distribution losses - Apex Water Limited	0.4	-	-	0.4
Transmission & Distribution losses - Spencer Henshaw Limited	1.4	1.7	-	2.1
Transmission & Distribution losses - SW Scaffolding Limited	0.04	0.1	-	0.07
<b>Total Emissions</b>	<b>8,714.24</b>	<b>8,455.6</b>	<b>8,981</b>	<b>8,365.23</b>
Normalised Emissions (tCO <sub>2</sub> / \$ Revenue)**	0.0000413	0.0000400	0.0000502	-

\* Air travel, accommodation and rental car emissions from Spencer Henshaw Limited, SW Scaffolding Limited and Apex Water Limited are excluded from the reported emissions.

\*\* We have restated the 2022 audited normalised emissions from 0.0000491 to .0000502 to take out 25% of Apex revenue as per the equity consolidation approach.

\*\*\* Panmure Property Holdings Limited emissions are excluded as the group is only reporting fuels used in vehicles/machinery and purchased electricity which Panmure Property Holdings Limited doesn't have.

There is a level of inherent uncertainty in reporting GHG emissions factors, due to a level of scientific uncertainty as well as estimation uncertainty involved in the measurement processes. The group have used the published emissions factors from the MFE 2023 guidance document and obtained quantity data direct from suppliers (electricity invoice, fuel card and travel agent statements). For emission sources such as air travel, accommodation and rental cars there is a greater degree of uncertainty due to generic emission factors being used. The level of uncertainty is not considered significant given the sources that have been included in the current year.

## Independent Auditor's Report

### To the readers of City Care Limited's Group financial statements and performance information for the year ended 30 June 2023

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

#### Opinion

We have audited:

- the financial statements of the Group on pages 34 to 63, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 64 to 67.

In our opinion:

- the financial statements of the Group on pages 34 to 63:
  - present fairly, in all material respects:
    - . its financial position as at 30 June 2023; and
    - . its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards.
- the performance information of the Group on pages 64 to 67 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 2023.

Our audit was completed on 17 August 2023. This is the date at which our opinion is expressed.

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

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

The Group has chosen to include a measure of its GHG emissions in its performance information.

Without modifying our opinion and considering the public interest in climate change related information, we draw attention to the Statement of Performance on pages 66 to 67 of the annual report, which outlines the uncertainty in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources are still evolving, as are GHG reporting and assurance standards.

#### Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our responsibilities arise from the Public Audit Act 2001.

## **Other information**

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 33 and pages 72 to 80, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

## **Independence**

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

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



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

## Statutory Information

### Ownership

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

### Principal activities

The group's principal activities during the year were:

- construction of vertical and horizontal assets;
- facilities management;
- maintenance of amenity assets including water and wastewater, parks, trees and public spaces;
- maintenance of social houses; and
- provision of asset management services.

### Directors for City Care Limited

The following Directors held office during the year ended 30 June 2023:

- Bryan Jamison (Executive Chair)
- Elena Trout
- Jennifer Rolfe
- Kevin Young
- Mark Todd
- Penny Hoogerwerf

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

The following Directors held office during the year ended 30 June 2023:

- Kevin Young
- Mark Todd
- Matthew Savage
- Steven Kroening
- Tim Gibson (Chair)

### Directors for Spencer Henshaw Group (subsidiaries of City Care Limited)

The following Directors held office for the following subsidiaries during the 10 month period ended 30 June 2023:

#### Spencer Henshaw Limited

- Bryan Jamison (Appointed 2 September 2022)
- Chris Horn (Appointed 13 March 2023)
- Elena Trout (Appointed 13 March 2023)

#### SW Scaffolding Ltd

- Bryan Jamison (Appointed 2 September 2022)

#### Panmure Property Holdings Ltd

- Bryan Jamison (Appointed 2 September 2022)

### 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 2023.

DIRECTOR	ENTITY	POSITION
City Care Limited Directors		
Bryan Jamison	City Care Property Ltd City Care Water Ltd City Care Property 1 Ltd (Previously City Care Property Ltd) City Care Water 1 Ltd (Previously City Care Water Ltd) Essex Investments and Developments Ltd Jamison Family Trust Fern Energy Ltd Panmure Property Holdings Ltd Spencer Henshaw Ltd SW Scaffolding Ltd	Director Director Director Director Director and Shareholder Trustee CEO Director Director Director
Elena Trout	Ara Ake Limited Callaghan Innovation Contact Energy Ltd EECA Hāpaitia Ltd Harrison Grierson Holdings Ltd Harrison Grierson Consultants Ltd Ministry of Defence/ NZDF - Capability Governance Board Motiti Investments Ltd Ngāpuhi Asset Holding Company Ltd Opuha Water Ltd Spencer Henshaw Ltd Te Rāhui Herenga Waka Whakatane Ltd Waihangi Ara Rau WorkSafe	Director Director Director Chair Director Director Director External Independent Member Director Director Director Director Co Chair Chair - Audit risk and finance committee
Jennifer Rolfe	The Barbara Andrew Family Trust Rainger & Rolfe Ltd Regional Facilities Auckland Tātaki Auckland Unlimited Ltd The Thomas Number 2 Trust The Thomas Trust	Trustee Managing Partner and Director Director Director Trustee Trustee
Kevin Young	Apex Water Ltd Banlaw Pty Ltd Department of Internal Affairs TasWater University of Newcastle Council	Director Director Technical Advisor Director Council Member, Deputy Chancellor
Mark Todd	Apex Water Ltd DairyNZ Ltd Mark T Consulting Ltd McKenzie & Willis Ltd New Zealand Lotteries Commission Paper Plus New Zealand Ltd St George's Hospital Inc The Todd Family Trust	Director Director Shareholder Director Director Director Director Director Trustee

DIRECTOR	ENTITY	POSITION
<b>City Care Limited Directors</b>		
Penny Hoogerwerf	245 St Asaph Ltd Katamama Ltd Moss & Moss Ltd Moss Family Trust Tait International Ltd Tait Kordia JV Co Ltd	Director and Shareholder Director Director Trustee General Counsel Director
Kevin Young	As above	
Mark Todd	As above	
Matthew Savage	Apex Water Ltd	Director, Management, Shareholder
Steven Kroening	Apex Water Ltd	Director, Management, Shareholder
Tim Gibson	3 Waters Strategic Reference Group Apex Water Ltd City Care Ltd The Infrastructure Education & Training Charitable Trust Water Industry Group Water New Zealand	Chair Chair Chief Executive, City Care Water Advisory panel member Chair Board Member
<b>Spencer Henshaw Directors</b>		
Bryan Jamison (Appointed 2 September 2022)	As above	Director
Chris Horn (Appointed 29 May 2023) (Appointed 1 July 2022) (Appointed 13 March 2023)	City Care Ltd City Care Property Ltd City Care Property 1 Ltd (Previously City Care Property Ltd) Spencer Henshaw Limited	Chief Financial Officer (Property) Director Director Director
Elena Trout (Appointed 13 March 2023)	As above	Director
<b>Dormant entities</b>		
City Care Property Ltd City Care Property 1 Ltd City Care Water Ltd City Care Water 1 Ltd		
Alastair Ridgway (retired 12 August 2022) (retired 9 August 2022)	City Care Ltd City Care Property 1 Ltd (Previously City Care Property Ltd) City Care Water 1 Ltd (Previously City Care Water Ltd)	Executive GM Finance Director Director
Bryan Jamison	As above	
Chris Horn	As above	
Michael Williams (Appointed 29 May 2023) (Appointed 28 April 2023)	City Care Ltd City Care Water Ltd City Care Water 1 Ltd (Previously City Care Water Ltd)	Chief Financial Officer (Water) Director Director
Richard O'Connor (Appointed 1 July 2022, retired 31 March 2023)	City Care Water 1 Ltd (Previously City Care Water Ltd)	Director

## Directors' remuneration

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

	<b>2023</b> <b>\$'000</b>	<b>2022</b> <b>\$'000</b>
<b>City Care Limited</b>		
Bryan Jamison (Chair, Executive Chair ended 31 August 2022)	98	170
Elena Trout (appointed 1 January 2022)	42	20
Graham Darlow (retired 31 August 2021)	-	8
Jennifer Rolfe	44	42
Kevin Young	51	49
Mark Todd <sup>1</sup>	88	71
Penny Hoogerwerf	45	43
	<b>357</b>	<b>404</b>
<b>Apex Water Limited</b>		
Kevin Young	32	32
Mark Todd	36	32,
	<b>68</b>	<b>64</b>
<b>Spencer Henshaw Limited</b>		
Bryan Jamison (appointed 2 September 2022)	69	-
Chris Horn (appointed 13 March 2023)	-	-
Elena Trout (appointed 13 March 2023) <sup>2</sup>	35	-
	<b>104</b>	<b>-</b>
<small><sup>1</sup> Additional remuneration from November 2021, chairing steering committee overseeing technology transformation programme required to enable separation of Water and Property companies.</small>		
<small><sup>2</sup> From 2 September 2022 to 13 March 2023 remuneration was related to being involved with the Spencer Henshaw advisory board.</small>		
<b>Use of company information by Directors</b>		
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.		
<b>Directors' insurance</b>		
The group has arranged insurance policies for Directors' liability insurance within the limits and requirements as set out in the Companies Act 1993.		
<b>Chief Executive Remuneration</b>		
CEO total remuneration includes base salary and Kiwisaver contributions. Their remuneration packages are reviewed annually by the Remuneration Committee and the Board after reviewing both CEO and the company's performance, taking advice from an external remuneration specialist.		
	<b>2023</b> <b>\$'000</b>	<b>2022</b> <b>\$'000</b>
CEO Property	526	501
CEO Water	518	495
	<b>1,044</b>	<b>996</b>

## 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:

	2023	2022
<b>Remuneration range</b>		
\$100,000 – \$110,000	72	64
\$110,000 – \$120,000	60	43
\$120,000 – \$130,000	52	27
\$130,000 – \$140,000	15	15
\$140,000 – \$150,000	32	15
\$150,000 – \$160,000	24	3
\$160,000 – \$170,000	13	9
\$170,000 – \$180,000	10	8
\$180,000 – \$190,000	12	3
\$190,000 – \$200,000	4	2
\$200,000 – \$210,000	1	1
\$210,000 – \$220,000	3	3
\$220,000 – \$230,000	1	-
\$230,000 – \$240,000	-	2
\$240,000 – \$250,000	3	-
\$250,000 – \$260,000	-	1
\$260,000 – \$270,000	2	-
\$270,000 – \$280,000	-	1
\$280,000 – \$290,000	-	1
\$290,000 – \$300,000	2	-
\$300,000 – \$310,000	1	1
\$310,000 – \$320,000	-	2
\$320,000 – \$330,000	2	-
\$490,000 – \$500,000	-	1
\$500,000 – \$510,000	-	1
\$520,000 – \$530,000	1	-
\$560,000 – \$570,000	1	-
\$570,000 – \$580,000	1	-
	<b>312</b>	<b>203</b>

## Employees remuneration

Total number of employees	1,062	859
Average remuneration for the top 10%	\$171,136	\$151,506
Average remuneration for the bottom 10%	\$53,742	\$50,351

For the purposes of comparability, Spencer Henshaw Group's salary information includes information for the full 12 months even though they have only been part of the group for 10 months since acquisition on 2 September 2022.

## Donations

The group made donations of \$4,838 during the year (2022: \$nil).

## Auditor

The Auditor-General is appointed under Section 70 of the Local Government Act 2002. Audit New Zealand has been appointed to provide these services on behalf of the Auditor-General. Group audit fees in respect of the 2023 financial year totalling \$410,000 have been paid or accrued.

## Corporate Governance Statement

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

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

### Board role and responsibility

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

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

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

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

All members of the Board are independent non-executive Directors

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

### Responsibility to Shareholder

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

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

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

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

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

The Board currently does not have a Deputy Chair.

### Conflicts of interest

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

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

#### **Nominations and appointment of new Directors**

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

#### **Board meetings**

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

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

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

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

#### **Directors' induction and education**

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

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

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

#### **Board performance review**

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

#### **Chief Executive Officers' performance reviews**

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

#### **Insurance**

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

#### **Board committees**

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

#### **Risk, Audit and Finance Committee**

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

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

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

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

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

#### **People and Culture Committee**

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

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

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

- The remuneration strategy and any associated frameworks;
- The remuneration arrangements, including any incentive plans for the Chief Executive Officers and other executive team members;
- The remuneration, recruitment, retention and termination policies and practices with regard to the Chief Executive Officers;
- 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 one non-executive Director of the Board as appointed by the Board. The remaining Directors of the Board attend one Committee meeting per year on a rotational basis. The Chief Executive Officers, the General Manager – Corporate Services, Property, the Head of Safety, Water and four other company field representatives are required to attend the Health and Safety Committee meetings but are not members of the committee. Any non-executive Directors who are not committee members may also attend Health and Safety Committee meetings. The Health and Safety Committee's responsibility is to:

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

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

# Directory

## Directors

Chair

Bryan Jamison  
Penny Hoogerwerf  
Jennifer Rolfe  
Mark Todd  
Kevin Young  
Elena Trout

## Executive Management Team

Chief Executive – Citycare Property

Peter Lord

Chief Executive – Citycare Water

Tim Gibson

CFO - Citycare Property

Chris Horn

CFO - Citycare Water

Michael Williams

## Auditor

Audit New Zealand on behalf of the Auditor-General

## Solicitors

Tavendale and Partners

## Bankers

Bank of New Zealand

## Registered Office

818 Wairakei Road, Harewood, Christchurch 8053, New Zealand

PO Box 7669, Sydenham, Christchurch 8240

0508 CITYCARE (248 922)

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## Our Locations

### National Office

818 Wairakei Road, Harewood,  
Christchurch 8053  
+64 3 941 7200

### Spencer Henshaw

Northland Office  
Henderson Office  
Onehunga Office  
Hutt Valley Office

### Ngaruawahia Office

0508 CITYCARE (248 922)

### Auckland Offices

East Tamaki Office  
Drury Office  
Pukekohe Office  
Bombay Office  
+64 9 966 2700

+64 9 903 3679

### Stratford Office

+64 6 769 5672

### Christchurch Offices

Wairakei Road Office  
Hazeldean Road Office  
0508 CITYCARE (248 922)

### Dunedin Office

+64 3 951 0270

### Tauranga Office

+64 7 927 7100

### Greytown Office

+64 6 946 7180

### Timaru Office

+64 3 941 7610

### Apex Water

Timaru Office  
Mt Wellington Office  
Hornby Office  
+64 3 929 2675

### Masterton Office

+64 6 370 2476

### Wellington Office

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### Mount Maunganui Office

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### Whangarei Office

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### New Plymouth Office

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