



**CITY CARE LIMITED**

**Statement of Intent**

**2016/17**

## CONTENTS

<b>1</b>	<b>INTRODUCTION</b>	<b>3</b>
<b>2</b>	<b>OBJECTIVES</b>	<b>3</b>
	2.1. VISION	3
	2.2. OBJECTIVES	3
<b>3</b>	<b>CHRISTCHURCH CITY COUNCIL SALE PROCESS OF CITY CARE</b>	<b>4</b>
<b>4</b>	<b>NATURE AND SCOPE OF ACTIVITIES</b>	<b>4</b>
<b>5</b>	<b>GOVERNANCE</b>	<b>4</b>
	5.1. BOARD ROLE AND RESPONSIBILITY	4
	5.2. RESPONSIBILITY TO SHAREHOLDER	5
	5.3. BOARD COMPOSITION	5
	5.4. CONFLICTS OF INTEREST	5
	5.5. NOMINATIONS AND APPOINTMENT OF NEW DIRECTORS	5
	5.6. BOARD MEETINGS	6
	5.7. DIRECTOR INDUCTION AND EDUCATION	6
	5.8. BOARD PERFORMANCE REVIEW	6
	5.9. CHIEF EXECUTIVE OFFICER PERFORMANCE REVIEW	6
	5.10. DIRECTOR & OFFICER INSURANCE	6
	5.11. BOARD COMMITTEES	7
	5.12. CONTROLLING AND MANAGING RISK	9
<b>6</b>	<b>FINANCIAL</b>	<b>9</b>
	6.1. MEDIUM-TERM FINANCIAL PERFORMANCE TARGETS	9
<b>7</b>	<b>DIVIDENDS</b>	<b>10</b>
<b>8</b>	<b>STRATEGY</b>	<b>10</b>
	8.1. STRATEGIC DIRECTION	10
	8.2. EMERGENCY RESPONSE	11
	8.3. COMMERCIAL RELATIONSHIP WITH THE CHRISTCHURCH CITY COUNCIL GROUP	11
	8.4. ENVIRONMENTAL LEADERSHIP	11
	8.5. COMMUNITY OUTCOMES	11
	8.6. PERFORMANCE TARGETS	11
<b>9</b>	<b>INFORMATION TO BE PROVIDED TO THE SHAREHOLDER</b>	<b>12</b>
	9.1. NO SURPRISES	12
	9.2. STATEMENT OF INTENT	12
	9.3. ANNUAL REPORT	12
	9.4. QUARTERLY REPORTING	12
<b>10</b>	<b>ACQUISITION/DIVESTMENT PROCEDURES</b>	<b>13</b>
<b>11</b>	<b>SPECIAL SHAREHOLDER REQUESTS</b>	<b>13</b>
<b>12</b>	<b>ESTIMATE OF COMMERCIAL VALUE OF SHAREHOLDER'S INVESTMENT</b>	<b>13</b>
<b>13</b>	<b>ACCOUNTING POLICIES</b>	<b>13</b>

## 1 INTRODUCTION

This Statement of Intent (SOI) is prepared in accordance with Section 64(1) of the Local Government Act 2002. The SOI specifies for City Care Limited (City Care) the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the company may be judged in relation to its objectives.

The SOI is a public and legally required document, reviewed and agreed annually with the Shareholder, Christchurch City Holdings Ltd (CCHL) and covers a three year period. This SOI covers the period from 1 July 2016 to 30 June 2019.

Contact details for both the Chairman and Chief Executive Officer are City Care's registered office:

Address: 226 Antigua Street, Christchurch  
PO Box 7669, Christchurch  
Telephone: 03 941 7200  
Web: [www.citycare.co.nz](http://www.citycare.co.nz)  
Email: [citycare@citycare.co.nz](mailto:citycare@citycare.co.nz)

City Care is a Council-Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002.

## 2 OBJECTIVES

City Care is a leading provider of construction, maintenance and management services for infrastructure and property assets.

### 2.1. Vision

City Care's vision is:

**TO BUILD GREAT  
COMMUNITIES**  
Our people. Making it work.

### 2.2. Objectives

City Care's key objectives are to:

- ✦ Operate a profitable, sustainable, growing and innovative national business so as to maintain a strong market presence in the areas of construction, maintenance and management of infrastructure and property assets
- ✦ Operate the business in a way that generates appropriate financial returns and dividend streams for the Shareholder
- ✦ Continue to compete in the Christchurch market and aggressively target a significant share of work offered for tender by the Christchurch City Council
- ✦ Deliver operational excellence that meets clients' expectations and maintains contract longevity
- ✦ Be a responsible social, environmental and value-adding business

- ✦ Be a good employer in providing a safe work environment that recruits, fosters and retains competent, motivated, committed and productive employees
- ✦ Provide emergency support services for natural disaster events nationwide

### **3 CHRISTCHURCH CITY COUNCIL SALE PROCESS OF CITY CARE**

Following a comprehensive review of its financial position, including an evaluation of its commercial assets, Christchurch City Council removed City Care from the Strategic Assets list of CCHL owned companies.

In November 2015 Christchurch City Council ratified a decision to divest 100% of City Care and commenced a sale process in January 2016 to achieve this.

The objectives outlined in this SOI should be read in light of this situation.

### **4 NATURE AND SCOPE OF ACTIVITIES**

City Care is in the business of constructing, maintaining and managing infrastructure and property assets. The company's main service offerings are:

- ✦ Constructing and maintaining property, buildings and facilities for central and local government and for private asset owners and developers
- ✦ Maintaining parks infrastructure, predominately for local authorities
- ✦ Constructing and maintaining roading networks and associated civil assets for central and local authorities and for private asset owners and developers
- ✦ Constructing and maintaining water and wastewater infrastructure predominately for local authorities

City Care's current area of operations is New Zealand. The company is open to investigating opportunities in Australia and the Pacific where there are synergies with the existing business.

City Care has Joint Venture operations and subsidiary companies.

### **5 GOVERNANCE**

City Care's Board of Directors is responsible for the corporate governance of the company. The Board and management are committed to ensuring the company operates to the recognised principles of best practice governance and adheres to high ethical standards.

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

#### **5.1. Board Role and Responsibility**

City Care's Board of Directors is appointed by the Shareholder, 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 with due regard to other stakeholder interests. The Board 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. Some of the Board's responsibilities are delegated to Board Committees. The roles of the committees are described below.

The Board has delegated to the Chief Executive Officer the day-to-day leadership and management of the company. The Chief Executive Officer has formally delegated certain authorities to direct reports and has established a formal delegated authority framework for those direct reports to sub-delegate as appropriate.

Currently 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 and the Four Pillars of Governance Best Practice for New Zealand Directors.

## **5.2. Responsibility to Shareholder**

In accordance with Section 64 of the Local Government Act 2002, each February the company submits to the Shareholder a draft SOI for the coming financial year. The SOI sets out the objectives, activities, intentions, financial and performance targets.

After due consideration and discussion with the Shareholder and completion of the annual business planning and budgeting, the final SOI is approved by the Board of Directors and delivered to the Shareholder in May.

## **5.3. Board Composition**

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

Directors retire and are eligible for re-election by rotation in accordance with CCHL Policy on Appointment and Remuneration of Directors September 2007. Retiring Directors are eligible for re-election.

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

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

## **5.4. 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/s concerned must disclose their interest, excuse themselves from any Board discussions and not receive any Board papers in respect of those interests.

The company maintains a Board and Management Interests Register and reviews this register at each Board meeting.

## **5.5. 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.

#### **5.6. Board Meetings**

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

The Chairman and Chief Executive Officer establish meeting agendas to ensure adequate coverage of all key issues. The Directors generally 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 scheduled presentations at Board meetings by managers who can furnish additional insight into items being discussed, or have future potential that could or should be demonstrated to the Board.

Directors are entitled to have access, at all reasonable times, to all relevant company information and to the company's management team. Any Director is entitled to obtain independent professional advice relating to the affairs of the company or to his or her other responsibilities as a Director. If a Director considers such advice necessary, the Director shall first gain the approval of the Chairman, and having done so, shall be free to proceed.

The Board meets regularly in Director-only sessions, without the Chief Executive Officer or other management present.

#### **5.7. Director Induction and Education**

Upon appointment to the Board, all new Directors undergo a tailored induction programme appropriate to their experience to familiarise them with City Care'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 company's business and in the environment and markets in which the company operates.

All Directors undertake continuous development so that they may appropriately and effectively perform their duties.

#### **5.8. Board Performance Review**

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

#### **5.9. Chief Executive Officer Performance Review**

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

#### **5.10. Director & Officer Insurance**

The company has arranged liability insurance for Directors and officers. This insurance 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.

The company indemnifies the Directors and holds them harmless, to the extent possible by law and as allowed under the company's Constitution, against any proceedings incurred, suffered or expended by or threatened against the Directors with respect to any act or omission in their capacity as a Director. The indemnity excludes: gross negligence or wilful default, deliberate action outside the scope of the delegated authority, criminal liability, breaches of duty under section 131 of the Companies Act 1993 and any other liability for which giving an indemnity is prohibited by law.

#### **5.11. Board Committees**

The Board has four formally constituted committees, the Risk, Audit and Finance (RAF) Committee, the Health & Safety (HS) Committee, the Remuneration Committee and the Sale Committee. The committees have Board-approved Charters outlining the committees' authority, duties, responsibilities and relationship with the Board. Other committees may be established as and when required.

##### ***Risk, Audit and Finance (RAF) Committee***

The objective of the RAF Committee is to provide independent assurance and assistance to the Board on the company's risk, control and compliance framework, and its external accountability and reporting responsibilities.

The RAF Committee is chaired by a Director who is not the Board Chairman. It comprises non-executive members of the Board as appointed by the Board from time to time. The Chief Executive Officer and Chief Financial Officer 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 RAF Committee shall assist the Board discharge its responsibility to exercise due care, diligence and skill in relation to:

- ✦ Risk management and systems of internal control;
- ✦ Business policies and practices;
- ✦ Compliance with applicable laws and regulations (health and safety matters specifically excluded);
- ✦ Reporting of financial information and regulatory disclosure requirements (including all related audit matters); and
- ✦ Financial management and protection of the company's assets.

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 RAF Committee receives regular reports from management as well as the internal and external auditors. At least annually the RAF Committee meets with the external auditor without the presence of management.

The committee makes recommendations to the Board for its consideration.

##### ***Health and Safety (HS) Committee***

The objective of the HS Committee is to provide independent assurance and assistance to the Board and Chief Executive Officer on the company's health and safety performance, systems and processes, compliance and reporting responsibilities.

The HS Committee comprises two non-executive Directors of the Board as appointed by the Board; currently the committee Chair is the Board Chairman. The Chief Executive Officer, Executive General Manager – People, Processes and Capability, GM – Safety, and representation from the operational

EGMs, attend the 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 HS Committee's main responsibilities are to ensure that the company has effective systems and processes to provide the best practicable health and safety performance, and to assist the Board in fulfilling its strategy, policy, systems oversight, monitoring and corporate governance responsibilities in relation to health and safety matters arising out of City Care's activities as they affect employees, contractors, visitors, customers and the communities in which City Care operates.

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

In fulfilling its responsibilities the HS 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.

### ***Remuneration Committee***

The objective of the Remuneration Committee is to provide independent assurance and assistance to the Board on the company remuneration strategy and Chief Executive Officer's employment conditions. The Remuneration Committee comprises two non-executive members of the Board as appointed by the Board, currently the committee Chair is the Board Chairman.

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

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

- ✦ The remuneration strategy;
- ✦ The remuneration arrangements, including any incentive plans for the Chief Executive Officer, other senior executives and any executive Directors;
- ✦ The remuneration, recruitment retention and termination policies and practices with regard to the Chief Executive Officer;
- ✦ Reviewing succession plans for the senior executives;
- ✦ Reviewing the training and development plans for the senior executives; and
- ✦ The company's disclosure obligations for matters within the responsibilities of the committee.

In fulfilling its responsibilities, the Remuneration 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.

### ***Sale Committee***

The objective of the Sale Committee is to provide advice and assistance to the Board and Management on the proposed divestment of the company and the processes around that process. The Sale Committee comprises two non-executive members of the Board as appointed by the Board, currently the committee Chair is the Board Chairman.



The Sale Committee shall assist the Board and Management, working with the Shareholder, Christchurch City Holdings Ltd, and its appointed advisers, to discharge its responsibility to exercise due care, diligence and skill.

The committee makes recommendations to the full Board for its consideration.

**5.12. Controlling and Managing Risk**

**Risk Management** – The company has a formal risk management framework which identifies the key risks and outlines the appropriate risk management and mitigation plans. The risk management framework is reported to and reviewed by the Board and delegated to the RAF and HS Committees where appropriate. Mitigation plans are controlled and administered by Management.

**Performance** – The Board sets the strategic direction of the company and participates in developing strategic plans, approves budgets and monitors company performance monthly.

**Insurance** – The Board satisfies itself that adequate insurance is in place for the company’s size and risk profile. External advice is received by the Board as appropriate.

**Health and Safety** – The Board reviews health and safety performance at every Board meeting. This is further supported by the Board HS Committee which reviews company health and safety policies, hazard assessments, and regularly monitors the company’s health and safety performance.

**6 FINANCIAL**

**6.1. Medium-term Financial Performance Targets**

The financial performance targets as detailed in Table 1 show the revenue, profit and financial ratio expectations for the next three years.

Table 1 – Medium-term Financial Targets

<b>\$000’s</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Revenue	332,858	365,027	435,170
Net Profit After Tax	8,413	8,956	11,686
Return on Average Equity	14.6%	14.4%	17.0%
Equity/Total Assets	55.7%	54.7%	51.5%
Equity	57,706	62,320	68,846
Debt to Debt plus Equity	7.4%	9.3%	13.8%

**Revenue** — Revenue growth is forecast to remain stable for the next two financial years even though the anticipated reduction in SCIRT project work occurs late in 2016. Replacement revenue over the next three years will occur from all business sectors as the company continues to win new construction and maintenance contracts.

**Net Profit After Tax** – Net Profit after Tax (NPAT) over the next two years remains static but is followed by revenue growth driven through organic contract growth, new contract wins and acquisitions. The company will continue to invest in people and systems, focus on efficiencies and reduce costs to drive NPAT improvements.

**Return on Average Equity** – Return on Average Equity (ROE) also remains static over the next two years however will increase from the 2018/19 financial year onwards.

## 7 DIVIDENDS

City Care’s strategy outlined in section 8 is built to deliver sustainable value over the long-term whilst supporting the Shareholder with a strong dividend stream. The Directors consider that maintaining an ordinary dividend policy of at least 50% of NPAT provides a balance between a strong Shareholder dividend stream and building company long-term sustainability.

Ordinary dividends are forecast to be paid in two instalments in March and October of each financial year. Special dividends would be paid when appropriate. Any dividends will be paid to the Shareholder after taking into account the company’s profitability and future investment requirements. The Board will determine the dividends payable after considering the company’s funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993.

To assist the Shareholder with budgeting, the forecast ordinary and special dividends payable to the Shareholder are detailed in Table 2.

Table 2 – Shareholder Dividend Distribution

	2016/17 \$M	2017/18 \$M	2018/19 \$M
Ordinary Dividend	3.9	4.3	5.2
Special Dividend	2.5	0	0
<b>Total</b>	<b>6.4</b>	<b>4.3</b>	<b>5.2</b>

## 8 STRATEGY

### 8.1. Strategic Direction

Demand for City Care’s services in both the property and infrastructure sectors remains positive in New Zealand and City Care is committed to ensuring it continues to play a key role in meeting this need through a focus on our customers and the communities in which they live.

Whilst demand is strong, the competitive environment remains challenging and City Care will continue to create sustainable value through a strategy which builds on City Care’s well balanced portfolio of construction and maintenance businesses which provide potential for growth.

City Care’s strategy will be to drive the following key priorities across its portfolio to continue to be recognised as the industry leader in providing smart and innovative solutions:

- ✦ Continue to win and replace earthquake work with new long term contracts, construction projects or acquisitions focusing on the Auckland and Golden Triangle regions;
- ✦ Continued active participation in the rebuild of Christchurch both for public and private clients;
- ✦ Establishing strong positions in markets and sectors through acquisitions, Public Private Partnerships and/or alliances;
- ✦ Continued investment in smart asset management systems and services;

- ✦ Reinforcing a more effective organisation that provides a safe and enriching environment in which to work;
- ✦ Constantly innovate to deliver on client expectations and maximise opportunities to win new work and retaining current contracts and customers; and
- ✦ Continue to focus on and identify new sustainable initiatives that improve productivity or reduce operating costs, i.e. landfill disposal or new equipment.

## **8.2. Emergency Response**

City Care continues to invest in processes, systems, people and plant to meet the company's contractual obligations to respond to emergency situations and call-outs. The company has some 1250 trained field staff, administrative support, project support and management staff, along with associated plant and equipment available nationwide to respond or work on emergency related tasks.

## **8.3. Commercial Relationship with the Christchurch City Council Group**

City Care acknowledges that there may be commercial opportunities within, or in partnership with, other group companies that can be developed to benefit City Care, CCHL and the Canterbury region. City Care will work with other CCHL group companies to explore any opportunities that could be mutually beneficial.

City Care as a larger purchaser of materials and equipment around New Zealand, actively participates in the "All of Government" procurement initiative to maximise the value from this spend.

## **8.4. Environmental Leadership**

City Care's stated commitment to the protection of the environment, prevention of pollution and sustainability of natural resources is effected through its suite of environmental plans and accreditations.

The company works hard to identify opportunities to promote sustainable solutions through innovative methodology, thus realising positive environmental impacts throughout contract lifecycles.

All work undertaken by City Care is performed in accordance with its Environmental Management System, which is certified to ISO14001.

## **8.5. Community Outcomes**

City Care's sponsorship policy is strategically focused on supporting organisations and projects that deliver significant benefits to the community both locally and nationally.

As an example, our sponsorship relationship with University of Canterbury's Student Volunteer Army (SVA) is into its second term, and has provided considerable benefit to both organisations, which are closely aligned in values and attitude. Projects undertaken by the City Care/SVA partnership include City Care Connect the Community events to help residents and neighbourhoods in need, as well as tree-planting days, waterway clean-ups and saving the habitat of the endangered black-billed gull.

## **8.6. Performance Targets**

The performance targets outlined in Table 3 reflect the key milestones the company must meet to be able to operate effectively in the post-earthquake environment in Canterbury and growth around New Zealand.

Table 3 – Performance Targets (excluding subsidiaries)

Target	Performance measure 2016/17
<b>Client satisfaction</b>	Maintain current client satisfaction through annual survey
<b>ISO 14001 Environment Management</b>	Maintain accreditation
<b>NZS 4801 Health and Safety Management</b>	Maintain accreditation
<b>ISO 9001 Quality Management</b>	Maintain accreditation
<b>Health and Safety</b>	5% reduction in TRIF (Total Recordable Incident Frequency) accident rates
<b>Staff engagement</b>	Maintain current level of staff satisfaction through annual survey
<b>Staff retention</b>	Reduce voluntary staff turnover by 2.5%
<b>Growth</b>	Win one new significant contract or client

## 9 INFORMATION TO BE PROVIDED TO THE SHAREHOLDER

### 9.1. No surprises

The company will operate on a ‘no surprises’ basis in respect of significant Shareholder-related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

Any sensitive issues that could result in media attention or issues will be communicated to the Shareholder as soon as possible.

### 9.2. Statement of Intent

The SOI will be submitted to the Shareholder annually, as required by the Local Government Act 2002. The Directors will include any other information they consider appropriate. Where appropriate, revised forecasts will be submitted to the Shareholder when required.

### 9.3. Annual Report

An Annual Report will be submitted to the Shareholder and will include audited financial statements and such other information as necessary to permit an informed assessment of the company’s performance and financial position during the reporting period.

Annual reports will be produced consistent with ‘triple bottom line’ reporting philosophy. The reports will outline the company’s objectives and performance in terms of financial, environmental and social inputs, outputs and outcomes, as well as performance against the stated SOI targets.

City Care will provide further information requested by the Shareholder in accordance with the requirements of the Local Government Act 2002.

### 9.4. Quarterly Reporting

Quarterly reports will be provided to the Shareholder. These reports will include financial results for the year to date, performance compared to SOI and an operational overview. It will also report on health and safety practices and performance within the company.

## **10 ACQUISITION/DIVESTMENT PROCEDURES**

Outside of the current sale process, the subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with the long-term commercial objectives of City Care.

When the subscription, acquisition or divestment is considered by Directors to be significant to the company's business operations, it will be subject to consultation with the Shareholder. Major transactions as defined by the Companies Act 1993, Section 129(2), will be subject to the Shareholder's approval by special resolution.

Where the company decides to incorporate or subscribe for shares in subsidiaries to undertake its commercial activities, the company will ensure effective management. Board control of any subsidiary is exercised by City Care's Directors and staff.

## **11 SPECIAL SHAREHOLDER REQUESTS**

At the request of the Shareholder, the company may undertake activities that are not consistent with normal commercial objectives. Specific financial arrangements will be entered into to meet the full commercial cost of providing such activities. Currently, no such activities are undertaken or contemplated.

## **12 ESTIMATE OF COMMERCIAL VALUE OF SHAREHOLDER'S INVESTMENT**

Effective 30 June 2015, City Care's value was assessed by independent valuers, Ernst & Young, based on a full discounted cash flow of future maintainable earnings valuation and a separate valuation for the Springs Road land, at \$113 million.

## **13 ACCOUNTING POLICIES**

City Care has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the Christchurch City Council group. The detailed accounting policies are available in our most recent annual report as published on our company website.