

20 24

Annual Report

Nau mai, haere mai

KIA ORA KOUTOU.

Welcome to our Integrated Report for the 2023/24 year.

The Citycare Group consists of four businesses that operate independently. This includes Citycare Property, Citycare Water, Apex Water and Spencer Henshaw. Our businesses provide facilities management, maintenance and project services across a range of customers including local and central government.

TAUTI MAI NAU MAI, HAERE MAI. KIA ORA KOUTOU,

Nāia te Pūrongo Tāuke mō te tau pūtea 2023/24.

E whā ngā momo kaupakihi o te Rangapū Tiaki Taone e tū motuhake ana. Ko ēnei rangapū ko Rawa Whare Tiaki Taone; Wai Tiaki Taone; Apex Wai me Spencer Henshaw.

Our people, and the communities we serve, are at the heart of everything we do.

We are proud to share some of our successes from FY 2023/24 and to present our consolidated financial result.

Ko ngā kaupakihi nei ka whakarite ratonga whakahaere whare; whakatika me te whakapai whare me ngā ratonga hinonga mō ngā kaitango whānui tae rā anō ki ngā tari kāwantanga ā-rohe me te Kāwanatanga o Aotearoa.

Ko ō mātou tāngata, me ngā hapori, ko te pūtake o ā mātou mahi katoa.

Ka poho kererū mātou i ngā mahi angitu o te tau pūtea 2023/24 me te tuku i te pūrongo pūtea tōpū.



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Integrated Reporting

The Citycare Group has adopted a comprehensive reporting approach in accordance with the Integrated Reporting <IR> Framework that amalgamates both financial and non-financial data to:

- improve the quality of information available to stakeholders;
- promote a more cohesive and efficient approach to corporate reporting by communicating the full range of factors that materially affect the ability of an organisation to create value over time;
- enhance accountability for, and stewardship of, the four capitals that we will report against - Human and Intellectual | *Ngā Rawa Tāngata*, Social and Relationships | *Hononga Pāpori*, Natural | *Rawa Taiao* and Financial | *Tahua*;
- support integrated thinking, decision-making and actions that focus on value creation over the short, medium and long term.

This framework has also been adopted by our shareholder Christchurch City Holdings Limited (CCHL) as the standard across the CCHL group.

We have used the United Nations Sustainable Development Goals (UN SDGs) as a reference framework to assess sustainability, social and economic goals. The UN SDGs have guided our Environmental, Social and Governance (ESG) Strategic Framework and through a process of review we have identified which of the seventeen SDGs have the closest synergies to our strategic goals.

Our reporting will mature as we continue to focus on all four capitals and how we manage them, measure our performance against targets, improve our data collection and collectively enable quantification of our value creation over time.

OUR CAPITALS



HUMAN AND INTELLECTUAL *NGĀ RAWA TĀNGATA*

The leadership and culture we provide for our people fosters diversity, equality, inclusion and belonging.



SOCIAL AND RELATIONSHIPS *HONONGA PĀPORI*

We contribute to the delivery of social outcomes for our communities and mana whenua by building relationships, honouring Te Tiriti o Waitangi, and focusing on health, safety and wellbeing.



NATURAL *RAWA TAIAO*

We contribute to the delivery of climate and biodiversity benefits for our communities through waste reduction, climate risk mitigation and environmental governance.



FINANCIAL *TAHUA*

We generate financial returns and economic benefits for our shareholder.

Governance

Citycare’s Board of Directors (the Board) sets strategic direction, approves budgets, and monitors performance of the Citycare Group. The Citycare Group consists of four businesses, Citycare Property, Citycare Water, Spencer Henshaw (Spencers) and Apex Water, of which City Care Ltd has a 75% shareholding.

For the purposes of the integrated report Citycare Water and Apex Water are collectively referred to as Citycare Water. This is due to the adjacent industries in which they operate and the close alignment of their strategies.

The Board’s focus is on improving profitability, enhancing customer relationships, and building a stronger sustainability footprint, through delivery against strategic priorities. This aligns closely with our shareholder’s purpose which is to make a positive difference to the community by ensuring the city’s major investments provide commercial returns and, at the same time, provide leadership in the areas that matter to the wellbeing of our residents and environment.

The Board does this by setting the strategic direction and context, and focusing on issues critical for their 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 ensure high standards of corporate governance are maintained.

The Board functions in an open and constructive manner, adhering to its guiding principles while acknowledging that differing opinions can provide valuable insights and lead to more informed

decisions. This approach, coupled with the Directors’ commitment to actively engage in a candid and constructive way, ensures that each member contributes their unique knowledge, skills, and expertise to the Board.

Several of the Board’s responsibilities are delegated to Board Committees. The Board has three formally constituted committees: the Risk, Audit and Finance Committee, the Health and Safety Committee, and the People and Culture Committee. These committees all have Board-approved Terms of Reference outlining the committees’ authority, duties, responsibilities and relationship with the Board. Further information is available in the Corporate Governance Statement across pages 71–73.

The Board consists of an independent Chair and five independent non-executive Directors, with a maximum of seven Directors. The Chair leads the Board and interfaces with the Chief Executives of the Property and Water businesses, who are not Board members.

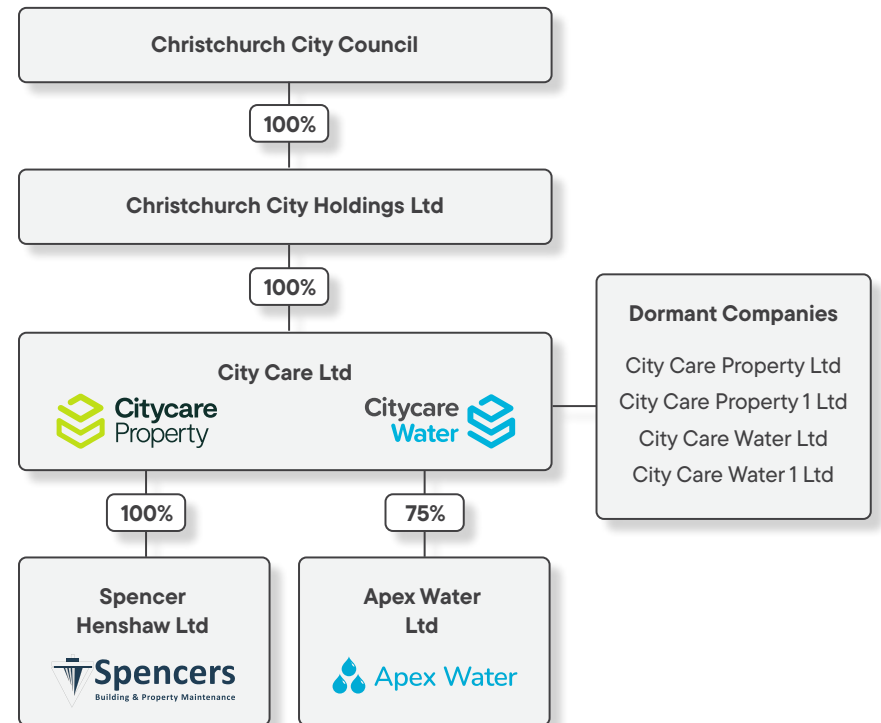
The Board has also appointed statutory Boards for both of City Care Ltd’s subsidiary companies. The subsidiary Boards are responsible for the corporate governance of the respective subsidiary and are subject to their own Terms of Reference. The Chief Executive (CE) of Spencers and the General Manager (GM) of Apex Water Ltd report to the Chair of their respective subsidiary Board. The subsidiary Boards are responsible for ensuring a six-monthly update is submitted to the City Care Ltd Board, which is prepared and presented by the CE/GM of the respective business.

Apex Water Board

The Apex Water Board consists of two Citycare non-executive Directors, a member from the Citycare Water Executive Leadership Team as well as the two minority shareholders. Apex Water Ltd is governed by a separate Constitution and Shareholder Agreement.

Spencers Board

The Spencers Board consists of two Citycare non-executive Directors and a member from the Citycare Property Executive Leadership Team. Spencers is governed by a separate Constitution.



Our Business Landscape

CitycareProperty

Citycare Property provides a range of social infrastructure services, including facilities management, open space maintenance and construction works to central and local government

Citycare Water

Citycare Water provides three waters maintenance, construction and digital services that support our customers to deliver safe drinking water and environmentally sound wastewater and stormwater services

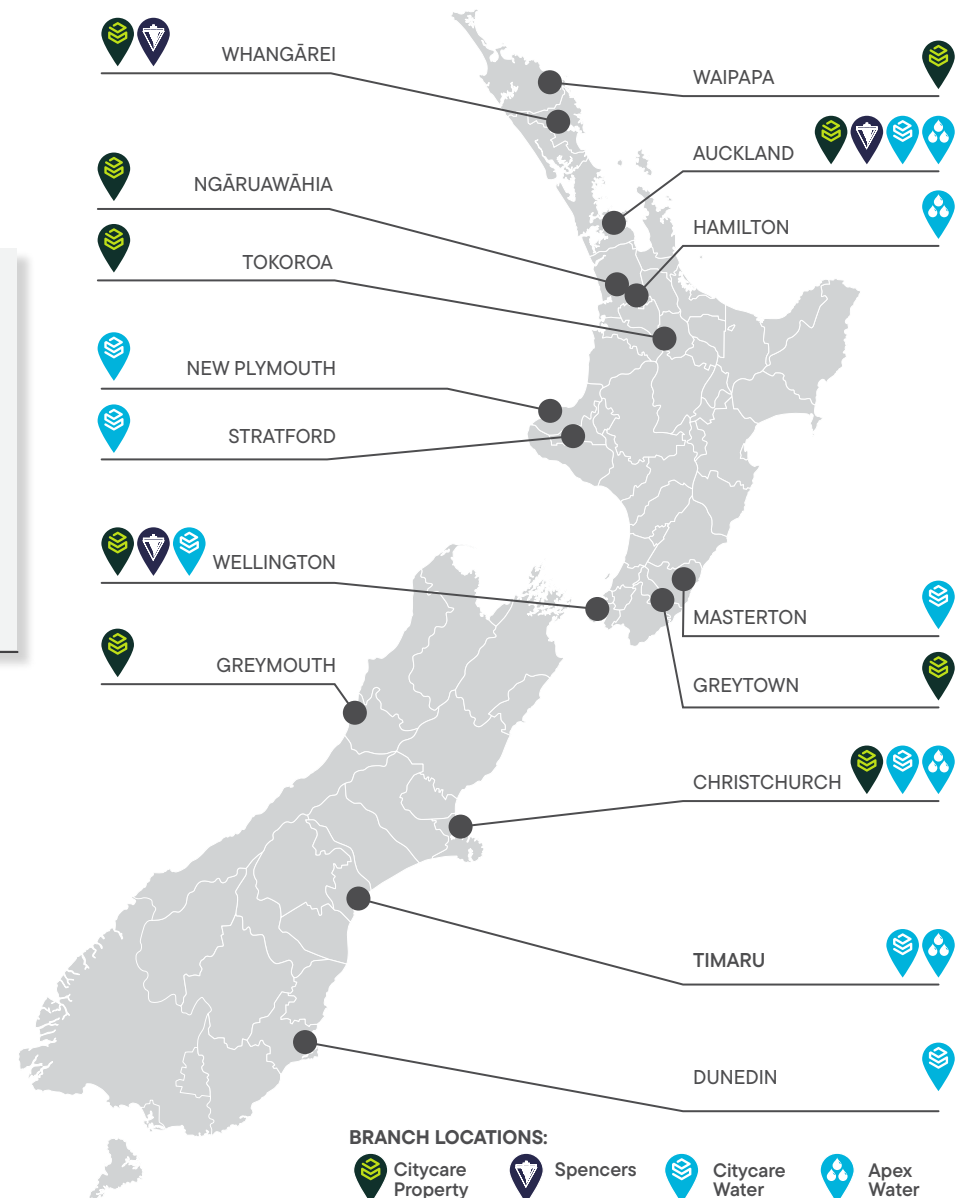
Spencers

Building & Property Maintenance

Spencers provides a range of property repair, maintenance and upgrade services within the social housing sector.

Apex Water

Apex Water specialises in the design and build of water and wastewater treatment plants within both the local government and commercial sectors.



Citycare Group Chair's Report

Despite ongoing headwinds in the market, the four businesses that make up the Citycare Group – Citycare Property, Citycare Water, Spencers and Apex Water – had a successful year with the majority of targets met for FY 2023/24. It is fair to say that it has been a volatile 12 months which presented its own set of challenges around forward planning and delivery. The change in Government, and subsequent reforms, has placed pressure on our local and central government customers, making it more complex to do business as our traditional customer base seeks ways to achieve required savings. We anticipate that as there is more clarity around the impacts and outcomes of reform, we will gain more certainty on the potential opportunities for business growth across the group.

Despite these circumstances, the group has been able to achieve financial KPIs. Our strong financial performance has enabled us to pay down debt to our shareholder CCHL faster than anticipated.

The group remains ahead of the loan repayment schedule as outlined in the shareholder loan agreement, which was provided to fund the acquisition of Spencers.

During the year our four business units have continued to bed down their longer-term strategies to ensure strong foundations for future growth. These strategies take both an internal and external focus, making sure the potential exists to explore and capitalise on all commercial opportunities that arise, as well as to understand internal requirements to deliver a steady and skilled workforce.

Spencers (purchased in September 2022) has now completed a full year as a member of the Citycare Group. Its continued strong financial performance has been pleasing and has contributed to our ability to repay debt quicker than anticipated. Spencers has exceeded all business case expectations.

Citycare Water has been in a holding pattern for some time as it awaits the outcome of the refreshed

Three Waters legislation. Due to the uncertainty of reform, the focus has been to successfully negotiate extensions of our long-term maintenance contracts with key clients. We know that the proposed new legislation – Local Water Done Well – will require a different approach and the business is positioning itself to take full advantage of opportunities that will arise once the new approach and supporting legislation is confirmed.

Apex Water has continued to grow its business in both the public and private sectors. Growth in the public sector continues to increase as a result of Taumata Arowai, the water services regulator for Aotearoa, holding councils to account in terms of the delivery of water quality. This has subsequently resulted in significant new business for Apex, which has opened a new branch in Kirikiriroa, Hamilton, and now employs 55 people.

Citycare Property has continued to achieve steady growth and won new business. Commencing the national NZ Police Facilities Management contract early in 2024 was a highlight for the team and an endorsement of Property's Towards 2030 strategy. The way in which the team has delivered on the contract to date has ensured the full confidence of this important customer.

Over the past 12 months the group completed the Evolve Programme of work. This was a significant, multi-year project that was designed to address issues of technical debt that existed within our businesses. The final piece of work was implementation of a people management system to enable projects like personalised onboarding and individualised leadership programmes designed to deliver on culture requirements. These improvements will add significant value to our people strategies.

This year, the group adopted an Integrated Reporting approach which we intend to build on and develop. While it is easy to report annually on tangibles within our business, it is more of a challenge to appropriately report on the various

components we employ to create long-term value across our businesses. The process started this year with completion of our Statement of Intent, using an Integrated Reporting model, and we have carried that approach into this report. This will be an ongoing journey that we monitor and refine to align with our shareholder's purpose which is: *to make a positive difference to the community by ensuring the City's major investments provide commercial returns and, at the same time, provide leadership in the areas that matter to the wellbeing of our residents and environment.*

The four capitals we report against include Human and Intellectual | Ngā Rawa Tāngata, Social and Relationships | Hononga Pāpori, Natural | Rawa Taiao and Financial | Tahua. These form the foundations for group delivery, and they are top of mind in our decision making and planning.

Thank you to our three Chief Executives, Peter Lord, Tim Gibson and Murray Stevenson, and to Andrew Paton, General Manager Apex Water, for their outstanding leadership and commitment.

Finally, I want to thank my fellow board members for the contribution of their skill and expertise this year. It was a year of change as we farewelled three long-standing board members: Penny Hoogerwerf, Jennifer Rolfe and Kevin Young. We also welcomed new members Alison Posa, Bill Bayfield and Jackie Colliar. Thank you to you all.



BRYAN JAMISON
CHAIR CITYCARE GROUP

Materiality Assessment

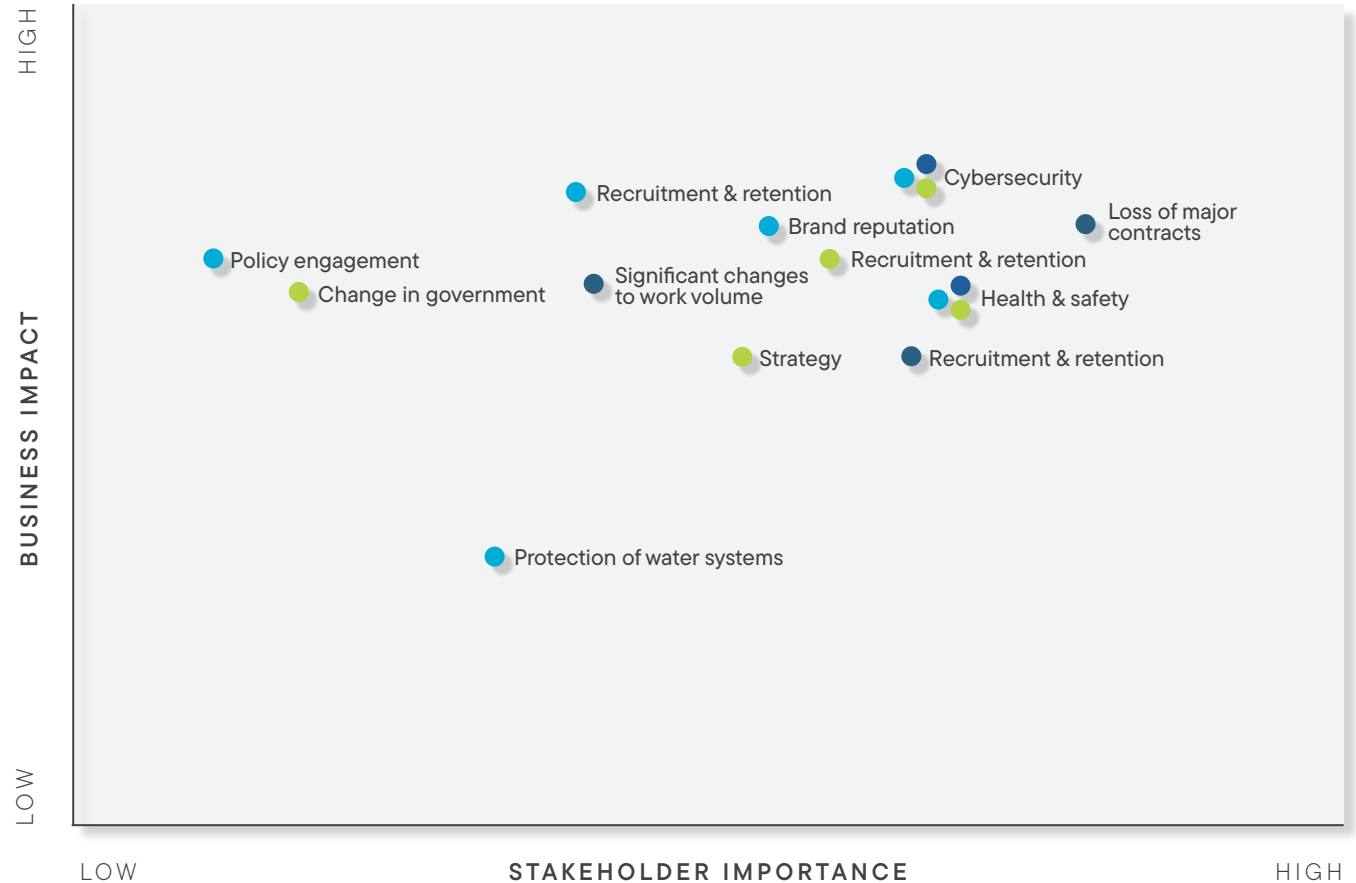
A materiality assessment provides a structured methodology to identify the issues that our shareholder, customers, suppliers, regulators, communities and people care about, and that matter most to our businesses. Use of this tool has helped the Citycare Group confirm, review and future proof our strategies.

We have taken the top five material topics for each business and plotted them according to business impact and stakeholder importance. For this first year of adoption, Property has conducted a full materiality assessment, while the other businesses have conducted a self-assessment. As our reporting process matures, it is our intention that each business will undertake a full materiality assessment for the subsequent reporting period.

Each business is illustrated separately as they operate in different markets with different customers. The respective materiality assessment therefore varies in both business impact and stakeholder importance.

The materiality topics are explored further within each businesses' section on pages 13, 20 and 27, including the relevant risk(s) and the associated risk mitigation.

While risks are actively monitored across our businesses by senior management, these top five strategic risks are also regularly monitored by both the Board and the Risk, Audit and Finance Committee. The development and implementation of mitigation strategies for these risks is the responsibility of management and their people.



02



Strategy



OUR PURPOSE - TŌ MĀTOU KAUPAPA

Enhance the wellbeing of our communities.
Te Whakamarohi i ō Mātou Hapori.



VALUES - Ō MĀTOU UARA

We Discover - Ka Tūhuratia Mātou

We Deliver - Ka Puakina Mātou

We Care - Ka Kumanutia Mātou



OUR STRATEGY - RAUTAKI

Citycare Property creates value for our customers, people, shareholder and the wider community through five key strategic priorities. We call these our “High 5” and they include:

- **We are for Social Infrastructure**
- **We are a Good Kiwi Company**
- **People and Their Safety are at the Heart of Everything we Do**
- **We Deliver a World-Class Service**
- **We Build, Operate, Maintain and Renew**



ABOUT CITYCARE PROPERTY - MŌ MĀTOU

Citycare Property is a nationwide business that employs over 700 kaimahi at nine locations throughout New Zealand.

- We are a Good Kiwi Company, which delivers a World Class Service.
- We put People and their Safety at the Heart of everything we do.
- We honour our purpose by providing facilities and open space maintenance and management services across the Social Infrastructure environment in Aotearoa. In building, maintaining, operating, and renewing social infrastructure assets.
- We are proudly trusted partners for local and central government and a range of other public and private customers.



NATURE AND SCOPE OF ACTIVITIES -TE ĀHUA O NGĀ MAHI

Citycare Property provides build, operate, maintain, and renew services across Aotearoa New Zealand’s social infrastructure assets. Citycare Property delivers asset and facilities management, property maintenance and trade services, open space, and parks maintenance, building construction and capital works including landscapes as well as project and asset management services. The Company’s current area of operations is solely in New Zealand, and our New Zealand ownership is a unique selling point amongst our competitors which are largely owned internationally.

Chief Executive's Report



This has been a year of expansion for the business as we have continued to focus on growing our core operations externally, while simultaneously supporting a culture of transformation, efficiency and

innovation internally. These measures will ensure we are well positioned for the future.

FY 2023/24 commenced on a high note as we secured the national NZ Police Facilities Maintenance contract which started on 1 February 2024. Winning this contract reaffirmed our capacity as a highly competitive business, able to deliver facilities management services effectively on a national scale and in a challenging environment. The dedicated team has gone on to deliver exemplary services and showcase the expertise that contributed to our successful bid. There has also been an exceptionally strong engagement with our customer because of our focus on relationship building to ensure delivery.

A further aspect of our customer management success is our ability to bring game-changing technology that offers customers greater levels of transparency and project visibility via our bespoke software system Event Manager. This software, combined with the skill and expertise that our kaimahi bring to their work, provides a point of competitive difference for Citycare Property.

It enables our clients to experience an asset management system that provides detailed asset and condition data, job event history and planned preventative maintenance programmes through a fully transparent hub.

Other national clients that remain core to our business include the Department of Internal Affairs (DIA), Kāinga Ora and Oranga Tamariki.

Citycare Property has the contract for facilities management of the 54 DIA sites across Aotearoa, including Premier House, the National Archives Building and the National Library in Wellington. We have a dedicated team, fully embedded in the DIA office in Wellington to deliver on contractual requirements. This option provides an innovative solution and a range of client benefits including greater contribution to operational efficiency, cost savings, and improved overall performance.

In December 2023, our Wellington team handed back the 100th refurbished home to Kāinga Ora as part of the social housing retrofit programme. Citycare Property has been managing the contract in Wellington for the past two years ensuring that residents have warm, dry and well ventilated homes that meet Healthy Homes standards.

We continually strive for improvement that delivers a better customer experience. The Net Promoter Score (NPS) is the best way we have to measure our success in this space. It has been pleasing to see a lift in our customer NPS over the past twelve month period moving towards our aspiration of delivering world class service. This objectively

demonstrates that the changes we have made, and continue to make, are having a positive impact.

Recent growth in our contract base has seen Citycare Property open branches in both South Waikato and the Far North as we have secured new local government contracts in these regions.

In contrast to that growth, we made the decision in the latter half of the year to close our branch in Tauranga. This depot was established in 2003 and has been delivering services to the local community since then. However, a decision by Tauranga City Council to bring contracts in house no longer makes a presence in the city viable. This decision was not a reflection in any way of the team's work quality or commitment, but rather the ideology of a council that currently favours insourcing.

Chief Executive's Report cont...

A great deal of our internal focus over the past year has been on delivering transformation and enhancing our leadership capability. We know that this enables both the attraction and retention of qualified kaimahi, the building of great teams and resulting increase in customer service levels. This approach is aligned with our Towards 2030 strategy which requires a comprehensive approach to leadership executed well at every level across our organisation. In response, we introduced Te Mana Tangata (How We Lead @ Citycare Property). This programme sets out the core behavioural expectations of our leaders, articulates these behaviours in practical terms and provides a tool which we can use to assess our leadership capability and identify areas for both individual and collective growth. We have worked with leaders at all levels of the organisation and tailored programmes that provide the right focus.

Our Diversity Equity Inclusion and Belonging (DEIB) strategy, "All In", takes a holistic approach to tackling these issues. We know that workplaces which embrace DEIB principles experience increased collaboration and trust, higher attraction levels, decreased employee grievances, enhanced innovation, lower turnover, satisfied customers, and stronger business performance - all things we strive to achieve. While we are at the earlier stages of implementation of the "All In" programme, our focus is on building strong foundations for future growth.

The effectiveness of these programmes is carefully measured through The Dial where we invite all kaimahi to participate in our staff engagement survey. Our goal is to achieve a high response rate

to ensure effective representative participation. This year we increased our participation levels from 2022 and increased our kaimahi Net Promoter Score. Both achievements are worthy of note.

Health and Safety remains at the heart of our business. Citycare Property has completed the second year of a deliberate three-year strategy to enhance the maturity of our safety culture. We are making strong progress. We have leveraged early work completed with all leaders around safety leadership and development of a common understanding of our safety aspirations and the way we want to manage our risks. We have identified our critical risks, and we are focused on advancing the level of controls for each of these. Our leaders are now more visible in the field, and we have focused on the way we respond to and learn from incidents. As a result, our kaimahi are more comfortable reporting incidents. The safety journey is never ending, but it is pleasing that our safety culture is lifting, as acknowledged by Concordia, an independent verifier.

This year we continued with our commitment to the communities where we live and work, choosing to participate directly in projects that bring benefit to our customers and that provide the ability to directly use our specialist skills. One such project is Mātauranga Ngahere (Forest of Knowledge). Mātauranga Ngahere was established by Citycare Property in 2022 in partnership with Climate Action Campus, Christchurch City Council, Ao Tawhiti Unlimited Discovery School and Sport Canterbury. The programme provides a learning opportunity for rangatahi to benefit from an outdoor focussed

education experience with strong mentorship from adults with sector experience.

We have also provided financial support for the annual Girl Boss Awards which acknowledge and celebrate young women demonstrating strong leadership in a range of areas.

I am proud of our kaimahi and the way they have delivered over the past year, and I thank each and every one for their contribution to making Citycare Property a successful business and a great place to work.



PETER LORD
CEO CITYCARE PROPERTY

Materiality Topics and Managing Risk

MATERIALITY TOPIC	CHANGE IN GOVERNMENT	HEALTH AND SAFETY	STRATEGY	RECRUITMENT AND RETENTION	CYBERSECURITY
Risk	High Impact of coalition government, in particular reducing spending by our key customers in local and central government.	High Our employees or partners are harmed and/or work in unsafe environments that impact their long-term health and safety.	High Customers reprioritise spend to other infrastructure or bring services in house, resulting in fewer growth opportunities aligned to our strategy.	High Inability to attract and retain key staff, compromising service levels and reducing speed of change.	High Cybersecurity incident resulting in loss of sensitive data and lack of access to systems. Could result in inability to deliver operational services and/or a leak of confidential data, including customer and supplier data.
Risk Mitigation	The Citycare Property strategy is founded on diversification across social infrastructure sectors, and the extension of the average term of the contract book. Further mitigation is achieved by continually outperforming contract KPIs and building strong customer relationships.	Citycare Property use a strong safety culture approach to managing safety risk and have implemented additional controls to further mitigate critical risks.	Citycare Property has a strategy to diversify our customer base, and services provided across social infrastructure. Securing the NZ Police FM contract during the year is a significant endorsement of our Towards 2030 strategy.	Citycare Property has multiple cultural change initiatives in place including Leadership and Diversity, Equity, Inclusion and Belonging. Focus on retention and development plan for key individuals. Evidence of culture shift through increased employee engagement and decreased churn, which is attracting people to our workplace corporate brand.	The Citycare Property levels of technology security are regularly reviewed. Penetration testing is conducted regularly by external experts. Regular staff education takes place to increase awareness of phishing, ransomware, AI and related security topics.

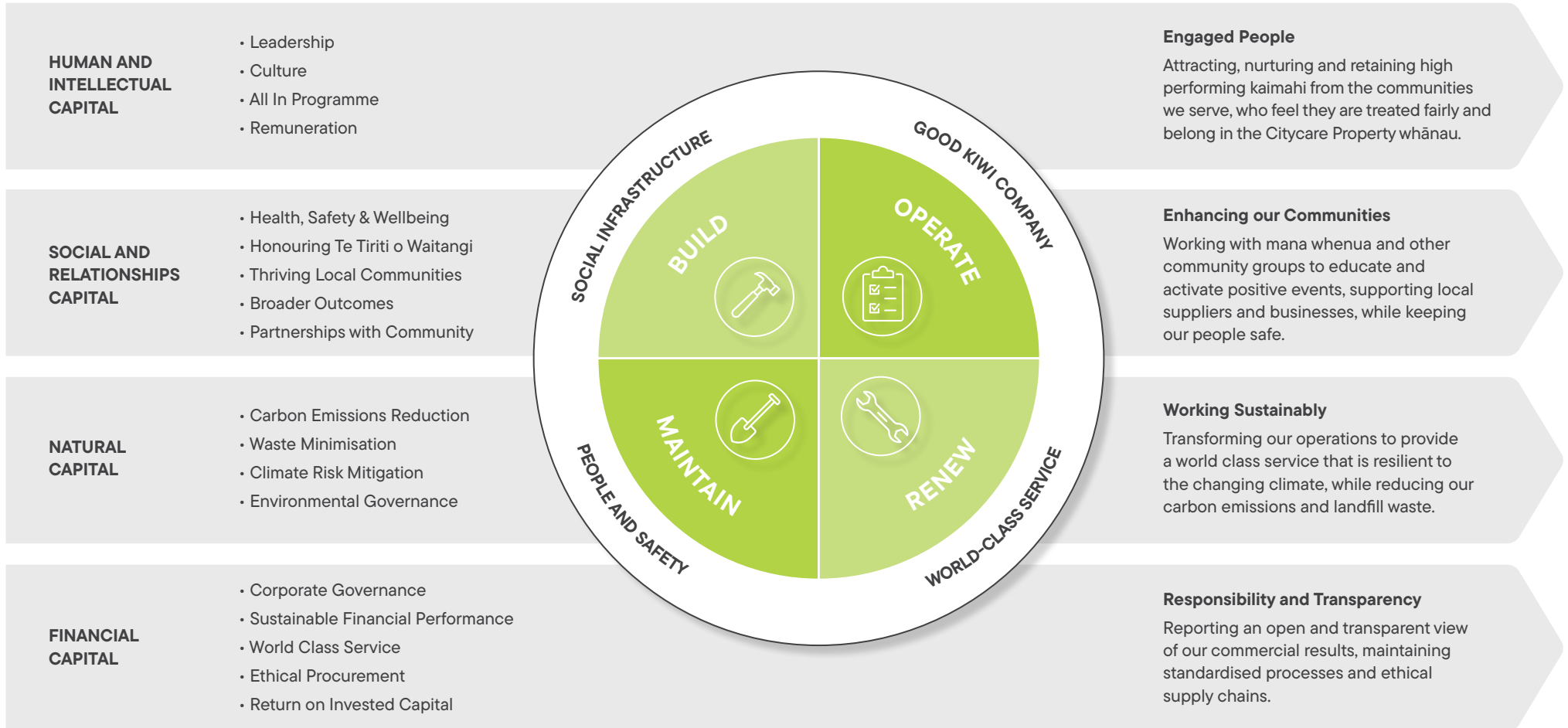
Value Creation Model

CAPITALS

INPUTS

WHAT WE DO

OUTCOMES



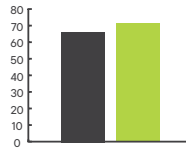
The United Nations Sustainable Development Goals (SDGs) were selected as the reference framework to assess sustainability at Citycare Property. The SDGs not only focus on environmental sustainability, but social and economic goals as well. The UN SDGs have guided our ESG Strategic Framework and through a process of review we have identified our closest synergies with five of the seventeen goals.

FY2023/24 Performance Metrics



Human and Intellectual | *Ngā Rawa Tāngata*

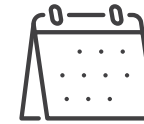
The success of our business relies on people – our own people, our extensive contractor workforce, our customers, our suppliers, and the members of the communities where we work and live. We are a business reliant on, and highly influenced by, relationships, behaviours, and the success of cooperation and collaboration between people.



Employee NPS: positive shift from 66 to 71



Participants in Te Mana Tangata | How We Lead workshops: 105



Number of events held on the 'All In' DEIB programme: 13

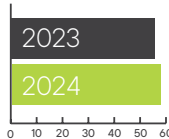


Gender pay gap: reduced by 3.5%



Social and Relationships | *Hononga Pāpori*

Our purpose at Citycare Property is to enhance the wellbeing of our communities. We are committed to contributing to thriving local communities through impactful partnerships and community projects focused on wellbeing, the environment, inclusion, equity and increasing opportunities for community economic development. This is good for our people and good for the places where we live, work and play. People and their safety are at the heart of everything we do.



Customer NPS: positive shift from 56 to 59



Concordia Health & Safety Culture Index score: 66%



Staff participation in te reo Māori classes: 70

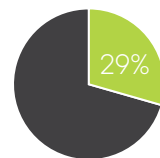


Women in leadership roles: positive shift from 24% to 30%



Natural | *Rawa Taiao*

Our role as kaitiaki is strongly reflected in our Environmental, Social and Governance (ESG) strategy which was approved by our Board of Directors in April 2023. The ESG Strategy commits Citycare Property to long term strategic targets across four guiding principles which are aligned to the UN Sustainable Development Goals.



Waste diverted from landfill across all our operations: 29%



Reduction in FY24 absolute Scope 1 & 2 emissions from FY22 base year: 4%



Climate related risks and opportunities identified: 24 risks, 7 opportunities



Attendees of sustainability education and awareness sessions: 92



Spencers

Building & Property Maintenance

03



Strategy



ABOUT SPENCERS - MŌ MĀTOU

Spencers' purpose is to provide a full range of maintenance and refurbishment services to social housing organisations, delivering warm, dry and safe homes to Kiwi families. With teams and regional offices in Auckland, Wellington and Northland, Spencers employs over 200 staff and engages a network of over 3,300 contractors, covering all trades and services needed to annually deliver over 200,000 maintenance interventions – we support local trades and businesses within our communities. Spencers maintains approximately one-third of New Zealand's social housing stock, with over 30,000 Kiwi families counting on us to maintain their homes, keeping their whānau warm, dry and safe.



OUR STRATEGY - RAUTAKI

Spencers is a niche business with a well-defined and executed operating model. Business development opportunities are limited in the world of social housing maintenance in New Zealand, so our strategies are focused on retaining and growing our significant share of that market.

To achieve these goals, we will:

- **Focus on retaining our existing contracts through continuing to provide an excellent service to our customers, ensuring we are their maintenance partner of choice.**
- **Pursue opportunities to gain other maintenance/refurbishment contracts within our customer base.**
- **Pursue maintenance contract opportunities with other Community Housing Providers (CHPs).**



OUR PURPOSE AND ACTIVITIES - KOTAHITANGA

Spencers is a values driven organisation with positive working environments that connect with its communities. Having highly engaged staff leads to better customer outcomes. Spencers is committed to supporting its people and investing in our diverse contractor network, developing loyal, long-term successful partnerships and relationships that lead to enhanced social outcomes.

Spencers has an established reputation for contributing to its communities and making them better places to work in and live in. Spencers' people initiate, deliver and participate in a range of community-oriented projects that make a difference for their customers and their whānau. Ngā kāinga hauora / healthy homes is the best platform for thriving local communities.

Our value creation is achieved through building partnerships that deliver services focused on wellbeing, our environment and on opportunities for personal, professional and economic development. Our strength is our people, their cultural, gender and age diversity, mutual respect, trust and equity.

Chief Executive's Report

Spencers was purchased by the Citycare Group in September 2022, and we have now completed a full financial year as part of the group. It is very pleasing to be able to report that Spencers has had a successful year both financially and against key performance metrics enabling us to contribute positively to the Citycare Group.

As we await the outcomes of the Kāinga Ora review undertaken by the Rt Hon Bill English, we head into the new financial year with a degree of uncertainty. This is an extensive assessment of the way in which Kāinga Ora currently delivers, including recommendations for future business operations. As a key customer, the future impacts of this report will play a role in shaping our business operations and opportunities. Spencers has historically demonstrated flexibility to meet market pressures, and we are currently reviewing and preparing the business to ensure we are well positioned to meet any new requirements that may arise from the report findings. In the meantime, the teams continue to deliver excellent work to ensure customer satisfaction.

Our business expertise has always been in community housing. We care about delivering safe, warm and well-maintained homes for Kiwi families. We are a leading provider known for the

quality and scale of our operations, and being proudly Kiwi-owned strengthens our commitment to supporting local whānau. As a niche operator we are embedded in this industry, maintaining around one third, or 30,000, of Aotearoa's social housing stock. Our fifty year history and strong reputation ensure sound relationships with both local and central government customers. Our KPI customer satisfaction scorecards across our five contract regions exceeds our target range.

In 2023 Spencers introduced a full time Environment and Sustainability Lead, focused on managing and executing our Environmental Management Plan. The plan will help us build even stronger relations with our customers, trades networks and wider communities, to deliver positive and sustainable change in:

- Waste minimisation;
- Emissions reduction;
- Renewable and efficient energy utilisation;
- Education, increased awareness and training.

Spencers operates in a traditionally male-dominated industry, so we're proud that 57% of our employees are women, 51% of our people leaders are women, and 50% of our senior leadership team are women. Our gender salary analysis demonstrates that in the majority of salary bands/deliverable roles, female employees are paid more than their male counterparts.

Our other diversity measures show we have 29 different nationalities working at Spencers, approximately 20% of our people identify as Māori or Pacific, while another 28% identify as Asian. This adds richness and cultural capability across our operations, with our staff providing connection and empathy with our customer communities.

Spencers completed its first employee Net Promoter Score (eNPS) survey in September 2023 achieving a score of +18. This score provides a baseline to compare staff engagement in future years as well as useful feedback that will help us enhance our employee value proposition. A direct initiative prompted by the FY24 survey was the introduction of a staff wellbeing allowance.

Chief Executive's Report cont...

The safety and wellbeing of our team members and contractors are priorities. It is our goal to build a resilient workforce by empowering people to live their lives at optimum health. We ensure all reasonably practicable steps are taken to remove or reduce work-related risk or hazards that have the potential to cause harm to the health and wellbeing of our people.

We are a member of Safe365 and we have aligned our Health and Safety system with ISO45001. We rolled out a new safety management system, ecoPortal, this year. The Board reviews health and safety performance at every meeting and this is supported by a dedicated Board Health and Safety Committee which reviews company health and safety policies, risk management assessments, and provides input into the health and safety programme.

The annual total recordable injury frequency rate (TRIFR) remains at a low level of 0.7, reflecting our ongoing commitment to safety. Maintaining this standard continues to be a key focus for the business as we prioritise the wellbeing of our people.

Spencers has a history of investing in its communities and supporting them to become better places to work and live in. Our community strategy priorities include:

- Building Better Businesses - focused on wrap around support for local businesses;
- A Helping Hand for Local Youth - apprenticeships, scholarships, and school programmes;
- Being a Good Neighbour - initiating neighbourhood events and initiatives.

I conclude by thanking all our team members and contractors for the hard work and commitment that has achieved another successful year for Spencers.

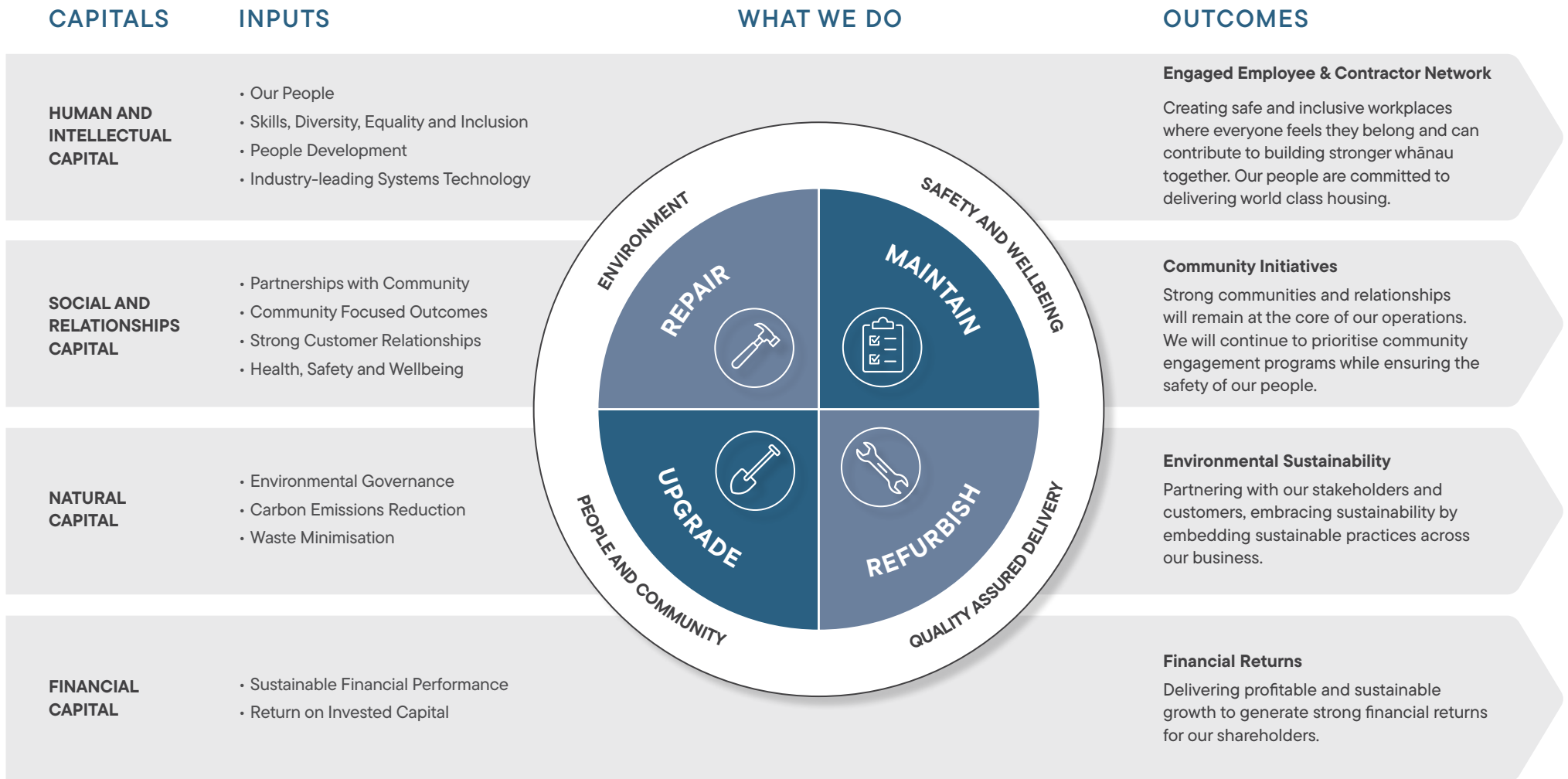


MURRAY STEVENSON
CE SPENCERS

Materiality Topics and Management of Risk

MATERIALITY TOPIC	LOSS OF MAJOR CONTRACTS	SIGNIFICANT CHANGES TO WORK VOLUMES	CYBERSECURITY	HEALTH AND SAFETY	RECRUITMENT AND RETENTION
Risk	Moderate Business needs to be downsized.	High Impact of change in government, in particular reduced spending by our key government customers.	High Cybersecurity incident resulting in loss of sensitive data and lack of access to systems. Could result in inability to deliver operational services and/ or a leak of confidential data, including customer and supplier data.	High Failure to uphold a safe and healthy work environment could lead to harm to our people or the public.	Moderate Inability to attract and retain key staff, compromising service levels and reducing speed of change.
Risk Mitigation	Provision and continual delivery of a safe, compliant, high-quality service above and beyond customer expectations. Strategic planning, policies, plans and expectations are in place. Relationship building with key stakeholders.	Strategic maintenance planning between customer and Spencers. Building relationships and engagement at all levels. Regular relationship meetings with customers. Communication with customers on key decisions and outcomes.	Levels of technology security regularly reviewed. Penetration testing conducted regularly by external experts. Regular staff education to increase awareness of phishing, ransomware, AI and related security topics.	Robust health and safety governance and management especially around managing critical health and safety risks.	Focus on retention and development plan for key individuals.

Value Creation Model



The United Nations Sustainable Development Goals (SDGs) were selected as the reference framework to assess sustainability at Spencers. The SDGs not only focus on environmental sustainability, but social and economic goals as well. The UN SDGs have guided our ESG Strategic Framework and through a process of review we have identified our closest synergies with five of the seventeen goals.

FY2023/24 Performance Metrics



Human and Intellectual | Ngā Rawa Tāngata

The success of our business relies on people – our own employees, our extensive contractor workforce, our customers, our suppliers, and the members of the communities where we work and live. We are a business reliant on, and highly influenced by, relationships, behaviours, and successful cooperation and collaboration.



Baseline eNPS survey score: 18



Employees from 29 countries



91%

91% customer satisfaction



Minimal pay gap discrepancy – slightly in favour of female kaimahi



Social and Relationships | Hononga Pāpori

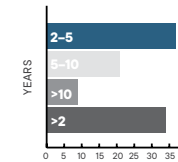
Spencers' purpose is to enhance the wellbeing of our communities. We are committed to contributing to thriving local communities through impactful partnerships and community projects focused on wellbeing, the environment, inclusion, equity and increasing opportunities for community economic development. This is good for our people and good for the places where we live, work and play. People and their safety are at the heart of everything we do.

safe365

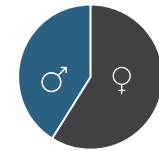
65%

30%

Subcontractor businesses owned by Māori or Pacific Peoples: 30%



Average staff tenure: 4.6 years



Gender	F	M
Employees	65%	35%
Leaders	54%	46%
SLT	58%	42%



Natural | Rawa Taiao

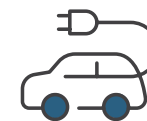
Our role as kaitiaki is strongly reflected in our Environmental Management Plan which is the current focus of delivery of environmental sustainability.



Implemented carbon reporting software to report monthly carbon footprint



Hosted 5 sustainability learning & development webinars for up to 70 staff and contractors



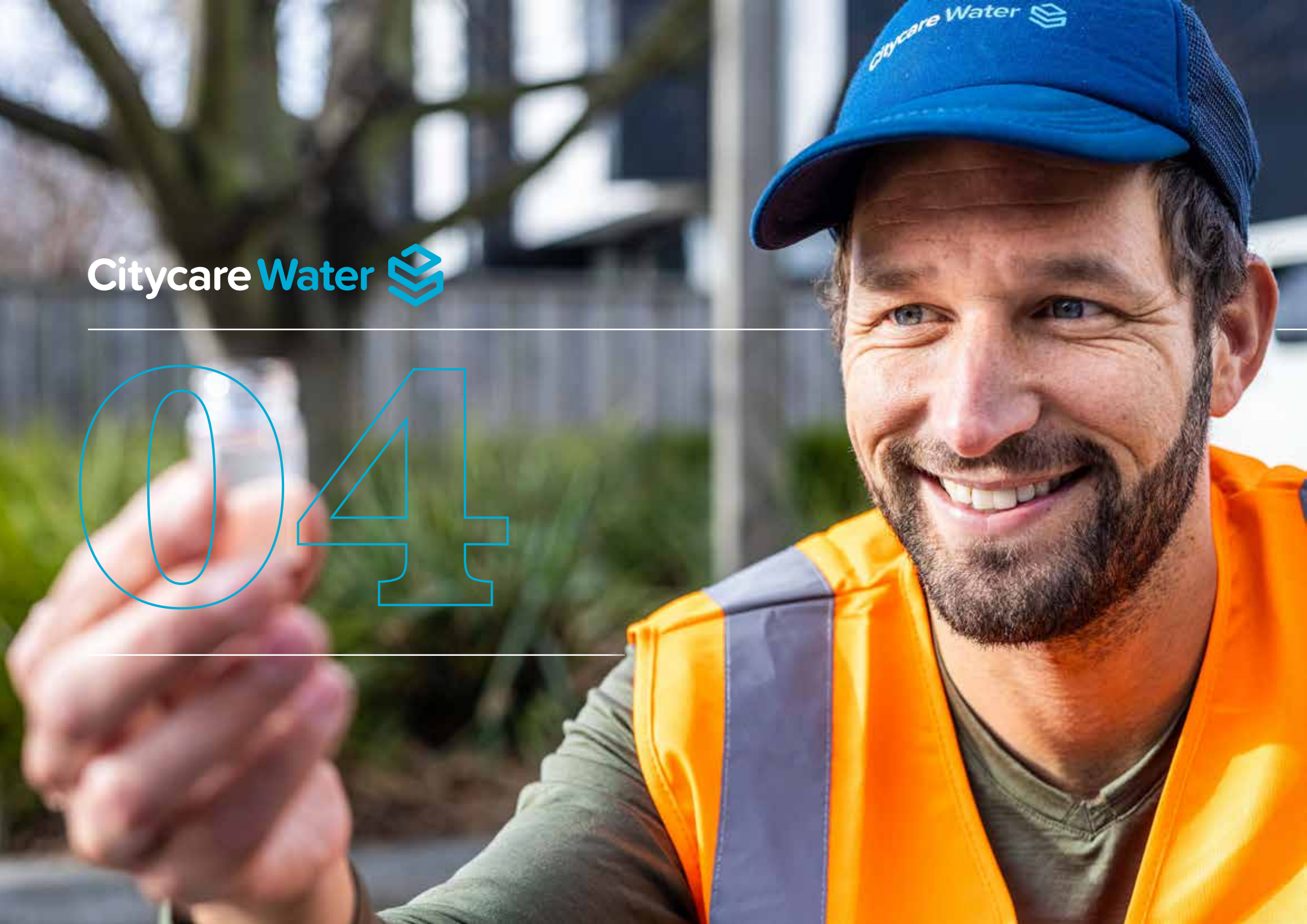
All new vehicles purchased in FY24 are hybrid / EV



Appointment of an Environment and Sustainability Lead

Citycare Water 

04



Strategy



ABOUT CITYCARE WATER - MŌ MĀTOU

Citycare Water is a nationwide business that supports our customers to deliver safe drinking water to local communities and to transport wastewater and stormwater to be treated and managed in an environmentally sound and culturally appropriate manner.



VALUES - Ō MĀTOU UARA

Citycare Water's values support and guide the organisation in all our interactions with stakeholders and the communities we work in.

We Discover - Ka Tūhuratia Mātou

We Deliver - Ka Puakina Mātou

We Care - Ka Kumanutia Mātou

We are Safe - Ka Haumarua Mātou



MISSION - WHAKATAKANGA

Citycare Water's Mission is 'to protect and care for the health of our water' - 'tiaki me te tiaki i te hauora o to mātau wai'. Our purpose is 'all communities have access to 'Safe Water for Life' (Wai Ora).



NATURE AND SCOPE OF ACTIVITIES - TE ĀHUA O NGĀ MAHI

The Citycare Water sector-led operational delivery model spans the delivery of three waters design, construction and maintenance solutions, asset management and optimisation services, network management and resilience solutions, ensuring a safe and sustainable three waters network.



ABOUT APEX WATER - MŌ MĀTOU

Apex Water specialises in the design and build of turnkey water and wastewater treatment plants for the local government and commercial sectors. City Care Ltd has a 75% shareholding in Apex Water Ltd.

Apex Water's purpose and values are:

- Passion for Our Environment
- Safety is Built In
- Challenge & Respect
- Building Partnerships
- Drive to Improve

Chief Executive's Report



It has been a successful 12 months for Citycare Water. Thank you to everyone for the hard mahi in the communities where we work and live, striving to deliver safe water for life.

Customer satisfaction is a key determinant

of success, and it is with pleasure I report that Citycare Water's customer NPS has increased from +6 to +30 over the year. This is a testament to the dedication of our team and everyone's efforts to deliver excellent drinking water, stormwater and wastewater services every day in our communities. It is worth noting that in Tāmaki Makaurau we continue to consistently outperform other contractors delivering services for Watercare in different parts of the super city.

We're proud of the longevity of many of our contracts and the long-term relationships we have with our clients. This year, we extended our existing contracts for Masterton and Stratford until June 2026 and New Plymouth until June 2027 (with a two-year extension available). We continue to enhance our operational excellence alongside the development of new business and deployment of innovative technology. The connection of smart meter systems for Auckland International Airport and the Queenstown Lakes District Council at Lake Hawea exemplifies our growing water technology offering.

We acknowledge how important it is, not only for our company but for the water industry, that we invest in the training and development of our people and foster their career pathways. This investment helps us attract and retain skilled kaimahi. Congratulations to all our team members who achieved industry qualifications throughout the year. I am always heartened by the number of long service awards we present within our team, and I also congratulate these dedicated people.

We are taking a leadership approach to reimbursement and paying the Living Wage. Plus, to grow our culture and support professional development, we launched a Leadership Development Programme for our people leaders this year. They are also encouraged to participate in te reo Māori classes, and I can personally attest to how fulfilling learning the language and te ao Māori is. Team members also have an active role in the CCHL Women's Network.

Citycare Water relentlessly focuses on health and safety. Our new digital tool, Safety Hub, was implemented in May 2023, and in this financial year it was great to see the resulting significant improvement in health and safety interactions. It is fantastic that we reduced the Total Recordable Incident Frequency Rate (TRIFR) by almost 50%, but we must remain vigilant in continuing to improve our safety culture. We are Safe is one of our guiding principles and we are never complacent.

This year involved a strategic pivot to prepare for a new reform due to the change of Government in Wellington. The anticipated repeal of the previous

government's legislation due to the election outcome formally happened in February. We await with anticipation the legislation being developed under the new Government's Local Water Done Well policy.

While the way water infrastructure improvements are made may change with the current regime, the Government's acknowledgement of the need to upgrade water networks has not. Our industry is committed to long-term investment. It will be interesting to see which local authorities choose to work together or opt to go it alone. As the industry navigates the changes, Citycare Water's sector expertise, resources and professional team of experienced practitioners stand us in good stead, delivering three waters services for our council clients irrespective of these political decisions.

During times of change being well connected and keeping across industry priorities is ever important. I have proudly served on the Board of our industry organisation Water New Zealand since being elected in 2020. The work we do together is rewarding. I am the President-Elect and I take office in the coming year.

Taumata Arowai has been in operation since November 2021 and is holding councils accountable in terms of delivery of water quality. Our skilled teams assist our clients 24/7 to ensure their communities have access to safe and reliable drinking water and meet these requirements. This emphasis on water quality is driving upgrades to water treatment plants and has contributed to the continued growth of our subsidiary, Apex Water.

Chief Executive's Report cont...

It is great to report how Apex Water is flourishing with a big increase in workload. It now employs 55 people and, during the year, opened a new branch in Hamilton. The company achieved its financial targets for FY2023/24 driven in part by the completion of a water treatment plant for a private development in South Auckland the Karaka Village subdivision. This was further aided by winning a significant design- build contract with the Waikato District Council for a wastewater treatment plant in Raglan. Apex Water has retained ISO 14001 and 45001 certification for its health and safety, environmental management and quality management systems. ISO 9001 certification is in progress. The company has a strong order book of secured contracts for the coming year and will continue to grow.

During the year, we established our Environment, Social and Governance framework. While we are in the early stages of our sustainability journey, we are building strong foundations for future years. We believe that responsible business practices not only drive long-term value creation but also contribute to a more sustainable and equitable world. We recognise that our actions today impact the world we leave for future generations, and we are resolute in ensuring that impact is a positive one. Citycare Water established hard ESG targets, but we are still at the discovery and development stage of this work on our social impact.

We celebrated a new partnership with Conservation Volunteers New Zealand (CVNZ) and joined them in two massive planting projects for World Environment Day in June, one in South Auckland and the other in Christchurch. CVNZ and Citycare Water share the common goal of restoring and maintaining the health of our waterways. Their native tree planting around rivers, streams and other bodies of water is a key step in making this possible. Our ongoing involvement with the Tread Lightly Charitable Trust helps support the education of students on ways we can all contribute to improving the health of our waterways. Citycare Water continues to support the 'Mother of All Clean-Ups' in Ōtautahi and other stream clean-up events across the motu.

As we look to the year ahead with anticipation as our five-year strategy kicks into its second year, I thank the Citycare Board and our leadership team for their ongoing commitment and support. Citycare Water is proud to protect and care for the health of our water and return it safely to our environment. I thank, in particular, our field crews who are our Everyday Heroes who deliver safe water for life 24/7, irrespective of the conditions.



TIM GIBSON
CE CITYCARE WATER

Materiality Topics and Management of Risk

MATERIALITY TOPIC	POLICY ENGAGEMENT	CYBERSECURITY	RECRUITMENT AND RETENTION	PROTECTION OF WATER SYSTEMS	HEALTH AND SAFETY
Risk	High Change in the water industry that could impact on Citycare Water's core purpose, operating model and financial stability.	High Cybersecurity incident resulting in loss of sensitive data and lack of access to systems. Could result in inability to deliver operational services and/ or a leak of confidential data, including customer and supplier data.	Moderate Inability to attract and retain key staff, compromising service levels and reducing speed of change.	Moderate Loss or interruption of supply or contamination of a water network that has potential to cause harm during work activities under the scope of our contracts.	High Failure to maintain a safe and healthy working environment could result in harm to our people or members of the public.
Risk Mitigation	Monitoring developments through Local Government NZ, water industry groups and keeping up to date on Central Government initiatives. Maintaining key relationships within the water industry.	Levels of technology security regularly reviewed. Penetration testing conducted regularly by external experts. Regular staff education to increase awareness of phishing, ransomware, AI and related security topics.	Focus on training and development with investment in leadership development for key employees. Improvement in turnover statistics.	Robust quality and management systems in place. EventManager2 (EM2) work management system provides industry lead in response to events and asset management. Apex Water supports treatment operations providing technical specialist advice and resources.	Multiple cultural change initiatives underway, including promotion of a Fair and Just culture. Implementation of Safety Hub app for reporting and management of events.

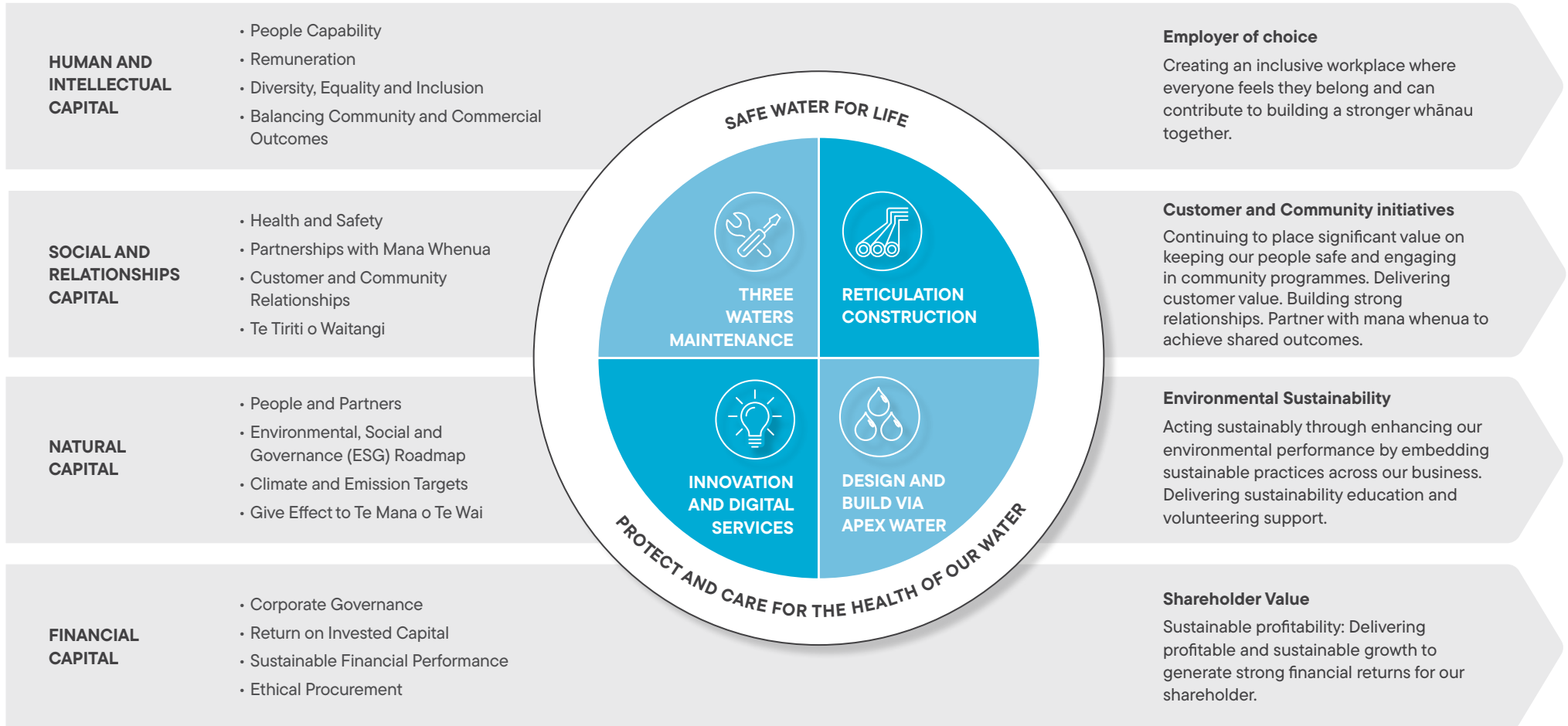
Value Creation Model

CAPITALS

INPUTS

WHAT WE DO

OUTCOMES



The United Nations Sustainable Development Goals (SDGs) have guided our strategic goals from which we have identified those with the closest synergies with the seventeen SDGs goals.

FY2023/24 Performance Metrics



Human and Intellectual | *Ngā Rawa Tāngata*

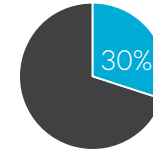
Citycare Water and Apex Water will continue to build a culture of diversity, equality and inclusion to support the company vision and values. This will include being an employer of choice in the infrastructure space, ensuring our people are trained, kept safe and have room to grow within their roles.



61% field workers in training or have level 3 qualifications

68%

Staff engagement



Māori/
Pasifika kaimahi



Apex: Male 74%/Female 26%
Citycare Water:
Male 77%/Female 23%

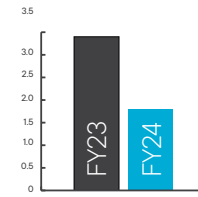


Social and Relationships | *Hononga Pāpori*

Continuous improvement in our operational health and safety. Embedding the principles of Te Tiriti o Waitangi and giving effect to Te Mana o te Wai by engaging meaningfully with mana whenua, are both core to our mission.



Customer satisfaction



Total Recordable Incident
Frequency Rate: FY24: 1.8
FY23: 3.4



Apex NPS up from
53 in FY22/23

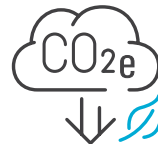


Citycare Water NPS up from
6 in FY22/23



Natural | *Rawa Taiao*

We are committed to contributing positively to our communities and working in partnerships to value and protect the natural environment. We are focused on addressing climate change, delivering net positive effect on the environment.



Combined reduction in FY24
absolute Scope 1 & 2
emissions from FY22
base year: 4%



Waterways managed:
1,023 kilometres



179,669 native trees
planted via Conservation
Volunteers

6k+

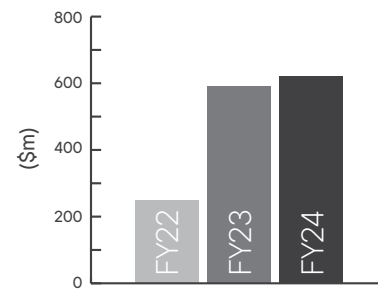
School students educated
through Tread Lightly
Charitable Trust

05



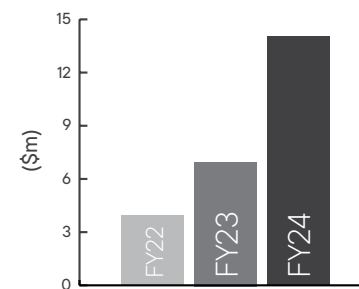
Financial capital | *Tahua*

The group's financial success is measured by delivering strong performance and returns to shareholders, aligned with sector benchmarks. The group aims for a commercial return on invested capital (ROIC) while maintaining its commitment to community prosperity. Despite ongoing cost and resource pressures, and uncertainty in the water sector due to the central government's Three Waters Reform, Citycare is focused on aligning with our shareholder's purpose. The change in government has impacted local and central government budgets, but the group has prioritised cost control, revenue optimisation, and sustainable financial performance.



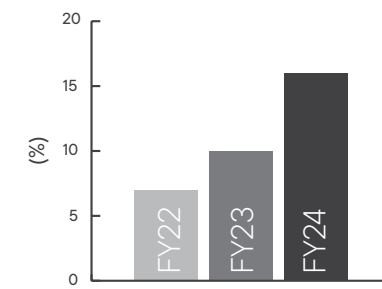
Revenue

Revenue has continued to achieve steady growth as we win new business and expand our services. The large jump in FY2021/22 to FY2022/23 was largely driven by the acquisition of Spencers.



Net Operating Profit After Tax

The group has continued to improve its profitability. Similar to improvements in revenue, the significant increase in profitability in FY 2022/23 was largely driven by the acquisition of Spencers as well as improved financial performance across group members.



Return on Invested Capital

Return on invested capital measures how well the group allocates its capital to profitable projects or investments. The group continues to achieve a commercial return on invested capital despite ongoing cost and resource pressures.

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') and the entities it controlled at the end of, or during, the year ended 30 June 2024.

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 2024 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
15 August 2024



Mark Todd

Director
15 August 2024

Income statement

For the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Revenue from continuing operations	3	622,238	579,008
Finance income		854	706
Other income	3	37	46
Gain on sale of property, plant and equipment		868	6,281
Total revenue		623,997	586,041
Expenses			
Raw materials and consumables used		(44,896)	(45,220)
Sub-contractor costs		(353,324)	(329,616)
Employee benefits expense		(142,683)	(128,111)
Depreciation and amortisation expense	14,17	(8,250)	(7,716)
Depreciation on right-of-use assets	16	(4,297)	(4,121)
Other expenses		(50,757)	(48,907)
Finance costs		(2,849)	(2,840)
Total expenses		(607,056)	(566,531)
Operating profit		16,941	19,510
Amortisation of intangibles acquired on business combination	17	(6,484)	(5,403)
Profit before income tax from continuing operations		10,457	14,107
Income tax	6	(3,030)	(3,058)
Profit after income tax from continuing operations		7,427	11,049
Profit after income tax from discontinued operations	5	1,667	371
Profit after income tax for the year		9,094	11,420
Profit for the year is attributable to:			
Non-controlling interest		514	407
Owners of City Care Limited		8,580	11,013
		9,094	11,420

The accompanying notes form part of these financial statements.

Statement of comprehensive income

For the year ended 30 June 2024

	2024 \$'000	2023 \$'000
Profit after income tax for the year	9,094	11,420
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Gain on revaluation of land and buildings	-	408
Other comprehensive income for the year, net of tax	-	408
Total comprehensive income for the year	9,094	11,828
Total comprehensive income for the year is attributable to:		
Continuing operations non-controlling interest	514	407
Discontinued operations non-controlling interest	-	-
Total non-controlling interest	514	407
Continuing operations owners of City Care Limited	6,913	11,054
Discontinued operations owners of City Care Limited	1,667	367
Total owners of City Care Limited	8,580	11,421
	9,094	11,828

The accompanying notes form part of these financial statements.

Balance sheet

As at 30 June 2024

	Note	2024 \$'000	2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	25	20,898	17,118
Accounts held on trust		2,616	4,801
Sub-contractor retention deposits		939	1,089
Trade and other receivables	8	50,747	46,323
Inventories	12	2,737	2,408
Contract assets	13	26,474	28,659
Non-current assets classified as held for sale	15	10	48
Total current assets		104,421	100,446
Non-current assets			
Property, plant and equipment	14	34,555	34,711
Right-of-use assets	16	10,919	12,592
Intangible assets	17	63,241	70,160
Contract assets	13	69	106
Total non-current assets		108,784	117,569
Total assets		213,205	218,015
Liabilities			
Current liabilities			
Trade and other payables	9	44,653	43,984
Borrowings	10	10,000	11,000
Contract liabilities	13	11,979	8,902
Current tax liabilities		4,744	2,420
Provisions	19	10,865	10,231
Lease liabilities	16	3,874	3,988
Total current liabilities		86,115	80,525
Non-current liabilities			
Borrowings	10	30,000	45,000
Deferred tax liabilities	7	3,158	6,464
Provisions	19	3,173	2,688
Lease liabilities	16	7,696	9,264
Total non-current liabilities		44,027	63,416
Total liabilities		130,142	143,941
Net assets		83,063	74,074
Equity			
Capital and other equity instruments	20	8,536	8,536
Reserves		2,719	2,722
Retained earnings		70,146	61,566
Equity attributable to the owners of City Care Limited		81,401	72,824
Non-controlling interest		1,662	1,250
Total equity		83,063	74,074

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2024

	Issued capital \$'000	Capital reserve \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2022	8,536	2,314	7,886	42,667	843	62,246
Profit after income tax for the year	-	-	-	11,013	407	11,420
Other comprehensive income for the year, net of tax	-	-	408	-	-	408
Total comprehensive income for the year	-	-	408	11,013	407	11,828
Disposal of assets held for sale	-	-	(7,886)	7,886	-	-
Balance at 30 June 2023	8,536	2,314	408	61,566	1,250	74,074
	Issued capital \$'000	Capital reserve \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2023	8,536	2,314	408	61,566	1,250	74,074
Adjustment for reclassification	-	-	(3)	-	-	(3)
Balance at 1 July 2023 - restated	8,536	2,314	405	61,566	1,250	74,071
Profit after income tax for the year	-	-	-	8,580	514	9,094
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	8,580	514	9,094
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	-	-	(102)	(102)
Balance at 30 June 2024	8,536	2,314	405	70,146	1,662	83,063

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 and is effectively realised, is transferred directly to retained earnings.

The accompanying notes form part of these financial statements.

Cash flow statement

For the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Cash flows from operating activities			
Receipts from customers		629,862	570,326
Receipt of government grants		-	8
Payments to suppliers and employees		(593,899)	(546,830)
Interest received		842	692
Interest and other finance costs (paid) / received		(2,342)	(2,502)
Subvention payment		(5,046)	(1,461)
Income taxes (paid) / received		949	(2,573)
Net cash inflow from operating activities	25	30,366	17,660
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	18	-	(67,632)
Payments for property, plant and equipment	14	(9,441)	(13,152)
Payments for software intangibles	17	(131)	(156)
Proceeds from / (amounts placed on) deposit		-	5,000
Proceeds from disposal of business, net of cash disposed		2,344	-
Proceeds from sale of property, plant and equipment		1,679	17,681
Net cash (outflow) from investing activities		(5,549)	(58,259)
Cash flows from financing activities			
Principal elements of lease payments		(4,935)	(4,513)
Proceeds from borrowings		14,600	56,000
Repayment of borrowings		(30,600)	(10,100)
Dividends paid		(102)	-
Net cash inflow / (outflow) from financing activities		(21,037)	41,387
Net increase in cash and cash equivalents		3,780	788
Cash and cash equivalents at the beginning of the financial year		17,118	16,330
Cash and cash equivalents at the end of the financial year	25	20,898	17,118

The accompanying notes form part of these financial statements.

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 ('the company') 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 2024. The group comprises of 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 housing
- 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 a going concern basis.

The consolidated financial statements of the group 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,
- facilities management,
- social housing,
- parks, trees and public spaces; 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

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

(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.

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

	2024 \$'000	2023 \$'000
(a) Operating revenue		
Over time:		
Revenue from the rendering of maintenance services	487,705	451,367
Construction contract revenue	132,463	122,500
	620,168	573,867
At a point in time:		
Revenue from the sale of goods	2,070	5,141
	622,238	579,008
(b) Other income		
Sundry income	37	46

Note 4. Expense

	2024 \$'000	2023 \$'000
Profit before income tax from continuing operations includes the following specific expenses:		
Directors' fees	557	552
<i>Remuneration of Auditors:</i>		
Audit of financial statements	405	410
Audit fees relating to the previous financial year	58	-
Total remuneration of Auditors	463	410

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. Discontinued operations**Accounting policy for discontinued operations**

A discontinued operation is a component of the group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

SW Scaffolding Limited

On 24 June the company sold its entire interest in SW Scaffolding Limited (SW) a controlled entity of the company. It was determined during the year that SW did not align with the strategic direction of the group and it was not seen as a core component of the service offering of the Spencer Henshaw group. An opportunity arose to pursue a management buyout which was ultimately successful. Based on the completion accounts as at the same date, a gain of \$1.2m is recognised in the income statement.

Accordingly, for the financial year ending 30 June 2024, SW is reported as a discontinued operation. The comparative Income Statement and Statement of Comprehensive Income and respective notes have been re-presented to show the discontinued operation separately from continuing operations.

As SW was 100% owned by the company, net income relating to continuing operations and the discontinued operations are fully attributable to the owners of the company.

SW was part of the group from 1 July 2023 to 24 June 2024 and therefore the income, expenses and cashflows disclosed below are just short of 12 months in the current period, and 10 months in the comparative period.

Financial performance information

	Period ended 24 June 2024 \$'000	10 months ended 30 June 2023 \$'000
Operating revenue	3,591	2,302
Finance income	9	-
Employees benefit expense	(2,126)	(1,079)
Depreciation and amortisation expense	(11)	(144)
Depreciation of right-of-use assets	(82)	(63)
Other expenses	(664)	(481)
Finance costs	(21)	(24)
Total expenses	(2,904)	(1,791)
Profit before income tax	696	511
Income tax	(203)	(140)
Profit after income tax	493	371
Gain on disposal after income tax	1,174	-
Profit after income tax from discontinued operations	1,667	371

Cash flow information

	2024 \$'000	2023 \$'000
Net cash inflow from operating activities	450	884
Net cash (outflow) from investing activities	(54)	(551)
Net cash (outflow) from financing activities	(72)	(57)
Net increase in cash and cash equivalents from discontinued operations	324	276

Carrying amounts of assets and liabilities disposed

	2024 \$'000
Cash and cash equivalents	623
Trade and other receivables	510
Property, plant and equipment	1,241
Right of use asset	177
Deferred tax	63
Total assets	2,614
Trade and other payables	593
Lease liability	191
Total liabilities	784
Net assets	1,830

Details of the disposal

	2024 \$'000
Total sale consideration	3,004
Carrying amount of net assets disposed	(1,830)
Gain on disposal after income tax	1,174

Note 6. Income taxes

	2024	2023
	\$'000	\$'000
(a) Income tax expense		
Current tax on profits for the year	5,010	4,060
Adjustments in respect of prior years	(237)	(48)
Origination and reversal of temporary differences	(1,743)	(954)
	3,030	3,058
(b) Income tax reconciliation		
Profit before income tax	10,457	14,107
Tax at the statutory tax rate of 28%	2,928	3,949
Tax effects of:		
non-deductible expenses	357	519
capital gain of sale of property, plant and equipment	(2)	(1,362)
adjustments for current tax of prior periods	(237)	(48)
imputation credits on dividend	(118)	-
deferred tax adjustment for removal of depreciation on buildings	102	-
Income tax	3,030	3,058
Tax on discontinued operation	203	140

(c) Imputation credits

Imputation credits available for subsequent reporting periods split by the Consolidated Tax Group (City Care Ltd Group) and Apex Water Limited:

City Care Ltd Group	1,852	222
Apex Water Limited	1,358	753

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case 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 7. 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.

Taxable and deductible temporary differences arising from the following:

	Opening balance \$'000	Acquired through business combination \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
Balance at 30 June 2023					
Deferred tax assets / (liabilities):					
Property, plant and equipment	586	(94)	(125)	(175)	192
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)
	793	(8,112)	1,030	(175)	(6,464)
Balance at 30 June 2024					
Deferred tax assets / (liabilities):					
Property, plant and equipment	192	-	1,129	-	1,321
Provisions	2,802	-	546	-	3,348
Work in progress	(2,331)	-	(95)	-	(2,426)
Right of use assets and lease liabilities	277	-	(4)	-	273
Intangibles	(7,006)	-	1,782	-	(5,224)
Other	(398)	-	(52)	-	(450)
	(6,464)	-	3,306	-	(3,158)

Note 8. Trade and other receivables

	2024	2023
	\$'000	\$'000
Trade receivables	45,457	41,518
Allowance for doubtful debts	(43)	(30)
	45,414	41,488
Aging of trade receivables which the group has not provided against as still deemed recoverable:		
Not past due	43,535	39,952
Past due 1 - 30 days	952	1,296
Past due 31 - 60 days	331	163
Past due 61 - 365 days	661	80
365+ days past due	(65)	(3)
	45,414	41,488
Prepayments	2,734	2,177
Contract retentions	2,599	2,639
Other receivables	-	21
Total trade and other receivables	50,747	46,323
The loss allowance as at 30 June 2024 and 30 June 2023 was determined as follows:		
Expected loss rate	0.002%	0.002%
Gross carrying amount - trade receivables	45,457	41,518
Expected credit loss	1	1

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 2024 and 30 June 2023 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 is 80 days (2023: 47 days).

Note 9. Trade and other payables

	2024 \$'000	2023 \$'000
Trade payables	16,528	18,954
Sub-contractor retentions	939	1,094
Goods and Services Tax payable	5,963	3,870
Accrued expenses	21,223	20,066
	44,653	43,984

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 Act 2002, retentions, which totalled \$939,000 at 30 June 2024 (2023: \$1,089,000), are held in separate bank accounts on trust.

Note 10. 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.

	2024 \$'000	2023 \$'000
Current		
Christchurch City Holdings Limited senior term notes maturing 31 August 2032	10,000	5,000
Christchurch City Holdings Limited second lien notes maturing 1 September 2023	-	6,000
Total current borrowings	10,000	11,000
Non-current		
Christchurch City Holdings Limited senior term notes maturing 31 August 2032	30,000	45,000
Total non-current borrowings	40,000	56,000

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. The second lien notes tranche was fully repaid on 1 September 2023. Refer to note 11 for the repayment schedule.

City Care Limited has a working capital facility with Bank of New Zealand of \$10m which was unused as at 30 June 2024 (2023: \$10m).

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 (2023: 5.86%). 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 (2023: 5%). Due to interest rates on floating debt resettling at the market rate, the carrying amounts on secured loans approximate their fair values.

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 2024.

Note 11. Financial instruments and risk

The group holds the following financial instruments:

	2024 \$'000	2023 \$'000
Financial assets at amortised cost		
Cash and cash equivalents	20,898	17,118
Sub-contractor retention deposits	939	1,089
Trade receivables	45,457	41,518
	67,294	59,725
Financial liabilities at amortised cost		
Trade payables and sub-contractor retentions	17,467	20,048
Borrowings	40,000	56,000
Lease liabilities	11,570	13,252
	69,037	89,300

(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

Liquidity risk represents the risk that the group may not be able to meet its financial contractual obligations. Prudent liquidity risk management implies maintaining sufficient cash, sufficient committed credit facilities and the ability to close out market positions.

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
Balance at 30 June 2023						
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
	33,107	1,966	23,406	5,111	25,710	89,300
	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
Balance at 30 June 2024						
Trade payables and sub-contractor retentions	17,467	-	-	-	-	17,467
Borrowings	10,000	-	10,000	-	20,000	40,000
Finance lease liabilities	1,862	4,288	2,377	2,153	890	11,570
	29,329	4,288	12,377	2,153	20,890	69,037

(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.

	2024 \$'000	2023 \$'000
Increase or decrease in net profit from a 100 basis point movement in interest rates, assuming all other variables were held constant	400	560

(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 manages this risk by using foreign exchange contracts to hedge foreign currency risks as they arise. The notional forward exchange cover includes forward foreign contracts entered into to economically hedge forward sale and purchase commitments.

(g) Market risk

The Directors 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 12. Inventories

	2024	2023
	\$'000	\$'000
Raw materials and consumables	2,802	2,467
Allowance for obsolete inventory	(65)	(59)
	2,737	2,408

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 13. Contract assets and contract liabilities

	2024	2023
	\$'000	\$'000
Rendering of maintenance services	18,896	15,887
Construction contracts	7,523	12,726
Contract set up costs	55	46
Total current contract assets	26,474	28,659
Contract set up costs	69	106
Total non current contract assets	69	106
Total contract assets	26,543	28,765
Rendering of maintenance services	5,284	5,024
Construction contracts	6,695	3,878
Total contract liabilities	11,979	8,902

Revenue recognised in the period from:

Amounts included in contract liability at the beginning of the period	8,902	8,367
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Costs recognised in the period from:

Amortisation of contract set up costs	55	70
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Where an unsatisfied (or partially unsatisfied) performance obligation is part of a contract that has an original expected duration of one year or less, the transaction price has not been disclosed as permitted in NZ IFRS 15.

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 14. 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:

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

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

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

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

	Freehold land at fair value \$'000	Buildings at cost \$'000	Motor vehicles at cost \$'000	Plant and equipment at cost \$'000	Office and computer equipment at cost \$'000	Total \$'000
Gross carrying amount						
Balance as at 1 July 2022	-	2,310	63,986	19,088	5,171	90,555
Assets acquired on business combination	938	1,543	3,914	1,573	3,560	11,528
Revaluation	152	431	-	-	-	583
Assets classified as held for sale	9,780	-	432	11	-	10,223
Additions	-	821	8,647	2,149	1,535	13,152
Disposals	(9,780)	(551)	(9,289)	(4,522)	(860)	(25,002)
Balance as at 30 June 2023	1,090	4,554	67,690	18,299	9,406	101,039
Assets acquired on business combination	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Assets classified as held for sale	-	-	386	55	-	441
Additions	-	166	6,782	755	1,738	9,441
Disposals	-	(78)	(7,236)	(3,760)	(1,198)	(12,272)
Transfers	-	-	-	-	-	-
Balance as at 30 June 2024	1,090	4,642	67,622	15,349	9,946	98,649
Accumulated depreciation						
Balance as at 1 July 2022	-	(1,466)	(45,513)	(15,328)	(3,672)	(65,979)
Assets acquired on business combination	-	(143)	(2,135)	(937)	(2,716)	(5,931)
Disposals	-	416	7,931	3,843	786	12,976
Assets classified as held for sale	-	-	(152)	(8)	-	(160)
Depreciation expense	-	(221)	(4,479)	(1,487)	(1,047)	(7,234)
Balance as at 30 June 2023	-	(1,414)	(44,348)	(13,917)	(6,649)	(66,328)
Assets acquired on business combination	-	-	-	-	-	-
Disposals	-	39	6,520	2,661	1,124	10,344
Assets classified as held for sale	-	-	(374)	(42)	-	(416)
Depreciation expense	-	(374)	(4,802)	(1,168)	(1,350)	(7,694)
Transfers	-	-	-	-	-	-
Balance as at 30 June 2024	-	(1,749)	(43,004)	(12,466)	(6,875)	(64,094)
Net book value						
As at 30 June 2023	1,090	3,140	23,342	4,382	2,757	34,711
As at 30 June 2024	1,090	2,893	24,618	2,883	3,071	34,555
Included in the figures is capital work in progress:						
As at 30 June 2023	-	-	16	99	207	322
As at 30 June 2024	-	27	389	-	59	475

Property, plant and assets have no restrictions over their titles.

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).

Under the New Zealand Property Institute Practice Standard 1, all valuations must be assessed as at the date of inspection of the property, except where the valuations instructions are to assess the value at a retrospective date. A restricted valuation update estimate was carried out by Henry Morris on 30 June 2024. The Directors are satisfied that the current carrying amount reflects its fair value.

Note 15. 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.

	2024 \$'000	2023 \$'000
Plant and equipment	10	48

Note 16. 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:

	2024 \$'000	2023 \$'000
Right-of-use assets (non-current)		
Properties	7,488	9,734
Vehicles	3,424	2,830
Computer equipment	7	28
	10,919	12,592
Lease liabilities		
Current	3,874	3,988
Non-current	7,696	9,264
	11,570	13,252

Additions to the right-of-use assets during the year ended 30 June 2024 were \$3,508,000 (2023: \$3,054,000).

(b) Amounts recognised in the income statement

	2024 \$'000	2023 \$'000
Depreciation charge of right-of use-assets		
Properties	3,050	2,864
Vehicles	1,323	1,319
Computer equipment	6	-
	4,379	4,183
Interest expense (included in finance cost)	567	526
Expense relating to short-term leases (included in other expenses)	1,322	1,535
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in other expenses)	-	9

The total cash outflow for leases in the year ended 30 June 2024 was \$6,187,000 (2023: \$6,083,000).

(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 17. 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
Gross carrying amount					
Balance as at 1 July 2022	1,640	7,329	-	-	8,969
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)
Balance as at 30 June 2023	43,863	8,434	12,366	16,085	80,748
Acquired through business combination	-	-	-	-	-
Additions	-	131	-	-	131
Disposals	-	(16)	-	-	(16)
Impairment	-	-	-	-	-
Balance as at 30 June 2024	43,863	8,549	12,366	16,085	80,863
Accumulated amortisation and impairment					
Balance as at 1 July 2022	-	(5,824)	-	-	(5,824)
Disposals	-	1,265	-	-	1,265
Amortisation expense	-	(1,088)	(3,637)	(1,304)	(6,029)
Balance as at 30 June 2023	-	(5,647)	(3,637)	(1,304)	(10,588)
Acquired through business combination	-	-	-	-	-
Disposals	-	17	-	-	17
Amortisation expense	-	(1,121)	(4,365)	(1,565)	(7,051)
Balance as at 30 June 2024	-	(6,751)	(8,002)	(2,869)	(17,622)
Net book value					
As at 30 June 2023	43,863	2,787	8,729	14,781	70,160
As at 30 June 2024	43,863	1,798	4,364	13,216	63,241
Included in the figures is capital work in progress:					
As at 30 June 2023	-	-	-	-	-
As at 30 June 2024	-	94	-	-	94

Intangible assets have no restrictions over their titles.

(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.

Goodwill has been allocated for impairment testing to Apex Water Limited and Spencer Henshaw Limited.

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

	2024 \$'000	2023 \$'000
Apex Water Limited	1,280	1,280
Spencer Henshaw Limited	42,583	42,583
	43,863	43,863

(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 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 13.7% 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 18. 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 Apex Water Limited because it has a 75% shareholding.

Results included in the consolidated statement of comprehensive income

	2024 \$'000	2023 \$'000
Revenue	42,494	32,210
Profit after tax for the year	2,063	1,627

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 2 September 2022, the company acquired 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 warranty issues, and \$2.2m of contingent consideration (refer below).

Spencer Henshaw provides a full range of property repair, maintenance and upgrade services to government clients for residential properties.

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 supports it to re-engage with the social housing sector by leveraging SH Group's experience and capability in this area. 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.

On 31 August 2023, Spencer Henshaw Limited amalgamated with its sister company, Panmure Property Holdings Limited, with the Spencer Henshaw Limited being the surviving entity.

On 24 June 2024, the Company sold its entire interest in SW Scaffolding Limited a controlled entity of the company. Based on the completion accounts as at the same date, a gain of \$1.2m is recognised in the income statement. Refer to details in note 5.

Results included in the consolidated statement of comprehensive income

Spencer Henshaw Limited's results are shown below. The comparatives show the results for the 10 month period since acquisition to 30 June 2023.

	12 months ending 30 June 2024 \$'000	10 months ending 30 June 2023 \$'000
Revenue	256,546	228,987
Profit after tax	7,317	5,949

Note 19. 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 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 2022	6,435	307	2,310	9,052
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
Balance at 30 June 2023	9,059	347	3,513	12,919
Current	8,862	95	1,274	10,231
Non-current	197	252	2,239	2,688
Balance at 30 June 2023	9,059	347	3,513	12,919
Additional provisions recognised	10,355	35	1,353	11,743
Reductions arising from payments / other sacrifices of future economic benefits	(9,536)	-	(160)	(9,696)
Reductions resulting from re-measurement or settlement without cost	(164)	(54)	(717)	(935)
Unwinding of discount / effect of changes in discount rate	(3)	10	-	7
Balance at 30 June 2024	9,711	338	3,989	14,038
Current	9,491	124	1,250	10,865
Non-current	220	214	2,739	3,173
Balance at 30 June 2024	9,711	338	3,989	14,038

(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 2024 and 3.35% for the year ending 30 June 2023. A discount rate of 4.67% has been used for the year ending 30 June 2024 and 4.67% for the year ending 30 June 2023.

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 20. Capital and other equity instruments

	2024 \$'000	2023 \$'000
6,036,000 fully paid ordinary shares	6,036	6,036
2,500,000 fully paid preference shares	2,500	2,500
	8,536	8,536

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

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

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

Note 21. Commitments

	2024 \$'000	2023 \$'000
Capital expenditure commitments		
Property, plant and equipment	2,741	1,915
	2,741	1,915

Note 22. Contingent liabilities and contingent asset

	2024 \$'000	2023 \$'000
Contingent liabilities		
The group has arranged with Bank of New Zealand for the issue of performance related bonds in favour of:		
Local authorities*	7,827	10,003
Others	8,353	5,428
	16,180	15,431

*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 23. 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.

Subsidiaries

Interests in subsidiaries are set out in note 24.

(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:

	2024 \$'000	2023 \$'000
City Care Limited		
Salaries and short-term employee benefits	4,542	4,512
Post-employment benefits	113	94
Termination benefits	-	72
	4,655	4,678
Apex Water Limited		
Salaries and short-term employee benefits	928	713
Post-employment benefits	25	18
	953	731
Spencer Henshaw Group		
Salaries and short-term employee benefits	1,389	938
Post-employment benefits	37	25
	1,426	963
	7,034	6,372

(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:

(i) During the year

	2024 \$'000	2023 \$'000
Services provided to Christchurch City Council	89,038	82,264
Services provided to other subsidiary companies	9,616	9,822
Goods and services received from Christchurch City Council	(91)	(203)
Goods and services received from other subsidiary companies	(751)	(636)
Rent and rates paid to other subsidiary companies	(530)	(629)
Principal and interest paid to and accrued on Christchurch City Holdings Limited loan	(18,263)	(2,324)

(ii) As at year end

	2024 \$'000	2023 \$'000
Amounts receivable from Christchurch City Council	10,100	7,163
Amounts receivable from other subsidiary companies	1,168	1,158
Amounts payable to Christchurch City Council	(12)	(92)
Amounts payable to other subsidiary companies	(78)	(74)
Loan and interest payable to Christchurch City Holdings Limited	(40,063)	(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 (2023: 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 (2023: \$nil) to its immediate parent, Christchurch City Holdings Limited.

During the 2024 year, the group made subvention payments totalling \$5.1m (2023: \$1.5m) to Christchurch City Council with an associated tax loss offset of \$13.0m (2023: \$3.8m).

The company has a secured loan of \$56m with Christchurch City Holdings Limited. The loan matures on September 2032. At 30 June 2024, the balance of this loan was \$40m (2023: \$56m).

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

Note 24. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Sold / Dissolved	Ownership interest 2024 %	Ownership interest 2023 %
Apex Water Limited		75%	75%
Citycare Property Limited		100%	100%
Citycare Property 1 Limited		100%	100%
Citycare Water Limited		100%	100%
Citycare Water 1 Limited		100%	100%
Panmure Property Holdings Limited (refer note 18)	31 August 2023	-	100%
Spencer Henshaw Limited		100%	100%
SW Scaffolding Limited (refer note 5)	24 June 2024	-	100%

Note 25. 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:

	2024 \$'000	2023 \$'000
Cash at bank	20,898	17,118

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

	2024 \$'000	2023 \$'000
Profit after income tax for the year	9,094	11,420
Adjustments for:		
(Gain) / loss on sale or disposal of non-current assets	(2,048)	(6,231)
Depreciation and amortisation of non-current assets	19,124	17,448
Impairment of goodwill	-	359
Unwinding of the discount on provisions	639	548
Increase / (decrease) in current tax liability	2,230	(8,286)
Increase / (decrease) in deferred tax liability	(3,307)	7,454
Changes in net assets and liabilities		
(Increase) / decrease in current receivables	(2,273)	(2,084)
(Increase) / decrease in contract assets	2,221	(6,707)
(Increase) / decrease in inventories	(329)	(178)
Increase / (decrease) in current payables	864	3,041
Increase / (decrease) in contract liabilities	3,077	535
Increase / (decrease) in current provisions (excl. NZ IFRS 16 restoration cost)	551	351
Increase / (decrease) in non-current provisions (excl. NZ IFRS 16 restoration cost)	523	(10)
Net cash inflow from operating activities	30,366	17,660

(c) Liabilities arising from financing activities

	2024 \$'000	2023 \$'000
Current borrowings	10,000	11,000
Non-current borrowings	30,000	45,000
Lease liabilities	11,570	13,252
	51,570	69,252
	2024 \$'000	2023 \$'000
Changes in liabilities arising from financing activities		
Opening value	69,252	22,672
Leases acquired on business combination	-	1,276
New leases	3,508	3,104
Disposed leases	(856)	(70)
Lease modifications	34	257
Unwinding of discount	567	526
Principal repayments of lease liabilities	(4,935)	(4,513)
Repayment of borrowings	(30,600)	(10,000)
Drawdown of borrowings	14,600	56,000
Closing value	51,570	69,252

Note 26. Capital management

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

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

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

Note 27. Subsequent events

No matter or circumstance has arisen since 30 June 2024 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.

As a council-controlled trading organisation, City Care Group issued a Statement of Intent (SOI) for the year ended 30 June 2024, as required by section 64 of the Local Government Act 2000 (the Act).

Statement of Performance

(a) Financial performance - consolidated

This year the contribution from the Spencers business has been factored into the financial forecast, following the acquisition in the 2022/2023 financial year.

	Actual \$'000	Align to Target \$'000	Target \$'000
Revenue	627,597	627,597	606,957
EBIT	14,335	21,198	14,847
NPAT	9,094	14,176	8,785
Interest Cover	12.0	12.2	5.2
Debt / (Debt + Equity)	32.5%	30.3%	28.5%
Shareholder Funds to Total Assets	39.0%	42.8%	44.5%
ROE (Return on Equity)	11.6%	17.1%	10.9%
ROA (Return on Assets)	6.6%	6.6%	4.6%
ROIC (Return on Invested Capital)	10.6%	16.2%	9.9%

The 'Align to Target' figures have been prepared on a like basis to the FY24 SOI which did not include the associated impacts of our purchase price allocation post the acquisition of the SH Group (as the work was still being completed). Notwithstanding the acquisition, the shareholder funds to total assets target was not achieved and was largely driven by additional investment in the group's PPE and the impact of the sale of SW Scaffolding.

(b) Non-financial performance

CITY CARE LTD	2024	2023	APEX WATER LTD	2024	2023
Client Satisfaction			Health & Safety		
Positive Net Promotor Score (NPS) based on an annual customer survey	Achieved	Achieved	Lost Time Injuries less than 2	Achieved	Achieved
			Medical Treatment Injuries less than 3	Not Achieved ²	Achieved
			² Apex did not achieve one of the two SOI H&S targets, being less than 3 medical treatment injuries. There were 3 MTIs for Apex employees during the financial year.		
Environmental			Innovation		
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	Achieved	Identify two new products or technologies to bring to market	Achieved	Achieved
Annual reduction of Company-wide greenhouse gas emissions normalised against annual turnover to reach 2030 goals	Achieved	Achieved			
Health & Safety			Client Satisfaction		
Grow our health and safety culture through the utilisation of insights from the annual independent Concordia survey.	Achieved	N/A	Positive Net Promotor Score (NPS) based on an annual customer survey.	Achieved	Achieved
Employee Engagement / Diversity			SPENCER HENSHAW LTD		
Incremental increase in the number of women in leadership roles	Achieved	Achieved	Health & Safety		
Increase in youth in the workforce measured by higher % of staff under 25 years	Not Achieved ¹	Achieved	Grow our health and safety culture through benchmarking using Safe 365 as the foundation.	Achieved	N/A
Incremental increase in the number of Māori/Pasifika in leadership roles	Achieved	Achieved	Customer Satisfaction		
More than 25 people in registered training annually	Achieved	Achieved	Positive Net Promotor Score (NPS) based on an annual customer survey.	Not measured ³	N/A
			³ The measure for customer satisfaction had initially been determined to be Net Promotor Score (NPS) based on a customer survey (similar to City Care Limited). Subsequent discussions were held with the SHL's customers, who did not want to complete a survey on the basis that their own KPI scorecards, measured monthly, would meet these requirements. SHL has since revised the target based on discussions with customers and have determined that a KPI score of greater than 85% would represent a positive NPS.		
Community Performance			Revised Target		
Collaborate with community stakeholders to deliver community volunteering support as well as support for sustainability education.	Achieved	N/A	Customer KPI score >85%	Achieved	N/A
Collaborate with community stakeholders to deliver community volunteering support as well as support for sustainability education.	Achieved	N/A	Employee Satisfaction		
			Positive Employee Net Promotor Score (eNPS) based on an annual employee survey	Achieved	N/A

¹ In 2024, New Zealand has seen a significant increase in citizens under 25 emigrating for better job opportunities in countries like Australia, China, and the UK. This is coupled with a higher youth unemployment rate and strong job markets abroad, making it challenging for local employers to attract and retain young talent. Retention issues are worsened by the appeal of international opportunities and career advancement, leading to higher turnover among younger employees.

Greenhouse Gas (GHG) Emissions

We are continuing our journey towards measuring companywide emissions. The group has an annual emissions reduction intensity target to ensure we can compare the impact of our reduction initiatives over time without being influenced by increases or decreases in the group's overall size. Normalised emissions – tonnes of carbon dioxide equivalent (tCO₂^e)/\$ revenue decreased from 0.00004112 against our audited 2023 emissions to 0.00003642 in 2024, a reduction of 11%. 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 for contract costs has been made because the related contractor emissions are not included in our reporting.

During the year ended 30 June 2024 the company sold the shares of SW Scaffolding Limited. To enable like-for-like comparison for past and future inventories the group has removed SW Scaffolding's emissions from the FY22 base year and FY23. The base year recalculation has resulted in a revised group emissions of 84 tCO₂^e lower than the emissions previously reported.

Total gross emissions decreased by 2% and scope 1 and 2 gross emissions decreased by 3% from the FY22 base year. This decrease can be attributed to a 1% reduction in overall fuel consumption, a 9% reduction in electricity emissions. These decreases include the impact of decrease in the fuel and electricity emission factors between FY22 and FY24.

During FY24 the group implemented ESP's Bravegen carbon management software to assist with the inclusion of further sources, to help streamline data collection, improve emissions data visibility, and increase reporting capabilities.

The group has started to build the capability to measure more indirect (scope 3) emission sources from its entire value chain – refer to the natural capital sections of the integrated report. Scope 3 subcontractor emissions and other scope 3 supply chain emissions such as purchased goods and services are not currently included and would be significant.

The group uses the equity consolidation approach to determine our organisational boundary. This means the reported results include the company, 100% Spencer Henshaw Limited and 75% of Apex Water Limited. The group has included all sites within this boundary for FY24.

	Restated 2022 base tCO ₂ ^e	Restated 2023 tCO ₂ ^e	2024 tCO ₂ ^e
City Care Group's total measured GHG emissions FY22 – FY24			
Tonnes of Carbon Dioxide equivalent (tCO₂^e)			
Scope 1 emissions			
LPG Stationary use	3	-	3
Diesel and petrol in vehicles	7,414	7,402	7,145
Diesel and petrol in vehicles - Apex Water Limited	87	116	125
Diesel and petrol in vehicles - Spencer Henshaw Limited	514	661	574
Total scope 1 emissions	8,018	8,179	7,847
Scope 2 emissions			
Purchased electricity	163	83	85
Purchased electricity - Apex Water Limited	7	4	2
Purchased electricity - Spencer Henshaw Limited	21	15	17
Total scope 2 emissions	191	102	104
Scope 3 emissions			
Air travel*	93	207	204
Accommodation*	5	4	14
Rental cars*	4	2	8
Transmission and distribution losses	16	11	6
Transmission and distribution losses - Apex Water Limited	0.6	0.4	0.2
Transmission and distribution losses - Spencer Henshaw Limited	2	2	1
Total scope 3 emissions	120.6	226.4	233.2
Total measured emissions	8,329.6	8,507.4	8,184.2
Normalised Emissions (tCO ₂ ^e / \$ Revenue)	0.00004712	0.000041112	0.00003642

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

There is a level of inherent uncertainty in reporting GHG emission factors, due to scientific uncertainty and estimation uncertainty involved in the measurement process. The group has used the published emission factors from the MFE 2024 guidance document and obtained quantity data direct from suppliers (electricity invoice, fuel card and travel agent statements).

Independent Auditor's Report



To the readers of City Care Limited's Group financial statements and performance information for the year ended 30 June 2024

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 33 to 59, that comprise balance sheet as at 30 June 2024, the income statement, the statement of comprehensive income, statement of changes in equity and the cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 60 to 62.

In our opinion:

- the financial statements of the Group:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2024; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the performance information of the Group 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 2024.

Our audit was completed on 15 August 2024. This is the date at which our opinion is expressed.

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

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

The Group has chosen to include a measure of its greenhouse gas (GHG) emissions in its performance information. Without modifying our opinion and considering the public interest in climate change related information, we draw attention to the Statement of Performance on page 62 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 of Directors for the financial statements and the performance information

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

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

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

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

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 32 and pages 65 to 73 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 housing; and
- provision of asset management services.

Directors for City Care Limited

The following Directors held office during the year ended 30 June 2024:

- Bryan Jamison (Chair)
- Elena Trout
- Jacqueline Colliar (appointed 27 Oct 2023)
- Jennifer Rolfe (retired 12 Oct 2023)
- Alison Posa (appointed 27 Oct 2023)
- Kevin Young (retired 31 Dec 2023)
- Mark Todd
- Penny Hoogerwerf (retired 27 Oct 2023)
- William Bayfield (appointed 27 Oct 2023)

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

The following Directors held office during the year ended 30 June 2024:

- Kevin Young (retired 31 Dec 2023)
- Mark Todd
- Matthew Savage
- Steven Kroening
- Tim Gibson (Chair)
- William Bayfield (appointed 1 Jan 2024)

Directors for Spencer Henshaw Limited (a subsidiary of City Care Limited)

The following Directors held office during the year ended 30 June 2024:

- Bryan Jamison (Chair)
- Chris Horn
- Elena Trout

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 2024.

DIRECTOR	ENTITY	POSITION
City Care Limited Directors		
Alison Posa	Asurequality Ltd	Director
	City Care Ltd	Director (appointed 27 Oct 2023)
	City Forests Ltd	Director
	PwC NZ	Member of Audit Advisory Board
	Andrew Close Trust	Trustee
Bryan Jamison	City Care Ltd	Director
	City Care Property Ltd	Director
	City Care Water Ltd	Director
	City Care Property 1 Ltd	Director
	City Care Water 1 Ltd	Director
	Essex Investments and Developments Ltd	Director & Shareholder
	Jamison Family Trust	Trustee
	Fern Energy Ltd	CEO
	Panmure Property Holdings Ltd	Director (retired 31 Aug 2023)
	Spencer Henshaw Ltd	Director
SW Scaffolding Ltd	Director (retired 24 Jun 2024)	

DIRECTOR	ENTITY	POSITION
City Care Limited Directors		
Elena Trout	Ara Ake Limited	Director
	Callaghan Innovation	Director
	City Care Ltd	Director
	Contact Energy Ltd	Director
	Energy Efficiency & Conservation Authority	Chair
	E-Spatial Ltd	Director
	Harrison Grierson Holdings Ltd	Director
	Harrison Grierson Consultants Ltd	Director
	Harrison Grierson International Ltd	Director
	Hāpaitia Limited	Director (retired 14 Dec 2023)
	Kaikohe Berryfruit GP Ltd	Director (appointed 17 Feb 2024)
	Motiti Investments Ltd	Director & Shareholder
	Ngāpuhi Asset Holding Company Ltd	Director
	Ngāpuhi Service Station Ltd	Director
	Opuha Water Ltd	Director
	Spencer Henshaw Ltd	Director
	Te Rāhui Herenga Waka Whakatane Ltd	Director
	Waihangā Ara Rau	Co-Chair
	WorkSafe	Audit Risk and Finance Committee Independent Chair
Jacqueline Colliar	City Care Ltd	Director (appointed 27 Oct 2023)
	Infratec New Zealand Ltd	Director
	Newpower Energy Ltd	Director
	Newpower Energy Services Ltd	Director
	Ngāa Muka Development Trust	Trustee
	Taniwha Marae Trust	Trustee
	Te Maataarae Ki Rangiriri GP Ltd	Director (retired 17 May 2024)
	Te Whakakitenga o Waikato Inc Society	Elected Representative for Taniwha
	Waikato Raupatu Lands Trust & Waikato	Marae
	Raupatu Rivers Trust	Trustee & Member of TeAtataura
	Waikato Regional Council	Waikato-Tainui JMA Committee Member
	Waikato-Tainui Group	Audit & Risk Committee Member
	Waikato-Tainui Group	Water Policy Chair
	Waikato District Council Governance Board	Board Intern
	Waipa District Council	Waikato-Tainui JMA Committee Member
	WEL Networks Ltd	Director

DIRECTOR	ENTITY	POSITION
City Care Limited Directors		
Jennifer Rolfe	City Care Ltd	Director (retired 12 Oct 2023)
	The Barbara Andrew Family Trust	Trustee
	Pakiri Highlands Ltd	Shareholder
	Rainger & Rolfe Ltd	Managing Partner, Director & Shareholder
	Tataki Auckland Unlimited Ltd (formally Regional Facilities Auckland Ltd)	Director
	The Thomas Number 2 Trust	Trustee
	The Thomas Trust	Trustee
	Thomas Joint Trustee Ltd	Director & Shareholder (appointed 18 Apr 2024)
Kevin Young	Apex Water Ltd	Director (retired 31 Dec 2023)
	Banlaw Pty Ltd	Director
	City Care Ltd	Director (retired 31 Dec 2023)
	Department of Internal Affairs	Technical Advisor
	TasWater	Director
	University of Newcastle Council	Council Member, Deputy Chancellor
Mark Todd	Apex Water Ltd	Director
	City Care Ltd	Director
	DairyNZ Ltd	Director
	Dairy Inc	Director
	Mark T Consulting Ltd	Director & Shareholder
	McKenzie & Willis Ltd	Director
	New Zealand Lotteries Commission	Director
	Paper Plus New Zealand Ltd	Director
	SDH GP limited	Director (appointed 18 June 2024)
	St George's Hospital Inc	Director
	The Todd Family Trust	Trustee
Penny Hoogerwerf	245 St Asaph Ltd	Director & Shareholder
	City Care Ltd	Director (retired 27 Oct 2023)
	Katamama Ltd	Director
	Moss & Moss Ltd	Director
	Moss Family Trust	Trustee
	Tait International Ltd	General Council
	Tait Kordia JV Co Ltd	Director
	RF Holdings Limited (Australia)	Director

DIRECTOR	ENTITY	POSITION
City Care Limited Directors		
William Bayfield	Apex Water Ltd	Director (appointed 1 Jan 2024)
	City Care Ltd	Director (appointed 27 Oct 2023)
	Costrong Forests Ltd	Director & shareholder
	Costrong Family Trust	Trustee
	Wellington Water Ltd	Director
Apex Water Limited Directors		
Kevin Young	As above	Director (retired 31 Dec 2023)
Mark Todd	As above	Director
Matthew Savage	Apex Water Ltd	Director, Management, Shareholder
Steven Kroening	Apex Water Ltd	Director, Management, Shareholder
Timothy Gibson	3 Waters Strategic Reference Group	Chair
	Apex Water Ltd	Director
	City Care Ltd	Chief Executive Officer (Water)
	The Infrastructure Education & Training Charitable Trust	Advisory panel member
	Water New Zealand	Board Member & President Elect

DIRECTOR	ENTITY	POSITION
Spencer Henshaw Limited Directors		
Bryan Jamison	As above	
Chris Horn	City Care Ltd	Chief Financial Officer (Property)
	City Care Property Ltd	Director
	City Care Property 1 Ltd	Director
	Spencer Henshaw Limited	Director
Elena Trout	As above	
Dormant Entities Directors		
Bryan Jamison	As above	
Chris Horn	As above	
Michael Williams	City Care Ltd	Chief Financial Officer (Water)
	City Care Water Ltd	Director
	City Care Water 1 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:

	2024 \$	2023 \$
City Care Limited		
Bryan Jamison (Chair)	85,000	97,567
Elena Trout	46,000	41,500
Jacqueline Colliar (appointed 27 Oct 2023)	30,667	-
Jennifer Rolfe (retired 27 Oct 2023)	12,833	44,007
Alison Posa (appointed 27 Oct 2023)	30,667	-
Kevin Young (retired 31 Dec 2023)	26,500	51,000
Mark Todd	49,500	87,500
Penny Hoogerwerf (retired 27 Oct 2023)	15,000	45,000
William Bayfield (appointed 27 Oct 2023)	30,667	-
	326,834	366,574
Apex Water Limited		
Kevin Young (retired 31 Dec 2023)	16,000	32,000
Mark Todd	28,333	35,667
Tim Gibson (Chair)	-	-
William Bayfield (appointed 1 Jan 2024)	16,000	-
	60,333	67,667
Spencer Henshaw Limited		
Bryan Jamison (Chair)	85,000	69,167
Chris Horn	-	-
Elena Trout	42,500	34,583
	127,500	103,750

Use of company information by Directors

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

Directors' insurance

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

Chief Executive Remuneration

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.

	2024 \$'000	2023 \$'000
CEO Property	559	526
CEO Water	552	518
	1,111	1,044

Employees remuneration

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

Remuneration range	2024	2023
\$100,000 – \$110,000	112	72
\$110,000 – \$120,000	68	60
\$120,000 – \$130,000	36	52
\$130,000 – \$140,000	30	15
\$140,000 – \$150,000	20	32
\$150,000 – \$160,000	15	24
\$160,000 – \$170,000	15	13
\$170,000 – \$180,000	8	10
\$180,000 – \$190,000	10	12
\$190,000 – \$200,000	6	4
\$200,000 – \$210,000	10	1
\$210,000 – \$220,000	1	3
\$220,000 – \$230,000	1	1
\$230,000 – \$240,000	6	-
\$240,000 – \$250,000	1	3
\$260,000 – \$270,000	1	2
\$270,000 – \$280,000	3	-
\$290,000 – \$300,000	1	2
\$300,000 – \$310,000	1	1
\$310,000 – \$320,000	1	-
\$320,000 – \$330,000	-	2
\$330,000 – \$340,000	1	-
\$350,000 – \$360,000	1	-
\$480,000 – \$490,000	1	-
\$520,000 – \$530,000	-	1
\$550,000 – \$560,000	2	-
\$560,000 – \$570,000	-	1
\$570,000 – \$580,000	-	1
\$770,000 – \$780,000	1	-
	352	312

Remuneration range	2024	2023
The Group's average remuneration for top and bottom 10% of employees		
Total number of employees	1,076	1,062
Average remuneration for the top 10%	196,373	171,136
Average remuneration for the bottom 10%	57,791	53,742

For the purposes of comparability, Spencer Henshaw Group's salary information includes information for the full 12 months to 30 June 2023 even though they were only part of the group for 10 months since acquisition on 2 September 2022 that year.

Donations

The group made donations of \$9,200 during the year (2023: \$4,838).

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 2024 financial year totalling \$405,000 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 session, without the Chief Executive Officers or other management present.

Directors' induction and education

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

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

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

Board performance review

The Board periodically reviews its own performance and the performance of the Chief Executive Officers. The process includes one-on-one meetings between the 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 Directors of the Board as appointed by the Board. The remaining Directors of the Board attend two Committee meetings 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 quarterly basis, coinciding 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
Elena Trout
Alison Posa
Mark Todd
Jacqueline Colliar
William Bayfield

Executive Management Team

Chief Executive – Citycare Property
Chief Executive – Citycare Water
CFO – Citycare Property
CFO – Citycare Water

Peter Lord
Tim Gibson
Chris Horn
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
Phone: 0508 CITYCARE (248 922)

Our Locations

CITYCARE PROPERTY

Head Office:

Christchurch
818 Wairakei Road,
Christchurch Airport
0800 248 922

Other Offices:

Auckland – Drury
Auckland – East Tāmaki
Greymouth
Greytown
Ngāruawāhia
Tokoroa
Waipapa
Wellington
Whangārei

SPENCER HENSHAW

Head Office:

Auckland
6 The Concourse, Henderson
09 903 3679

Other Offices:

Auckland – Onehunga
Auckland – Tāmaki
Lower Hutt
Whangārei

CITYCARE WATER

Head Office:

Christchurch
50 Hazeldean Road,
Addington
0800 248 922

Other Offices

Dunedin
Auckland – East Tāmaki
Masterton
New Plymouth
Stratford
Timaru
Wellington

APEX WATER

Head Office:

Auckland
Unit A 5 / 570 Mt Wellington
Highway, Mt Wellington
03 929 2675

Other Offices:

Christchurch
Hamilton
Timaru