

City Care Market Update

City Care has made significant progress in the past year and is well positioned for the future. To reflect the expanding scope of City Care's business, a new vision was launched this year:

To build great communities – our people making it work.

FINANCIAL RESULT 2013/14

- ✔ \$12.9 million NPAT
- ✔ \$18.7 million EBIT
- ✔ \$351 million revenue
- ✔ 27.5% after tax return on average equity
- ✔ \$30.9 million operating cash flow
- ✔ \$5.667 million dividends paid to CCHL

City Care performed strongly in 2013/14, returning a net profit after tax of \$12.9 million. This is \$2.1 million above the budgeted profit of \$10.8 million, and is a significant increase on last year's profit after tax of \$2.8 million. Revenue for the year was \$351 million. The after tax return on average equity, at 27.5%, exceeded City Care's Statement of Intent (Sol) target of 21%.

City Care achieved an operating cash flow of \$30.9 million, and successfully reduced interest bearing debt to \$18.7 million, improving the equity ratio at 30 June to 45.8%, up from 36.6% in the prior year and ahead of the Sol target of 44%. Based on this positive result, City Care paid dividends of \$5.667 million to its shareholder, Christchurch City Holdings Limited during the financial year. This is ahead of its Sol target of \$2.1 million.

FIVE-YEAR SUMMARY

(\$000s where not stated otherwise)	2014	2013	2012	2011	2010
Revenue	350,804	351,147	354,047	37,472	145,512
Earnings before interest and tax (EBIT)	18,699	4,953	23,450	16,559	6,268
Net profit after tax	12,892	2,798	16,519	11,294	4,046
Dividends paid	5,667	6,280	7,937	6,435	1,880
Return on average equity	27.5%	6.3%	39.4%	32.5%	13.2%
Total equity	50,559	43,334	46,186	37,604	31,795
Total assets	110,402	118,324	96,279	86,398	53,935
Net tangible asset backing per ordinary share	\$8.06	\$6.83	\$7.44	\$6.04	\$5.06
Equity ratio	46%	36.6%	48%	44%	59%

Number of staff	1,543	1,650	1,337	1,148	1,032
Number of staff in training	324	334	298	195	196

WHERE CITY CARE OPERATES

During the year City Care won a contract to maintain Dunedin City Council's water and wastewater network. The new Dunedin office opened in February 2014 – bringing the total number of locations to 18.

City Care's nationwide locations

City Care locations	Number of staff
National office	61
Avondale office	75
Auckland office	72
Tauranga office	69
Whakatane office	7
New Plymouth office	34
Hawera office	13
Hastings office	14
Manawatu office	6
Greytown office	18
Masterton office	6
Wellington office	123
Milton Street, Christchurch office	689
Pages Road, Christchurch office	132
Springs Road, Christchurch office	66
Birmingham Drive, Christchurch office	116
Timaru office	19
Dunedin office	23

MAJOR PROJECTS

During the year City Care won a number of significant contracts, including:

-  A contract to maintain Dunedin's water and wastewater network
-  The rebuild of Cholmondeley Children's Centre in Governors Bay
-  A contract to build modular relocatable classrooms for the Ministry of Education
-  A joint venture Project Management contract (with MWH NZ) to manage Housing New Zealand's Minor Repairs Programme in Christchurch

Several of these projects were won by the Building Construction division, which was added to City Care's operations during 2013. This division also completed several major projects during its inaugural year, including the Trimble New Zealand headquarters in Birmingham Drive. The Trimble building was a world first, featuring three groundbreaking damage-avoidance technologies which were incorporated into the project in order to meet the client's specific need for a future-safe environment for its employees.

EMERGENCY RESPONSE

During the year the company played a significant role in helping communities manage the effects of extreme weather events. When Cyclone Lusi made landfall in mid-March, City Care teams worked round the clock in the north and south of the North Island to relieve the effects of flooding and wind

damage. Four separate rainfall events in Christchurch demanded swift and ongoing intervention to mitigate flood encroachment as well as dealing with stormwater, sewer, roading, tree and other issues.

COMMUNITY INITIATIVES

City Care's grassroots connections were reinforced during the year with several community sponsorship initiatives. These included the installation of two significant civic artworks:

- ✦ A life-size bronze sculpture of Hairy Maclary and Friends on Tauranga's waterfront
- ✦ Regan Gentry's sculpture made from reclaimed rimu, *Woods from the Trees*, which stands on the corner of High and Tuam Streets in Christchurch's CBD

CITY CARE PEOPLE

City Care is all about people – whether it's employees, clients, business partners or the general public.

A total of 422 people were recruited into City Care during the year, the majority deployed into roles in Christchurch. The recruitment process involved screening approximately 6,000 job applications.

While staff numbers decreased marginally overall from the previous year due to the levelling out of earthquake-related projects, the average length of service for City Care employees rose to 5.3 years – bucking the industry trend.

The company works closely with seven different industry training organisations and a number of tertiary education and private training providers throughout New Zealand to offer a comprehensive range of opportunities and initiatives for employees.

Maintaining a qualified workforce in the field is critical to City Care. To that end, 71 staff members completed National Certificates at Level 3 or above in the last year and 300 staff were actively pursuing National Certificates. 324 employees were studying towards trades or other qualifications during the year, while 223 employees participated in the company's literacy and numeracy training programme.

Partnership with Ministry of Social Development (MSD)

City Care continues to maintain a strong relationship with MSD, through its Pre-Apprentice Programme and the MSD/NZ Defence Force Limited Service Volunteer (LSV) Programme.

This year 18 MSD clients throughout New Zealand were recruited onto the Pre-Apprentice Programme, and 242 young people have joined City Care via this mechanism since the programme's inception in 2002. To date 12 young people have been recruited to City Care from the LSV Programme.

Work with the Christchurch Earthquake Recovery Authority (CERA) and MSD continued during 2013. City Care staff worked on red zoned (mainly residential) areas of Christchurch. Staff ensured the grounds of severely damaged and derelict areas of Christchurch were maintained and kept tidy. This was a vital service to the city and the residents still living in some of these areas.

HEALTH AND SAFETY

Maintaining a healthy, safe workplace is core to City Care's operations. During the year the company's health and safety lag indicators improved, with the number of Total Reportable Incidents (fatal, medical and first aid incidents) reducing from 33 reportable incidents per million hours worked at the start of the year, to eight reportable incidents per million hours worked at the conclusion of the year. This is a decrease of 76%, exceeding the target of a 5% decrease.

A company-wide Work Fit programme was rolled out during the year, with the assistance of ACC. This programme fosters early intervention in instances of pain and discomfort, resolving issues before they develop into injury or illness.