

**Management report to Council**

**Agenda item 6.4**

**2019 Citywide Pty Ltd Annual Financial Report**

**Council**

**Presenter:** Michael Tenace, Chief Financial Officer

**26 November 2019**

**Purpose and background**

1. The purpose of this report is to note the Citywide Service Solutions Pty Ltd (Citywide) Annual Financial Report for 2019.
2. At the June 2015 Council meeting, the Council requested the Citywide Annual Financial Report be adopted in an open session at a Future Melbourne or Council meeting.

**Key issues**

3. The Citywide 2019 Annual Financial Report has been finalised and attached.

**Recommendation from management**

4. That the Council notes the 2019 Annual Financial Report of Citywide Service Solutions Pty Ltd.

**Attachments:**

1. Supporting Attachment (Page 2 of 52)
2. Citywide Annual Financial Report 2019 (Page 3 of 52)

## Supporting Attachment

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### Legal

1. No direct legal issues arise from the recommendation in the report.

### Finance

2. No financial impacts arise from the recommendation in the report.

### Conflict of interest

3. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

### Occupational Health and Safety

4. The management at Citywide is committed to a safe work environment and complies with the requirements set out in the *Occupational Health and Safety Act 2004*. This is achieved through effective policies and procedures.

### Stakeholder consultation

5. Consultation with Citywide company management was undertaken in preparation of this report.

### Relation to Council policy

6. The release of the Annual Financial Report complies with Council policy.

### Environmental sustainability

7. No environmental issues arise from the recommendation in the report.



**Citywide Service Solutions**  
**Annual Financial Report 2019**



**CITYWIDE**  
shaping liveable cities

**Citywide Service Solutions Pty Ltd**

**ABN: 94 066 960 085**

## **Directors' report for the year ended 30<sup>th</sup> June 2019**

### **Directors**

The Directors of Citywide Service Solutions Pty Ltd (the Company) for the whole of the financial year and up to the date of this report (unless otherwise indicated) are:

- John Brumby (Chairman);
- Paul Hardy;
- Peter Lamell;
- Janice van Reyk;
- Andrea Waters; and
- Prue Willsford.

### **Principal activities of the company**

The principal continuing activities of the Company and its subsidiaries (collectively 'the Group') during the year were to meet the service needs of customers in the local government, commercial and public sectors by providing a range of integrated services for civic assets and infrastructure management.

### **Trading results**

The Group's profit from ordinary activities, before income tax equivalents ("PBT"), for the year was \$6,796,000 (FY2018: \$6,057,000).

The Group's profit for the year was \$4,747,000 (FY2018: \$4,234,000), after deducting income tax equivalents of \$2,049,000 (FY2018: \$1,823,000).

Revenue from ordinary activities for the year was \$235,148,000 (FY2018: \$242,530,000).

The Group's Total Operating Expenses were \$228,436,000, (FY2018: \$237,098,000).

### **Dividends**

The Directors of the Company have declared a dividend of 17.39 cents (FY2018: 13.85 cents) per Ordinary Share for the year ended 30 June 2019.

The total dividend declared in respect of the current year is as follows:

	FY19	FY18
	\$	\$
Dividend declared in FY19 of 17.39 cents (FY2018: 13.85 cents) per fully paid Ordinary Share.	3,200,000	2,550,000

### **Review and Results of Operations**

The Group's Revenue from ordinary activities for the year was \$235,148,000, 3% lower than FY2018 (FY2018: \$242,530,000), as a result of the loss of some contracts and lower Revenue from Citywide's largest single customer.

Market conditions remain challenging with strong competition placing pressure on margins. The loss of contracts resulted in redundancy costs of \$1.8m. Against this backdrop, it was pleasing to see a strong Earnings Before Interest and Tax ("EBIT") result, 2% higher than Budget, and 11% higher than FY18. This was achieved through effective cost control.

Service delivery in Victoria continues to generate the majority of the Group's Revenue and EBIT, although interstate operations remain important contributors to Citywide's financial results. The loss of the City of Sydney Open Space



Contract, together with tougher market conditions in Queensland, presented challenges which have been, and continue to be, addressed operationally. Despite the challenging market, the Group also had some pleasing contract wins in Victoria during the year including: City of Port Phillip Open Space and Trees; City of Melbourne Waste Services; and Hobsons Bay Infrastructure.

The Citywide North Melbourne Asphalt Joint Operation, in which the Group has a 50% interest, continued to perform well despite lower volumes of asphalt products sold in FY2019 (7% lower than FY18). The significant pipeline of large infrastructure projects in Victoria is expected to result in robust demand on a multi-year basis for asphalt and we feel that this asset is well positioned (geographically) to meet market demand. The planned expansion of the Joint Operation in FY2020 should double capacity and increase significantly the geography of the market catered for, noting the addition of a new Asphalt plant in Laverton expected to come on line in FY2020.

The acquisition of the assets of Just Roots Pty Ltd (\$1.0m) was completed during the financial year.

### Significant Changes in the State of Affairs

Other than the above, in the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year.

### Likely Developments in the State of Affairs

Each year, Citywide undertakes a detailed business planning process, preceded by a Strategic Review (in the context of Citywide's Vision 2025). The Strategic Pillars for the Citywide Group were refreshed to improve the alignment of Strategy to our Vision and to respond to changes in the market, with the refreshed Pillars being: **Culture & People; Growth and Transformation; Sustainability and Innovation; Partnering and Alliances; and Technology and Systems of Work.** Safety, and improving our safety culture, continues to be a critical focus, and underpins the company's operations.

The Group is continuously investigating opportunities to expand and grow its business in line with Citywide's Vision 2025. The Group has an effective strategic planning process that underpins the corporate Strategy which defines areas of focus for future growth of the Group, which is supported by a strong Balance Sheet.

Further information about likely developments in the operations of the Group, and the expected results of those operations in future financial years, has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the entity.

### Directors' Benefits

No Director of the Company has received, since the end of the previous financial year and up to the date of this report, or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors shown in the financial report) by reason of a contract made by the Group or a related body corporate with the Director or with a firm of which the Director is a member, or with an entity in which the Director has a substantial financial interest.

### Corporate Governance

The Board recognises and embraces the need for the highest standards of corporate behaviour and accountability in order to fulfil its responsibilities to the Group's stakeholders, who include its shareholder, customers, suppliers, employees, the communities in which we operate, and the environment where we operate.

In keeping with this responsibility, the Board's responsibilities include determining and reviewing the Group's strategic direction and operational policies, establishing targets for Management and monitoring the achievement of these targets, reviewing and approving the Groups' annual business plan, monitoring and rewarding the Chief Executive Officer, approving the appointment and remuneration of all Executives, approving all significant business transactions, monitoring risk exposures and risk management systems including those relating to occupational health and safety, and approving and monitoring reporting to the shareholder. The Group also operates in accordance with Governance Protocols established by the shareholder, which cover, amongst other things the function, composition, nomination, performance and remuneration processes of Directors together with the reporting obligations of the Group and Board performance.

The Board consists of six Directors, all of whom are independent non-executive Directors, including the Chairman. The Directors bring a balance of skills, experience and diversity to assist the Group to meet its strategic objectives. Non-executive Directors meet periodically, in line with good governance, without the Chief Executive Officer or other Management

present. In accordance with the Company's Constitution, one third of the Directors must retire each year, however if eligible, may offer themselves for re-election.

The Board is involved in setting the strategic direction of the Group, as well as reviewing the current performance on a regular basis, with the overall aim of achieving growth in the performance of the Group.

As part of this process, the Board has a number of committees. The committees were restructured in April 2018, and the current Committee structure comprises the following four Committees: Remuneration & Nominations; Audit and Finance; Safety, Risk and Environment; and Business Growth and Due Diligence. These committees have their own charter setting out the role, responsibilities, and the manner in which the committee is to operate. Each is comprised entirely of non-executive Directors who provide support to the full Board by giving a professional and experienced focus in each of the above areas. All matters considered by committees are reported to the full Board and, where necessary, recommendations are put to the full Board for decision. The Chief Executive Officer is an ex officio attendee of all Board Committees. Other Executive Committee representatives, and the Group Risk and Audit Manager, regularly attend Board committee meetings,

The Board has agreed policies and procedures in the event that actual or potential conflicts arise between the interests of a director and those of the Group. Generally this means that the Director will disclose their interest and, if appropriate, will not take part in, and may in some instances absent themselves during any discussions and not vote on that matter.

Directors and Board Committee members have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, subject to the prior approval of the Chairman of the Board, which will not be unreasonably withheld. Any information so obtained must be shared with all Directors if appropriate.

Under Group governance protocols, the independent External Auditor does not provide any other services to the Group. In addition to the statutory audit, the Group also has a comprehensive internal audit programme, which it outsources, and an external safety, quality and environmental audit regime.

### Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under Instrument 2016/191. The Company (and the Group) is an entity to which the Class Order applies.

### Directors' Meetings

The number of Directors' meetings and meetings of committees of Directors held in the period each director held office during the financial year ended 30 June 2019, and the number of meetings attended by each Director are set out below:

	<i>Board of Directors</i>		<i>Audit &amp; Finance Committee</i>		<i>Remuneration &amp; Nomination Committee</i>		<i>Safety, Risk &amp; Environment Committee</i>		<i>Due Diligence Committee</i>	
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
<i>Director</i>	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>
J Brumby	8	8			3	3	3	3		
J van Reyk	8	8	4	4			3	3		
A Waters	8	8	4	4					9	8
P Willsford	8	7	4	3	3	3				
P Hardy	8	8					3	3	9	9
P Lamell	8	8			3	3			9	9

### Indemnification and Insurance of Officers and Directors

During the financial year, the Company continued with previously disclosed agreements to indemnify all Directors of the Company and Group named in this report, and current and former Executive Officers of the Company and Group, against all liabilities to persons (other than the Company or a related body corporate) which arise out of the performance of their normal duties as a Director or an Executive Officer, unless the liability relates to conduct involving a lack of good faith. This policy also covers Directors and Officers in the performance of their duties as Directors or Officers of associated companies. The Company has agreed to indemnify the Directors and Executive Officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

In consideration of each of the Directors acting as both a Director and Officer of the Company or Group Company, the Company has agreed to indemnify the Directors in accordance with Sections 241 (2) and (3) of the *Corporations Act 2001* and this continues for a period of seven years from the date from which the director ceases to be an Officer of the Company or Group Company.

The Directors and Officers liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company or a related body corporate) incurred in their position as Director or Executive Officer unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

#### **Events Occurring After Reporting Date**

There were no matters or circumstances, which have arisen between 30 June 2019 and the date of this report that have significantly affected, or may significantly affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial periods.

Recognising debt capacity as a critical component of Citywide's growth, in July 2019 Citywide renewed and increased its borrowing facilities with Westpac in line with the State imposed cap on debt – an increase of \$9.1m to \$38.7m.

#### **Auditor's independence declaration**

The auditor's independence declaration is included as an attachment at the end of this report.

This report is made in accordance with a resolution of the Directors.



**J Brumby (Chairman)**



**A Waters (Director)**  
3 September 2019

Consolidated Financial Statements for  
Citywide Service Solutions Pty Ltd ACN 066 960 085  
for the year ended 30 June 2019



Citywide Service Solutions Pty Ltd  
Financial Report 2019

How this report is structured

Citywide Service Solutions Pty Ltd (the Group) has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2019 in the following structure to provide users with the information about the Group's stewardship of resources entrusted to it.

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## Citywide Service Solutions Pty Ltd

## Financial Report 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$'000	2018 \$'000
<b>Revenue from operations</b>			
Services	2.1	235,148	242,530
Other income	2.2	84	625
<b>Total revenue from operations</b>		<u>235,232</u>	<u>243,155</u>
<b>Expenses from operations</b>			
Employee benefits	3.1	81,389	82,708
Contractor costs	3.2	59,416	68,670
Materials and services	3.3	54,422	55,888
Depreciation and amortisation	4.1&6.5	12,359	12,551
Other expenses	3.4	20,850	17,281
<b>Total expenses from operations</b>		<u>228,436</u>	<u>237,098</u>
<b>Profit before income tax equivalents</b>		<u>6,796</u>	<u>6,057</u>
Income tax equivalents expense	7.1	2,049	1,823
<b>Profit after income tax equivalents</b>		<u>4,747</u>	<u>4,234</u>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Gain on revaluation of property, net of tax		-	17,250
<b>Other comprehensive income for the year, net of tax</b>		<u>-</u>	<u>17,250</u>
<b>Total comprehensive income for the year</b>		<u>4,747</u>	<u>21,484</u>

The above consolidated statement of statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Citywide Service Solutions Pty Ltd  
Financial Report 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019

	Notes	2019 \$'000	2018 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4.2	8,122	6,857
Trade and other receivables	5.1	37,375	36,456
Other assets	5.2	3,963	6,691
<b>Total current assets</b>		<b>49,460</b>	50,004
<b>Non-current assets</b>			
Property, plant and equipment	4.1	98,320	98,083
Deferred tax assets	7.2	4,557	5,110
Intangible assets	4.3 & 6.5	25,547	23,557
<b>Total non-current assets</b>		<b>128,424</b>	126,750
<b>TOTAL ASSETS</b>		<b>177,884</b>	176,754
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3	34,161	32,413
Contract liability	5.4	2,819	3,519
Current tax liabilities		158	692
Employee provisions	3.1	10,221	10,120
Dividends payable	6.4	3,200	2,550
Other provisions		849	1,366
<b>Total current liabilities</b>		<b>51,408</b>	50,660
<b>Non-current liabilities</b>			
Employee provisions	3.1	1,003	2,146
Deferred tax liabilities	7.2	12,506	12,528
<b>Total non-current liabilities</b>		<b>13,509</b>	14,674
<b>TOTAL LIABILITIES</b>		<b>64,917</b>	65,334
<b>NET ASSETS</b>		<b>112,967</b>	111,420
<b>EQUITY</b>			
Contributed equity	6.1	18,406	18,406
Retained earnings	6.1	65,380	63,833
Asset revaluation reserve	6.1	29,181	29,181
<b>TOTAL EQUITY</b>		<b>112,967</b>	111,420

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Citywide Service Solutions Pty Ltd  
Financial Report 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019

	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation \$'000	Total \$'000
<b>Balance at 1 July 2017</b>	18,406	62,149	11,931	<b>92,486</b>
<b>Profit after income tax equivalents</b>	-	4,234	-	<b>4,234</b>
<b>Other comprehensive income for the year, net of tax</b>	-	-	17,250	<b>17,250</b>
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided	-	(2,550)	-	<b>(2,550)</b>
<b>Balance at 30 June 2018</b>	<b>18,406</b>	<b>63,833</b>	<b>29,181</b>	<b>111,420</b>
<b>Profit after income tax equivalents</b>	-	4,747	-	<b>4,747</b>
<b>Other comprehensive income for the year, net of tax</b>	-	-	-	-
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided	-	(3,200)	-	<b>(3,200)</b>
<b>Balance at 30 June 2019</b>	<b>18,406</b>	<b>65,380</b>	<b>29,181</b>	<b>112,967</b>

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



Citywide Service Solutions Pty Ltd  
Financial Report 2019CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		220,654	270,967
Payments to suppliers and employees (inclusive of GST)		(199,654)	(254,686)
Interest paid		(72)	(125)
Interest received		88	74
Income tax equivalents paid		(2,030)	(4,168)
<b>Net cash provided by operating activities</b>	4.2	<u>18,986</u>	<u>12,062</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		753	1,072
Purchase of property, plant and equipment		(15,924)	(13,631)
<b>Net cash flows used in investing activities</b>		<u>(15,171)</u>	<u>(12,559)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	4.2	-	12,000
Repayment of borrowings	4.2	-	(12,000)
Dividends paid		(2,550)	(3,800)
<b>Net cash flows used in financing activities</b>		<u>(2,550)</u>	<u>(3,800)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>1,265</u>	<u>(4,297)</u>
Cash and cash equivalents at beginning of year		<u>6,857</u>	<u>11,154</u>
<b>Cash and cash equivalents at end of year</b>	4.2	<u>8,122</u>	<u>6,857</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Citywide Service Solutions Pty Ltd

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**1: ABOUT THIS REPORT**

The financial statements comprise the consolidated financial statements of Citywide Service Solutions Pty Ltd and its subsidiaries. Citywide Service Solutions Pty Ltd (the "Company" or "parent entity") and its subsidiaries are referred to in this financial report as the "Group" or "consolidated entity".

The Company is a proprietary company incorporated under the *Corporations Act 2001*, and is domiciled in Australia. The Company's registered office and principal place of business is 294 Arden Street, North Melbourne VIC 3051.

The Group's principal activities are to meet the service needs of local government, other government and private and public sector corporations and the community by providing a comprehensive range of quality, physical services.

**1.1: Basis of preparation**

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. Compliance with Australian Accounting Standards ensures that the financial statements comply with International Financial Reporting Standards issued by the International Accounting Standards Board. The Company is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements have been prepared on an accruals basis and are based on historical costs and therefore do not reflect changes in the purchasing power of money or current valuations of non-monetary assets, except where indicated. Certain non-current assets are measured at revalued amounts or fair values, as discussed in relevant sections of the notes.

The consolidated financial statements have been prepared on a going concern basis. As at 30 June 2019, current Liabilities exceed current Assets by \$1.9M (2018: current liabilities exceed current assets by \$0.7M). The directors believe that the Group is a going concern because of continued profitability, positive operating cash inflows and the available bank loan facility as disclosed in Note 4.2.

The functional and presentation currency of the Group is Australian Dollars, with all amounts rounded to the nearest thousand dollars, or in certain cases to the nearest dollar, in accordance with the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191.

The principal accounting policies adopted in the preparation of the financial statements are included in sections where the related financial statement line item is disclosed. These policies have been consistently applied to all years presented, unless otherwise stated.

This is the first set of the Group's annual financial statements in which AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) have been applied.

Citywide Service Solutions Pty Ltd

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**1.2: Critical Accounting Judgments and Estimates**

In application of the Groups' accounting policies, the Group is required to make judgements, estimates and assumptions on the financial statements based on historical assumptions, experience and other factors that are considered to be relevant.

Information about critical assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are discussed in the following notes:

Accounting estimates and judgements	Note
Revenue recognition	2.1
Long-term employee benefits	3.1.2
Depreciation methods, useful lives and residual values of property, plant and equipment	4.1
Impairment of assets and amortisation policy	4.3 & 6.5
Recovery of deferred tax assets	7.2
Fair value assets and liabilities	8.2

Citywide Service Solutions Pty Ltd

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**2: OUR REVENUE****Introduction to this section**

The Group offers a diverse range of services that enhance community assets and help shape liveable cities. Services rendered include infrastructure, waste management and open space predominantly for State Government, Local Government Authority and private enterprise. Our service reach stretches along the eastern seaboard of Australia, from Queensland to Victoria.

**Structure**

2.1: Services

2.2: Other income

**2.1: Services**

The following disaggregates revenue by service streams, geographical location and type of contract.

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Rendering of services	<u>235,148</u>	<u>242,530</u>
	<b>235,148</b>	<b>242,530</b>
<b>Disaggregation of revenue</b>		
<i>Type of service</i>		
Infrastructure	72,208	82,606
Waste management	49,283	48,630
Open space	104,195	101,436
Other	<u>9,462</u>	<u>9,858</u>
	<b>235,148</b>	<b>242,530</b>
<i>Geographical region</i>		
VIC	205,030	211,766
NSW	16,248	14,773
QLD	9,358	11,794
ACT	<u>4,512</u>	<u>4,197</u>
	<b>235,148</b>	<b>242,530</b>
<i>Type of contract</i>		
Contract Revenue	166,404	164,673
Non-Contract Revenue	<u>68,744</u>	<u>77,857</u>
	<b>235,148</b>	<b>242,530</b>
	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Contract assets	-	-
Contract liabilities	<b>2,819</b>	3,519

The Group recognised \$2,118,000 of the prior year carry forward balance (\$3,519,000) of contract liabilities during the 2019 financial period.



Citywide Service Solutions Pty Ltd  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**Remaining performance obligations**

	<b>FY2020</b>	FY2021 to FY2024	> FY2024
	<b>\$'000</b>	\$'000	\$'000
Expected contract revenue from existing contracts	<b>122,327</b>	187,526	17,332

**Changes in accounting policy**

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires an element of judgement.

**Recognition and measurement**

Rendering of services refers to income from service contracts and is recognised over time as the services are provided. The Group determines its progress in satisfying these related performance obligations with reference to the proportion of costs incurred to date compared to the estimated total costs of the contract. Administrative overheads are not included in the costs of the contract.

Revenue from work performed other than under a service contract is recognised when the services have been provided.

The Group has adopted AASB 15 Revenue from contracts with customers, using the cumulative catch-up method with no adjustment required in the financial year ended 2019. Accordingly, the information for financial year ending 2018 has not been restated – i.e. it is presented, as previously reported, under AASB 118 Revenue.

The Group has determined nil contract assets from contracts with customers exist through the adoption of AASB 15. Contract liabilities include income paid in advance where no performance obligation is met.

**Critical accounting estimates and judgement**

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as and when expenses are incurred and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

**2.2: Other income**

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Gain/(loss) on disposal of property, plant and equipment, net of costs	<b>(4)</b>	551
Interest received	<b>88</b>	74
	<b>84</b>	625

The loss on disposal of property, plant and equipment is a result from normal operating activities.

**Recognition and measurement**

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

### 3: THE COST OF OUR OPERATIONS

#### Introduction to this section

For the Group to deliver its services to its highest standards a diverse and skilled workforce is essential as well as strong commercial relationships with vendors and contractors within the supply chain.

#### Structure

- 3.1: Employee benefits and employee provisions
- 3.2: Contractor Costs
- 3.3: Materials and services
- 3.4: Other expenses

#### 3.1: Employee benefits and employee provisions

<u>3.1.1 Employee benefits expenses</u>	2019 \$'000	2018 \$'000
Employee benefits	<u>81,389</u>	<u>82,708</u>
	<b>81,389</b>	<b>82,708</b>

Employee benefits predominantly relates to salaries and wages and related on-costs.

#### Recognition and measurement

Short-term employee benefits are expensed as the related service is provided.

#### Superannuation

##### Accumulation funds

Citywide Service Solutions Pty Ltd makes employer superannuation contributions for its employees to complying accumulation superannuation funds. The accumulation funds, (including the Local Authorities Superannuation fund's accumulation category, Vision Super Saver), receive employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9.50% required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of each individual fund.

##### Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as employee benefits expenses in profit or loss in the periods which services are rendered by employees.

##### Defined benefits plan

The Company participates in a multi-employer defined benefits plan for which sufficient information is not available to use defined benefits accounting. As such, it accounts for contributions to those plans as if they were defined contributions plans rather than defined benefit plan accounting as allowed under AASB 119.

The Fund's defined benefit plan is not open to new members. As the Plan's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to reliably allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32 (b) of AASB 119 Employee Benefits, Citywide Service Solutions Pty Ltd does not use defined benefit accounting for these contributions.

## Citywide Service Solutions Pty Ltd

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The Group makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2017 and on advice from the City of Melbourne, the Group makes the following contributions:

- 13% of salaries for active defined benefit members; and
- top-up payments for exiting members equal to the benefit payment less the vested benefit adjusted for the vested benefit index (VBI), where the VBI is less than 100%. At 31 March 2019, the estimated VBI was 127.5%.

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Employer contributions to complying superannuation funds	<b>5,801</b>	5,675
Employer contributions payable to complying superannuation funds at reporting date	<b>766</b>	812

**3.1.2 Employee benefits provisions**

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Current expected to be settled within 12 months</b>		
Annual leave	<b>4,237</b>	4,494
Long service leave	<b>835</b>	673
	<b>5,072</b>	5,167
<b>Current expected to be settled after 12 months</b>		
Annual leave	-	-
Long service leave	<b>5,149</b>	4,953
	<b>5,149</b>	4,953
<b>Total current balance</b>	<b>10,221</b>	10,120
<b>Non-current</b>		
Long service leave	<b>1,003</b>	2,146
	<b>1,003</b>	2,146

**Recognition and measurement**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and other employee benefits when it is probable that settlement will be required and they are capable of being measured reliably through the below method:

- Short-term employee benefits - measured at their nominal values using the remuneration rate expected to apply at the time of settlement plus related on costs in respect of employees' services up to reporting date.
- Long-term employee benefits - measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Re-measurements are recognised in profit or loss in the period in which they arise.

**Critical accounting estimates and judgement**

For long-term employee benefits: The calculation of the present value of the estimated future cash outflows requires the following key assumptions:

	<b>2019</b>	2018
Discount Rate	<b>1.2% - 1.5%</b>	1.9% - 2.7%
Wage Inflation Rate	<b>4.3%</b>	3.9%
Settlement Period	<b>7 years</b>	7 years

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**3.2: Contractor Costs**

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Civil services	<b>33,117</b>	42,251
Open space services	<b>17,735</b>	17,907
Environmental services	<b>8,282</b>	8,465
Other services	<b>282</b>	47
	<b><u>59,416</u></b>	<u>68,670</u>

**Recognition and measurement**

Contractor costs are recognised when the services have been provided.

**3.3: Materials and services**

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Raw materials and consumables used	<b>25,563</b>	24,487
Fleet costs	<b>15,603</b>	17,365
Waste tipping	<b>13,256</b>	14,036
	<b><u>54,422</u></b>	<u>55,888</u>

**Recognition and measurement**

Raw materials and consumables used relate to inventories that were consumed as part of services provided and are recognised as an expense during the period when consumed. Costs associated with fleet and waste tipping services are recognised when the services have been received.

**3.4: Other expenses**

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Occupancy costs	<b>5,836</b>	5,275
Finance costs: Interest charges paid	<b>70</b>	122
Auditors' remuneration:		
Audit of financial statements	<b>90</b>	85
Internal audit services	<b>207</b>	202
Consultancy	<b>2,740</b>	2,693
IT Maintenance & Subscriptions	<b>2,175</b>	1,798
Insurance	<b>2,077</b>	1,214
Legal cost	<b>996</b>	592
Equipment Repair & Maintenance	<b>920</b>	708
Equipment	<b>808</b>	975
Training	<b>670</b>	541
Other expenses	<b>4,261</b>	3,076
	<b><u>20,850</u></b>	<u>17,281</u>



Citywide Service Solutions Pty Ltd

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**Recognition and measurement**

Occupancy costs are incurred in relation to the Group's office spaces and include rent, utilities and facility maintenance costs. Occupancy costs are recognised when the benefits are consumed. Finance costs are incurred in relation to security deposits and are recognised using the effective interest method.

**3.5: Significant items**

Through the loss of existing contracts, the Group incurred \$1.8m in labour and fleet redundancy costs.

Citywide Service Solutions Pty Ltd  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 4: ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS

**Introduction to this section**

The Group assets are used to deliver services to the community. To stay competitive the Group balances the optimum mix in Working Capital with its Fleet/Plant & Equipment.

**Structure**

4.1: Property, plant and equipment

4.2: Cash and cash equivalents

4.3: Intangible Assets - Software

## 4.1: Property, plant and equipment

	Land	Buildings	Leasehold improvements	Plant and equipment	Motor vehicles	Work in progress	Total
<b>Critical accounting estimates and judgement</b>							
			Portables: 5-10 years				
	Not applicable	Other: 40 years	Various <sup>(1)</sup>	1-15 years	3-10 years	Not applicable	
<b>2019</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cost</b>							
Opening balance	46,077	4,764	5,093	35,992	81,558	1,417	174,901
Additions	-	237	441	4,088	8,227	189	13,182
Disposals	(21)	(367)	(487)	(2,370)	(8,017)	-	(11,262)
Revaluation	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>46,056</b>	<b>4,634</b>	<b>5,047</b>	<b>37,710</b>	<b>81,768</b>	<b>1,606</b>	<b>176,821</b>
<b>Accumulated depreciation and impairment</b>							
Opening balance	-	(2,305)	(1,947)	(25,100)	(47,466)	-	(76,818)
Depreciation	-	(175)	(582)	(3,572)	(7,953)	-	(12,282)
Disposals	-	386	495	2,647	7,408	-	10,936
Impairment loss	-	-	(170)	(167)	-	-	(337)
<b>Closing balance</b>	<b>-</b>	<b>(2,094)</b>	<b>(2,204)</b>	<b>(26,192)</b>	<b>(48,011)</b>	<b>-</b>	<b>(78,501)</b>
<b>Carrying value 30 June 2019</b>	<b>46,056</b>	<b>2,540</b>	<b>2,843</b>	<b>11,518</b>	<b>33,757</b>	<b>1,606</b>	<b>98,320</b>
<b>2018</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cost</b>							
Opening balance	21,433	4,739	4,977	35,574	78,827	1,034	146,584
Additions	-	123	457	2,449	9,965	383	13,377
Disposals	-	(98)	(341)	(2,031)	(7,234)	-	(9,704)
Revaluation	24,644	-	-	-	-	-	24,644
<b>Closing balance</b>	<b>46,077</b>	<b>4,764</b>	<b>5,093</b>	<b>35,992</b>	<b>81,558</b>	<b>1,417</b>	<b>174,901</b>
<b>Accumulated depreciation and impairment</b>							
Opening balance	-	(2,255)	(1,610)	(23,614)	(46,245)	-	(73,724)
Depreciation	-	(148)	(664)	(3,423)	(8,016)	-	(12,251)
Disposals	-	98	327	1,937	6,795	-	9,157
Impairment loss	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>-</b>	<b>(2,305)</b>	<b>(1,947)</b>	<b>(25,100)</b>	<b>(47,466)</b>	<b>-</b>	<b>(76,818)</b>
<b>Carrying value 30 June 2018</b>	<b>46,077</b>	<b>2,459</b>	<b>3,146</b>	<b>10,892</b>	<b>34,092</b>	<b>1,417</b>	<b>98,083</b>

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<sup>1)</sup> The cost of improvements to or on leasehold properties is depreciated over the shorter of the unexpired period of the lease or the estimated useful life of the improvement to the Group. The ranges of expected useful lives to the Group are unchanged from last year with the majority of these assets being depreciated over 5 years.

**Recognition and measurement**

**Buildings, plant and equipment and motor vehicles**

Buildings, plant and equipment and motor vehicles are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item and subsequent costs incurred to replace parts that are eligible for capitalisation. When each major inspection is performed, its cost is recognised on the carrying amount of the plant and equipment as a replacement only if eligible for capitalisation. All other repairs and maintenance costs are recognised in the statement of profit or loss and other comprehensive income as incurred. Depreciation is calculated on a straight-line basis and recognised to write off the cost of assets less their estimated residual values over their useful lives.

**Land**

The revalued land is located in Australia and is stated at fair value based on periodic but at least triennial valuations by external independent valuers. Fair value of land was determined using the direct sales comparison approach (on a rate per square meter of land area basis) that reflects recent transaction prices for similar properties. Sales evidence utilised by the valuers comprise improvements, and to ensure a consistent analytical methodology, deductions for demolition improvements were not considered.

The last revaluation was completed on 16 October 2017 and performed by Charter Keck Cramer, a licenced estate agent and an accredited independent valuer who has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The highest and best use of the freehold land is redevelopment.

The fair value of land is categorised as level 2 within the fair value hierarchy (refer to Note 8.2) and the fair value of land is \$46,077,000 (2018: \$46,077,000). The historical cost of land is \$5,741,000.

For details relating to the revaluation of land reserve recorded within equity refer to Note 6.1.

**De-recognition of property, plant and equipment**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

**Critical accounting estimates and judgement**

Depreciation methods, estimated residual values and useful lives are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate.

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#### 4.2: Cash and cash equivalents

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Cash and cash equivalents in the consolidated statement of financial position	<b>8,122</b>	6,857
Cash and cash equivalents in the consolidated statement of cash flows	<b>8,122</b>	6,857

Cash at bank attracts interest rates of 2019: 0 - 1.5% (2018: 0 - 1.5%).

Cash and cash equivalents comprise cash at banks and on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash as defined above, net of outstanding bank overdrafts.

#### Bank overdraft and bank loan facility

The bank overdraft facility of \$2.5m (2018: \$2.5m) and bank loan facility of \$27.1m (2018: \$27.1m) are secured facilities with a 1st ranking fixed and floating charge over the net assets of the Group. There were no borrowings as at 30 June 2019 (2018: \$0). Subject to the continuance of satisfactory covenants achievement, the bank facilities may be drawn at any time. The bank facilities may be terminated by the bank if the Group defaults under the loan agreement. The facilities expire on 27 July 2019. Subsequent to year end, the facility was extended to July 2022. Refer to note 9.4 for update on bank facilities.

#### Reconciliation of net cash provided by operating activities to net profit after income tax equivalents

Net profit after income tax equivalents	<b>4,747</b>	4,234
Non-cash items in operating profit:		
- Net (gain) / loss on disposal of non-current assets	<b>4</b>	(551)
- Depreciation / amortisation of non-current assets	<b>12,907</b>	12,551
- Impairment of goodwill/ Goodwill adjustment	-	-
- Provision for Doubtful Debts	-	(377)
Changes in operating assets and liabilities:		
- (Increase)/Decrease in Prepayments, Trade and other receivables	<b>107</b>	4,707
- (Increase)/Decrease in Amounts owing by ultimate parent entity	<b>1,521</b>	(5,961)
- (Increase)/Decrease in Inventories	<b>192</b>	(62)
- (Increase)/Decrease in Deferred tax equivalent assets	<b>553</b>	427
- Increase/(Decrease) in Trade and other payables	<b>1,231</b>	(425)
- Increase/(Decrease) in Employee entitlements	<b>(1,042)</b>	291
- Increase/(Decrease) in Current tax equivalent liabilities	<b>(534)</b>	(2,663)
- Increase/(Decrease) in Other liabilities	<b>(700)</b>	-
- Increase/(Decrease) in Amounts owing to ultimate parent entity	-	-
- Increase/(Decrease) in Deferred tax equivalent liabilities	-	(109)
<b>Net cash provided by operating activities</b>	<b>18,986</b>	12,062



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### 4.3: Intangible Assets - Software

	Total
<b>Critical accounting estimates and judgement</b>	
Amortisation policy	
<b>2019</b>	<b>\$'000</b>
<b>Cost</b>	
Opening balance	712
Additions from software development*	1,966
Disposals	(431)
<b>Closing balance</b>	<b>2,247</b>
<b>Accumulated amortisation and impairment</b>	
Opening balance	(112)
Amortisation	(307)
Impairment	173
<b>Closing balance</b>	<b>(246)</b>
<b>Carrying value 30 June 2019</b>	<b>2,001</b>
<b>2018</b>	<b>\$'000</b>
<b>Cost</b>	
Opening balance	432
Additions from software development	280
Disposals	-
<b>Closing balance</b>	<b>712</b>
<b>Accumulated amortisation and impairment</b>	
Opening balance	-
Amortisation	(112)
Impairment	-
<b>Closing balance</b>	<b>(112)</b>
<b>Carrying value 30 June 2018</b>	<b>600</b>

The Group's intangible assets comprise software, goodwill and customer relationship asset. For goodwill and customer relationship assets refer to Note 6.5.

\* Additions from software development include programs such as Field Services, Kronos and Waste Edge.

#### Recognition and measurement

##### Software research and development

Expenditure on research activities is recognised in the profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

##### Impairment and de-recognition

For information relating to impairment testing and de-recognition of intangible assets refer to Note 6.5.

##### Critical accounting estimates and judgement

To determine whether intangible assets are impaired requires an estimation of an intangible asset's recoverable amount. Judgement is also required to determine whether a project has progressed from the research to the development phase.

Citywide Service Solutions Pty Ltd  
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## 5: OTHER ASSETS AND LIABILITIES

### Introduction to this section

This section includes other assets and liabilities that are working capital related and employed by the Group to support its day-to-day operating activities.

### Structure

- 5.1: Trade and other receivables
- 5.2: Other assets
- 5.3: Trade and other payables
- 5.4: Contract

### 5.1: Trade and other receivables

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Trade receivables	<b>22,711</b>	21,719
Less: Allowance for impairment of receivables	<b>(633)</b>	(633)
	<b>22,078</b>	21,086
Amounts owing from ultimate parent entity	<b>13,058</b>	14,579
Other debtors	<b>2,239</b>	791
	<b>37,375</b>	36,456

### Classification of financial assets

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale.

The Group has determined through the adoption of AASB 9 there is no impact on Trade and Other Receivables and Cash and Cash equivalents for the financial period ended 30 June 2019.

### Recognition and measurement

Receivables are recognised at the amounts due for settlement and are usually collected within 30 days of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is evidence that the group may not be able to collect the debt.

The Group has adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2019 but have not been generally applied to comparative information.

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applied to financial assets measured at amortised cost, contract assets and debt investments at FVOCI. For assets in the scope of AASB 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of AASB 9's impairment requirements at 1 July 2018 results in nil additional allowance for impairment.

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	2019 \$'000	2018 \$'000
<b>Opening balance</b>	<b>(633)</b>	(1,010)
Amounts written-off	-	257
Amounts recovered and reversed	-	120
<b>Closing Balance</b>	<b>(633)</b>	(633)

#### Impaired trade and other receivables

The Group has not recognised any gain or loss in 2019 (gain in 2018: \$257,000) in the statement of profit or loss and other comprehensive income in respect of bad and doubtful trade receivables.

## 5.2: Other assets

	2019 \$'000	2018 \$'000
<b>Current</b>		
Accrued income – Unbilled services	<b>1,870</b>	3,245
Prepayments	<b>1,442</b>	895
Inventories	<b>515</b>	707
Land sale deferred settlement	-	1,707
Other current assets	<b>136</b>	137
	<b>3,963</b>	6,691

#### Recognition and measurement

Impairment losses on other financial assets are presented under 'other expenses', similar to the presentation under AASB 139, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

#### Accrued income

Accrued income relates to services for which revenue has been recognised during the period but the services have not yet been billed to the customer at the end of the reporting period. Accrued income is recognised at the time the service is provided.

#### Prepayment

Prepayments for goods and services which are to be provided in future years are recognised as prepayments.

#### Inventories

Stores and raw materials are stated at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at reporting date using the weighted average cost method. The cost of purchase comprises the purchase price including taxes (other than those subsequently recoverable by the entity from the taxing authorities) transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### Land sale deferred settlement

The Group entered into a contract of sale of 251-253 Rex Road, Campbellfield to Procal Property Investments dated 04/09/2015. Sale price \$1.9M with 10% deposit received and a balance of \$1.7M paid on 04/09/2018.

Citywide Service Solutions Pty Ltd  
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### 5.3: Trade and other payables

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Current</b>		
Trade and other payables	<b>34,011</b>	32,190
Amount owing to ultimate parent entity	-	-
Security Deposits	<b>150</b>	223
	<b><u>34,161</u></b>	<u>32,413</u>

### 5.4: Contract liabilities

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Deferred revenue	<b><u>2,819</u></b>	<u>3,519</u>
	<b><u>2,819</u></b>	<u>3,519</u>

#### Recognition and measurement

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

#### Trade and other payables

Payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### Deferred revenue

Deferred revenue represents income received in advance by the Group for work to be completed and the Marrickville relocation compensation. The compensation payment of \$2.8m was amortised on a straight line basis over 33 months with the end date 30 June 2019.

#### Security deposits

Security Deposits are unsecured and represent amounts withheld and payable by the Group in future periods relating to recent acquisitions. Interest is being charged to the Group on these deposits at the current Bank Bill Swap rate of 1.45% (2018: 1.70%).

#### Contract liabilities

Contract liabilities includes income paid in advance but not recognised to account as no performance obligations are met.

Citywide Service Solutions Pty Ltd  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 6: OUR CAPITAL STRUCTURE

### Introduction to this section

This section provides information on the capital structure of the Group as its sources of finance utilised during its operating activities and other information related to the financing activities.

### Structure

- 6.1: Equity and reserves
- 6.2: Parent entity information
- 6.3: Subsidiaries and joint operations
- 6.4: Dividends
- 6.5: Intangible Assets – Other

### 6.1: Equity and reserves

<b>Contributed equity</b>	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Ordinary shares - fully paid	<u><b>18,406</b></u>	<u>18,406</u>

### Movement in ordinary share capital

	2019		2018	
	No.	\$'000	No.	\$'000
Balance at start of year	<b>18,405,629</b>	<b>18,406</b>	18,405,629	18,406
Shares issued	-	-	-	-
<b>Balance at end of year</b>	<u><b>18,405,629</b></u>	<u><b>18,406</b></u>	<u>18,405,629</u>	<u>18,406</u>

### Recognition and measurement

#### Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

The Group regards total equity, being issued capital and retained profits, as capital. The objective of the Group is to provide a strong capital base so as to maintain shareholders confidence and to sustain future development of the business. The Board of Directors monitors the return of capital as the level of dividends to shareholders.

The Group seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The weighted average interest expense on interest bearing borrowings was 2.75% (2018: 3.05%). The Group's net debt (total liabilities less cash and cash equivalents) to total equity was 0.29 (2018: 0.48). There were no changes in the Group's approach to capital management during the year.



Citywide Service Solutions Pty Ltd

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2019	2018
	\$'000	\$'000
<b>Retained earnings and reserves</b>		
Retained profits at the beginning of the financial year	63,833	62,149
Net profit attributable to members of the company	<u>4,747</u>	<u>4,234</u>
<b>Total available for appropriation</b>	<u>68,580</u>	<u>66,383</u>
Dividends provided for or paid (Note 6.4)	<u>(3,200)</u>	<u>(2,550)</u>
<b>Retained profits at the end of the financial year</b>	<u>65,380</u>	<u>63,833</u>
	<b>\$'000</b>	<b>\$'000</b>
Earnings per share for profit attributable to the ordinary equity owners of the Company	<b>25.8</b>	23.0
<b>Reserves</b>	<b>\$'000</b>	<b>\$'000</b>
Opening Balance	<b>29,181</b>	11,931
Movement	<u>-</u>	<u>17,250</u>
<b>Closing Balance</b>	<u><b>29,181</b></u>	<u>29,181</u>

A revaluation of land held by the Group was conducted by independent valuers on 16 October 2017. The increase in property value of \$21.4m to \$46.1m at 30 June 2018 was disclosed in 2018. No revaluation of land was conducted in financial year 2019.

#### Recognition and measurement

The asset revaluation reserve records the revaluation of the Group's land which is carried at fair value. Any revaluation increase arising on the revaluation of land is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued land, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings.

Citywide Service Solutions Pty Ltd  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 6.2: Parent entity information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except for investments in subsidiaries, associates and joint venture entities which are accounted for at cost in the financial statements of the parent entity.

### a) Summary financial information

The individual financial statements of the parent entity show the following aggregate amounts:

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Statement of profit or loss and other comprehensive income</b>		
Net profit for the year	<b>3,326</b>	3,203
Other comprehensive income	-	17,250
<b>Total comprehensive income</b>	<b>3,326</b>	20,453
<b>Statement of financial position</b>		
<b>ASSETS</b>		
Current Assets	<b>47,368</b>	50,585
Non-Current Assets	<b>138,358</b>	138,220
<b>Total Assets</b>	<b>185,726</b>	188,805
<b>LIABILITIES</b>		
Current Liabilities	<b>61,419</b>	61,666
Non-Current Liabilities	<b>13,418</b>	14,310
<b>Total Liabilities</b>	<b>74,837</b>	75,976
<b>EQUITY</b>		
Contributed equity	<b>18,406</b>	18,406
Retained profit	<b>63,302</b>	65,242
Asset revaluation reserve	<b>29,181</b>	29,181
<b>Total Equity</b>	<b>110,889</b>	112,829

### b) Guarantees

Refer to Note 8.3 for Guarantees issued by the Bank in respect of contracts secured relating to the Company. All Guarantees stated in Note 8.3 relate to the Company.

### c) Capital expenditure commitments

Refer to Note 9.3 for capital expenditure contracted for at the balance date but not recognised as liabilities in the financial report. All capital expenditure commitments stated in Note 9.3 relate to the Company.

Citywide Service Solutions Pty Ltd  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 6.3: Subsidiaries and joint operations

#### Principals of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved where the Company a) has power over the investee; b) is exposed, or has rights, to variable returns from its involvement with the investee; and c) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

#### Recognition and measurement

##### Subsidiaries

The consolidated financial statements of the Group include:

Name of subsidiary	Principal activity	Date of Acquisition	Country of incorporation	% Equity interest	
				30/06/2019	30/06/2018
Sterling Group Services Pty Ltd	Open Space Management	1 January 2011	Australia	100%	100%
AWD Earthmoving Pty Ltd	Infrastructure	31 May 2012	Australia	100%	100%
Technigro Australia Pty Ltd	Holding Company	1 October 2013	Australia	100%	100%
Technigro Pty Ltd	Open Space Management	1 October 2013	Australia	100%	100%
Citywide North Melbourne Asphalt Pty Ltd	Asphalt Manufacturing	15 January 2016	Australia	50%	50%

#### Just Roots business and asset acquisition

On 21 June 2018, the Group entered into an asset sale agreement of Just Roots Pty Ltd, a business focused on the delivery of urban tree root management for Local Government Authorities. Under the agreement the Group acquired the business and assets for a total consideration of \$1.0m inclusive of a contingent consideration of \$0.1m payable on 30 July 2019 given pre-determined targets are met. The makeup of the acquisition includes \$0.1m fixed assets and \$0.8m intangible goodwill. For additional information on goodwill refer to note 6.5.

#### Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses in accordance with the AASB's applicable to the particular assets, liabilities, revenue and expenses. These have been incorporated in the financial statements under the appropriate headings.

When the Group transacts with a joint operation in which Citywide Service Solutions Pty Ltd is a joint operator (such as a sale or contribution of assets), this is considered to be conducting the transactions with the other party to the joint operation, and gains and losses resulting from the transactions are recognised in the financial statements only to the extent of other parties' interests in the joint operation.

## Citywide Service Solutions Pty Ltd

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**Citywide North Melbourne Asphalt Pty Ltd**

The Group has a 50% interest in a joint arrangement called Citywide North Melbourne Asphalt (Asphalt JO) which was set up as a partnership together with Fulton Hogan Industries Pty Ltd for the manufacture and sale of asphalt products. The principal place of business of the joint operation is in Australia.

The joint arrangement agreement requires unanimous consent from all parties for all relevant activities. The two participants own the assets of the partnership as tenants in common and are jointly and severally liable for the liabilities incurred by the partnership. Therefore it is classified as a joint operation and the Group recognises its direct right to the jointly held assets, liabilities, revenue and expenses.

**Guarantee provided to Fulton Hogan Industries Pty Ltd**

As part of the joint arrangement, the Group has provided a guarantee up to a maximum of \$7,000,000. In the event the Asphalt JO ceases its operations and is permanently closed within 7 years of its commencement on 15th January 2016, due to changes in law or issue of notices, making of order or direction given by a Government Agency since the commencement date, Fulton Hogan has a right to claim for compensation from the Group. The liability payable on the closure date will be reduced on a straight line basis by the number of months the Asphalt JO has operated since the commencement date. Accordingly, the Arden Street development precinct has created a level of uncertainty with the location of the Asphalt JO, however, management are of the view that in the event of a decision to relocate the Asphalt JO, the timing of the relocation is likely to occur post the seven year liability period. As at 30 June 2019, management are of the view the Asphalt JO will continue its operation and liability for compensation to Fulton Hogan is unlikely. As a result, no liability has been recognised. If compensation was made at 30 June 2019, a payment of \$3,500,000 would have been required.

**6.4: Dividends**

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Movement in dividend payable provision</b>		
Balance at beginning of year	<b>2,550</b>	3,800
Additional provisions raised during the year	<b>3,200</b>	2,550
Amounts paid during the year	<b>(2,550)</b>	(3,800)
<b>Balance at end of year</b>	<b>3,200</b>	2,550

The Board has declared a dividend of \$3,200,000 (2018: \$2,550,000), payable in October 2019.

**Recognition and measurement**

Provision is made for the amount of any dividend determined, being appropriately authorised on or before the end of the financial year but not distributed by the year end date.

Citywide Service Solutions Pty Ltd  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 6.5: Intangible Assets – Other

	Goodwill on acquisitions	Customer relationships	Total
<b>Critical accounting estimates and judgement</b>			
Amortisation policy	Not applicable	5 years	
<b>2019</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cost</b>			
Opening balance	27,566	1,500	29,066
Additions	776	-	776
Disposals	-	-	-
<b>Closing balance</b>	<b>28,342</b>	<b>1,500</b>	<b>29,842</b>
<b>Accumulated amortisation and impairment</b>			
Opening balance	(4,796)	(1,425)	(6,221)
Amortisation	-	(75)	(75)
Impairment	-	-	-
<b>Closing balance</b>	<b>(4,796)</b>	<b>(1,500)</b>	<b>(6,296)</b>
<b>Carrying value 30 June 2019</b>	<b>23,546</b>	<b>-</b>	<b>23,546</b>
<b>2018</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cost</b>			
Opening balance	27,566	1,500	29,066
Additions	-	-	-
Disposals	-	-	-
<b>Closing balance</b>	<b>27,566</b>	<b>1,500</b>	<b>29,066</b>
<b>Accumulated amortisation and impairment</b>			
Opening balance	(4,796)	(1,125)	(5,921)
Amortisation	-	(300)	(300)
Impairment	-	-	-
<b>Closing balance</b>	<b>(4,796)</b>	<b>(1,425)</b>	<b>(6,221)</b>
<b>Carrying value 30 June 2018</b>	<b>22,770</b>	<b>75</b>	<b>22,845</b>

#### Recognition and measurement

##### Goodwill

Goodwill acquired in a business combination is measured at cost as established at the date of the business combination and subsequently measured at cost less any accumulated impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

##### Additions (Just Roots)

The Group purchased Just Roots through an asset sale agreement for a total consideration of \$1.0 of which \$0.1m represented tangible assets and \$0.8m goodwill (intangible) and \$0.1m contingent consideration payable in July 2019.

##### Customer relationship assets

Customer relationships acquired as part of a business combination are recognised separately from goodwill and carried at fair value at the date of acquisition less accumulated amortisation and any accumulated impairment losses. Any deferred tax liabilities related to customer relationships are calculated and recorded as a part of goodwill. Customer relationships are amortised on a straight-line basis over their useful economic life.

##### Impairment of assets

The Group tests assets to ensure that they are not carried above their recoverable amounts:

- annually, or more frequently if events or changes in circumstances indicate that the assets may be impaired, for goodwill and intangible assets that have an indefinite useful life;
- and for all other assets whenever an indication of impairment may exist.

## Citywide Service Solutions Pty Ltd

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An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units or CGUs).

The recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value of its recoverable amount is expensed to the comprehensive income statement.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU). A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Allocation of goodwill to CGU's**

For the purposes of the annual impairment testing, goodwill is allocated to the consolidated entity's operating divisions. The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Current</b>		
Victoria operations	<b>9,490</b>	8,714
NSW/ACT operations	<b>7,868</b>	7,868
Technigro	<b>6,188</b>	6,188
	<b><u>23,546</u></b>	<u>22,770</u>

The recoverable amount of each CGU has been determined based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The recoverable amount of each unit was determined to be in excess of the carrying value for each CGU, and therefore no impairment has been recognised.

**Key assumptions used in the discounted cash flow projections**

Future cash flows have been based on the FY2020 budget and overlaid with appropriate discount and growth rates. The discount and growth rate assumptions are as follows:

	2019	2018
Discount rate	<b>8.50%</b>	8.50%
Growth rate	<b>2.20%</b>	2.20%

The discount rate used is a post-tax measure based on the company's weighted average cost of capital (WACC). The WACC has been determined in conjunction with professional valuation advice received from an independent consulting firm.

Each CGU has five years of cash flows included in its discounted cash flow models and a terminal growth rate thereafter. The discounted cash flow models the first year cash flow which is based on the FY2020 budget. The long-term compound annual growth rate in EBITDA is estimated by management using past experience and expectations for the future.

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**Sensitivity to change in assumptions**

Management has modelled reasonably possible changes in key assumptions to determine whether sensitivities would cause the carrying value of any CGU to exceed its recoverable amount.

The Group has modelled a 10% reduction in base EBITDA in each CGU and a 1% increase in the discount rate. In each case, the value in use would not be lower than the carrying amount and therefore no impairment would arise.

**Derecognition of intangible assets**

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is de-recognised.

**Critical accounting estimates and judgement**

*Estimation of recoverable amount*

The recoverable amounts of CGU's have been determined based on value in use calculations using discounted cash flow projections based on the budget approved by the board for the next financial year and management's forecasts covering a five year period. These calculations require the use of assumptions as outlined above.

*Fair value calculation*

The fair value of customer relationships acquired is calculated considering the estimated future recurring revenues from existing customers in the acquired operations at the date of the acquisition. The calculation involves the development of expected cash flows discounted at an appropriate discount rate. Projecting the expected cash flows involves estimating the likelihood of existing customers extending and renewing long-term contracts based on historical observations. The estimated useful life for amortisation is determined based on that assessment.

*Amortisation policy*

The amortisation period and method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.



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 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 7: TAXATION

**Introduction to this section**

This section outlines Income Tax equivalents attributed from operating activities along with any deferred tax assets or liabilities.

**Structure**

7.1: Income Tax

7.2: Deferred Tax

**7.1: Income Tax**

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
The Income tax equivalents on the profit from continuing operations differ from the amount of prima facie tax equivalents payable on that profit as follows:		
Prima facie income tax equivalents on the profit from continuing operations at 30% (2018: 30%)	<b>(2,039)</b>	(1,817)
Increase tax equivalents payable due to:		
Non deductible expenses	<b>(10)</b>	(6)
Other	<u>-</u>	<u>-</u>
Income tax equivalents attributed to operating profit	<b><u>(2,049)</u></b>	<u>(1,823)</u>
Income tax equivalents attributable to operating profit comprise:		
Current tax provision	<b>(1,518)</b>	(1,494)
Deferred income tax liability	<b>44</b>	92
Deferred income tax asset	<b><u>(575)</u></b>	<u>(421)</u>
	<b><u>(2,049)</u></b>	<u>(1,823)</u>

**Recognition and measurement**

The Group is exempt from income tax under section 50-25 of the Income Tax Assessment Act 1997, due to it being wholly owned by the City of Melbourne, a local government authority.

The Group is subject to paying income tax equivalents to City of Melbourne, equal to the amount of income tax otherwise payable under the Income Tax Assessment Act 1997. The Group has adopted the provisions of AASB 112 Income Tax to account for these income tax equivalents.

Income tax equivalents expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Citywide Service Solutions Pty Ltd  
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## 7.2: Deferred Tax

	Balance at 1 July	Charge to Income Statement	Charged to Asset Revaluation	Balance at 30 June	Deferred tax assets	Deferred tax liabilities
<b>2019</b>						
<b>\$'000</b>						
Employee benefits	3,637	(246)	-	3,391	3,391	-
Accruals	1,082	(470)	-	612	612	-
Other	170	135	-	305	305	-
Depreciation	221	27	-	248	248	-
Revaluation of land	(12,506)	-	-	(12,506)	-	(12,506)
Customer relationships	(22)	22	-	-	-	-
<b>Tax assets / liabilities</b>	<b>(7,418)</b>	<b>(532)</b>	<b>-</b>	<b>(7,950)</b>	<b>4,557</b>	<b>(12,506)</b>

	Balance at 1 July	Charge to Income Statement	Charged to Asset Revaluation	Balance at 30 June	Deferred tax assets	Deferred tax liabilities
<b>2018</b>						
<b>\$'000</b>						
Employee benefits	3,682	(45)	-	3,637	3,637	-
Accruals	1,122	(40)	-	1,082	1,082	-
Other	500	(330)	-	170	170	-
Depreciation	215	6	-	221	221	-
Revaluation of land	(5,113)	-	(7,393)	(12,506)	-	(12,506)
Customer relationships	(112)	90	-	(22)	-	(22)
<b>Tax assets / liabilities</b>	<b>294</b>	<b>(319)</b>	<b>(7,393)</b>	<b>(7,418)</b>	<b>5,110</b>	<b>(12,528)</b>

**Recognition and measurement**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used in the computation of taxable profit. Deferred tax is measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised based on laws that have been enacted or substantively enacted at reporting date.

**Critical accounting estimates and judgement**

Deferred tax assets are recognised for all deductible temporary differences only to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 8: MANAGING RISK AND UNCERTAINTY

### Introduction to this section

The Group is exposed to risk from its activities and outside factors. This section sets out financial instruments specific information, including exposures to financial risks, as well as those items that are contingent in nature or require a higher level of judgement.

### Structure

- 8.1: Financial Instruments
- 8.2: Fair value – Financial assets and liabilities
- 8.3: Contingencies

### 8.1: Financial Instruments

#### Objectives and policies

The Group's principal financial instruments comprise cash assets, receivables, payables and security deposits. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in the sections where the related financial statement line item is disclosed. Risk management is carried out by senior management under policies approved by the Group. These policies include identification and analysis of the risk exposure to the Group and appropriate procedures, controls and risk minimisation.

#### Market Risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The Group's exposures to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no unmitigated exposure to foreign currency risk.

#### Credit risk

The credit risk on financial assets of the Group, is generally the carrying amount net of any provisions for doubtful debts. Debtors risk is managed by ongoing following up on debts as they fall due.

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability as at 30 June 2019 is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Group intends to hold fixed rate assets and liabilities to maturity. This exposure is managed by the type of borrowings used as per Note 6.1.

	Notes	Floating interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>2019</b>				
<b>Financial assets</b>				
Cash and cash equivalents	4.2	8,123	(1)	8,122
Trade and other receivables	5.1	-	37,375	37,375
		<b>8,123</b>	<b>37,374</b>	<b>45,497</b>
Weighted average interest rate		1.00%		
<b>Financial liabilities</b>				
Trade and other payables	5.3	-	34,011	34,011
Security deposits	5.3	-	150	150
		-	<b>34,161</b>	<b>34,161</b>
Weighted average interest rate		2.75%		
<b>Net financial assets</b>		<b>8,123</b>	<b>3,213</b>	<b>11,336</b>

Citywide Service Solutions Pty Ltd

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	Notes	Floating interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>2018</b>				
<b>Financial assets</b>				
Cash and cash equivalents	4.2	6,857	-	6,857
Trade and other receivables	5.1	-	36,456	36,456
		<b>6,857</b>	<b>36,456</b>	<b>43,313</b>
Weighted average interest rate		1.50%		
<b>Financial liabilities</b>				
Trade and other payables	5.3	-	32,190	32,190
Security deposits	5.3	-	223	223
		-	<b>32,413</b>	<b>32,413</b>
Weighted average interest rate		3.17%		
<b>Net financial assets</b>		<b>6,857</b>	<b>4,043</b>	<b>10,900</b>
		<b>2019</b>		2018
		<b>\$'000</b>		<b>\$'000</b>
<b>Ageing of Trade Receivables</b>				
Current (not yet due)		<b>32,860</b>		34,758
Past due by up to 30 days		<b>2,213</b>		658
Past due between 31 and 180 days		<b>755</b>		759
Past due between 181 and 365 days		<b>54</b>		41
		<b>35,882</b>		36,216

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group has a bank loan facility that it uses to cover working capital requirements as needed (available funds at 30 June 2019 were \$29.6m).

Contractual maturities	6 months or less \$'000	6 - 12 months \$'000	1 - 5 years \$'000	5 Years or more \$'000	Total \$'000
<b>Year ended 30 June 2019</b>					
<b>Liquid financial assets</b>					
Cash and cash equivalents	8,122	-	-	-	8,122
Trade and other receivables	37,375	-	-	-	37,375
	<b>45,497</b>	-	-	-	<b>45,497</b>
<b>Financial liabilities</b>					
Trade and other payables	34,011	-	-	-	34,011
Security deposits	150	-	-	-	150
	<b>34,161</b>	-	-	-	<b>34,161</b>
<b>Net inflow/(outflow)</b>	<b>11,336</b>	-	-	-	<b>11,336</b>

Citywide Service Solutions Pty Ltd

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	6 months or less \$'000	6 - 12 months \$'000	1 - 5 years \$'000	5 Years or more \$'000	Total \$'000
<b>Year ended 30 June 2018</b>					
<b>Liquid financial assets</b>					
Cash and cash equivalents	6,857	-	-	-	6,857
Trade and other receivables	36,456	-	-	-	36,456
	<b>43,313</b>	-	-	-	<b>43,313</b>
<b>Financial liabilities</b>					
Trade and other payables	32,190	-	-	-	32,190
Security deposits	123	100	-	-	223
	<b>32,313</b>	<b>100</b>	-	-	<b>32,413</b>
<b>Net inflow/(outflow)</b>	<b>11,000</b>	<b>(100)</b>	-	-	<b>10,900</b>

**Recognition and measurement**

The carrying amounts of financial assets and liabilities are a reasonable approximation of fair value due to their short-term maturity.

**Interest rate sensitivity analysis**

Taking into account past performance, future expectations, economic forecasts and management's knowledge and experience in the financial markets, the Group believes that a movement of 50 basis points higher or lower is reasonably possible

At Reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit would decrease by \$13,000 and increase by \$13,000 respectively (2018: increase by \$20,000 and decrease by \$20,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

**8.2: Fair value – Financial assets and liabilities**

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values are included in the relevant note.

Citywide Service Solutions Pty Ltd

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 8.3: Contingencies

#### Contingent liabilities

Guarantees issued by the Bank in respect of contracts secured of \$11,121,090 (2018: \$10,751,870); and  
Legal fees for open litigation cases \$200,000 (2018: \$0)

#### Recognition and measurement

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Refer to Note 6.3 for disclosure of guarantee to Fulton Hogan for joint operation.

Citywide Service Solutions Pty Ltd  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 9: OTHER DISCLOSURES

### Introduction to this section

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

### Structure

- 9.1: Key management personnel compensation
- 9.2: Related party information
- 9.3: Commitments
- 9.4: Events after reporting date
- 9.5: New accounting standards and interpretations

### 9.1: Key management personnel compensation

Details of persons holding executive positions or other Key Management Personnel positions are:

Position	Name	Comments
Chairman	John Brumby	
Director	Janice van Reyk	
Director	Andrea Waters	
Director	Prue Willsford	
Director	Paul Hardy	
Director	Peter Lamell	
Chief Executive Officer	Chris Campbell	
Chief Financial Officer	Paul Hudson	
Executive Operations	Duncan Reid	
Executive Commercial & Innovation	Matthew Whelan	Resigned 28 <sup>th</sup> June 2019
General Counsel and Company Secretary	Heidi Mitchell	Employed on a part time basis
Executive People and Culture	Angelica Georgaklis	Employed on a part time basis
Executive People and Culture	Jayne Crow	Resigned 9 <sup>th</sup> May 2018
Executive Operations (NSW/ACT and QLD)	Craig Fuller	Resigned 31 <sup>st</sup> January 2018

Citywide Service Solutions Pty Ltd

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The number of key management personnel whose total remuneration fall within the following bands are as follows:

	2019	2018
\$0 - \$79,999	-	1
\$80,000 - \$89,000	1	2
\$90,000 - \$99,999	4	3
\$100,000 - \$149,999	1	1
\$200,000 - \$249,999	1	3
\$250,000 - \$299,999	-	1
\$300,000 - \$349,999	1	1
\$350,000 - \$399,999	2	1
\$450,000 - \$499,999	1	-
\$600,000 - \$699,999	-	1
\$700,000 - \$799,999	1	-
	<u>12</u>	<u>14</u>

	\$'000	\$'000
Total remuneration for the financial year included above	<b>3,074</b>	2,940

**Key management personnel compensation comprised the following:**

	2019 \$'000	2018 \$'000
Short-term employee benefits	<b>2,756</b>	2,659
Post-employment benefits	<b>186</b>	190
Other long-term benefits	<b>45</b>	43
Termination benefits	<b>87</b>	48
Share-based payments	-	-
	<u><b>3,074</b></u>	<u>2,940</u>

Director's fees are reviewed annually by the shareholder to ensure that they are in line with current business standards.

**Other KMP transactions**

For details of other transactions with KMP, refer to Note 9.2 Related party information.

**9.2: Related party information****Controlling entity**

The immediate parent entity and ultimate parent entity is the Melbourne City Council (100% of shares held).

**Key management personnel**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, including any director (whether executive or otherwise) of the Company is considered key management personnel. Refer to Note 9.1 for the details of the Key management personnel remuneration during the financial year.



Citywide Service Solutions Pty Ltd

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**Transactions with the ultimate parent entity**

Transactions with the ultimate parent entity during the financial year were based on a contract for the provision of services comprising vehicle rental, provision of administration services, property rental, contract sales, purchases of raw materials and plant and equipment and in accordance with the Tax Equivalent Policy, the payment of charges (tax equivalents) which includes income tax and payroll tax. All transactions were made on commercial terms and conditions and at market rates.

Revenue transactions with the ultimate parent entity amounted to \$61,035,391 (2018: \$69,839,518) during the financial year. The amount owing at reporting date is detailed in Note 5.1.

Expenditure transactions with the ultimate parent entity amounted to \$457,959 (2018: \$449,418) during the financial year. The amount owing at reporting date is detailed in Note 5.4.

Refer to Note 7.1 for the income tax equivalent charges and Note 6.4 for the dividends payable.

**Transactions with subsidiaries**

Transactions with subsidiaries during the financial year were based on the provision of services comprising contract sales. All transactions were made on commercial terms and conditions and at market rates.

Transactions with subsidiaries during the financial year were as follows:

<b>Name of subsidiary</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Sterling Group Services Pty Ltd	-	16
Technigro Australia Pty Ltd	-	-
Technigro Pty Ltd	-	-
	<u>-</u>	<u>16</u>

**Transactions with other related parties**

The Group provided services to The Queen Victoria Market amounting to \$9,387 (2018: \$2,062), which is also owned by the Melbourne City Council. Transactions occurred on commercial arm's length terms.

The Group sponsored Puka Up of which Paul Hardy, a director of the Group, is also a director. All transactions were made on commercial terms and conditions with total costs paid to Puka Up amounting to \$19,800 (2018:\$0)

Ms Janice Van Reyk, a director of the Group, is a trustee on the Melbourne & Olympic Parks Trust and a director of Tennis Australia. At various stages throughout the year, the Group provided services to the Trust and Tennis Australia in the form of traffic management for event days. During the 2019 financial period the Trust paid \$26,927 to the Group (2018:\$6,644) whilst Tennis Australia paid \$109,546 (2018:\$56,512).

Peter Lamell, a director of the Group, is also a director of National Trust Australia. In 2019, the Group provided waste management services to the trust for a total consideration of \$30,906 (2018:\$2,505).

Transactions between the Group and Citywide North Melbourne Asphalt (Asphalt JO) were to the value of \$4,145,000 of which \$3,812,000 relates to the purchase of asphalt and \$335,000 relates to Occupancy Cost on-charges.\$225,000 is still unpaid at 30 June 2019. Payment terms between the two entities are 45 days from invoice date.

Citywide Service Solutions Pty Ltd  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 9.3: Commitments

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Capital expenditure commitments</b>		
Capital expenditure planned at the reporting date but not recognised as liabilities in the financial report:		
- Payable within one year	<b>3,097</b>	3,857
<b>Non-cancellable operating leases payable</b>		
Non-cancellable operating lease commitments contracted for but not recognised in the financial report:		
- Payable within one year	<b>2,753</b>	4,501
- Payable later than one year, not later than five years	<b>8,280</b>	8,128
- Payable later than five years	<b>458</b>	300
	<b>11,491</b>	12,929

The Group has entered into non-cancellable operating leases in respect to administrative premises and various items of plant and fleet.

#### Recognition and measurement

##### Leases

Operating lease commitments are not recognised in the consolidated statement of financial position. Commitments are disclosed at their nominal value by way of a note and are presented inclusive of the GST payable.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Group has not entered into any finance lease arrangements.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 9.4: Events after reporting date

The Group's borrowing facility was extended to July 2022 with a variation to the Cash Advance facility increasing it from \$27.1m to \$36.2m bringing the total borrowing limits to \$38.7m (inclusive of \$2.5m Overdraft).

Apart from the above mentioned, there were no material matters or circumstances which have arisen subsequent to balance sheet date that have significantly affected or may significantly affect the operations of the Group, the result of those operations or the state of affairs of the Group.

Citywide Service Solutions Pty Ltd  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**9.5: New accounting standards and interpretations**

There have been no new standards adopted which have had a material impact on the Group's financial statements during the 2019 period.

**Standards issued but not yet effective**

A number of new standards, interpretations and amending pronouncements are effective for annual periods beginning after 1 July 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following standards are not expected to have a material impact on the Group's consolidated financial statements in the period of initial application:

**AASB 16 Leases**

AASB 16 provides a new model for accounting for leases. The standard becomes mandatory for the June 2020 financial year.

The Group has completed a detailed assessment of the impact on its financial statements for the financial period 2020, choosing to adopt Modified Retrospective Method #1, with an adjustment in assets and liabilities of \$12.8m on 1 July 2019 and an estimated EBIT impact over the financial year less than \$0.1m.

The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 July 2019, the composition of the Group's lease portfolio at that date and throughout the financial period and the Group's latest assessment of whether it will exercise any lease renewal options.

In addition, the nature of expenses related to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

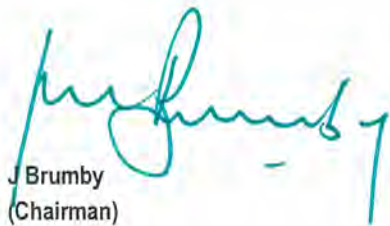
Citywide Service Solutions Pty Ltd  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**Directors' Declaration**


In the Directors' opinion:

- a the financial statements and notes set out on pages 3 to 40 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Group's consolidated financial position as at 30 June 2019 and of its performance for the financial year ended on that date;
- b the financial statements also comply with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in relevant notes; and
- c there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



J Brumby  
(Chairman)



A Waters  
(Director)

03/09/2019

## Independent Auditor's Report

### To the Directors of Citywide Service Solutions Pty Ltd

<b>Opinion</b>	<p>I have audited the consolidated financial report of Citywide Service Solutions Pty Ltd (the company) and its controlled entities (together the consolidated entity), which comprises the:</p> <ul style="list-style-type: none"> <li>• consolidated statement of financial position as at 30 June 2019</li> <li>• consolidated statement of profit or loss and other comprehensive income for the year then ended</li> <li>• consolidated statement of changes in equity for the year then ended</li> <li>• consolidated statement of cash flows for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• directors' declaration.</li> </ul> <p>In my opinion the financial report is in accordance with the <i>Corporations Act 2001</i> including:</p> <ul style="list-style-type: none"> <li>• giving a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2019 and of their financial performance and cash flows for the year then ended</li> <li>• complying with Australian Accounting Standards and the <i>Corporations Regulations 2001</i>.</li> </ul>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the company and the consolidated entity in accordance with the auditor independence requirements of the <i>Corporations Act 2001</i> and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I confirm that the independence declaration required by the <i>Corporations Act 2001</i>, which has been given to the Directors of the company, would be in the same terms if given to the Directors as at the time of this auditor's report.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>

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**Directors' responsibilities for the financial report**

The Directors of the company are responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the Directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the company and the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

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**Auditor's responsibilities for the audit of the financial report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, 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 my 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
- 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 company and the consolidated entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company and the consolidated entity to cease to continue as a going concern.

- 
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
  - obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the company and the consolidated entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the company and the consolidated entity. I remain solely responsible for my audit opinion.

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**Auditor's responsibilities for the audit of the financial report (continued)**

I communicate with the 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 I identify during my audit.

I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards

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MELBOURNE  
13 September 2019



Jonathan Kyvelidis  
*as delegate for the Auditor-General of Victoria*

## Auditor-General's Independence Declaration

### To the Directors, Citywide Service Solutions Pty Ltd

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General, an independent officer of parliament, is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised.

Under the *Audit Act 1994*, the Auditor-General is the auditor of each public body and for the purposes of conducting an audit has access to all documents and property and may report to parliament matters which the Auditor-General considers appropriate.

### *Independence Declaration*

As auditor for Citywide Service Solutions Pty Ltd for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of auditor independence requirements of the *Corporations Act 2001* in relation to the audit.
- no contraventions of any applicable code of professional conduct in relation to the audit.

MELBOURNE  
13 September 2019



Jonathan Kyvelidis  
*as delegate for the Auditor-General of Victoria*