

Management report to Council

Agenda item 6.5

**Release of subsidiary companies' annual reports for the year ended
30 June 2015**

Council

Presenter: Phu Nguyen Chief Financial Officer

15 December 2015

Purpose and background

1. The purpose of this report is to note the Queen Victoria Market Pty Ltd (QVM) and Citywide Service Solutions Pty Ltd (Citywide) annual reports for 2015-16.
2. At the June Council meeting, the Council requested the QVM and Citywide annual reports be adopted in an open session at a Future Melbourne or Council meeting.

Key issues

3. The QVM and Citywide 2015-16 annual reports have been finalised and attached. The reports will also be made publicly available on the companies' website.

Recommendation from management

4. That the Council notes the 2014-15 Annual reports of Queen Victoria Market Pty Ltd and Citywide Service Solutions Pty Ltd.

Attachments:

1. Supporting Attachment
2. QVM Annual Report 2015
3. Citywide Annual Report 2015

Supporting Attachment

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.

Stakeholder consultation

4. Consultation with the subsidiary company management was undertaken in preparation of this report.

Relation to Council policy

5. The release of the annual reports complies with Council policy.

Environmental sustainability

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



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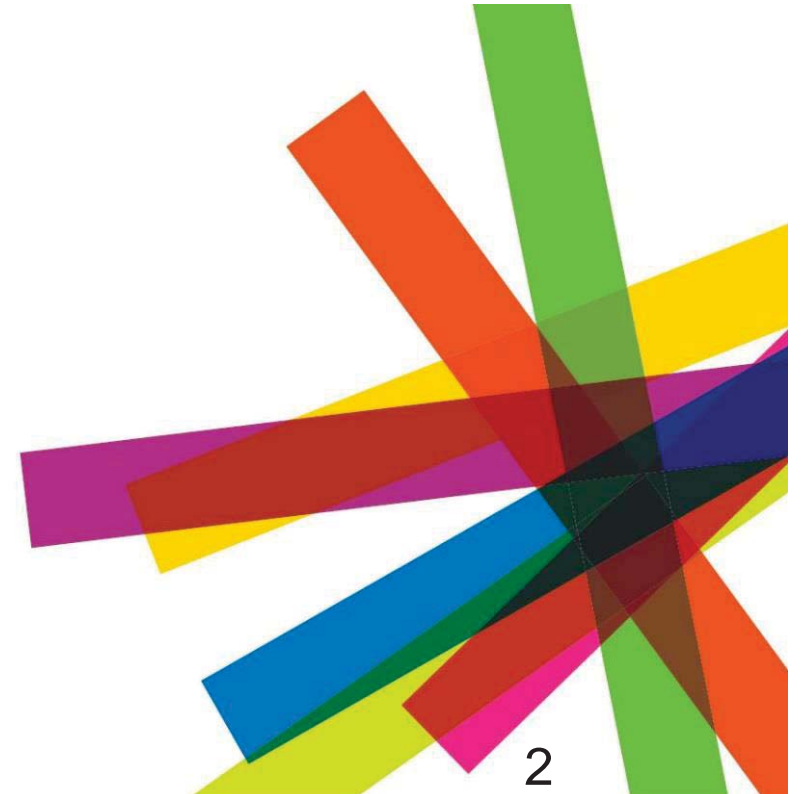
ANNUAL REPORT

2014-2015



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Chairman's message

2014/15 has been another incredible year for Queen Victoria Market (QVM) and we can rightly look back and be proud of what has been achieved.

I do want to start by acknowledging the work of our staff, and thank the talented members of the QVM team. As the requirements of the day to day market have increased, as the demands of renewal have continued, and our night market series has grown significantly, the team has risen to the challenge and delivered on every aspect.

The Company Board is a talented and dedicated team. It is a privilege to chair this group of people, and I thank each of them for their efforts. I know the part time role often requires full time effort and it's certainly appreciated. I particularly want to thank the leaders of our sub committees, Patrick Burroughs (Audit and Risk), George Christopoulos (Marketing) and Paul Sheahan, AM (Trader Engagement). I also want to recognise the support of the Deputy Chair, Jane Fenton, AM; our partnership is one I value.

It's been a great year at QVM, but one which has highlighted the need for renewal. While our revenue, an indication of how the precinct is performing, slightly increased, it was due to an increase in the events held at the market. And while it was a profitable year, with a slightly better budgeted return, the cost of operating the market within the current physical constraints is a challenge. Renewal will fix that, but we must anticipate increasing costs into the near future.

Success stories are many, and are reflected throughout this document, but I wanted to highlight just a few key achievements:

1. QVM was named the number 1 International Tourist Destination in Melbourne for 2014
2. New Branding was launched which represents a fresh horizon for the QVM. The vibrancy of the Brand heralds the renewal and forecasts the future ahead
3. Strategic Brief completion. The Strategic Brief provides a wonderful reference to guide the design phase of the QVM renewal program and informed the final QVM Renewal Program Master Plan.
4. Completion of the Traders 1-2-1 sessions. This not only documents a point in time, it helps us better 'walk in the shoes' of one of our most important stakeholders. It will be important to re-read that document many times over the next few years
5. Night Markets. We have now a very strong and successful Winter and Summer Night Market series
6. The Therry Street transformation into a Temporary Market for Melbourne Music Week
7. Sunday Events in Queen Street which over 50 weeks featuring amongst others the Euro Union, The Town Roast and Sticky Fingers
8. Chinese New Year celebrations hosted by QVM in Feb 2015
9. The Fisher & Paykel Social Kitchen, a wonderful example of how the market can showcase Melbourne's culture
10. And of course our traditional day market which continues to be one of the City's centre pieces.

CHAIRMAN'S MESSAGE

The support of the City of Melbourne (CoM) this year again shows what is possible when the Shareholder and the Company are welded to the same vision. I am sure the positive working relationship between the CoM and QVM at all levels will continue throughout and beyond the renewal process.

The public support of the Right Honourable the Lord Mayor Robert Doyle, Deputy Lord Mayor Susan Riley, and the Councilors, particularly Cr Ken Ong and Cr Stephen Mayne for their added input to the renewal committee, is much appreciated.

The staff at the CoM, led by CEO Ben Rimmer, have continued to embrace and support QVM both for renewal and ongoing operations. I do want to acknowledge the outstanding work of Professor Rob Adams, AM and his team for a very high standard of planning for the renewal that fills us all with confidence for the rest of the project.

One of our long standing company directors, Carolyn Parker has retired from the QVM Board this year. I want to thank Carolyn for her significant contribution over many years, and for the way she has represented the QVM Board.

I also want to thank our CEO, Jan Cochrane Harry, who has concluded her 2 year contract with QVM. Jan has taken the company through a period of uncertainty in the lead up to the renewal announcement and has guided the development of the documents that ensures QVM is well positioned for renewal. Her skill in working with people to achieve a common and mutually beneficial outcome has been on display for staff and traders to see every day. Jan's contribution has been significant.

Finally, I want to pass a special thanks to a wonderful group that is the QVM Traders...the true characters of our great market. I'm grateful for the way they have joined the process of renewal in such a proactive and positive way, and for the way they bring QVM to life every day.

Thanks, and I look forward to seeing you all at the Queen Victoria Market.

Kind Regards

Paul Guerra
Chairman

2014-15 was a busy and productive year of change at Queen Victoria Market.

The context of the year included a challenging general retail environment during a period of planning significant change for both the short-term, and for future decades. Multiple stakeholders have been involved - including customers, traders, neighbours, city staff and councillors, QVM board and staff.

It's gratifying to report strong positive collaborations and continually developing partnerships.

Having developed an ambitious plan, adopted in June 2014, the organisation set about many streams of new activities in its day-to-day operations designed to commence the transformation process that would be necessary as a precursor to the 'renewal' of the Market.

Not least among the changed approach was the increased level of involvement, engagement and sharing of information between QVM management and the traders and their representatives who are the essence of what continues to make QVM a successful market for locals and tourists.

The year started by sharing the contents of the approved draft business plan with traders during a series of meetings to inform them and gain their response and input prior to its finalisation. The adjoining report outlines the progress and achievements of the plan – plus additional outcomes for which the entire staff and trader base can be justly proud.

The core business of QVM Pty Ltd is managing the 7 hectare asset on which approximately 700 traders conduct their market businesses and have licences and leases to operate for varying periods within the day and night markets.

The financials within the business plan foreshadowed the continuing commercial requirements of an increase in revenue (to exceed the increase in fixed cost) and to continue to provide an approximate \$5 million return to the City of Melbourne (licence fee and services) from a \$23.3 million revenue base, together with a \$500,000 (before dividends) surplus. This was achieved.

Market fees generated \$18.2m, the carpark \$4.1m and \$1.0m of other income.

A core QVM staff of 38 full-timers and 10 part-timers (augmented by a few part-time contract staff to manage peak loads) were structured across retail management, operations and facilities management, customer services & tour guides, finance, IT, marketing and events, sustainability, strategy and trader relations.

It's been a privilege to lead the staff of Queen Victoria Market when such change and the activities set out in the following pages have been successfully achieved.

In the 2014-15 QVM Operations Business Plan the Board confirmed the Vision, Mission, Goals, and Strategic Priorities for the following 12 months (pending the imminent Renewal Strategic Brief) as:

Vision: A thriving public marketplace loved by the people of Melbourne and all visitors

Mission: Retain and build on the appeal of QVM and successfully transition to an enhanced 21st century community asset that realises commercial and community benefit.

Goals:

- A market for Melbourne's people and visitors
- A fresh & creative market
- A prosperous market
- A sustainable market – economically & environmentally
- A community meeting place
- A marketplace for special events
- An efficient and effective management company

Strategic Priorities:

- Renewal Planning
- Retail strategy and mix
- Trader engagement strategy
- Activating the market precinct
- Temporary market strategy for construction phase
- Brand Strategy and marketing plan
- Sustainability strategy
- Internal management and cultural development
- Continuous improvement strategy
- IT strategy

The Strategic Brief confirmed the three main Strategic Directions for the development of Renewal planning as:

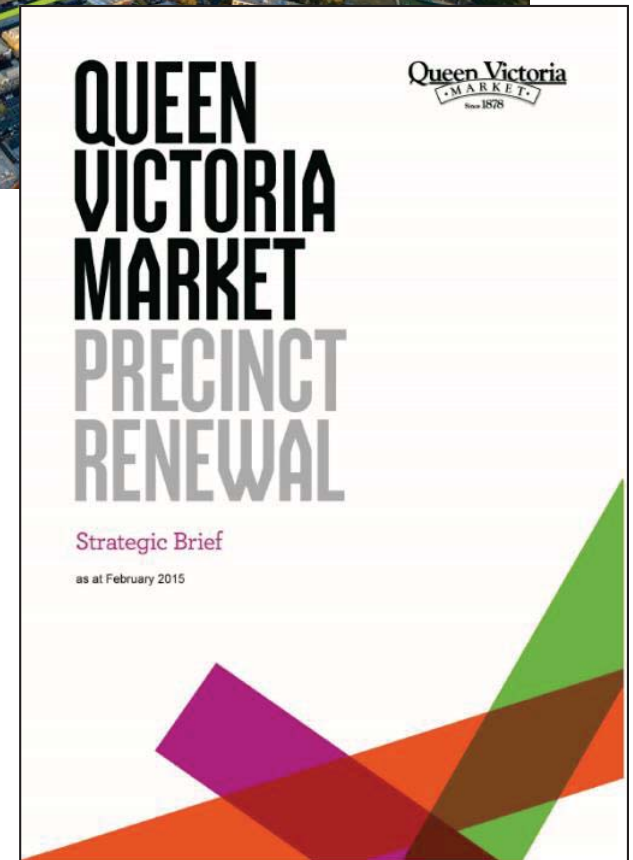


RENEWAL PLANNING



Consultation and planning proceeded throughout the 2014-15 year with staff of Queen Victoria Market contributing to the development of the 160 page Precinct Renewal Strategic Brief, which was presented in draft form to the City of Melbourne in January 2015, and upon which the draft Masterplan was developed and released for public consultation in April, with further refinements in June.

The final Strategic Brief is available online at the City of Melbourne <http://participate.melbourne.vic.gov.au/queenvictoriamarket>



In March 2015 the 9th International Markets Conference was held in Barcelona with over 400 attendees from 31 countries. The extensive 3 day program of 40 sessions included two presentations by Queen Victoria Market staff related to our newly released Strategic Directions and Renewal Strategy, and understanding our management and governance structure involving the municipality and the management company.

Visits by staff throughout the year to many markets in Madrid, Barcelona, London, Copenhagen, and Amsterdam added significant knowledge of the successes and failures of their market revitalisations, and are lessons to apply to the carefully developing work at Queen Victoria Market..

International market expert David O'Neil spent a week in Melbourne with QVM management and traders in April 2014. He provided many insights then, and again in March 2015 at the Barcelona International Markets conference.

Strong agreement exists across the market for the 10 key elements of a successful public market that he so eloquently talked everyone through.

A special 2-hour meeting with traders was videoed and is available from QVM and trader representative Peter Langtry of the Polish Deli.



- The right VENDORS
- The right LOCATION
- The right MIX
- The right MISSION
- The right PUBLIC SPACES
- The right CONNECTIONS
- The right ECONOMICS
- The right PROMOTION
- The right VALUE
- The right MANAGEMENT

FUTURE RETAIL STRATEGY AND MIX

Review and planning work was undertaken throughout the year, however, due to the sheer size and complexity of QVM which is large in global terms, work is continuing on a range of options related to the detail of the proposed future retail mix across the 7 hectare site. The purchase of the Munro site by the City of Melbourne in October 2014 added another hectare with new possibilities and opportunities that will impact the final retail layout across the total market site.

The Master Plan, released as a draft in April 2015, sets out the 4 quarters of the market and their proposed predominant uses. Further work has categorised the 5 major planks of the mix within the Market of Markets as Food, Hospitality, Retail, Events and Activities. A research based 'Customer Plan' commenced development at the end of the financial year, together with business model development for the Fruit and Vegetable market.

RETAIL CHANGES THIS YEAR

As at 30 June 2015 there were 691 Trader Numbers in total (537 Stall Holder Licences, and 154 leases for shops and box-hire (storage) companies) in the Day Markets. These figures have been reasonably steady since 2011. There was a 15% trader turnover for the 12 month period – being slightly lower than average for the prior 8 years.



BBQ's

BBQ's were purchased during the year for use by traders in the Meat & Fish Hall to offer cooked samples of their product. Traders utilised their Co-Op marketing spend to host well organised, popular and informative demos with a BBQ specialist, and reported good sales following.

Dairy Hall Tastings

7 new tasting trolleys are now housed in the Dairy Hall for use by traders for product sampling. The smart looking carts have tidied up the offer and given more traders the chance to be involved. The trolleys have also been a welcome addition, when not in use, for customers looking for a spot to stop and consume their take-away food and drink in the Dairy Hall.

Cooking Demonstrations

Cooking demonstrations have become more interactive and approachable. Replacing the Seasonal Stars program, a series of events throughout the year occurred at point of sale rather than on Queen Street. Themes included recipes which are easily prepared at home and all product used can be found at the Market. Some traders hosted their own cooking demos in the Dairy Hall alcove and a regular Friday spot is now in place for them.

Tour Program

A new tour program was introduced in March 2015 highlighting Victorian produce with seasonal tastings and a gift bag filled with market produce. New options for groups were also introduced including a low cost Australian gift buying tour, history tour and school group tour with additional options for a sit-down breakfast or lunch at a market cafe. 4,000 visitors participated in a paid market tour this year with expected growth over the next 12 – 18 months.



QVM #1 International Tourist destination in 2014

Queen Victoria Market topped the list as Melbourne's most popular international tourist attraction. More than one in two international travellers to Melbourne visited our historic market during their trip. Tourists typically visit markets to experience the local culture around food buying, however their main economic value to the market is with the special merchandise traders.

International AIDS Conference

The AIDS 2014 Conference was attended by over 16,000 international delegates. To promote the market as a must-see destination we sponsored two networking spaces, handing out information about the market and supplied fresh produce to delegates living with HIV/AIDS.

Trade Shows

To sell our new walking tour program we attended the Australian Tourism Exchange in June. The trade show is Australia's largest business to business event attended by over 700 travel buyers and 80 international media from over 30 countries. For the first time we also attended ATEC Meeting Place. And as a result our tours are now bookable with a number of agents.

Tupperware Indonesia

4,115 delegates shopped at the market during pre-arranged visits in February and March. The groups visit resulted in 'a bonza day' for many speciality general merchandise traders.

Chinese New Year

The Chinese New Year holiday period saw a ten day program of cultural celebrations which included free lion and dragon dances, a lantern display and a 15 metre long dragon installation on Queen Street. The events were promoted through a bi-lingual marketing campaign with Destination Melbourne and across print, radio and digital channels, resulting in increased visitation on each of the performance days.

Significant progress has been achieved in building QVM into the formal tourism industry network to ensure long term growth from this important sector.



DAY MARKET

The last 12 months have seen many new initiatives trialled and tested during the Day Market.

We held a free lunch in A shed in conjunction with a wine partner for all customers. The event brought customers and traders together in a relaxed environment where many market stories were shared and enjoyed. Continuing with A shed, we have consolidated our Fruit and Vegetable Traders to one side of the shed, allowing for some much needed undercover open space for customers to pause, rest and take in the chaos of market traders selling their fresh produce and products. Grassed areas, seating, and a new mobile library box have added to the environment. Back in February we held a #marketlove campaign as part of Valentine's Day which saw us giving away strawberries to market going couples whilst being serenaded by an "old style crooner". Easter saw the Golden Egg promotion and also a Trader Giveaway, where a roaming entertainer gave away tickets in a raffle to win Market Vouchers, encouraging customers to return to the Market.

We also evolved our Sunday offering, with a big focus on families running various food orientated festivals such as Taste of The Market, World BBQ, Sticky Fingers and Euro Union, with the current Sunday programme Merry Go Market as part of our bigger Christmas campaign.

We invested heavily in new Christmas decorations for the market, installing a huge Christmas Tree in Queen St, new stars, baubles and bunting across the site as well as new festoon lighting under the sheds and in String Bean Alley.



QVM Night Markets grow and thrive.

The Queen Victoria Night Markets spanned 32 weeks across the year, offering Melburnians and tourists a Wednesday night offering of food, shopping and entertainment in the CBD.

Now entering its 18th year the Summer Night Market runs from November – March receiving an average attendance of 30,000 per night, and the Winter Night Market's 4th season running June – August, with an average attendance of 15,000 per night.

Stall holders and food vendors unique to Melbourne are sought out each season to help build an event that appeals to both locals and tourists. Both the Summer & Winter Night Markets have hosted over 300 small businesses over the past year, seeing success stories with traders now with multi-city operations, expanding our reach into more audiences and promoting Melbourne as a destination.

The Night Market Cinema was a new addition to the 2014-15 Winter Night Market, collaborating with some of Melbourne's largest film festivals and film schools to attract new audiences and provide local and international film makers a unique platform to showcase their work.

During the year the staff developed a new concept for a Friday Night Market in Therry Street for the 2015-16 year, which is being trialled for 8 weeks October – November 2015.



Sunday Street Food Festivals

The Sunday Street Food Festival has been evolving on a seasonal basis to reflect current street food trends and styles. The popular line up of take-away traders proved a lively addition to the Sunday Market with many customers drawn to the smell of the cooking food, live music and the onsite boutique beer garden. A rise in visitation has been reported and generally speaking the festivals have been embraced by permanent day traders who appreciate the market being activated to attract more people overall.

Sunday Multicultural Events

The Market hosted a number of multicultural and community festivals throughout the year, many returning on an annual basis, reinforcing the Market's position as Melbourne's multicultural hub. Some examples of those from the past year have included the Turkish Pazaar, Indonesian Street Food Festival and the Sri Lankan Community Festival.

Rotating Markets in A and C Sheds

New rotating markets were introduced during the year to help diversify the offering for regular Sunday visitors and attract new demographics.



technology
markets



Therry Street Market

As a result of the opportunity to host Melbourne Music Week in Sheds J,K and L in November 2014 the 'Therry Street Market' was created as a temporary pop-up market for relocated day traders. This market offered the opportunity to trade for increased hours, create stalls with multiple frontages and presented better merchandised displays to enhance the customer experience. Those traders involved in the new marquee enjoyed and benefitted from the experience and initiative.

Melbourne BBQ Festival

The Melbourne BBQ Festival was an innovation in our Sunday Queen Street Markets. Working in partnership with Kansas City BBQ Society, this event dramatically increased visitation keying into the popular Americana cuisine. Attracting 43,000 people, Queen Street showcased international-standard competitors, BBQ master classes, a wide variety of BBQ flavoured traders and the Melbourne BBQ Festival awards.

Social Kitchen

The Social Kitchen was an innovation in cooking schools and brand partnerships for Queen Victoria Market located at the top of A Shed in a pop up state-of-the-art kitchen for six months. Partnering with Fisher & Paykel and Peter Rowland Catering, this pop up facilitated valuable learning for future Queen Victoria Market cooking school endeavours that may be incorporated as part of the Renewal program..



DAIRY HALL & EXTERNAL SHOPS

This year we had some new offers incorporated into the retail mix through the leasing and tenancy strategy. These new additions created and diversified the retail offer at the market adding new product, experience and theatre to The Queen Victoria Market .

The Dairy Hall welcomed the addition of Gewurzhaus and Market Lane Coffee. Both lifting fit out and experiential standards in this precinct of the market.

The recently acquired Munro site has allowed an opportunity to curate an offer reflecting the New market. Small entrepreneurial businesses that have a variety of uses and offers not currently within the retail mix. These new businesses include the Therry Street tenancies, Books for Cooks, Uscha, Straida Urban bikes, Cry Baby records, Angus and Celeste (Australian ceramics), Craft Victoria (artist studios and community projects). In Queen Street the Red Cross pop up op shop and a bike mechanic as added value.

The Victoria Street shops bordering the Northern side of the market have new retailers including Gui Bridal and the use of 83 Victoria Street as a pop up food premises. This corner shop showcases local food offers. The opportunity is rotational and creates change and relevance with a seasonal offer.

In addition, String Bean Alley has 4 new tenants, Made in Japan, IVX clothing, Secret Gully puppets, Viva La Calavera & Haunted Holographs. F shed has a new bakeware shop, Golden Joy.

Several tenancies have had new fit outs in the Food Court and Dairy Hall including Q57, Verona and Ladle and Tong.



BRAND REFRESH

The new QVM brandmark was developed and materials prepared for launch early in the 2015-16 financial year.

QVM retained the brand company R-Co to assist the development and create the design that reflects the brand promise of *bringing people together and connecting them with life*.

An internal brand development process involved staff in understanding the brand values and expected behaviours that would seamlessly present QVM to our clients and public.

Traders were deeply involved in understanding and discussing the brand prior to its release.



COMMUNICATIONS

Trader Bulletin

The Trader Bulletin commenced in 2014 as a monthly printed communication piece, hand delivered to all Queen Victoria Market traders. As well as providing QVM management messages it also captures stories from and about traders. In 2015 digital distribution was introduced to further increase readership and to help in achieving sustainability goals.

Documentaries & Photography

In line with our brand vision '*Honouring the past. Invigorating the present. Building for the future*', capturing trader stories gained an increased focus this year. A videographer was commissioned to create 8-10 short documentaries capturing some of our interesting and unique trader stories throughout the Market. These will be used for media distribution and social media content over the following year, and the existing photo library was updated.

PUBLIC RELATIONS

Queen Victoria Market received a significant amount of earned media. The PR activities were largely based around the Summer and Winter Night Markets, Draft Master Plan and Renewal Announcements, Sunday Festivals, the Melbourne BBQ Festival and the Social Kitchen.



PROMOTIONS

New promotions enhance the customer experience

Trader Giveaway

Over the Christmas period, \$500 was given away every day to one lucky Market shopper with tickets collected from popular roving entertainer, Harry Sundai.

Huon Salmon

In addition to encouraging traders to run sampling sessions using the tasting trolleys and the BBQs, the past year featured a number of traders' suppliers coming onsite to show-off their products. Huon were a regular visitor running bi-monthly tastings in the Meat & Fish Hall alongside other suppliers, such as Cunliffe & Waters, coming onsite for the first time.

Mother's Day

On this special holiday, the Market's Mums were honoured capturing and sharing their stories. Two-for-one coffees were also provided for every Mum visiting the Market.

Easter

Easter signalled the trial of a value-based offer for all traders who chose to be involved. Every trader was provided with a Golden Egg Special sign where they could advertise a seasonal special that customers could pick up for \$10.



SITE OPERATIONS

The Operations department is responsible for the daily operations of the Market. This includes overseeing logistics, stall allocations and enforcement of the Market Rules. The past year, the Market Operations staff developed their roles further into customer service for both members of the public and our Market traders. This includes providing support in our new information centre “F1” located in the central Market.

The Operations team continue to improve safety by conducting regular safety audits whilst working with traders in general, in particular our valued fruit and vegetable traders by assisting in their adjusting to the relocation of the Wholesale Fruit and Vegetable Market from Footscray to their new location in Epping.

The Operations and Facilities department continue to work together with QVM’s major contractors including security, cleaning and car parking to improve the services provided by them. As a result, this has led to additional closed circuit television cameras (CCTV), improved waste recycling and the introduction of licence plate recognition (LPR) software in our car park.

FACILITIES MANAGEMENT

We are pleased to report during 2015 the Facilities department have logged and completed 466 ad-hoc maintenance requests reported by QVM stakeholders.

The facilities department are reviewing alternative ways of improving job requests and better ways of communicating with all stakeholders.

Over and above ad-hoc maintenance requests, the facilities department have been working towards improving all QVM essential services and maintaining site compliance. We are pleased to announce we have completed all essential service requirements within the newly acquired Munro building and will continue to provide assistance to all relevant stakeholders.

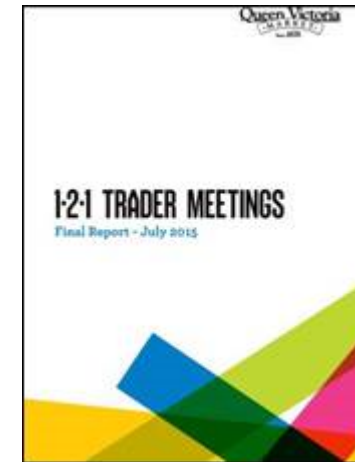
TRADER ENGAGEMENT

Relationships between traders and management has strengthened significantly during the year. There are regular meetings of the QVMAC (QVM Advisory Committee) at which 10 trader representatives and management and two members of the QVM Board of Directors meet to discuss a wide range of matters.

A major initiative for the year was undertaking a program of one-to-one interviews and discussions between traders and QVM management. Over 250 trading families participated resulting in an outstanding report which stands as a comprehensive record of the cross-section of views and concerns and aspirations held by traders, and will be a valuable resource for future managers and planners.

The need to relocate many traders to accommodate Melbourne Music Week in November 2014 was a major challenge. However, the advice of traders was taken to use Therry Street, and the resultant 'temporary market' in a large marquee was an outstanding success in both demonstrating how well presented general merchandise that is kept in fixed locations for a period of time, can be, and how traders and management can collaborate to achieve mutually desired outcomes.

There are numerous examples of special meetings and joint activities to help promote and raise the profile of QVM as a shopping and entertainment destination.



COMMUNITY ENGAGEMENT

The Draft Master Plan was publicly released on 26 February 2015 outlining a variety of proposals to revitalise the market precinct with a strong focus placed on improving the trader, customer and community experience. The Draft Master Plan divided QVM into four distinct quarters, each linked by a market cross of public spaces within the heart of the precinct. Phase Three of Community Engagement seeking feedback on the Draft Master Plan occurred from 2- 29 March 2015. During this phase, targeted and informal activities were undertaken with a broad range of people including market traders, local residents, local workers, customers, visitors and stakeholders with an interest in the project - 4,381 people participated in the engagement and more than 1,120 surveys were completed.



QVM has a proud record of sustainable initiatives that respect and add value to our environment. Our objective has always been to achieve 100% recycling of all organic waste. In 2015, we moved a step closer to this goal with the development of a custom waste sorting facility with our partner CityWide. This sorting facility allows final removal of contamination from organic fruit and vegetable waste to ensure its suitability for recycling for compost. All QVM organic waste will be directed through this facility and the final compost product directed back onto Melbourne parks and gardens for the benefit of future generations.

As a part of this project, bright green organic waste ‘wheelie’ bins have been distributed throughout the market and all fruit and vegetable traders have been trained in correct separation of organic waste. The new bins allow for reduced contamination, as well as, making the back of house operations for traders cleaner, safer and more efficient.

The 4 Hungry Worm bins have been in action now for over a year. The project was supported and sponsored by CityWide as a green incentive within the marketplace.

Initially the project started out as a trader driven activity with the organic and I shed Traders and has evolved into an internal staff based project.

The aim was to have a closed loop system, in which the worms ate the organic waste and the castings and liquid that was produced is used on the planter boxes around the market site.

Overall, the 4 worm bins should be able to process around 30-40 kg of worm food per week. To date, we have processed approx. 250kg of waste with the condition and feeding schedule we have in place.

There would have to be around 25-35,000 worms in the four bins.



EDUCATION & TRAINING

\$34,000 was spent on external education and training programs for 25 staff in 2014-15.

Programs included a Retail Futures Forum, public venue safety, OHS training, first aid, team building, certificate IV in work health & safety, Lean basics, management and supervision of staff, Microsoft Excel, forklift driving and safety, and fire and emergency responses.

INFORMATION TECHNOLOGY

QVM achieved the plan to take greater ownership of the control, management and direction of our IT services and establish a base framework that can be built on as we move ahead with normal day to day business and QVM renewal projects.

An additional senior IT resource was appointed and staff now have greater access to emails, data and other key information, together with the ability for improved collaboration between teams and remote access for market operations staff as they traverse the site.

Comprehensive Income Statement For the Financial Year Ended 30 June 2015

QVM Pty Ltd provided a net profit after tax equivalent of \$364,272

A growth in revenue of 5.9 % was mainly attributed to extended Night Market seasons and increase of vehicles using the car park. Market fees from tenants and traders remain stable in a challenging period of retail business.

The growth in expenditure of 10.2% related to maintaining heritage buildings where extra efforts have been put into the maintenance of the site whilst ensuring cleaning practices are maintained at a high level.

An increase in property costs, advertising, marketing and employee costs has been required to ensure the facility continues to attract local and overseas visitors.

Increased Government taxes, i.e. Congestion levy, impacts on QVM's ability to provide a satisfactory return to Council.

| | 2015 \$ | 2014 \$ |
|--|-------------------|-------------------|
| Revenue | | |
| Market Fees | 18,157,439 | 17,137,784 |
| Car Parking Fees | 4,166,819 | 3,871,302 |
| Utilities Recovery | 794,562 | 817,528 |
| Interest Received | 151,591 | 153,203 |
| Other Income | 43,728 | 35,969 |
| Total Revenue | 23,314,139 | 22,015,786 |
| Expenditure | | |
| Employee Costs | 4,440,216 | 3,919,035 |
| Property Costs | 7,256,182 | 6,398,887 |
| Intercompany – MCC | 4,723,863 | 4,739,800 |
| Professional Services | 581,776 | 698,160 |
| Administrative Expenses | 569,819 | 422,012 |
| Advertising/Marketing/Entertainment | 1,547,070 | 1,173,397 |
| Utilities | 1,285,955 | 1,389,940 |
| Insurance | 409,726 | 438,833 |
| Finance Costs | 115,509 | 96,469 |
| Depreciation | 551,082 | 517,687 |
| Government Taxes | 1,312,552 | 893,050 |
| Total Expenditure | 22,793,750 | 20,687,270 |
| Profit Before Market Renewal | 520,389 | 1,328,516 |
| Market Renewal | 0 | 485,415 |
| Profit Before Tax Equivalent | 520,389 | 843,101 |
| Tax Equivalentents – MCC | 156,117 | 252,931 |
| Net Profit After Tax Equivalent | 364,272 | 590,170 |

Statement of Financial Position
As at 30 June 2015

| | 2015 \$ | 2014 \$ |
|---------------------------------------|-------------------|------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | 4,633,809 | 4,495,010 |
| Other Financial Assets | 1,500,000 | 1,500,000 |
| Trade and Other Receivables | 963,967 | 624,950 |
| Stock on Hand | 57,155 | 0 |
| Prepayments | 385,575 | 141,360 |
| Total Current Assets | 7,540,506 | 6,761,320 |
| Non-Current Assets | | |
| Deferred income Tax Equivalent Assets | 379,646 | 306,094 |
| Property, Plant and Equipment | 2,715,543 | 2,909,746 |
| Total Non-Current Assets | 3,095,189 | 3,215,840 |
| Total Assets | 10,635,695 | 9,977,160 |
| Liabilities | | |
| Current Liabilities | | |
| Trade and Other Payables | 1,705,298 | 1,797,582 |
| Current Tax Equivalent Liabilities | 78,809 | (32,362) |
| Tenant Security Deposits | 181,876 | 160,917 |
| Provisions | 1,251,630 | 1,159,546 |
| Unearned Revenue | 302,779 | 45,446 |
| Total Current Liabilities | 3,520,392 | 3,131,129 |
| Non-Current Liabilities | | |
| Tenant Security Deposits | 1,636,885 | 1,609,175 |
| Provisions | 134,575 | 113,322 |
| Total Non-Current Liabilities | 1,771,460 | 1,722,497 |
| Total Liabilities | 5,291,852 | 4,853,626 |
| Net Assets | 5,343,843 | 5,123,534 |
| Equity | | |
| Issued Capital | 200,000 | 200,000 |
| Retained Earnings | 5,143,843 | 4,923,534 |
| Total Equity | 5,343,843 | 5,123,534 |

Statement of Cash Flows
For the Year Ended 30 June 2015

| | 2015 Inflows/ (outflows) \$ | 2014 Inflows/ (outflows) \$ |
|--|--------------------------------------|--------------------------------------|
| Cash Flows from Operations | | |
| Receipts from Customers (inclusive of GST) | 25,402,804 | 23,775,472 |
| Payments to Suppliers & Employees (inclusive of GST) | (18,632,197) | (16,885,614) |
| Payments to Suppliers - City of Melbourne | (5,204,988) | (5,201,497) |
| Income Tax Equivalents paid to City of Melbourne | (118,497) | (418,068) |
| Net GST paid to Australian Taxation Office | (896,441) | (776,915) |
| Security Deposits Received | 167,447 | 228,476 |
| Security Deposits Refunded | (169,814) | (175,550) |
| Net Cash Provided by Operating Activities | 548,317 | 546,304 |
| Cash Flows from Investing Activities | | |
| Proceeds from Sale of Property, Plant & Equipment | 6,000 | 0 |
| Purchase of Property, Plant & Equipment | (361,791) | (552,763) |
| Purchase of Investment | 0 | 1,500,000 |
| Interest Received | 198,827 | 223,848 |
| Net Cash Used in Investing Activities | (156,964) | 1,171,085 |
| Cash Flows from Financing Activities | | |
| Dividends paid | (252,554) | (388,424) |
| Net Cash Used in Financing Activities | (252,554) | (388,424) |
| Net Increase (decrease) in Cash Held | 138,799 | 1,276,039 |
| Cash and Cash Equivalents at Beginning of Year | 4,495,010 | 3,218,971 |
| Cash and Cash Equivalents at End of Year | 4,633,809 | 4,495,010 |

Paul Guerra: B.Eng (Electronic) Hons; Grad Dip Management (Marketing)

Paul Guerra is the current Chairman of the Queen Victoria Market Pty Ltd. Paul is also the Managing Director & Senior Vice President, Asia Pacific of Optum International. Optum is one of the world's leading providers of health services that works collaboratively across the health system to improve care delivery, quality and cost-effectiveness. Paul is an accomplished senior executive with a wide range of experience in both Australia and Asia Pacific. Prior to joining Optum, Paul ran a boutique corporate advisory consultancy working with companies on leadership, sales and marketing, and strategic direction for both growth and divestment. He has previously been the Victorian State Director for Vodafone, with responsibility for both the retail and corporate markets, along with responsibility for integrating the company's acquisition's nationally. Prior to this, Paul was the Director and Vice President for Motorola Asia Pacific, based in Singapore with responsibility for the Asia Pacific retail channel distribution business. Paul had an extensive 17 year career with Motorola. In his time with Motorola, Paul developed the strategy, and led the consortium that was awarded a significant contract with the Victorian Government to Build, Own and Operate the Mobile Voice and Data Communications network for the Emergency Services Agencies of Victoria. Paul graduated with an Honours Degree in Electronic Engineering from Swinburne University, and has completed many additional courses, including a Post Graduate Diploma in Management with a major in Marketing.

Paul has a range of Director roles including: Chairman of the Queen Victoria Market Pty Ltd, Australia's iconic and largest outdoor working market located in Melbourne; Director of Red Dust Role Models, which promotes health development for indigenous youth in remote communities; Director of Optum Health Australia, Optum Health Singapore and Optum Health Technologies Australia. In recognition of Paul's contribution to both business and the wider Australian community, Paul was appointed as an Australia Day Ambassador in 2013.

Jane Fenton AM (FPRIA, FAICD)

Director of the Company and Deputy Chair, Jane Fenton is an advisor to the Melbourne based public relations and marketing communications consultancy she founded in 1987, Fenton Communications. She is a Fellow of the Australian Institute of Company Directors and a Fellow of the Public Relations Institute of Australia. Jane is Chair of the Queen Victoria Women's Centre Trust, Deputy Chair of Cancer Council Australia, a member of the MCG Trust and a member of the Road Safety Camera Commissioner's Road Safety Advisory Group. She is the former Chair of the Victorian Health Promotion Foundation (VicHealth), a past President and Life Governor of Very Special Kids and a former Board member of the Murdoch Children's Research Institute. A Victorian Telstra Business Woman's award winner, Jane is the recipient of an Order of Australia Medal, AM, for services to the community particularly through support for a range of health, medical research, youth and women's groups. Jane has an honors law degree from the University of Bristol in the UK.

Patrick Burroughs (BSSc (Hons), FCA, FAICD, SA Fin)

Director of the Company and Chair of the Company's Audit and Risk Sub-Committee, Mr Burroughs is a chartered accountant and was a senior partner at KPMG, a major accounting firm, until his retirement in 1998. In his career with KPMG he specialised in the Financial Services, Construction and Manufacturing sectors of the economy as well as managing major divisions of the firm. He has served as a non-executive director of the Women's and Children's Health Service, Pacifica Group Ltd, The Companies Auditors and Liquidators Disciplinary Board, The Open Garden Scheme, The Royal Children's Hospital Melbourne, State Trustees Limited and the Corporate Trustees of large public offer superannuation funds administered by MLC Ltd. He currently acts as the Independent Member of the Audit committee of Vanguard Investments Australia Ltd. During his career he has worked in Europe and the United States and travelled extensively across Asia.

George Christopoulos

Director of the Company and Chair of the Company's Marketing Sub-Committee. From professional football (soccer) player to 30 successful years in the hospitality business, Melbourne born George Christopoulos worked in the real estate industry before moving to Canberra to study Sports Marketing and Business and training at the Australian Institute of Sport. A career in professional sport followed, playing in the European football leagues and also representing his country playing for the Australian National Socceroos Team. George returned from Europe and entered the hospitality industry, owning and operating some of Melbourne's well known cafes, bars and restaurants.

Yvonne von Hartel AM B.Arch (Hons) LFAIA

Director of the Company, Yvonne von Hartel AM is a Founding Principal of the award-winning national architectural and urban design practice, peckvonhartel. Yvonne has practiced as an architect for over 48 years, working on Australia's largest and most significant infrastructure projects.

Yvonne is currently a Member of the La Trobe University Council, a Commissioner of the Victorian Building Authority, a Director of the University of Wollongong, SMART Infrastructure Advisory Council, and a Trustee of the Melbourne Convention and Exhibition Centre and Chair of the Capital Works Committee.

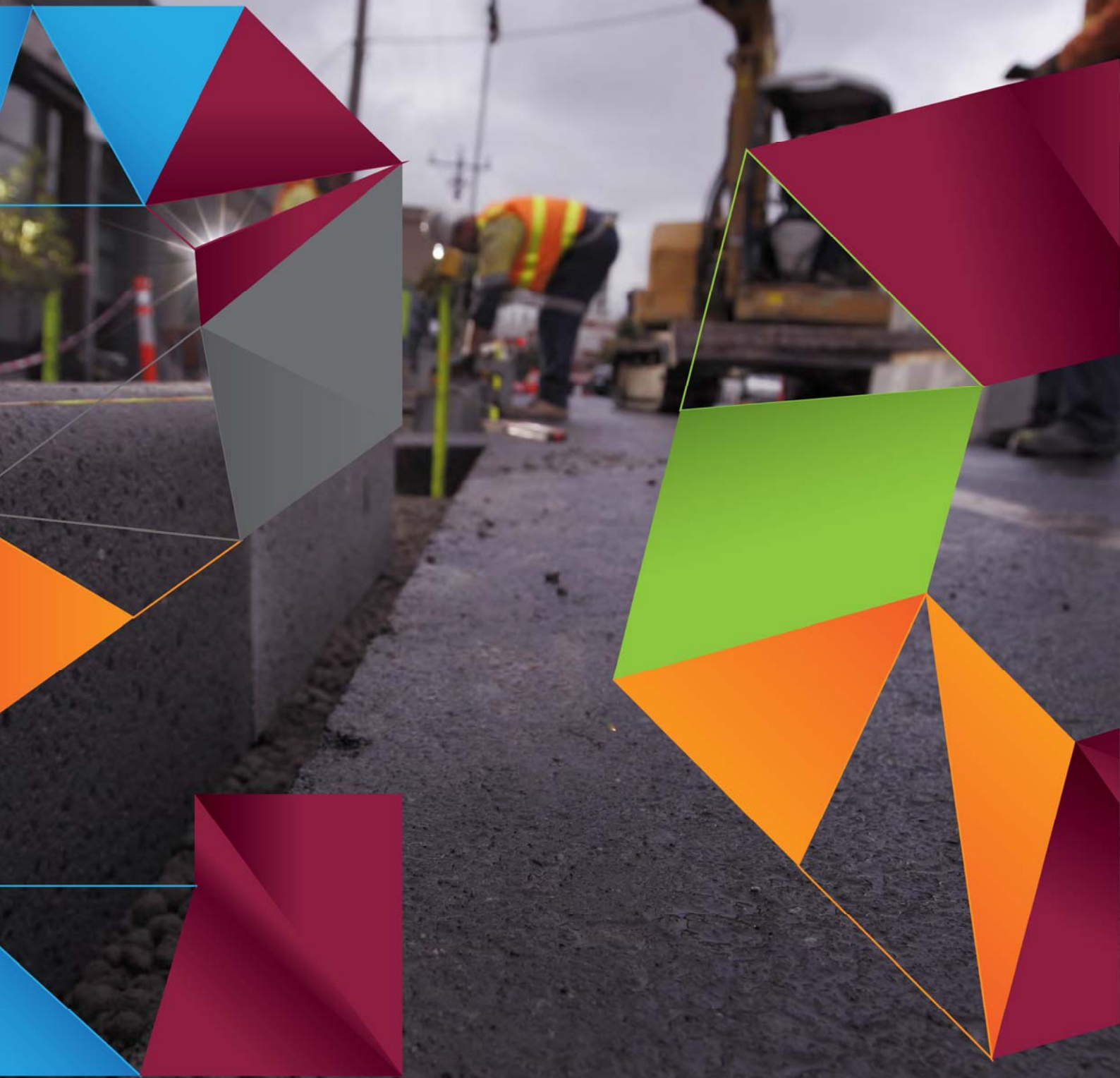
She is the Independent Specialist Advisor - Design for the Sydney International Convention, Exhibition and Entertainment Precinct, Design Advisor for the M5 Project Sydney for the WestConnex Delivery Authority, Member of the Design Advisory Panel Capital Metro Agency Canberra, and a Member of the Mornington Peninsula Design Advisory Panel.

David Mann OAM (FAICD)

Director of the Company and member of the Company's Marketing Sub-Committee. David is Chair, The Order of Australia Association, Member, Australia Day Committee (Victoria), Chair, Ministerial Small Business Advisory Council, Chair, Police Blue Ribbon Day Community Council and Chair, Mount Macedon Memorial Cross Reserve Committee of Management. David Mann - best known as 'Mann About Town', plays the part of roving reporter for 3AW 693 and Magic 1278. "I love my role catching up with businesses and organisations around Victoria to promote them to the public, and to highlight their success stories and achievements", said David. David also runs his own marketing and public relations company 'Mann Promotions Pty Ltd' that consults to many operations and not-for-profit organisations around Australia.

Paul Sheahan AM

Director of the Company and Chairman of the Company's Market Advisory Committee, Paul Sheahan has worked all over the education sector. A mathematics graduate of the University of Melbourne, he finished his teaching career as Principal of The Geelong College and then Headmaster of Melbourne Grammar School. Outside the education field, he is the immediate Past President of the Melbourne Cricket Club and is currently a Director of DrinkWise Australia Pty Ltd and SchoolPlaces Pty Ltd, and he chairs the Board of the Energy & Water Ombudsman (Victoria). In addition, he sits on the Advisory Board of the Monash University Business School.







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OVERVIEW OF CITYWIDE

CITYWIDE PROVIDES TRULY INTEGRATED SERVICE SOLUTIONS. WE WORK IN REGIONAL AND URBAN CONTEXTS: IN SMALL, TIGHT-KNIT COMMUNITIES AND AUSTRALIA'S LARGEST CITIES.

ABOUT US

As a major Australian physical services company, Citywide delivers integrated civil infrastructure, open space and environmental services that enhance community assets and quality of life.

We work closely with our government and private sector customers to design, build and maintain high performance natural and civil assets. Our diverse capabilities enable us to respond safely and effectively to a range of infrastructure challenges.

We share our customers' focus on healthy, connected and productive communities.

HISTORY

Established in 1995, Citywide is a wholly owned subsidiary company of the City of Melbourne. From early beginnings in Victoria we have enjoyed steady growth, diversifying our services and expanding our reach across Victoria, the ACT, New South Wales and Queensland.

OUR SERVICE AREAS

Spanning the eastern seaboard, Citywide is the trusted custodian of many of Australia's most iconic landmarks.

Nationally we administer over 2,500 parks and reserves, more than one and a half million trees, in excess of 4,000km of roads and are responsible for community waste and street cleansing services that enhance public health.

INFRASTRUCTURE



With an extensive inventory of plant and equipment, Citywide Infrastructure exhibit high levels of skill in creating and maintaining civil and road assets, drawing on the resources of the entire business when required.

Citywide's highly experienced and qualified engineers provide consultancy services in design, engineering, feasibility and project management. Challenging accepted standards and investing in innovation, they go beyond contract specifications to create value and maximise asset life.

ENVIRONMENTAL



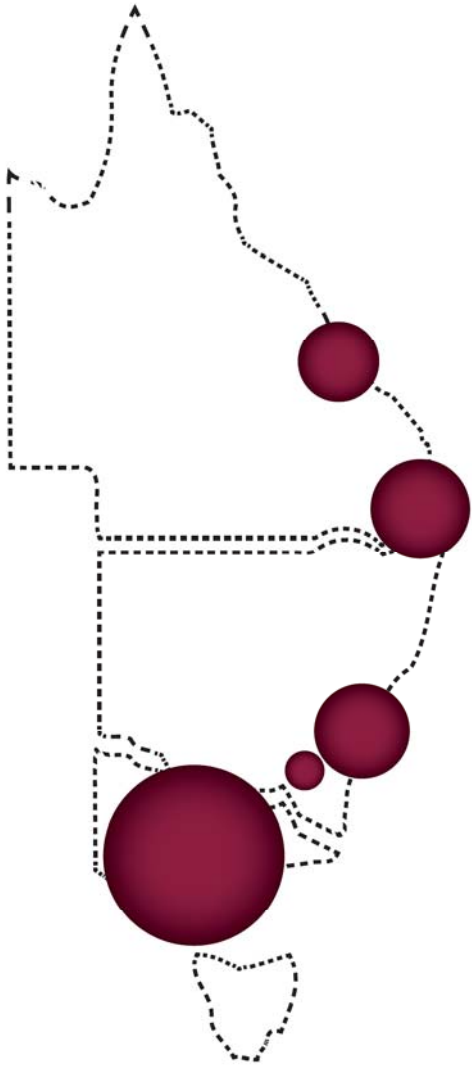
Public health and safety is the highest civic priority. Well executed waste management and street cleansing activities minimise risk and environmental impact while ensuring public space is clean and admired.

Citywide's waste management includes waste collection, recycling and transfer services. Citywide also assist communities in waste planning and education.

We work with our customers to develop the most cost-effective solutions.



YEARS OF SERVICE
1995-2015



OPEN SPACE

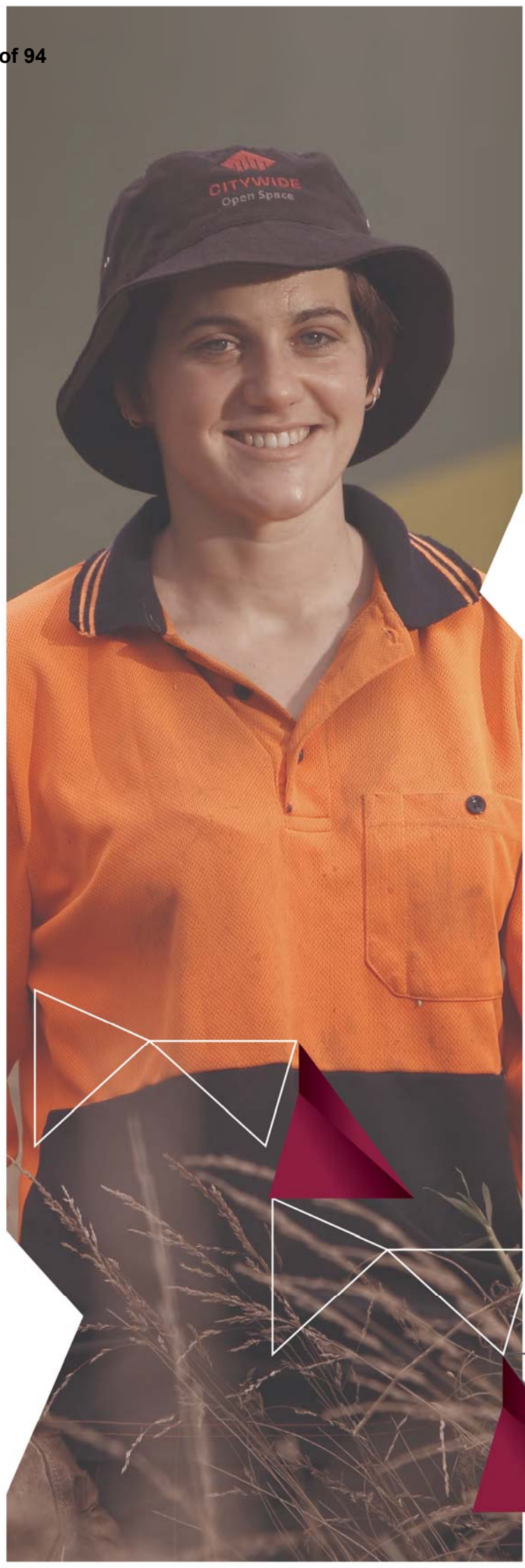


From tree-lined boulevards to riverside gardens and sports grounds: the green spaces of Australian towns and cities are central to the social connectivity, health and lifestyle of all community members.

Citywide Open Space delivers integrated horticultural and arboreal (tree) services, backed with sophisticated asset management systems to government, commercial and private customers in many of Australia's landmark locations.



Image: Citywide Arborist in Hyde Park, Sydney performing a regular tree inspection on the 80 year old Ficus.



OUR VISION

POWERED BY PEOPLE, GUIDED BY OUR VALUES, WE WILL BE THE LEADING AUSTRALIAN PROVIDER IN SAFELY MAINTAINING AND ENHANCING THE VALUE OF COMMUNITY ASSETS.

OUR VALUES

Citywide's five values complement our organisation's focus on staff safety, the environment, financial sustainability and growth, and our commitment to relationships and people.

Recruiting and investing in the best **people**

Nurturing customer **relationships**

Continuous **innovation**

Service **performance**

A sustainable **environment**



YEARS OF SERVICE
1995-2015

MESSAGE FROM THE CHAIRMAN



“WE ARE A STRONG COMPANY WITH A SOLID FINANCIAL BASE AND EXCITING PROSPECTS AHEAD. WITH A RENEWED BOARD AND REFRESHED LEADERSHIP TEAM, WE ARE DETERMINED TO GROW OUR BUSINESS AND LEAD THE WAY IN DELIVERING ENVIRONMENTAL, INFRASTRUCTURE AND OPEN SPACE SERVICES.”

It is with great pleasure that I present this Annual Report, my first as Chairman of the Citywide board.

Taking on the role of Chairman from February this year has brought me a whole new perspective to the work of the Citywide team and our vision for the future.

We are a national business with over 1,050 people working across a diverse mix of operations in Victoria, the ACT, New South Wales and Queensland. Over the year I have seen first-hand some of the great work we have achieved, including being the first in Australia to deliver a recycling facility for street sweeping.

It is always with immense pride that I see the Citywide logo on our trucks, bins, uniforms and signage across Australia, standing as a clear mark of the services we deliver to the community as a whole.

As the Annual Report demonstrates, we are also a strong company with a solid financial base and exciting prospects ahead. As a company we want to take a stronger focus on environmental and infrastructure services, delivering unique and innovative solutions to our customers so we can lead Australia in this field.

We are lucky to have great people behind us, and on behalf of my fellow Directors I thank the hard working and dedicated Citywide team for their critical role in delivering the services to our customers and the community, making us the successful company that we are.

It has been another big year for Citywide and at a board level we have seen a number of changes. Bringing with them a combined 45 years in corporate management and governance, Paul Hardy and Peter Lamell joined the Citywide board on 1 July 2015.

The two new board members will replace outgoing director Peter Lowe, who finishes his services to the board at this year’s AGM after a nine-year contribution, and former Chairman Mark Birrell, who stepped down in February this year.

I thank both Peter and Mark for their service to the Citywide board and for leaving behind a high functioning and productive structure through which we can continue to deliver strong governance and strategic direction to this great company.

I would also like to take this opportunity to thank Kerry Osborne for his 14 years of loyal service to Citywide. Kerry retired from the role of Managing Director in March 2015 after helping build Citywide into the \$250m business that it is today. Under Kerry’s leadership, our business diversified into new geographies, new skills and revenue has grown from \$85m to \$245m. On behalf of the board and Citywide team, I thank Kerry for his significant contribution to our success.

The Hon. John Brumby
Chairman
Citywide Board

MESSAGE FROM THE ACTING CEO



“THIS YEAR MARKS TWO DECADES OF CITYWIDE LEADING AUSTRALIA IN DELIVERING OPEN SPACE, INFRASTRUCTURE AND ENVIRONMENTAL SERVICES TO THE COMMUNITY.”

Over the past 20 years we have grown from a Melbourne-centric company to the strong and successful business we are today, delivering services up and down the eastern seaboard.

We strive to lead Australia in providing services that enhance the value of community assets and quality of life and we are continually investing and investigating new ways to do this better.

We are a people-oriented business and it has been satisfying to see our people grow their skills. Some great talent has also joined the company, which together with the strategy we have developed, will augur Citywide well for the future.

Our 2014-15 year has been no exception. This year saw us launch Australia's first street sweeping recycling facility, at our Dynon Road Waste Transfer Station in Melbourne. This technology sets the benchmark for environmentally sustainable waste recycling across the country and it was exciting to mark the launch of this Australian leading facility in May 2015.

Further on in this report we showcase our services in action. It has been an honour to lead such a skilled group of people.

Some other highlights for me have been:

- Upgrading one of Melbourne's main thoroughfares – Victoria Parade – to improve the road for buses, motorists and cyclists and to encourage more people to catch public transport.

- Expanding our services into Queensland through the delivery of projects at Townsville airport, port and throughout the community.
- Developing a new leadership team, which brings together complete and complementary skills and abilities across all service areas.
- Growing our workforce through an active recruitment process to gain the talent necessary to take Citywide into its next phase of strategic growth and opportunities. The number of high-calibre applicants is testament to Citywide being an organisation people want to work for.

The business has generated substantial cash flow during the year indicating a strong underlying financial performance. This is masked in our profit and loss statement due to the non-cash write-off of goodwill associated with our AWD Earthmoving business. Since purchasing this, market conditions have changed considerably. Rather than continue to labour with the business, we took the strong decision to close its activities.

With cash on hand of \$5.5m, and no debt, we are in a very strong financial position as we move into the 2015/2016 financial year with confidence.

So it is with great pleasure that I present to you Citywide's 2014-15 Annual Report.

John Collins
Acting CEO
Citywide



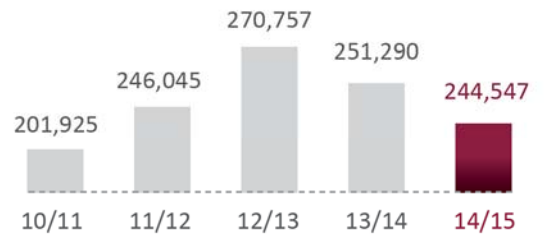
YEARS OF SERVICE
1995-2015



PERFORMANCE HIGHLIGHTS

OVER THE LAST TWO DECADES WE HAVE SEEN CITYWIDE'S GROWTH AND DIVERSIFICATION INCLUDING EXPANSION INTO NEW MARKETS AND BUILDING TO A 1,050+ STRONG WORK-FORCE, EVEN DURING THE TOUGH MARKET CONDITIONS OF RECENT TIMES.

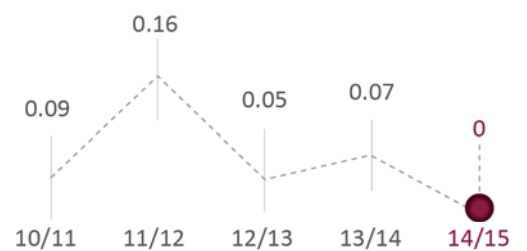
TOTAL REVENUE IN \$,000



RATIO OF SUBMITTED TENDERS WON

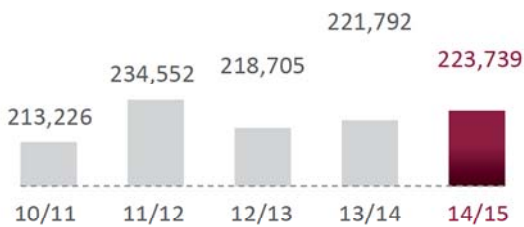


DEBT TO EQUITY RATIO

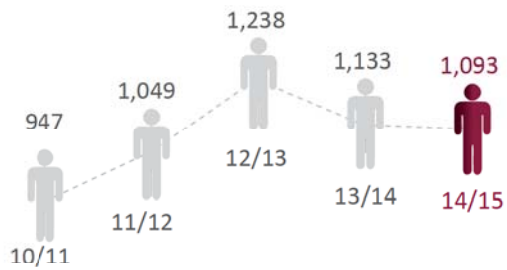


YEARS OF SERVICE
1995-2015

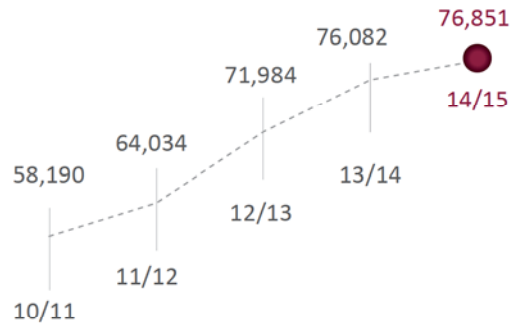
TOTAL REVENUE PER EMPLOYEE IN \$,000



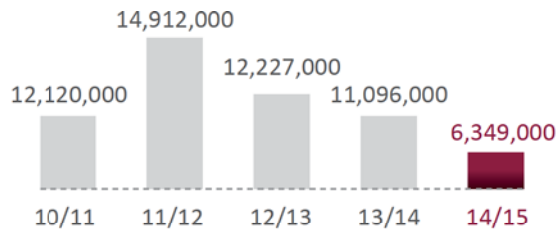
NUMBER OF DIRECT EMPLOYEES



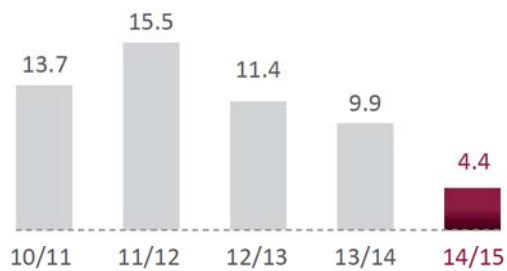
NET ASSETS IN \$,000



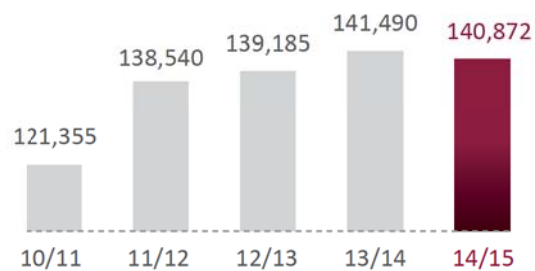
EARNINGS BEFORE INTEREST AND TAX IN \$,000



RETURN ON TOTAL EQUITY AFTER TAX (%)



TOTAL ASSETS IN \$,000



LEADERS IN PROVIDING SUSTAINABLE SOLUTIONS: AUSTRALIA'S FIRST STREET SWEEPING RECYCLING PLANT UNVEILED

“THIS YEAR MARKS TWO DECADES OF CITYWIDE LEADING AUSTRALIA IN DELIVERING OPEN SPACE, INFRASTRUCTURE AND ENVIRONMENTAL SERVICES TO THE COMMUNITY.”

CHALLENGE:

Historically in Victoria, municipal street sweeping waste goes directly to landfill.

SOLUTION:

Citywide is now championing the future of recycling in Australia with its new street sweeping recycling plant with the capacity to recycle 12,000 tonnes of street sweeping material per year; the equivalent of 240,000 green waste bins.

As pioneers of innovation, Citywide worked with recycling technology experts, CDEnviro, to construct a Street Sweeping Recycling Plant at its Dynon Road Waste Transfer Station. This technology is the first of its kind in Australia (and the Southern Hemisphere).

On May 7, the plant was officially opened by the Lord Mayor of Melbourne, The Hon. Robert Doyle, at Citywide's Waste Management Facility. The Lord Mayor was joined by Citywide Chairman, John Brumby, along with the representatives of a number of local councils including: City of Melbourne, City of Yarra, City of Port Phillip and City of Whitehorse.

The Lord Mayor stated the launch of the recycling plant will help the City of Melbourne deliver on its ambitious targets to minimise greenhouse gas emissions, water use and waste generation.

“At the City of Melbourne we are proud of the innovation that Citywide has shown in this project of national significance,” he said.

In Europe and the UK, the recycling of street sweeping waste is commonplace, using proven technologies and plants that have been operational for over a decade. Citywide is excited to be the first to implement this technology in Australia. Citywide is also proud to introduce an innovation that will raise the standard of street sweeping recycling in Melbourne and beyond.



YEARS OF SERVICE
1995-2015



Image: The Right Honourable Lord Mayor of Melbourne Robert Doyle, Citywide Chairman The Honourable John Brumby and Citywide Acting CEO John Collins, cutting the ribbon at the launch of Australia's first street sweeping recycling plant.

OUTCOMES:

The benefits include:

- Assisting councils in achieving their waste reduction targets under their own environmental management plans.
- Reducing negative impact on the environment by diverting up to 80 per cent of street sweeping waste from landfill, depending on end markets for recovered products.
- The by-product (filter/sludge cake) can be utilised within construction materials.

The plant is based on proven mining techniques; materials are collected from sweeping and drainage operations and then processed through the facility to create a range of by-products. Material gets washed and sorted according to size and weight; a safe and biodegradable chemical is then added that breaks up any heavy metals. The washing-water used in the process is continually cleaned and recycled within the

system, with the ultimate goal of utilising any excess water throughout other Citywide operations.

The material typically recovered from this process includes:

- Washed sand, grit and stone.
- Ferrous metals, for recovery in metallurgical plants.
- Organic material.
- Sludge-dewatered fine materials.
- Mixed landfill and recyclable waste.

IN FOCUS 15/16:

Citywide is thrilled to bring new cutting-edge and sustainable solutions to its customers in 2015. With continued investment in market-leading technology, the company increased its capacity to service customers, communities and the needs of the natural environment. Producing innovative and sustainable outcomes for its clients is one of Citywide's main goals.



OUR SERVICES IN ACTION



TAKING OFF IN TOWNSVILLE

CITYWIDE HAS PLAYED AN INTEGRAL ROLE IN SHAPING AND BEAUTIFYING TOWNSVILLE AS THE COMPANY EXPANDS FURTHER INTO QUEENSLAND.

As part of its contract to deliver open space services, Citywide has relied upon its knowledge and innovation to enhance the overall aesthetics of the significant reserves, boulevards and open space that makes Townsville a popular tourist destination.

Over 45 people are employed locally to take care of the contracts to deliver exceptional service to the community.

The team took a lot of pride in rejuvenating Townsville Airport – a project that kicked off in December last year. It has played a pivotal role in boosting Citywide’s profile in the area. The expansion into Tropical Queensland highlights Citywide’s commitment to providing efficient and effective physical services to regions in Australia.



“I’M PROUD OF OUR CREWS, THEY HAVE A LOT OF LOCAL KNOWLEDGE ABOUT PLANTS, SOIL TYPES AND WEATHER PATTERNS. THIS MAKES IT MUCH EASIER FOR US AS A TEAM TO RUN THE CONTRACT SUCCESSFULLY.”

Toni Kelly: Horticulture Supervisor



YEARS OF SERVICE
1995-2015

OUR SERVICES IN ACTION
STERLING HONOURED TO WORK
FOR NORTH SYDNEY'S 'MOST
BEAUTIFUL COMMERCIAL
GARDEN'

THE HARD WORK OF STERLING GROUP'S HORTICULTURE TEAM, ENABLED A VALUED CLIENT TO WIN THE 2014 MOST BEAUTIFUL COMMERCIAL GARDEN AWARD, PRESENTED BY NORTH SYDNEY COUNCIL.



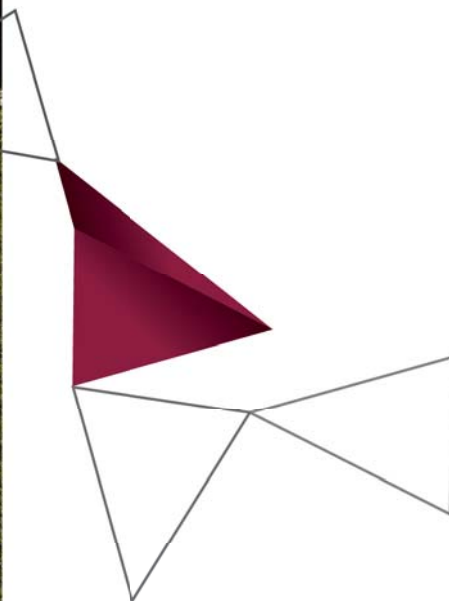
This highly sought after accolade was won after the industry leading garden was submitted by the headmaster of a prestigious school. The school garden was one of 60 entrants across eight categories to be considered for the award.

Sterling's work for the school dates back to 1999 and this isn't the first time the team has played a role in winning the popular competition. From 2003 Sterling's client took out the award for six years in a row.

Sterling is very happy to be recognised for their work excellence and commitment to their clients.



Image: Townsville team carry out mowing and grounds maintenance at the Port Authority.







OUR SERVICES IN ACTION

ACTION IN THE CAPITAL

CITYWIDE SUBMITTED A PROPOSAL TO THE ACT GOVERNMENT TO PROVIDE DRYLAND GRASS MOWING SERVICES ACROSS THE TERRITORY. CITYWIDE BID FOR ALL THREE TENDERED REGIONS, AND TO ITS CREDIT, CITYWIDE WAS SUCCESSFUL IN ALL THREE REGIONS, RE-AFFIRMING THAT CITYWIDE OFFERS A HIGH QUALITY AND VALUE-BASED SERVICE.

Citywide is excited to expand its services regarding the beautiful surrounds of our seat of government, and aims to continue making these historic open spaces a fitting place for a nation's capital and the true inspiration they deserve to be.

The new mowing contracts complement already established operations in the ACT. Since 2010, Citywide has been maintaining and enhancing the value of assets for Canberra's National Capital Authority.

Citywide has worked hard to provide a standard of service appropriate to the site's national significance, a site that covers approximately 120 hectares and includes world-renowned parklands and gardens such as the Parliamentary Triangle, the National Rose Gardens, Commonwealth Park, Acton Peninsula, King's Park and Old Parliament House.

Due to excellent service delivery, Citywide's portfolio of services has been extended to also include a variation contract with the National Capital Authority to maintain the National memorials. There are over 100 memorial sites ranging from plaques to large artwork and structures.

Citywide is committed to achieving the highest standards of presentation, whilst minimising environmental impacts and recognising that our service reflects the world class standing of the territory. As a socially conscientious organisation, employing local staff to deliver the services ensures that the local community receives support and everyone benefits from their intimate knowledge of the landscape. Citywide is proud and honoured to have the opportunity to assist in creating an excellent experience for residents and visitors in our nation's capital.



OUR SERVICES IN ACTION

A PART OF THE COMMUNITY: GLEN EIRA STREET SWEEPING SERVICES RENEWED

THE COLLECTIVE KNOWLEDGE THE CITYWIDE TEAM HAS ACQUIRED IS INVALUABLE TO DELIVERING THIS IMPORTANT CONTRACT FOR THE COMMUNITY OF GLEN EIRA.

“The team did a fantastic job and thoroughly cleaned the street. It is so clean that I can eat my breakfast off it.”

These are the words of a happy Glen Eira resident. Citywide has been providing street sweeping services to the City of Glen Eira for 14 years and has worked closely with the Council to deliver a high-standard of service based on excellent communication and dependability. Citywide recently re-won this contract for a further seven years.

Over the years the team has consistently received good feedback from both the Council and members of the community: “The driver returned today to clear any debris remaining from Monday, the resident was very pleased to see the driver get out and clear sections by hand. Concerns about the street backing up and flooding during rainstorms are completely alleviated.”

The collective knowledge the Citywide team has acquired is invaluable to delivering this important contract for the community of Glen Eira. Our team has built a knowledge base no other organisation could accumulate. We know so much about the community. We know what times sporting clubs meet and train, we know which lane-ways have recurring problems and we know who to talk to about solving issues in the community.

Citywide provides street sweeping and cleansing services to numerous commercial customers and councils including Queen Victoria Market, City of Melbourne, City of Bayside, City of Maribyrnong and City of Moonee Valley.



YEARS OF SERVICE
1995-2015



Image: Citywide Infrastructure team resurfacing works on Victoria Parade, Melbourne.



OUR SERVICES IN ACTION

CITYWIDE UPGRADES VICTORIA PARADE

CITYWIDE WERE THRILLED TO LAY THE FOUNDATIONS TO IMPROVE CYCLING AND PEDESTRIAN CONNECTIONS, UPGRADE BUS STOPS AND SIGNALLING TO PRIORITISE PUBLIC TRANSPORT.

Citywide spearheaded construction on new dedicated bus lanes along Melbourne's Victoria Parade in a bid to encourage more people to catch public transport and improve reliability.

With nearly 20,000 commuters using buses along Victoria Parade and Hoddle Street every day, this is an important project that will make the daily commute to work a better experience, the Minister of Transport Terry Mulder said.

"Once both stages of the project are completed, someone who travels from the eastern suburbs via public transport every weekday could save around 50 minutes per week."

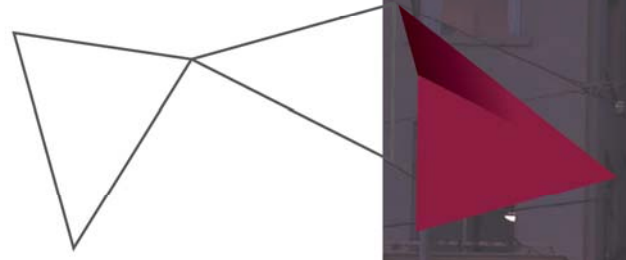
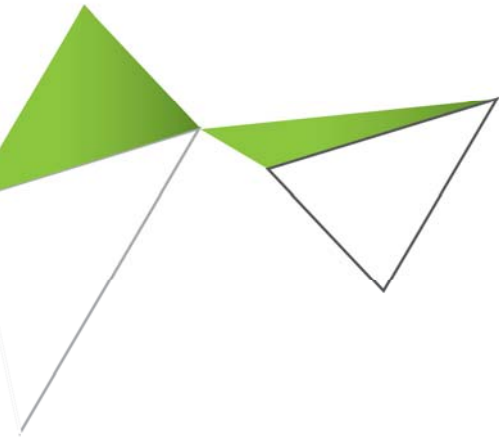
Through consultation with the City of Melbourne, City of Yarra, Public Transport Victoria, Bicycle Network Victoria and other important stakeholders, a final design was chosen to see Citywide deliver a dedicated bus lane along Victoria Parade, while keeping the existing lanes for general traffic.

The main project along Victoria Parade included the following elements:

- Construct a dedicated bus lane
- Traffic signal upgrades
- Minor road widening works
- Existing asphalt removal and replacement
- New bluestone kerb and channel
- New concrete kerb and channel
- New asphalt footpaths
- Minor drainage works
- Minor bike lane installation

Upgrade works have also been completed along Wellington Street, including:

- Dedicated separated Copenhagen style bike lanes
- Kerb and channel renewal
- Footpath renewal
- Speed hump installation
- Minor drainage works
- Minor traffic signal upgrades



OUR SERVICES IN ACTION

POPPIES, PEACE & PAVING

IN NOVEMBER 2014, OUR OPEN SPACE AND INFRASTRUCTURE TEAMS WORKED TOGETHER TO REINVIGORATE THE SURROUNDINGS OF MELBOURNE'S SHRINE OF REMEMBRANCE FOR THE SHRINE'S 80TH ANNIVERSARY AND REMEMBRANCE DAY SERVICES, A HISTORICALLY SIGNIFICANT PROJECT WHICH WE ARE HONOURED TO BE A PART OF.

To mark the 80th anniversary of the dedication of Melbourne's Shrine of Remembrance and the 95th anniversary of Remembrance Day (which observes the end of the First World War throughout all 53 member states of the Commonwealth of Nations), a \$45m redevelopment was unveiled. This redevelopment included a new 1,600-square-metre exhibition space, an education centre and auditorium.

Citywide's contribution to the project involved preparing garden beds, laying asphalt and installing curbing to create a new VIP car park at the front of the Shrine. New asphalt pathways were also laid and painted to integrate with the surrounding environment, mimicking the colour of 'The Tan' running track that passes by the Shrine.

Open Space crews also replaced turf at the front of the Shrine and removed several mature trees and replanted new ones. New hedge and garden beds were installed and the irrigation was re-engineered to complement the design. All works were carried to allow usage of over 80 per cent recycled water, ensuring sustainability targets were upheld throughout the project.

The site was finished off with Bay Laurel hedges (which are featured throughout the surrounding gardens) and Flanders Poppies, which are a globally recognised emblem of Remembrance Day, to commemorate those who died in the line of duty.

Our Open Space and Civil services teams successfully worked together to provide a professional and trouble-free result for the Shrine of Remembrance and helped to create a fitting atmosphere for all those residents of Victoria who came to pay their respects.



YEARS OF SERVICE
1995-2015



OUR SERVICES IN ACTION

WHITE NIGHT PATRONS IN SAFE HANDS

WHITE NIGHT MELBOURNE IS ONE OF AUSTRALIA'S MOST CELEBRATED CULTURAL EVENTS. IN FEBRUARY 2015, JUST UNDER HALF A MILLION PEOPLE TOOK A SHINE TO THE EVENT WITH ORGANISERS HAILING IT A RESOUNDING SUCCESS.

Citywide's Traffic and Events team were selected to manage the traffic at the event for the third year in a row. Responsible for ensuring thousands of patrons were able to easily and safely navigate between the various light shows, exhibitions and performances.

Organisers praised event personnel whose dedicated work made the dusk-to-dawn festival enjoyable for attendees.

From 3pm on the Saturday right through to 10am on the Sunday morning, traffic was diverted away from the city with road closures along popular strips including St Kilda Road through to La Trobe Street.

Traffic and Events Manager Penny Pananis said she received positive feedback from organisers who were pleased the event ran smoothly.

"We are very happy to be part of this epic event and showcase our capabilities in handling large crowds effectively," Penny said.

"Sixty team members worked collectively across the weekend to make the event a success. They swiftly directed foot traffic to safe routes away from cars and ensured the community were aware of road closures. Communication was crucial, not only with the public but as a team."

Penny said planning for an event of this size begins months in advance and centres around consultation with event organisers to establish the best way to manage the high mass of patrons.

"Our expertise gave us a very good understanding of what was required, so it was easy to formulate a comprehensive plan," Penny said.

"It really allowed us to be responsive and to be prepared for anything that came up at the last minute. Our team have extensive experience and capabilities to support large events such as White Night and New Year's Eve celebrations. That is the reason why our clients come to us with confidence, knowing that we can tailor our service to meet their expectations."

"Melburnians and tourists got to see the city bathed in lights and we were excited to have been a part of making that happen," Penny said.

Image: Traffic management at the White Night event, Melbourne.



INVESTING IN OUR PEOPLE

WE KNOW THAT WE ARE NOTHING WITHOUT OUR EMPLOYEES AND ARE BUILDING A CULTURE THAT IS OPEN, TRANSPARENT AND RESPONSIVE TO THE NEEDS OF OUR MANY AND VARIED PEOPLE ACROSS AUSTRALIA.



1093
EMPLOYEES ACROSS
AUSTRALIA



40
APPRENTICES
AND TRAINEES EMPLOYED



77%
EMPLOYEE SATISFACTION
LEVELS COMPANY-WIDE



YEARS OF SERVICE
1995-2015



INVESTING IN OUR COMMUNITY

CITYWIDE IS DEDICATED TO PLAYING AN IMPORTANT ROLE IN ENHANCING QUALITY OF LIFE, AS WELL AS SHAPING AND MAINTAINING THE SPACES IN WHICH AUSTRALIAN COMMUNITIES INTERACT. EACH YEAR WE SUPPORT A NUMBER OF SOCIAL PROGRAMS AND COMMUNITY EVENTS THROUGH SPONSORSHIPS AND IN KIND SUPPORT. SOME OF OUR LATEST COMMUNITY INITIATIVES HAVE INCLUDED:

HANDS UP! VOLUNTEER PROGRAM

Citywide are supporting the Beyond the School Gates student volunteer program known as 'Hands Up!' by providing students from Berendale School (a local special school) with fantastic opportunities to participate in volunteer work that involves planting, mulching and general garden work. These experiences are and have been enormously beneficial to the students in a number of ways.

The students from the Hands Up! student volunteer group are involved in fortnightly sessions that involve learning about volunteering, the benefits and many ways in which volunteering can be done. Students from this group have been encouraged to participate in volunteer opportunities in order to expand their skills, discover areas of interest and connect with the local community.

Through this program, many of the students are discovering that they:

- Do or do not enjoy this type of work.
- Have skills and capabilities of which they were unaware.
- Enjoy gardening and are interested in learning more about the environment.
- Enjoyed the hands on component of the work.
- Are growing in confidence.
- Want to or have more of a willingness to try new things.

These are great outcomes and discoveries for the students. Students with disability often learn best by doing and by being given the opportunities to experience and try new things and Citywide have assisted greatly with this.





CITYWIDE'S BUSHLAND CREW RUN AROUND EIGHT WORKING BEES A MONTH WITH THE HELP OF A COMMITTED AND PASSIONATE NETWORK OF OVER 100 VOLUNTEERS.



Image: Citywide team member maintaining the flowering annuals display in Victoria Park, Sydney.



INVESTING IN OUR COMMUNITY

A CHRISTMAS CHEER

Since 2012, Citywide has supported Manningham City Council's Carols by Candlelight.

Thousands of people flocked to Ruffey Lake Park in Doncaster to take advantage of the free family event with the Citywide team setting up fun activities for children, which included Christmas badge making and colouring-in stations. As gold sponsors in 2014, Citywide were delighted to participate in the popular event to meet and greet local residents.

We also supported Bayside's Christmas Carols in the park, which featured a spectacular line-up of traditional carols, local performers and fireworks display. In addition to our sponsorship, our Open Space and Infrastructure teams help set up for the event.



INVESTING IN OUR COMMUNITY

DOG'S BREAKFAST

Citywide's Bayside Open Space team coordinated the annual Dog's Breakfast event in Brighton earlier this year. The day was a success with hundreds of local community members turning out with their pooches to help promote the importance of dogs being on leads.

The coast in Bayside is a remarkable space for Melburnians to get together and walk their dogs. The Citywide team work very hard to maintain the luscious flora and fauna in the area. The team have the privilege of looking after the local Bayside Community Nursery with the help of approximately 60 volunteers.

Citywide's Bushland crew also run around eight working bees a month with the help of a committed and passionate network of over 100 volunteers.

UNITING CARE HELPING HAND FOUNDATION FOOD DRIVE

As part of spreading Christmas cheer to local families, Citywide also supported the Uniting Care Helping Hand Foundation food drive. Teams donated items such as non-perishable food and toiletries, which were delivered to Uniting Care's Helping Hand Foundation in Croydon well in time for Christmas.

Helping Hand work to help some of the three million Australians who currently live below the poverty line. As a company that is committed to enriching the lives of the communities it serves, Citywide is honoured to make the experience of Christmas brighter for those in need and to help celebrate the spirit of giving and compassion.



DIRECTORS' PROFILES

CITYWIDE'S BOARD IS COMMITTED TO BOTH A HIGH LEVEL OF CORPORATE GOVERNANCE AND TO FOSTERING A CULTURE THAT VALUES ETHICAL BEHAVIOUR, INTEGRITY AND RESPECT. GOOD CORPORATE GOVERNANCE IS THE HALLMARK OF SUCCESSFUL COMPANIES – IT ADDS VALUE TO THE COMPANY THROUGH EFFICIENT OVERSIGHT AND RISK MANAGEMENT, WHILE ENCOURAGING INNOVATION AND ENTREPRENEURSHIP.



THE HON. JOHN BRUMBY
Chairman

John was Premier of Victoria from 2007– 2010 after spending seven years as the State's Treasurer. He is currently the Chairman of the Motor Trades Association of Australia Superannuation Fund Pty Ltd, Chair of the Olivia Newton-John Cancer Research Institute, Deputy Chair of the Industry Super Australia, a Director of Huawei Australia and the Fred Hollows Foundation and Vice-Chancellor's Professorial Fellow at both the University of Melbourne and Monash University.



MS ANDREA WATERS
Director

Andrea is an experienced auditor, accountant and Non-Executive Director. She is a Director and Fellow of Chartered Accountants Australia & New Zealand and a member and accredited facilitator of the Australian Institute of Company Directors. She is a former partner with KPMG, Director of the Lord Mayor's Charitable Foundation and Board of Management Lord Mayor's Charitable Fund and CareSuper. She has previously been a Director of Cancer Council Victoria.



MS JANICE VAN REYK
Director

Janice is a Director of Melbourne Water, Port of Melbourne Corporation, Northern Territory Environment Protection Authority, Independent Member of the Audit & Risk Committee, the Salvation Army and an Independent Member of the Audit, Finance & Risk Committee, Sustainability Victoria. She is a member of the Environment Institute of Australia and New Zealand and a Fellow of the Australian Institute of Company Directors. Janice is experienced in environmental and stakeholder issues on infrastructure projects and public policy in the water, energy, waste and transport sectors.



MS PRUE WILLSFORD
Director

Prue has extensive experience in the financial services sector and is the CEO of The Australian and New Zealand Institute of Insurance and Finance (Australia, Hong Kong and China) and has held senior leadership roles at National Australia Bank and State Trustees. Prue was the Deputy Chancellor of Victoria University and held various roles on the university council, including Chair of the Resources Committee.





MR PETER LOWE
Director

Peter is a fellow of CPA Australia and member of the Australian Institute of Company Directors. He is currently Chairman of United Energy Distribution Holdings Pty Ltd and Multinet Group Holdings Pty Ltd and a Director of Linking Melbourne Authority and Tasmania Networks Pty Ltd. Peter has extensive senior management experience in all aspects of finance including Chief Financial Officer for both Australian and US public companies in the energy utility sector.



MR PETER LAMELL
Director

Peter has served on over 25 boards across the energy, power, services, technology, telecommunications and not-for-profit sectors. He has broad global senior executive experience having worked in the UK, US, Europe, Asia/Pacific, Canada and Australia with a prime focus on successfully building and turning around a number of complex businesses. He spent over 20 years working with Shell and was a member of the Board of Shell Australia. He is a member of the Advisory Board of 8over8 Ltd, Director of the Melbourne Forum, Chairman of Renew Australia, President of Lorne Sculpture Biennale and is a fellow of the AICD. He has a Senior Executive MBA from Melbourne Business School.



MR PAUL HARDY
Director

Paul previously served as Global CEO of Aurecon, Executive Chairman at Connell Wagner, and Executive Director at GHD. He was recognised by Engineers Australia in 2009, 2010, 2011, 2012 and 2013 as one of the 100 most influential engineers in Australia, and he has more than 35 years of experience in the consulting industry. He is a Director of Pitt & Sherry, Director of Collingwood Football Club Foundation and Strategic Advisor at St Vincent's Health Australia. Paul is a fellow of the Institution of Engineers Australia and a graduate of the Australian Institute of Company Directors.

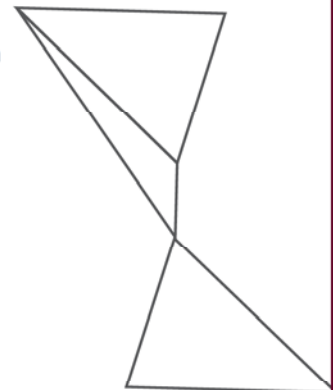
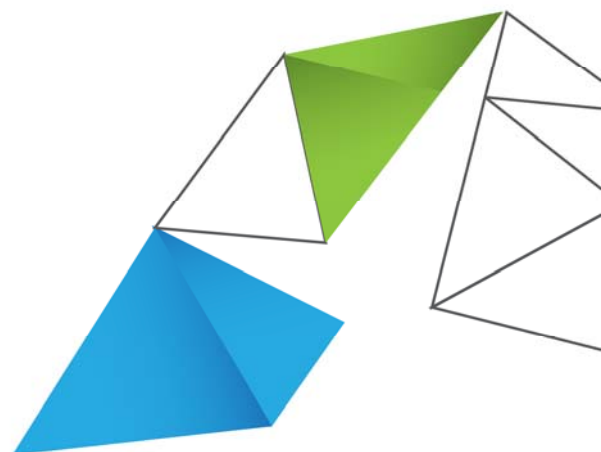




Image: Sydney team performing horticulture maintenance work in Hyde Park, Sydney.



DIRECTORS' REPORT

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:

- Mark Birrell (Chairman) retired 2 February 2015;
- John Brumby (Chairman from 2 February 2015);
- Peter Lowe;
- Kerry Osborne retired 20 March 2015;
- Janice van Reyk;
- Andrea Waters;
- Prue Willsford;
- Peter Lamell appointed 1 July 2015; and
- Paul Hardy appointed 1 July 2015.

PRINCIPAL ACTIVITIES OF THE COMPANY

The principal continuing activities of the Company and its subsidiaries (the Group) during the year were 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.

TRADING RESULTS

The Group's profit from ordinary activities before income tax equivalents for the year was \$6,185,000 (2014: \$10,743,000).

The Group's profit for the year was \$3,369,000 (2014: \$7,498,000) after deducting income tax equivalents of \$2,816,000 (2014: \$3,245,000)

DIVIDENDS

The Directors of the Company have declared a dividend of 14.13 cents (2014: 18.47 cents) per Ordinary Share for the year ended 30 June 2015.

The total dividends in respect of the current year are as follows:

| | 2015 | 2014 |
|--|-------------|-------------|
| <i>Dividend of 14.13 cents (2014: 18.47 cents) per fully paid Ordinary Share</i> | \$2,600,000 | \$3,400,000 |

REVIEW AND RESULTS OF OPERATIONS

The Group's revenue from ordinary activities for the year was \$244,547,000 (2014: \$251,290,000).

Trading conditions remain highly competitive which continue to exert downward pressure on margins. Activity in the Infrastructure area was curtailed due to returns being below acceptable levels.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Group has exited the Stabilisation business in the Infrastructure area. This has had a net impact on the result through impairment and write back of deferred purchase consideration of \$2.7m for the year.

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

The Group is continuously investigating opportunities to expand and grow its business. The Group has a strategic planning process that underpins the corporate strategy and future growth of the Group and is supported by a strong Balance Sheet.

Further information about likely developments in the operations of the entity 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 the need for the highest standards of corporate behaviour and accountability in order to fulfill its responsibilities to the Group’s stakeholders who include its shareholder, customers, suppliers, employees, the community and the environment.

In keeping with this responsibility the Group has established a Code of Governance Practices to ensure the Board is well equipped to discharge its responsibilities. This code covers 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 seven Directors, which 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 better 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 fully involved in setting the strategic direction of the Group, as well as reviewing the current performance on a monthly basis, with the overall vision to achieve growth in the performance of the Group.

As part of this process the Board has four committees, Remuneration, Audit and Finance, Risk and Sustainability, Nominations. These committees have their own written charter setting out the role, the 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 skilled focus in each of the above areas. The Due Diligence committee was created by the Board in July 2015. It consists of non-executive Directors, management and specialist advisors as required. All matters determined by committees are submitted to the full Board as recommendations for Board decision. The Chief Executive Officer is an ex officio attendee of all Board Committees. The Chief Operating Officer is an ex officio attendee of the periodic Board meetings. The Chief Financial Officer and the Group Risk and Audit Manager are ex officio members of the Audit and Finance Committee and the Risk and Sustainability Committee. The Chief Corporate Services Officer is an ex officio member of

the Remuneration Committee and Risk and Sustainability Committee.

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 out-sources, and an external safety, quality and environmental audit regime.

Governance is a major area of Board responsibility. In addition, the Board is kept fully informed on issues in the following areas, Strategy execution, Environmental matters, Occupational Health and Safety, Legal Compliance, Finance, Treasury, Corporate matters, and sets policy in these and other areas of the business activity.

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 ASIC Class Order 98/0100. The company 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 2015 and the number of meetings attended by each Director are set out below:

| Director | Board of Directors | | Audit & Finance Committee | | Remuneration Committee | | Risk & Sustainability Committee | | Nomination Committee | |
|-------------|--------------------|------------|---------------------------|------------|------------------------|------------|---------------------------------|------------|----------------------|------------|
| | # Held | # Attended | # Held | # Attended | # Held | # Attended | #Held | # Attended | # Held | # Attended |
| M Birrell | 7 | 7# | 2 | 2# | 1 | 1# | 2 | 2*# | 2 | 2# |
| J Brumby | 11 | 11 | 1 | 1 | 2 | 2 | 4 | 3 | 6 | 6 |
| P Lowe | 11 | 10 | 4 | 4 | - | - | 4 | 4 | - | - |
| K Osborne | 7 | 7# | 3 | 3# | 1 | 1# | 2 | 2# | - | - |
| J van Reyk | 11 | 10 | 4 | 4 | 2 | 2 | 4 | 2* | - | - |
| A Waters | 11 | 11 | 4 | 4 | - | - | 4 | 4 | - | - |
| P Willsford | 11 | 11 | - | - | 2 | 2 | 4 | 3 | 8 | 8 |

#Number of meetings eligible to attend

*Director attended as an observer



YEARS OF SERVICE
1995-2015

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 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 2015 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.



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)

Melbourne, 28 August 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

| | Notes | 2015 \$'000 | 2014 \$'000 |
|--|--------|----------------|----------------|
| Revenue from operations | | | |
| Services and Other revenue | 2 | 244,547 | 251,290 |
| Other Income | 2 | 651 | 143 |
| Deferred purchase consideration adjustment | | 500 | 500 |
| Total revenue from operations | | 245,698 | 251,933 |
| Expenses from operations | | | |
| Employee benefits | | 90,496 | 90,645 |
| Contractor costs | | 61,409 | 63,421 |
| Raw materials and consumables used | | 25,228 | 29,405 |
| Fleet costs | | 17,196 | 17,661 |
| Occupancy costs | | 5,925 | 5,200 |
| Waste tipping fees | | 11,861 | 11,264 |
| Depreciation and amortisation | 9 & 11 | 13,197 | 13,144 |
| Impairment of goodwill | 11 | 2,658 | - |
| Deferred purchase consideration adjustment - goodwill | 11 | 500 | 500 |
| Finance costs | | 164 | 353 |
| Other expenses | | 10,879 | 9,597 |
| Total expenses from operations | | 239,513 | 241,190 |
| Profit before income tax equivalents | | 6,185 | 10,743 |
| Income tax equivalents expense | 4 | 2,816 | 3,245 |
| Profit for the year | 3 | 3,369 | 7,498 |
| Other comprehensive income | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income for the year | | 3,369 | 7,498 |

The above consolidated statement of Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



YEARS OF SERVICE
1995-2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

| | Notes | 2015 \$'000 | 2014 \$'000 |
|--|-------|----------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | 5,519 | 325 |
| Trade and other receivables | 6 | 39,325 | 39,349 |
| Inventories | 7 | 759 | 653 |
| Prepayments | | 1,024 | 1,009 |
| Other assets | 8 | 4,543 | 3,971 |
| Assets classified as held for sale | 9b | 1,350 | - |
| Total Current Assets | | 52,520 | 45,307 |
| Non-Current Assets | | | |
| Property, plant and equipment | 9 | 59,489 | 64,120 |
| Deferred income tax equivalent assets | 10 | 5,118 | 4,860 |
| Intangible assets | 11 | 23,745 | 27,203 |
| Total Non-Current Assets | | 88,352 | 96,183 |
| TOTAL ASSETS | | 140,872 | 141,490 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 12 | 40,468 | 35,201 |
| Current tax equivalent liabilities | | 1,328 | 2,479 |
| Provisions | 14 | 15,250 | 15,866 |
| Total Current Liabilities | | 57,046 | 53,546 |
| Non-Current Liabilities | | | |
| Trade and other payables | 12 | 2,445 | 1,120 |
| Interest-bearing loans and borrowings | 13 | 500 | 6,500 |
| Deferred Income tax equivalent liabilities | 15 | 2,216 | 2,375 |
| Provisions | 14 | 1,814 | 1,867 |
| Total Non-Current Liabilities | | 6,975 | 11,862 |
| TOTAL LIABILITIES | | 64,021 | 65,408 |
| NET ASSETS | | 76,851 | 76,082 |
| EQUITY | | | |
| Contributed equity | 16 | 18,406 | 18,406 |
| Retained earnings | 17 | 54,407 | 53,638 |
| Asset revaluation reserve | 17 | 4,038 | 4,038 |
| TOTAL EQUITY | | 76,851 | 76,082 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

| | Contributed equity | Retained earnings | Asset revaluation | Total |
|--|-----------------------|----------------------|----------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2013 | 18,406 | 49,540 | 4,038 | 71,984 |
| Profit for the year | - | 7,498 | - | 7,498 |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Transactions with owners in their capacity as owners: <i>Dividends provided or paid</i> | - | (3,400) | - | (3,400) |
| Balance at 30 June 2014 | <u>18,406</u> | <u>53,638</u> | <u>4,038</u> | <u>76,082</u> |
| Profit for the year | - | 3,369 | - | 3,369 |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Transactions with owners in their capacity as owners: <i>Dividends provided or paid</i> | - | (2,600) | - | (2,600) |
| Balance at 30 June 2015 | <u>18,406</u> | <u>54,407</u> | <u>4,038</u> | <u>76,851</u> |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

| | Notes | 2015 \$'000 | 2014 \$'000 |
|---|-------|------------------------|------------------------|
| | | Inflows/ (Outflows) | Inflows/ (Outflows) |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 269,964 | 276,562 |
| Payments to suppliers and employees (inclusive of GST) | | (241,880) | (258,553) |
| Interest paid | | (165) | (352) |
| Interest received | | 23 | 12 |
| Income tax equivalents paid | | (4,384) | (3,697) |
| Net cash provided by operating activities | 23 | 23,558 | 13,972 |
| Cash flows from investing activities | | | |
| Payments for purchase of subsidiaries, net of cash acquired | | - | (6,532) |
| Proceeds from sale of property, plant and equipment | | 1,252 | 904 |
| Purchase of property, plant and equipment | | (10,216) | (8,126) |
| Net cash flows used in investing activities | | (8,964) | (13,754) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | - | 1,500 |
| Repayment of borrowings | | (6,000) | - |
| Dividends paid | | (3,400) | (2,300) |
| Net cash flows used in financing activities | | (9,400) | (800) |
| Net increase/(decrease) in cash and cash equivalents | | 5,194 | (582) |
| Cash and cash equivalents at beginning of year | | 325 | 907 |
| Cash and cash equivalents at end of year | 23 | 5,519 | 325 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Level 1, 150 Jolimont Road, East Melbourne VIC 3002.

The Group's principal activities are to meet the contract 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 financial statements were authorised for issue by the Directors on 28 August 2015.

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 and financial instruments are measured at revalued amounts or fair values, as explained in the accounting policies below.

The consolidated financial statements have been prepared on a going concern basis. As at 30 June 2015, current liabilities exceed current assets by \$4.5m (2014: \$8.2m). 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 13.

The functional and presentation currency of the Group is Australian Dollars.

The Company is of a kind referred to in Class Order 98/0100, (dated 10 July 1998) issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.2 PRINCIPLES 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. Refer to Note 25 for details of the Group's subsidiaries.

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.

1.3 BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners and the equity instruments issued by the Group in exchange for control of the acquiree.

Acquisition-related costs are expensed in the Statement of Profit and Loss and Other Comprehensive Income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 Share Based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

> 1 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income as a bargain purchase gain.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139 Financial Instruments: Recognition and Measurement, or AASB 137 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in the Statement of Profit or Loss and Other Comprehensive Income.

1.4 GOODWILL

Goodwill is recognised as an intangible asset. Goodwill arising on a business combination is carried at cost as established at the date of the business combination (refer to Note 1.3 above) less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to a cash-generating unit (or group of cash-generating units) that is expected to benefit from the synergies of the business combination. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows, including a terminal value are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1.5 REVENUE RECOGNITION

In accordance with Accounting Standard AASB 118 Revenue, the Group recognises revenue arising from service contracts by reference to the stage of completion of the contract, unless the outcome of the contract cannot be reliably estimated. The Group determines the stage of completion by reference to the proportion that costs incurred

to date bear to the estimated total costs of the contract. Administrative overheads are not included in the costs of the contract for this purpose.

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

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

1.6 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.

1.7 RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

At each reporting date, the Group reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows arising from its continued use and subsequent disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 cash-generating unit). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

> 1 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.8 PROPERTY, PLANT AND EQUIPMENT

Buildings, plant and equipment and motor vehicles are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised on the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

Land is stated in the statement of financial position at fair value, based on periodic but at least triennial valuations by external independent valuers (refer to Note 9). Any revaluation increase arising on the revaluation of such 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 property, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives. The estimated useful lives and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

| | |
|-----------------------|-----------------|
| Land | not depreciated |
| Buildings - portables | 5-10 years |
| Buildings - other | 40 years |
| Plant and Equipment | 1-15 years |
| Motor Vehicles | 3-10 years |

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

1.9 INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic life. The depreciable amount is determined after deducting its residual value (only where there is an active market for the asset). 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. The amortisation expense is recognised in the statement of profit or loss. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the

asset may be impaired.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

Customer relationship assets

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. Any deferred tax liabilities related to customer relationships are calculated and recorded as a part of goodwill. Customer relationships have a useful life of 5 years and are amortised on a straight-line basis.

1.10 LEASEHOLD IMPROVEMENTS

The cost of improvements to or on leasehold properties is depreciated over the unexpired period of the lease or the estimated useful life of the improvement to the Group whichever is the shorter. 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.

1.11 MAINTENANCE AND REPAIRS

Maintenance, repair costs and minor renewals are charged as expenses as incurred.

1.12 TRADE RECEIVABLES

Receivables are recognised at the amounts receivable as they are due for settlement, no more than 30 days from the date 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 objective evidence that the Group may not be able to collect the debt.

1.13 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.

1.14 EMPLOYEE BENEFITS

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.

Liabilities recognised in respect of short-term employee benefits, are 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.

Liabilities recognised in respect of long term employee benefits are 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. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Remeasurements are recognised in profit or loss

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

> 1 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

in the period in which they arise.

Superannuation - defined contribution plans

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 during which the services are rendered by employees.

Superannuation - defined benefits plans

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. Details of these arrangements are set out in Note 20.

1.15 TAX EQUIVALENT REGIME

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.

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.

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.

1.16 GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- i) where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority;
- ii) when it is recognised as part of the cost of acquisition of an asset

or as part of an item of expense; or

- iii) for receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

1.17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated Statement of Financial Position 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.

1.18 ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Once classified as held for sale, intangible assets and property, plant and equipment will no longer be amortised or depreciated.

1.19 INTEREST-BEARING BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. The Group currently has no qualifying assets.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.20 LEASING

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.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

> 1 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Operating lease commitments are not recognised in the Statement of Financial Position. Commitments are disclosed at their nominal value by way of a note and are presented inclusive of the GST payable.

1.21 CONTRACTOR COSTS

Contractor costs are recognised when the services have been provided.

1.22 DIVIDENDS

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.

1.23 PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, disclosed in Note 27 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.

1.24 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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.

1.25 COMPARATIVE FIGURES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional Statement of Financial Position as at the beginning of the earliest comparative period will be disclosed.

1.26 FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated to the functional currency of the Group at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognised in profit or loss.

1.27 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods. 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 below:

i) Revenue recognition

The Group recognises revenue arising from service contracts by reference to the stage of completion of the contract in accordance with the accounting policy stated in Note 1.5. Where the outcome of a contract can not 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.

ii) Estimated impairment of goodwill

The Group tests annually if goodwill has suffered any impairment in accordance with the accounting policy stated at Note 1.4. The recoverable amounts of cash generating units 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. Refer to Note 11 for details of these assumptions.

iii) Contingent consideration arrangements

In accordance with Note 1.3, where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Estimating the acquisition-date fair value of contingent consideration involves the development of expected cash flows discounted to the acquisition date at an appropriate discount rate. Projecting the expected cash flows involves estimating the likelihood and timing of various possible outcomes and weighting each scenario with an estimated probability factor. Further details are provided in Note 25.

iv) Customer relationship asset

In accordance with Note 1.9, 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. Estimating the acquisition-date fair value of customer relationship asset 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.

1.28 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

There have been no new standards issued during the year which have had an impact on the Group's financial statements.

Standards and Interpretations on issue not yet adopted

At the date of authorisation of the financial statements, the following Accounting Standards, Interpretations and Amending Pronouncements were on issue but not yet effective:

(i) AASB 9 Financial Instruments and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (effective 1 January 2018);

(ii) AASB 116 Property, Plant & Equipment, AASB 138 Intangible Assets and AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016).

The Group has assessed the impact of these accounting standards, interpretations and amending pronouncements above and does not believe there will be an impact on the Group's financial statements. The Group does not plan to early adopt any of these standards, interpretations or amending pronouncements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 | 2014 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| 2. Revenue and Other Income | | |
| Sales revenue | | |
| Rendering of services | 244,524 | 251,278 |
| Other revenue | | |
| Interest received | 23 | 12 |
| Total Revenue | <u>244,547</u> | <u>251,290</u> |
| Other Income | | |
| Gain on disposal of property, plant and equipment, net of costs | 651 | 143 |

3. Profit from operations

a) Operating profit before income tax equivalents has been determined after:

Expenses

| | | |
|---------------------------|---------------|---------------|
| Depreciation: | | |
| Buildings | 198 | 195 |
| Plant & equipment | 3,653 | 3,823 |
| Motor vehicles | 8,761 | 8,684 |
| Leasehold improvements | 285 | 217 |
| Total depreciation | <u>12,897</u> | <u>12,919</u> |

| | | |
|--|-------|-------|
| Finance costs: interest charges paid | 164 | 353 |
| Provision for: | | |
| Employee benefits | 6,642 | 6,708 |
| Impairment expense – Trade debtors | 90 | (14) |
| Bad debts | 40 | 41 |
| Contributions to employee superannuation funds | 6,166 | 6,179 |
| Rental expense on operating leases | 2,601 | 2,425 |
| Rental expense on licence agreements | 1,220 | 1,071 |
| Employee separation costs | 632 | 1,354 |

| | |
|-------------|-------------|
| 2015 | 2014 |
| \$ | \$ |

b) **Auditors' remuneration**

| | | |
|--|----------------|----------------|
| Amounts received, or due and receivable by the external auditors for auditing the financial report | 76,000 | 74,500 |
| Amounts received, or due and receivable by the internal auditors. | <u>196,424</u> | <u>132,649</u> |



YEARS OF SERVICE
1995-2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 | 2014 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| 4. Income tax equivalents | | |
| 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% (2014: 30%) | (1,856) | (3,223) |
| Increase tax equivalents payable due to: | | |
| Non deductible expenses | (839) | (181) |
| Recognition of previously unrecognised temporary differences | - | 159 |
| Other | (121) | - |
| Income tax equivalents attributed to operating profit | (2,816) | (3,245) |

| | | |
|---|----------------|----------------|
| Income tax equivalents attributable to operating profit comprise: | | |
| Current tax provision | (3,233) | (3,071) |
| Deferred income tax liability | 159 | 197 |
| Deferred income tax asset | 258 | (371) |
| | (2,816) | (3,245) |

5. Current Assets - Cash and cash equivalents

| | | |
|--------------------------|-------|-----|
| Cash at bank and on hand | 5,519 | 325 |
|--------------------------|-------|-----|

Cash at bank attracts interest rates of 0 - 2.5% (2014: 0 - 2.5%).

6. Current Assets - Trade and other receivables

| | | |
|---|---------------|---------------|
| Trade receivables | 25,324 | 28,315 |
| Less: Allowance for impairment of receivables | (400) | (310) |
| | 24,924 | 28,005 |
| Amounts owing from ultimate parent entity | 14,325 | 11,263 |
| Other debtors | 76 | 81 |
| | 39,325 | 39,349 |

Impaired trade and other receivables

The Group has recognised losses of \$130,000 (2014: \$27,000) in the statement of profit or loss and other comprehensive income in respect of bad and doubtful trade receivables.

At 30 June 2015, there were no (2014: nil) material receivables either past due which have not been impaired or individual balances specifically impaired. Collateral is not normally obtained for balances owing.

Movement in Allowance for impairment

| | | |
|--|--------------|--------------|
| Balance at beginning of year | (310) | (324) |
| Allowance for impairment recognised during the year | (130) | (27) |
| Receivables written off during the year as uncollectable | 40 | 41 |
| Balance at end of year | (400) | (310) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 | 2014 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| 7. Current Assets - Inventories | | |
| Stores and raw materials (at cost) | 536 | 451 |
| Finished goods (at cost) | 223 | 202 |
| | <u>759</u> | <u>653</u> |
| 8. Current Assets - Other assets | | |
| Accrued income – Unbilled services | 4,543 | 3,971 |
| | <u>4,543</u> | <u>3,971</u> |
| 9. Non-current Assets - Property, plant and equipment | | |
| Land at Valuation (Note 9a) | 10,158 | 11,508 |
| Buildings (at cost) | 4,606 | 4,597 |
| Less accumulated depreciation and impairment | (2,096) | (1,942) |
| | <u>2,510</u> | <u>2,655</u> |
| Leasehold improvements (at cost) | 2,571 | 2,087 |
| Less accumulated depreciation and impairment | (1,511) | (1,251) |
| | <u>1,060</u> | <u>836</u> |
| Plant and equipment (at cost) | 41,359 | 38,290 |
| Less accumulated depreciation and impairment | (25,810) | (22,818) |
| | <u>15,549</u> | <u>15,472</u> |
| Motor vehicles (at cost) | 85,015 | 83,371 |
| Less accumulated depreciation and impairment | (54,988) | (50,234) |
| | <u>30,027</u> | <u>33,137</u> |
| Work in progress | 185 | 512 |
| Total property, plant and equipment | <u>59,489</u> | <u>64,120</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

9. Non-current Assets - Property, plant and equipment (continued)

| | Land | Buildings | Leasehold improvements | Plant and equipment | Motor vehicles | Work in progress | Total |
|---|---------------|--------------|------------------------|---------------------|----------------|------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2013 | 11,508 | 2,823 | 735 | 15,846 | 37,433 | 74 | 68,419 |
| Additions through acquisition of entities | - | - | - | 523 | 447 | - | 970 |
| Additions | - | 27 | 318 | 2,959 | 4,385 | 438 | 8,127 |
| Disposals | - | - | - | (33) | (444) | - | (477) |
| Depreciation | - | (195) | (217) | (3,823) | (8,684) | - | (12,919) |
| Balance at 30 June 2014 | 11,508 | 2,655 | 836 | 15,472 | 33,137 | 512 | 64,120 |
| Balance at 1 July 2014 | 11,508 | 2,655 | 836 | 15,472 | 33,137 | 512 | 64,120 |
| Additions | - | 53 | 508 | 4,087 | 5,895 | (327) | 10,216 |
| Disposals | - | - | (4) | (10) | (586) | - | (600) |
| Transfers | - | - | 5 | (347) | 342 | - | - |
| Reclassification to asset held for sale | (1,350) | - | - | - | - | - | (1,350) |
| Depreciation | - | (198) | (285) | (3,653) | (8,761) | - | (12,897) |
| Balance at 30 June 2015 | 10,158 | 2,510 | 1,060 | 15,549 | 30,027 | 185 | 59,489 |

a) Valuation of Land

The valuation basis of Land is fair value being the price that would be received to sell an asset in an orderly transaction in the principal (or most advantageous) market at the reporting date (an "exit" price). The last revaluation of land held by the Group was based on an assessment by independent valuers, Knight Frank on 8 March 2013. Under AASB 13, this assessment of fair value is viewed as being at Level 2 which indicates that the valuation involved techniques for which the lowest level input in the measurement was directly or indirectly observable. The revaluation surplus net of applicable deferred income taxes was credited to other reserves in shareholders' equity (Note 17). Had the Group's Land been measured on a historical cost basis, the carrying amount would have been \$5,741,000 (2014: \$5,741,000).

b) Assets classified as held for sale

| | 2015 | 2014 |
|------------------------|--------|--------|
| | \$'000 | \$'000 |
| Land held for sale (i) | 1,350 | - |

(i) The Group intends to dispose of a parcel of land it no longer utilises. The land was previously used in the Group's Infrastructure operations. The land is currently advertised for sale. No impairment loss was recognised on reclassification of the land as held for sale as at 30 June 2015 as the Directors of the Company expect that the fair value less costs to sell is higher than the carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

11. Non-current Assets – Intangible assets (continued)

| | Goodwill on acquisitions | Customer relationships | Total |
|--|-----------------------------|---------------------------|---------------|
| | \$'000 | \$'000 | \$'000 |
| Movements | | | |
| Balance at 1 July 2013 | 20,240 | - | 20,240 |
| Acquisition of Subsidiary (Note 25) | 6,188 | 1,500 | 7,688 |
| Amortisation | - | (225) | (225) |
| Deferred purchase consideration adjustment | (500) | - | (500) |
| Balance at June 30 2014 | 25,928 | 1,275 | 27,203 |
| Balance at July 1 2014 | 25,928 | 1,275 | 27,203 |
| Amortisation | - | (300) | (300) |
| Impairment | (2,658) | - | (2,658) |
| Deferred purchase consideration adjustment | (500) | - | (500) |
| Balance at 30 June 2015 | 22,770 | 975 | 23,745 |

Impairment testing for cash-generating units (“CGU”) containing goodwill

Goodwill has been reviewed for impairment for the year ending 30 June 2015.

For the purposes of 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:

| | 2015 | 2014 |
|-------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Arboriculture VIC | 194 | 194 |
| Horticulture VIC | 5,224 | 5,224 |
| Street Cleaning VIC | 3,296 | 3,296 |
| Open Space NSW | 7,868 | 7,868 |
| Infrastructure Services | - | 3,158 |
| Open Space QLD | 6,188 | 6,188 |
| | 22,770 | 25,928 |

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 impairments/adjustments have been recognised other than detailed below.

Deferred purchase consideration adjustment-goodwill in the current year and prior year

In the current year, the goodwill in Infrastructure Services (AWD Earthmoving) has been adjusted by \$0.5m as the EBIT target for the current financial year was not met and the portion of the contingent consideration has not been paid as was structured in the purchase of the business. The adjustment is shown in the Statement of Profit and Loss.

Impairment losses recognised in the current year

In the current year, the marketplace where the Infrastructure Services CGU operates has continued to deteriorate. This has led to the recognition of an impairment loss of \$2,658,000, which has been recognised in the Statement of Profit and Loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

11. Non-current Assets – Intangible assets (continued)

Key assumptions used in the discounted cash flow projections

The key assumptions used in the calculation of recoverable amounts are discount rates and EBITDA growth. These assumptions are as follows:

| | 2015 | 2014 |
|--------------------|-------|-------|
| Discount rate | 9.30% | 3.54% |
| EBITDA Growth Rate | 1.00% | 2.50% |

The discount rate used is a post-tax measure based on the company's weighted average cost of capital. Previously the discount rate used (disclosed above for 2014) was based on the risk-free rate for 10-year bonds issued by the Australian government. Impairment testing and analysis in the prior year was also completed using a discount rate of 10.0%. Neither rate resulted in an impairment.

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

Sensitivity to change in assumptions

The company 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 charge would arise.

12. Current/Non-current Trade and other payable

| | 2015 | 2014 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Trade and other payables | 40,429 | 35,201 |
| Amount owing to Ultimate Parent Entity | 39 | - |
| | <u>40,468</u> | <u>35,201</u> |

Trade accounts payable are generally settled within 30 days. The Directors consider the carrying amounts of trade and other accounts payable to approximate their net fair values.

Non-current

| | | |
|---|--------------|--------------|
| Other payables and accruals (refer Note 25) | <u>2,445</u> | <u>1,120</u> |
|---|--------------|--------------|

13. Current/Non-current Interest-bearing loans and borrowings

Non-current

| | | |
|-------------------|------------|--------------|
| Bank loans | - | 6,000 |
| Security Deposits | 500 | 500 |
| | <u>500</u> | <u>6,500</u> |

Terms and conditions

Interest bearing loans and borrowings

Bank Overdraft and Bank Loans

The bank overdraft facility of \$0.6m (2014: \$0.6m) and bank loan facility of \$29.0m (2014: \$29.0m) are secured facilities with a 1st ranking fixed and floating charge over the net assets of the Group. 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 the 2 June 2017.

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 1.95% (2014: 2.67%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

14. Current / Non-current Provisions

| | 2015 | 2014 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Current expected to be settled within 12 months | | |
| Annual leave | 3,844 | 3,668 |
| Long service leave | 1,046 | 1,024 |
| Dividend payable | 2,600 | 3,400 |
| | <u>7,490</u> | <u>8,092</u> |
| Current expected to be settled after 12 months | | |
| Annual leave | 1,836 | 1,971 |
| Long service leave | 5,924 | 5,803 |
| | <u>7,760</u> | <u>7,774</u> |
| Total current balance | <u>15,250</u> | <u>15,866</u> |
| Non-current | | |
| Long service leave | <u>1,814</u> | <u>1,867</u> |
| Movement in Dividend Payable Provision | | |
| Balance at beginning of year | 3,400 | 2,300 |
| Additional provisions raised during the year | 2,600 | 3,400 |
| Amounts paid during the year | (3,400) | (2,300) |
| Balance at end of year | <u>2,600</u> | <u>3,400</u> |

The Board has declared a dividend of \$2,600,000 (2014: \$3,400,000), payable in November 2015.

15. Non-current Liabilities - Deferred income tax equivalent liabilities

| | | | |
|--|---------------------|----------------------------|-------------------------------|
| Provision for deferred income tax equivalent liability | | <u>2,216</u> | <u>2,375</u> |
| | Depreciation | Revaluation of land | Customer relationships |
| | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2013 | 391 | 1,731 | - |
| Charged to Income | (129) | - | (68) |
| Acquisition of Subsidiary (Note 25) | - | - | 450 |
| Balance at 30 June 2014 | <u>262</u> | <u>1,731</u> | <u>382</u> |
| Balance at 1 July 2014 | 262 | 1,731 | 382 |
| Charged to Income | (69) | - | (90) |
| Balance at 30 June 2015 | <u>193</u> | <u>1,731</u> | <u>292</u> |
| | | <u>2,216</u> | <u>2,375</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

16. Contributed equity

| | 2015 | 2014 |
|------------------------------|--------|--------|
| | \$'000 | \$'000 |
| Share capital | | |
| Ordinary shares - fully paid | 18,406 | 18,406 |

| | 2015 | | 2014 | |
|------------------------------------|------------|--------|------------|--------|
| | No. | \$'000 | No. | \$'000 |
| Movement in ordinary share capital | | | | |
| Balance at start of year | 18,405,629 | 18,406 | 18,405,629 | 18,406 |
| Shares issued | - | - | - | - |
| Balance at end of year | 18,405,629 | 18,406 | 18,405,629 | 18,406 |

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 2.53% (2014: 2.67%). The Group's net debt (total liabilities less cash and cash equivalents) to total equity was 0.76 (2014: 0.86). There were no changes in the Group's approach to capital management during the year.

17. Retained Earnings and Reserves

| | 2015 | 2014 |
|---|---------|---------|
| | \$'000 | \$'000 |
| Retained profits at the beginning of the financial year | 53,638 | 49,540 |
| Net profit attributable to members of the company | 3,369 | 7,498 |
| Total available for appropriation | 57,007 | 57,038 |
| Dividends provided for or paid (Note 14) | (2,600) | (3,400) |
| Retained profits at the end of the financial year | 54,407 | 53,638 |

| | Cents | Cents |
|---|-------|-------|
| Earnings per share for profit attributable to the ordinary equity owners of the Company | 18.3 | 40.7 |

| | \$'000 | \$'000 |
|---------------------|--------|--------|
| Reserves | | |
| Revaluation of Land | 4,038 | 4,038 |

The asset revaluation reserve records the revaluation of the Group's Land which is carried at fair value.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

18. Key Management Personnel Compensation

Citywide Non Executive Director's payments for the year ended 30 June 2015

| Position | Name | Total payments \$'000 |
|--------------|-----------------|--------------------------|
| Chairman (1) | John Brumby | 108 |
| Chairman (2) | Mark Birrell | 81 |
| Director | Andrea Waters | 88 |
| Director | Peter Lowe | 86 |
| Director | Janice van Reyk | 80 |
| Director | Prue Willsford | 78 |

(1) Mr J Brumby was appointed Chairman from 2 February 2015

(2) Mr M Birrell was Chairman until his retirement on 2 February 2015

Citywide Executive Remuneration for the year ended 30 June 2015

| Position | Name | Total payments \$'000 | Total employment package \$'000 |
|--|---------------|--------------------------|--|
| Managing Director (3) | Kerry Osborne | 904 | 555 |
| Chief Financial Officer/Acting Chief Executive Officer (4) | John Collins | 298 | 326 |
| Chief Operating Officer | Michael North | 314 | 350 |
| Chief Corporate Services Officer | Jayne Crow | 238 | 296 |
| Chief Information Officer | Harvey Webb | 272 | 286 |

(3) As a result of retirement on 20 March 2015 a contractual payment of \$346,586 was made in addition to entitlements due to his 14 years of service.

(4) From 20 March 2015 the Chief Financial Officer has been acting as Chief Executive Officer. During this time the annual total employment package is \$480,000.

The executive have an at risk component within their remuneration that was not paid in the current year.

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 transaction with KMP, refer to Note 22 Related Party Information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

19. Commitments for expenditure

| | 2015 | 2014 |
|---|--------|--------|
| | \$'000 | \$'000 |
| Capital expenditure commitments | | |
| Capital expenditure contracted for at reporting date but not recognised as liabilities in the financial report: | | |
| - Payable within one year | 1,139 | 1,618 |
| | <hr/> | <hr/> |
| Non-cancellable operating leases payable | | |
| Non-cancellable operating lease commitments contracted for but not recognised in the financial report: | | |
| - Payable within one year | 2,780 | 2,204 |
| - Payable later than one year, not later than five years | 5,460 | 4,406 |
| - Payable later than five years | 1,224 | 908 |
| | <hr/> | <hr/> |
| | 9,464 | 7,518 |

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

20. Retirement benefit obligations

Superannuation

Citywide Service Solutions Pty Ltd makes employer superannuation contributions in respect of its employees to complying accumulation superannuation funds. Obligations for contributions are recognised as an expense in profit or loss when they are due.

Accumulation Funds

The accumulation funds, (including the Local Authorities Superannuation fund's accumulation category, Vision Super Saver), receive both 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 Benefit Plan

The Fund's Defined Benefit Plan is a multi-employer sponsored plan which 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 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 2014 and on advice from the City of Melbourne, Citywide Service Solutions Pty Ltd makes the following contributions:

- 13% (inclusive of 1% salary continuance cover) of salaries for Division D members;
 - fund the top-up payments for exiting members equal to the Benefit Payment less (Vested Benefit x VBI) plus contribution tax (same as previous year).
- Top-up payments are calculated and invoiced quarterly in arrears.

| | 2015 | 2014 |
|--|--------|--------|
| | \$'000 | \$'000 |
| Employer contributions to complying superannuation funds | 6,166 | 6,179 |
| Employer contributions payable to complying superannuation funds at reporting date | 578 | 562 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

21. Contingent liabilities

Details of contingent liabilities of the Group at year end are:

- Guarantees issued by the Bank in respect of contracts secured of \$11,319,000 (2014: \$11,562,000).

The Group is a defendant from time to time in legal proceedings in respect of claims and court proceedings arising from the conduct of its business. The Group does not consider that the outcome of any current proceedings, for which allowance has not been made in these accounts, is either individually or in aggregate, likely to have a material effect on the operations or financial position of the Group.

ColInvest has made a claim that Citywide is an employer under the Construction Industry Long Service Leave Act, 1997 (amended 2004). Citywide has obtained advice that it is not an employer for the purposes of the Portable Long Service Scheme and have declined to provide information to ColInvest in regard to its employees. ColInvest have instigated criminal proceedings against Citywide for non compliance with a Section 10 notice served under the Construction Industry Long Service Leave Act, 1997 (amended 2004).

22. Related party information

Controlling entity

The immediate parent entity and ultimate parent entity is the City of Melbourne (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 18 for the details of the Key management personnel remuneration during the financial year.

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 \$54,902,000 (2014: \$56,713,000) during the financial year. The amount owing at reporting date is detailed in Note 6.

Expenditure transactions with the ultimate parent entity amounted to \$426,000 (2014: \$414,000) during the financial year. The amount owing at reporting date is detailed in Note 12.

Refer to Note 4 for the income tax equivalent charges and Note 14 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.

Expenditure transactions with subsidiaries during the financial year were as follows:

| Name of subsidiary | 2015 \$'000 | 2014 \$'000 |
|---------------------------------|----------------|----------------|
| Sterling Group Services Pty Ltd | 12 | 36 |
| AWD Earthmoving Pty Ltd | 29 | - |
| Technigro Australia Pty Ltd | - | - |
| Technigro Pty Ltd | - | - |
| | 41 | 36 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

22. Related party information (continued)

Transactions with other related parties

The Group provides services to Port of Melbourne Corporation, of which M Birrell and J van Reyk are Directors. Revenue transactions with the Port of Melbourne Corporation amounted to \$5,000 (2014: \$108,000). All transactions were made on commercial terms and conditions and at market rates.

The Group provides services to The Queen Victoria Market, which is also owned by the City of Melbourne. Transactions occurred on commercial arm's length terms.

23. Cash flow information

| | 2015 \$'000 | 2014 \$'000 |
|--|----------------|----------------|
| Reconciliation of cash and cash equivalents | | |
| Cash assets at the end of the financial year as shown in the consolidated Statement of Cash Flows is reconciled to the related items in the consolidated Statement of Financial Position as follows: | | |
| Cash and cash equivalents (Note 5) | 5,519 | 325 |
| Balance per consolidated Statement of Cash Flows | <u>5,519</u> | <u>325</u> |
| Reconciliation of net cash provided by operating activities to net profit after income tax equivalents | | |
| Net profit after income tax equivalents | 3,369 | 7,498 |
| <i>Non-cash items in operating profit:</i> | | |
| - Net (gain) / loss on disposal of non-current assets | (651) | (143) |
| - Gain on deferred purchase consideration adjustment | (500) | (500) |
| - Depreciation / amortisation of non-current assets | 13,197 | 13,144 |
| - Impairment of goodwill/Goodwill adjustment | 3,158 | 500 |
| - Forward exchange contract | - | 30 |
| <i>Changes in operating assets and liabilities:</i> | | |
| - (Increase)/Decrease in Prepayments, Trade and Other Receivables | 2,499 | 230 |
| - (Increase)/Decrease in Amounts Owing by Ultimate Parent Entity | (3,062) | 586 |
| - (Increase)/Decrease in Inventories | (106) | (89) |
| - (Increase)/Decrease in Deferred Tax Equivalent Assets | (258) | 371 |
| - Increase/(Decrease) in Trade and Other Payables | 7,052 | (6,519) |
| - Increase/(Decrease) in Employee Entitlements | 131 | (276) |
| - (Decrease)/Increase in Current Tax Equivalent Liabilities | (1,151) | (626) |
| - Increase/(Decrease) in Amounts Owing to Ultimate Parent Entity | 39 | (37) |
| - (Decrease)/Increase in Deferred tax equivalent liabilities | (159) | (197) |
| Net cash provided by operating activities | <u>23,558</u> | <u>13,972</u> |



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

24. Financial instruments

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 Company'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 2015 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 13.

| | Notes | Floating interest rate \$'000 | Non-interest bearing \$'000 | Total \$'000 |
|---------------------------------------|-------|-------------------------------------|-----------------------------------|-----------------|
| 2015 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 5 | 5,496 | 23 | 5,519 |
| Trade and other receivables | 6 | - | 39,325 | 39,325 |
| | | 5,496 | 39,348 | 44,844 |
| Weighted average interest rate | | 2.25% | | |
| Financial liabilities | | | | |
| Trade and other payables | 12 | - | 42,913 | 42,913 |
| Interest bearing loans and borrowings | 13 | 500 | - | 500 |
| | | 500 | 42,913 | 43,413 |
| Weighted average interest rate | | 2.53% | | |
| Net financial assets | | 4,996 | (3,565) | 1,431 |

2014

Financial assets

| | | | | |
|-----------------------------|---|------------|---------------|---------------|
| Cash and cash equivalents | 5 | 301 | 24 | 325 |
| Trade and other receivables | 6 | - | 39,349 | 39,349 |
| | | 301 | 39,373 | 39,674 |

Weighted average interest rate

2.50%

Financial liabilities

| | | | | |
|---------------------------------------|----|--------------|---------------|---------------|
| Trade and other payables | 12 | - | 36,321 | 36,321 |
| Interest bearing loans and borrowings | 13 | 6,500 | - | 6,500 |
| | | 6,500 | 36,321 | 42,821 |

Weighted average interest rate

2.75%

Net financial assets

(6,199) **3,052** **(3,147)**

Net fair value of financial assets and liabilities

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

| | 2015 \$'000 | 2014 \$'000 |
|------------------------------------|----------------|----------------|
| Ageing of Trade Receivables | | |
| Current (not yet due) | 35,842 | 34,685 |
| Past due by up to 30 days | 2,184 | 3,163 |
| Past due between 31 and 180 days | 1,459 | 1,692 |
| Past due between 181 and 365 days | 164 | 38 |
| | 36,649 | 39,578 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

24. Financial instruments (continued)

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 increase by \$32,000 and decrease by \$32,000 respectively (2014: increase by \$42,000 and decrease by \$42,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

Liquidity Risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group manages its liquidity risk by monitoring the total inflows and outflows expected on a monthly basis. The Group ensures that sufficient liquid assets are available to meet all the short-term cash payments. The Group has a Bank loan facility that it uses to cover working capital requirements as needed (available funds at 30 June 2015 were \$35.1m).

| Contractual Maturities | 6 months or less | 6 - 12 months | 1 - 5 years | 5 Years or more | Total |
|---------------------------------------|---------------------|------------------|----------------|--------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Year Ended 30 June 2015 | | | | | |
| Liquid financial assets | | | | | |
| Cash and cash equivalents | 5,496 | - | - | - | 5,496 |
| Trade and other receivables | 39,325 | - | - | - | 39,325 |
| | 44,821 | - | - | - | 44,821 |
| Financial liabilities | | | | | |
| Trade and other payables | 40,468 | - | 2,445 | - | 42,913 |
| Interest bearing loans and borrowings | - | - | 500 | - | 500 |
| | 40,468 | - | 2,945 | - | 43,413 |
| Net Inflow/(Outflow) | 4,353 | - | (2,945) | - | 1,408 |
| Year Ended 30 June 2014 | | | | | |
| Liquid financial assets | | | | | |
| Cash and cash equivalents | 301 | - | - | - | 301 |
| Trade and other receivables | 39,349 | - | - | - | 39,349 |
| | 39,650 | - | - | - | 39,650 |
| Financial liabilities | | | | | |
| Trade and other payables | 35,201 | - | 1,120 | - | 36,321 |
| Interest bearing loans and borrowings | - | - | 6,500 | - | 6,500 |
| | 35,201 | - | 7,620 | - | 42,821 |
| Net Inflow/(Outflow) | 4,449 | - | (7,620) | - | (3,171) |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

25. Subsidiaries

The consolidated financial statements of the Group include:

| Name of subsidiary | Principal activity | Date of acquisition | Country of Incorporation | % Equity interest | |
|---------------------------------|-----------------------|---------------------|--------------------------|-------------------|------------|
| | | | | 30/06/2015 | 30/06/2014 |
| 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% |

AWD Earthmoving Pty Ltd

On 31 May 2012, the Group acquired 100% of AWD Earthmoving Pty Ltd for a total consideration of \$6.243m inclusive of a contingent consideration of \$1.5m and working capital. Details of the fair values of the assets and liabilities acquired and the goodwill arising are disclosed in the 2012 Citywide Group Annual Report. At the date of acquisition, the acquired entity's principal activities was that of Infrastructure activities.

In the current financial year, \$0.5m of the total contingent consideration of \$1.5m has not been paid because the EBIT target for the current financial year has not been met. \$0.5m of the liability has been written back and the gain has been recognised in the Consolidated Statement of Profit or Loss.

Technigro Australia Pty Ltd

On 1 October 2013, the Group acquired 100% of Technigro Australia Pty Ltd and its subsidiary Technigro Pty Ltd for a total consideration of \$9.165m inclusive of a contingent consideration. Details of the fair values of the assets and liabilities acquired and the goodwill arising are disclosed in the 2014 Citywide Group Annual Report. There have been no adjustments to the fair value of assets and liabilities acquired.

In the current financial year, the purchase consideration was restructured as follows. The contingent consideration arrangement was reset providing a favourable benefit to Citywide. There has been no adjustment to the total consideration.

| Purchase consideration | 2015 | 2014 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Cash paid | 6,720 | 6,720 |
| Contingent consideration | 2,445 | 1,680 |
| Cash payable in consideration of working capital | - | 765 |
| Total consideration | 9,165 | 9,165 |

26. Events occurring after reporting date

There were no material matters or circumstances which have arisen between 30 June 2015 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

27. Parent entity information

a) Summary financial information

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

| | 2015 | 2014 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Statement of Profit or Loss and Other Comprehensive Income | | |
| Profit for the year | 6,939 | 6,589 |
| Other comprehensive income | - | - |
| Total comprehensive income | 6,939 | 6,589 |
| Statement of Financial Position | | |
| ASSETS | | |
| Current Assets | 50,360 | 42,794 |
| Non-Current Assets | 97,709 | 102,315 |
| Total Assets | 148,069 | 145,109 |
| LIABILITIES | | |
| Current Liabilities | 65,921 | 60,841 |
| Non-current Liabilities | 4,883 | 11,357 |
| Total Liabilities | 70,804 | 72,198 |
| EQUITY | | |
| Contributed equity | 18,406 | 18,406 |
| Retained profit | 54,821 | 50,467 |
| Asset revaluation reserve | 4,038 | 4,038 |
| Total Equity | 77,265 | 72,911 |

b) Guarantees

Refer to Note 21 for Guarantees issued by the Bank in respect of contracts secured relating to the Company. All Guarantees stated in Note 21 relate to the Company.

c) Capital expenditure commitments

Refer to Note 19 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 19 relate to the Company.



DIRECTORS' DECLARATION

In the Directors' opinion:

a. the financial statements and notes set out on pages 30 to 56 are in accordance with the Corporations Act 2001, including:

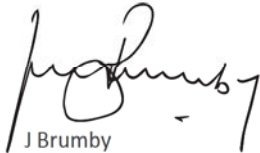
(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Group's financial position as at 30 June 2015 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 Note 1.1; 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)

Melbourne, 28 August 2015



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INDEPENDENT AUDITOR'S REPORT

To the Directors of CityWide Service Solutions Pty Ltd

The Financial Report

The accompanying financial report for the year ended 30 June 2015 of CityWide Service Solutions Pty Ltd which comprises the consolidated statement of profit and loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes to equity, consolidated statement of cash flows, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration has been audited. The financial report is the consolidated financial statements of the consolidated entity, comprising Citywide Service Solutions Pty Ltd and the entities it controlled at the year's end or from time to time during the financial year as disclosed in note 25 to the consolidated financial statements.

The Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

As required by the *Corporations Act 2001* and *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the company's preparation of the financial report that gives a true and fair view 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's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession and the *Corporations Act 2001*. I confirm that I have given to the Directors of the company a written independence declaration, a copy of which is included in the Directors' Report.

Opinion

In my opinion, the financial report of CityWide Service Solutions Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 30 June 2015 and of its financial performance and its cash flows for the year ended on that date
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

MELBOURNE
4 September 2015


R John Doyle
Auditor-General



Victorian Auditor-General's Office

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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

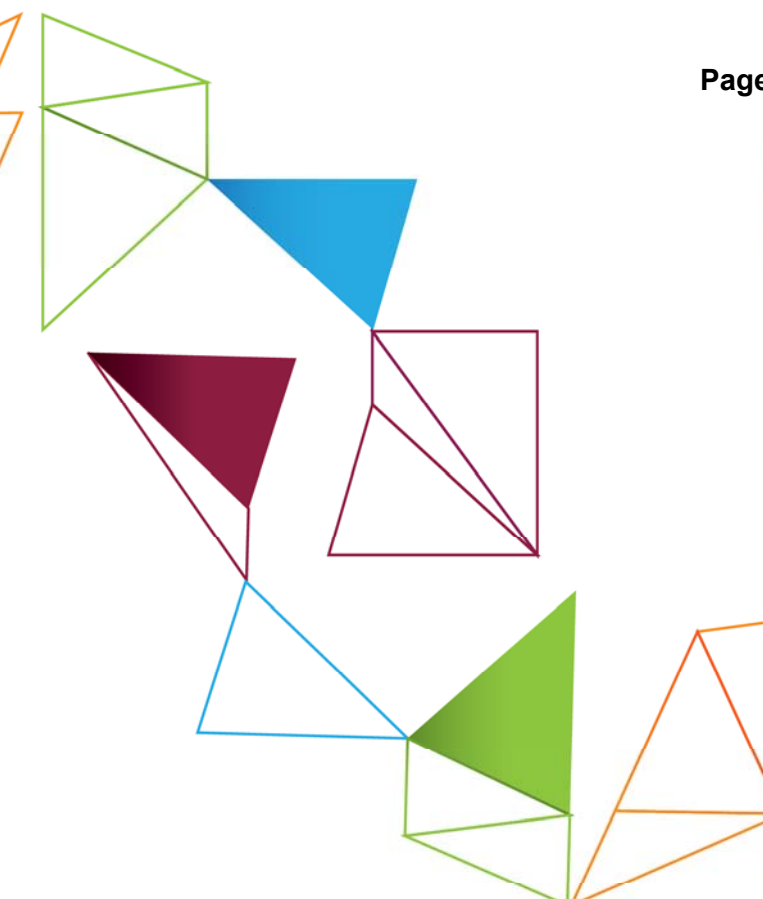
As auditor for CityWide Service Solutions Pty Ltd for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

- 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
4 September 2015



John Doyle
Auditor-General



REGISTERED OFFICE

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