Management report to Council

Agenda item 6.5

2018 Citywide Pty Ltd Annual Financial Report

Council

Presenter: Michael Tenace, Chief Financial Officer

27 November 2018

Purpose and background

1. The purpose of this report is to note the Citywide Service Solutions Pty Ltd (Citywide) Annual Financial Report for 2018.

2. At the June 2015 Council meeting, the Council requested the Citywide Annual Financial Report be adopted in an open session at a Future Melbourne or Council meeting.

Key issues

3. The Citywide 2018 Annual Financial Report has been finalised and attached.

Recommendation from management

4. That the Council notes the 2018 Annual Financial Report of Citywide Service Solutions Pty Ltd.

Attachments:

1. Supporting Attachment (Page 2 of 54)
2. Citywide Annual Financial Report 2018 (Page 3 of 54)

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.

Occupational Health and Safety

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

Stakeholder consultation

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

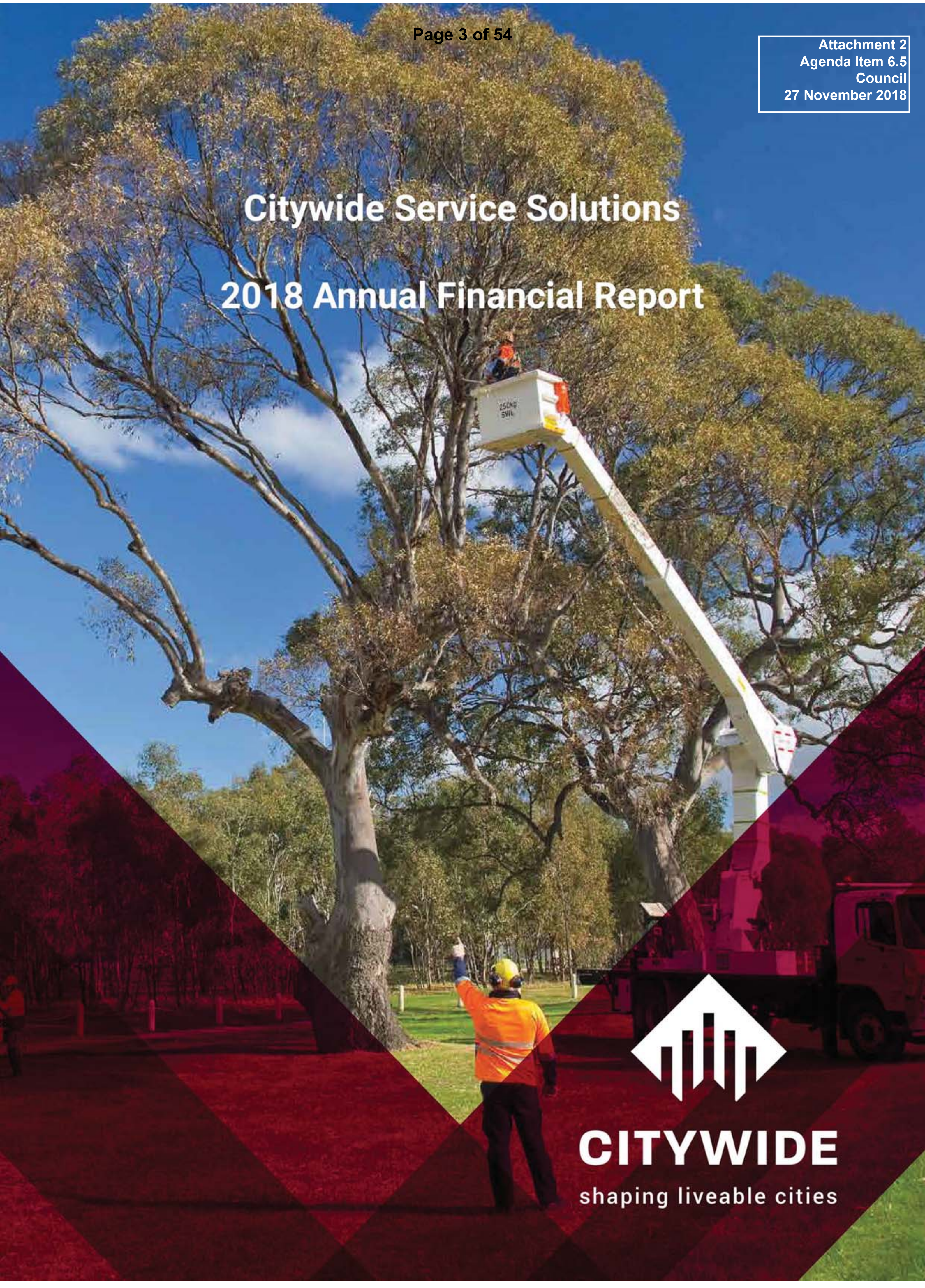
Relation to Council policy

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

Environmental sustainability

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

Attachment 2
Agenda Item 6.5
Council
27 November 2018



Citywide Service Solutions

2018 Annual Financial Report

CITYWIDE
shaping liveable cities

Citywide Service Solutions Pty Ltd
ABN: 94 066 960 085

Directors' report for the year ended 30th June 2018

Directors

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

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

Principal activities of the company

The principal continuing activities of the Company and its subsidiaries (collectively 'the Group') during the year were to meet the service needs of customers from local governments, other governments, and private and public sector corporations (in line with community expectations) by providing a comprehensive range of quality, physical services.

Trading results

The Group's profit from ordinary activities, before income tax equivalents ("PBT"), for the year was $6,057,000 (FY2017: $12,758,000).

The Group's profit for the year was $4,234,000 (FY2017: $9,637,000), after deducting income tax equivalents of $1,823,000 (FY2017: $3,120,000).

The Group's PBT, excluding significant one-off/non-recurring items* was 12% higher than FY17, reflecting robust underlying Revenue Growth of 4.2% and a 20 basis point reduction in Total Operating Costs (when expressed as a proportion of Revenue).

The Group booked a $17,250,000 Gain on revaluation of its North Melbourne properties (Net of Tax equivalents) as 'Other Comprehensive Income', resulting in Total Comprehensive Income of $21,484,000, $11,847,000 higher than FY17 ($9,637,000).

Dividends

The Directors of the Company have declared a dividend of 13.85 cents (FY2017: 20.65 cents) per Ordinary Share for the year ended 30 June 2018.

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

	2018	2017
	$	$
Dividend of 13.85 cents (FY2017: 20.65 cents) per fully paid Ordinary Share.	2,550,000	3,800,000

Review and Results of Operations

The Group's Revenue from ordinary activities for the year was $242,530,000 (FY2017: $233,340,000), reflecting positively, the ongoing focus on embedding the Customer First philosophy across the business to help differentiate our service offering in the market.

** Including: Light Commercial Vehicle sale and leaseback and 'Technigro Earnout' writeback totalling $4.2m and $2.4m respectively*

The Strategic Pillars for the Citywide Group: Our Culture, Productivity and Operations, and Future Growth, remain unchanged, and are the foundation on which we will grow Citywide in line with our Mission and our Vision for 2025 to be recognised for leadership in Safety, Sustainability, and Innovation. A strong focus on safety has continued throughout FY18.

While competition remains high in a challenging market, it is pleasing to see as strong Earnings Before Interest and Tax (“EBIT”) result, 7% higher than Budget and 12% higher than FY17 (excluding significant non-recurring items).

Victoria continues to generate the majority of the Group’s business, although interstate operations, including Queensland, have performed well with several key existing contracts being extended or renewed. During the year we closed our operations in Townsville following the loss of a key contract at tender. We have also integrated our Sydney and ACT operations into one NSW business.

Performance of the Citywide North Melbourne Asphalt Joint Operation, in which the Group has a 50% interest, has been higher than expected due to significantly higher volumes of asphalt products sold from the facility (25% higher than FY17). The significant pipeline of large infrastructure projects in Victoria is expected to result in robust demand on a multi-year basis for asphalt and we feel that this asset is well positioned (geographically) to meet market demand.

Significant Changes in the State of Affairs

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

Likely Developments in the State of Affairs

The Group is continuously investigating opportunities to expand and grow its business. The Group has an effective strategic planning process that underpins the corporate strategy and future growth of the Group, which is supported by a strong Balance Sheet. The Group has a watching brief on market opportunities and were successful in acquiring a small root barrier business, complementary to existing lines of business. The acquisition was completed in August 2018.

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

Directors’ Benefits

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

Corporate Governance

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

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

The Board consists of six Directors, all of whom are independent non-executive Directors, including the Chairman. The Directors bring a balance of skills, experience and diversity to assist the Group to meet its strategic objectives. Non-executive Directors meet periodically, in line with good governance, without the Chief Executive Officer or other Management present. In accordance with the Company's Constitution, one third of the Directors must retire each year, however if eligible, may offer themselves for re-election.

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

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

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

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

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

Rounding

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

Directors' Meetings

The number of Directors' meetings and meetings of committees of Directors held in the period each director held office during the financial year ended 30 June 2018, and the number of meetings attended by each Director are set out below:

	Board of Directors		*Audit & Finance Committee*		*Remuneration Committee*		*Safety, Risk & Environment Committee*		*Nomination Committee*		*Due Diligence Committee*	
	No.	*No.*	*No.*	*No.*	*No.*	*No.*	*No.*	*No.*	*No.*	*No.*	*No.*	*No.*
Director	*Held*	*Attended*	*Held*	*Attended*	*Held*	*Attended*	*Held*	*Attended*	*Held*	*Attended*	*Held*	*Attended*
J Brumby	9	9	3	3	1	1	1	1	1	1		
J van Reyk	9	9	4	4			3	3				
A Waters	9	9	4	4			2	2			7	6
P Willsford	9	9	4	4	1	1			1	1		
P Hardy	9	9					3	3	1	1	7	7
P Lamell	9	9			1	1	2	2			7	7

Indemnification and Insurance of Officers and Directors

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

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

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

Events Occurring After Reporting Date

The Group successfully acquired a small root barrier business representing less than 1% of Group Revenue. The business is complementary to existing lines of business with the acquisition transacted in August 2018.

There were no other matters or circumstances, which have arisen between 30 June 2018 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)
27 August 2018

VAGO

Victorian Auditor-General's Office

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 2018, 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
30 August 2018

Tim Loughnan
as delegate for the Auditor-General of Victoria

PRO FORMA STREAMLINED
Consolidated Financial Statements for Citywide Service Solutions Pty Ltd
for the year ended 30 June 2018

How this report is structured

Citywide Service Solutions Pty Ltd (Citywide) has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2018 in the following structure to provide users with the information about Citywide's stewardship of resources entrusted to it.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $'000	2017 $'000
Revenue from operations			
Services	**2.1**	242,530	233,340
Other income	**2.2**	625	7,895
Total revenue from operations		**243,155**	**241,235**
Expenses from operations			
Employee benefits	**3.1**	83,231	83,779
Contractor costs	**3.2**	68,670	62,632
Materials and services	**3.3**	55,888	52,055
Depreciation and amortisation	**4.1 & 6.5**	12,551	13,690
Other expenses	**3.4**	16,758	16,321
Total expenses from operations		**237,098**	**228,477**
Profit before income tax equivalents		**6,057**	**12,757**
Income tax equivalents expense	**7.1**	1,823	3,121
Profit for the year		**4,234**	**9,637**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of property, net of tax		17,250	-
Other comprehensive income for the year, net of tax		**17,250**	**-**
Total comprehensive income for the year		**21,484**	**9,637**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	**4.2**	6,857	11,154
Trade and other receivables	**5.1**	36,456	29,804
Other assets	**5.2**	6,691	9,852
Total current assets		**50,004**	**50,810**
Non-current assets			
Property, plant and equipment	**4.1**	98,083	72,861
Other assets	**5.2**	-	1,659
Deferred tax assets	**7.2**	5,110	5,304
Intangible assets	**6.5**	23,557	23,577
Total non-current assets		**126,750**	**103,401**
TOTAL ASSETS		**176,754**	**154,211**
LIABILITIES			
Current liabilities			
Trade and other payables	**5.3**	35,932	36,865
Current tax liabilities		1,227	3,355
Employee provisions	**3.1**	10,120	10,735
Dividends payable	**6.4**	2,550	3,800
Other provisions		831	719
Total current liabilities		**50,660**	**55,475**
Non-current liabilities			
Employee provisions	**3.1**	2,146	1,240
Deferred tax liabilities	**7.2**	12,528	5,009
Total non-current liabilities		**14,674**	**6,250**
TOTAL LIABILITIES		**65,334**	**61,725**
NET ASSETS		**111,420**	**92,486**
EQUITY			
Contributed equity	**6.1**	18,406	18,406
Retained earnings	**6.1**	63,833	62,149
Asset revaluation reserve	**6.1**	29,181	11,931
TOTAL EQUITY		**111,420**	**92,486**

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 2018

	Contributed equity $'000	Retained earnings $'000	Asset revaluation $'000	Total $'000
Balance at 1 July 2016	18,406	56,312	11,931	86,649
Profit for the year	-	9,637	-	9,637
Other comprehensive income for the year, net of tax	-	-	-	-
Transactions with owners in their capacity as owners:				
Dividends provided	-	(3,800)	-	(3,800)
Balance at 30 June 2017	**18,406**	**62,149**	**11,931**	**92,486**
Profit for the year	-	4,234	-	4,234
Other comprehensive income for the year, net of tax	-	-	17,250	17,250
Transactions with owners in their capacity as owners:				
Dividend provided	-	(2,550)	-	(2,550)
Balance at 30 June 2018	**18,406**	**63,833**	**29,181**	**111,420**

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 2018

	Notes	2018 $'000 Inflows/ (Outflows)	2017 $'000 Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		270,967	264,755
Payments to suppliers and employees (inclusive of GST)		(254,686)	(240,838)
Interest paid		(125)	(125)
Interest received		74	30
Income tax equivalents paid		(4,168)	(3,540)
Net cash provided by operating activities	**4.2**	**12,062**	**20,282**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,072	9,537
Purchase of property, plant and equipment		(13,631)	(17,693)
Net cash flows used in investing activities		**(12,559)**	**(8,156)**
Cash flows from financing activities			
Proceeds from borrowings	**4.2**	12,000	14,500
Repayment of borrowings	**4.2**	(12,000)	(14,500)
Dividends paid		(3,800)	(3,650)
Net cash flows used in financing activities		**(3,800)**	**(3,650)**
Net increase/(decrease) in cash and cash equivalents		**(4,297)**	**8,476**
Cash and cash equivalents at beginning of year		11,154	2,678
Cash and cash equivalents at end of year	**4.2**	**6,857**	**11,154**

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

1. ABOUT THIS REPORT

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

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

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

1.1 Basis of preparation

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

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

The consolidated financial statements have been prepared on a going concern basis. As at 30 June 2018, current liabilities exceed current assets by $0.7M (2017: $4.7M). The directors believe that the Group is a going concern because of continued profitability, positive operating cash inflows and the available bank loan facility as disclosed in Note 4.2.

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

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

Citywide has adopted a new financial report format for the year ended 30 June 2018. This has resulted in the restatement of some comparatives for 2017 to align with the classification adopted by the new financial report format.

Critical accounting estimates and judgement

In application of the Groups' accounting policies, the Group is required to make judgements, estimates and assumptions on the financial statements based on historical assumptions, experience and other factors that are considered to be relevant . Information about critical assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are discussed in the following notes:

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

2. OUR REVENUE

Introduction to this section

Citywide is unique in its ability to deliver a diverse range of services that enhance community assets and help shape liveable cities. Services rendered include infrastructure, waste management and open space predominantly for State Government, Local Government Authority and private enterprise. Our service reach stretches along the eastern seaboard of Australia, from far north Queensland to metropolitan and regional Victoria.

Structure

2.1 Services
2.2 Other income

2.1 Services

	2018 $'000	2017 $'000
Rendering of services	242,530	233,340
	242,530	**233,340**

Recognition and measurement

Rendering of services refers to income from service contracts and is recognised by reference to the stage of completion of the contract. The Group determines the stage of completion by reference to the proportion of costs incurred to date compared to the estimated total costs of the contract. Administrative overheads are not included in the costs of the contract.

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

Critical accounting estimates and judgement

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2.2 Other income

	2018 $'000	2017 $'000
Gain on disposal of property, plant and equipment, net of costs	551	5,420
Technigro earn out adjustment	-	2,445
Interest received	74	30
	625	**7,895**

The gain on disposal of property, plant and equipment for FY18 is a result from normal operating activities. The gain on disposal of property, plant and equipment for FY17 includes a one off gain of $4.2m from the sale and lease back of light commercial vehicle assets. For details pertaining to the Technigro earn out adjustment refer to Note 6.3.

Recognition and measurement

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

3. THE COST OF OUR OPERATIONS

Introduction to this section

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

Structure

3.1 Employee benefits and employee provisions
3.2 Contractor costs
3.3 Materials and services
3.4 Other expenses

3.1 Employee benefits and employee provisions

3.1.1 Employee benefits expenses

	2018	2017
	$'000	$'000
Employee benefits	83,231	83,779
	83,231	**83,779**

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

Recognition and measurement

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

Superannuation

Accumulation funds

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

Defined contribution plan

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

Defined benefits plan

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3.1 Employee benefits and employee provisions (continued)

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

Citywide Service Solutions Pty Ltd 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% of salaries for active defined benefit members;
• top-up payments for exiting members equal to the benefit payment less the vested benefit adjusted for the vested benefit index (VBI), where the VBI is less than 100%. At 30 June 2016, the fund's actuary estimated the VBI to be 119.6%.

	2018 $'000	2017 $'000
Employer contributions to complying superannuation funds	5,634	5,776
Employer contributions payable to complying superannuation funds at reporting date	812	60

3.1.2 Employee benefits provisions

	2018 $'000	2017 $'000
Current expected to be settled within 12 months		
Annual leave	4,494	4,625
Long service leave	673	1,222
	5,167	**5,847**
Current expected to be settled after 12 months		
Annual leave	-	-
Long service leave	4,953	4,889
	4,953	**4,889**
Total current balance	**10,120**	**10,735**
Non-current		
Long service leave	**2,146**	**1,240**

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

• Short-term employee benefits - measured at their nominal values using the remuneration rate expected to apply at the time of settlement plus related on costs in respect of employees' services up to reporting date.

• Long-term employee benefits - measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Re-measurements are recognised in profit or loss in the period in which they arise.

Critical accounting estimates and judgement
For long-term employee benefits: The calculation of the present value of the estimated future cash outflows requires the following key assumptions:
• Expected future wage and salary levels;
• Future on-cost rates; and
• Expected settlement dates based on staff turnover history.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3.2 Contractor costs

	2018 $'000	2017 $'000
Civil services	42,251	37,847
Open space services	17,907	17,432
Environmental services	8,465	6,667
Other services	47	686
	68,670	**62,632**

Recognition and measurement
Contractor costs are recognised when the services have been provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3.3 Materials and services

	2018 $'000	2017 $'000
Raw materials and consumables used	24,487	21,513
Fleet costs	17,365	14,650
Waste tipping	14,036	15,893
	55,888	**52,055**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.4 Other expenses

	2018 $'000	2017 $'000
Occupancy costs	5,275	4,979
Finance costs: Interest charges paid	122	127
Auditors' remuneration:		
Audit of financial statements	85	85
Internal audit services	202	181
Consultancy	2,693	2,014
IT Maintenance & Subscriptions	1,798	1,523
Insurance	1,214	1,155
Other expenses	5,369	6,258
	16,758	**16,321**

Recognition and measurement

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

4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS

Introduction to this section

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

Structure

4.1 Property, plant and equipment
4.2 Cash and cash equivalents
4.3 Intangible assets - Software

4.1 Property, plant and equipment

	Land	Buildings	Leasehold improvements	Plant and equipment	Motor vehicles	Work in progress	Total
Critical accounting estimates and judgement							
Depreciation policy	Not applicable	Portables: 5-10 years Other: 40 years	Various[1]	1-15 years	3-10 years	Not applicable	
2018	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Cost							
Opening balance	21,433	4,739	4,977	35,574	78,827	1,034	146,584
Additions	-	123	457	2,449	9,965	383	13,377
Disposals	-	(98)	(341)	(2,031)	(7,234)	-	(9,704)
Revaluation	24,644	-	-	-	-	-	24,644
Closing balance	**46,077**	**4,764**	**5,093**	**35,992**	**81,558**	**1,417**	**174,901**
Accumulated depreciation and impairment							
Opening balance	-	(2,255)	(1,610)	(23,614)	(46,245)	-	(73,724)
Depreciation	-	(148)	(664)	(3,423)	(8,016)	-	(12,251)
Disposals	-	98	327	1,937	6,795	-	9,157
Impairment loss	-	-	-	-	-	-	-
Closing balance	**-**	**(2,305)**	**(1,947)**	**(25,100)**	**(47,466)**	**-**	**(76,818)**
Carrying value 30 June 2018	**46,077**	**2,459**	**3,146**	**10,892**	**34,092**	**1,417**	**98,083**
2017	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Cost							
Opening balance	21,433	4,472	4,452	33,082	90,817	280	154,536
Additions	-	347	997	4,493	11,537	754	18,128
Disposals	-	(80)	(472)	(2,001)	(23,527)	-	(26,080)
Revaluation	-	-	-	-	-	-	0
Closing balance	**21,433**	**4,739**	**4,977**	**35,574**	**78,827**	**1,034**	**146,584**
Accumulated depreciation and impairment							
Opening balance	-	(2,196)	(1,298)	(22,251)	(55,686)	-	(81,431)
Depreciation	-	(139)	(596)	(3,287)	(9,368)	-	(13,390)
Disposals	-	80	284	1,924	18,809	-	21,097
Impairment loss	-	-	-	-	-	-	-
Closing balance	**-**	**(2,255)**	**(1,610)**	**(23,614)**	**(46,245)**	**-**	**(73,724)**
Carrying value 30 June 2017	**21,433**	**2,484**	**3,367**	**11,960**	**32,582**	**1,034**	**72,861**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4.1 Property, plant and equipment (continued)

Recognition and measurement

Buildings, plant and equipment and motor vehicles

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

Land

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

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

The fair value of land is categorised as level 2 within the fair value hierarchy (refer to Note 8.2) and the fair value of land is $46,077,000 (2017: $21,433,000). The historical cost of land is $5,741,000.

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

Derecognition of property, plant and equipment

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

Critical accounting estimates and judgement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4.2 Cash and cash equivalents

	2018 $'000	2017 $'000
Cash and cash equivalents in the consolidated statement of financial position	6,857	11,154
Cash and cash equivalents in the consolidated statement of cash flows	6,857	11,154

Cash at bank attracts interest rates of 2018: 0 - 1.5% (2017: 0 - 1.5%).

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

Bank overdraft and bank loan facility
The bank overdraft facility of $2.5m (2017: $2.5m) and bank loan facility of $27.1m (2017: $27.1m) are secured facilities with a 1st ranking fixed and floating charge over the net assets of the Group. There were $0 bank loans drawn at 30 June 2018 (2017: $0). Subject to the continuance of satisfactory covenants achievement, the bank facilities may be drawn at any time. The bank facilities may be terminated by the bank if the Group defaults under the loan agreement. The facilities expire on 27 July 2019.

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

	2018 $'000	2017 $'000
Net profit after income tax equivalents	4,234	9,637
Non-cash items in operating profit:		
- Net (gain) / loss on disposal of non-current assets	(551)	(5,420)
- Depreciation / amortisation of non-current assets	12,551	13,689
- Impairment of goodwill/ Goodwill adjustment	-	-
- Provision for Doubtful Debts	(377)	-
Changes in operating assets and liabilities:		
- (Increase)/Decrease in Prepayments, Trade and other receivables	4,707	629
- (Increase)/Decrease in Amounts owing by ultimate parent entity	(5,961)	5,993
- (Increase)/Decrease in Inventories	(62)	(129)
- (Increase)/Decrease in Deferred tax equivalent assets	427	379
- Increase/(Decrease) in Trade and other payables	(425)	(2,661)
- Increase/(Decrease) in Employee entitlements	291	(1,513)
- Increase/(Decrease) in Current tax equivalent liabilities	(2,663)	(179)
- Increase/(Decrease) in Amounts owing to ultimate parent entity	0	(40)
- Increase/(Decrease) in Deferred tax equivalent liabilities	(109)	(103)
Net cash provided by operating activities	**12,062**	**20,282**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4.3 Intangible assets - Software

2018	Software $'000	Total $'000
Critical accounting estimates and judgement		
Amortisation policy	3-5 years	
Cost		
Opening balance	432	432
Additions from software development	280	280
Disposals	-	-
Closing balance	712	712
Accumulated amortisation and impairment		
Opening balance	-	-
Amortisation	(112)	(112)
Impairment	-	-
Closing balance	(112)	(112)
Carrying value 30 June 2018	**600**	**600**

2017	Software $'000	Total $'000
Cost		
Opening balance	-	-
Additions from software development	432	432
Disposals	-	-
Closing balance	432	432
Accumulated amortisation and impairment		
Opening balance	-	-
Amortisation	-	-
Impairment	-	-
Closing balance	-	-
Carrying value 30 June 2017	**432**	**432**

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

Recognition and measurement

Software research and development

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

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

Impairment and de-recognition

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

Critical accounting estimates and judgement

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

5. OTHER ASSETS AND LIABILITIES

Introduction to this section

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

Structure

5.1 Trade and other receivables

	2018 $'000	2017 $'000
Trade receivables	21,719	22,097
Less: Allowance for impairment of receivables	(633)	(1,010)
	21,086	**21,087**
Amounts owing from ultimate parent entity	14,579	8,618
Other debtors	791	100
	36,456	**29,804**

Recognition and measurement

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

Movement in allowance for impairment

	2018	2017
Balance at beginning of year	(1,010)	(510)
Allowance for impairment recognised during the year	257	(502)
Receivables written off during the year as uncollectable	120	2
Balance at end of year	**(633)**	**(1,010)**

Impaired trade and other receivables

The Group has recognised a gain of $257,000 (loss in 2017: $502,000) in the statement of profit or loss and other comprehensive income in respect of bad and doubtful trade receivables.

At 30 June 2018, there were nil (2017: nil) material receivables either past due which have not been impaired or individual balances specifically impaired. Collateral is not normally obtained for balances owing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

5.2 Other assets

	2018 $'000	2017 $'000
Current		
Accrued income – Unbilled services	3,245	8,027
Prepayments	895	1,179
Inventories	707	646
Land sale deferred settlement	1,707	-
Other current assets	137	-
	6,691	**9,852**
Non-current		
Land sale deferred settlement	-	1,659

Recognition and measurement

Accrued income

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

Prepayment

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

Inventories

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

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

Land sale deferred settlement

Citywide Service Solutions entered into a contract of sale of 251-253 Rex Road, Campbellfield to Procal Property Investments dated 04/09/2015. Sale price $1,9M with 10% deposit received and a balance of $1,7M payable as at 04/09/2018

The asset was reclassified in FY18 as current with settlement in September 2018.
As at 30th June 2018 the NPV using a high a quality bond with a rate of 2.75% amounted to $1.7M

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

5.3 Trade and other payables

	2018	2017
	$'000	$'000
Current		
Trade and other payables	32,190	32,110
Amount owing to ultimate parent entity	-	-
Deferred revenue	3,519	4,282
Security Deposits	223	473
	35,932	**36,865**

Recognition and measurement

Trade and other payables

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

Deferred revenue

Deferred revenue represents income received in advance by the Group for work to be completed and the Marrickville relocation compensation.

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 1.70% (2017: 1.95%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6.2 Parent entity information

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

a) Summary financial information
The individual financial statements of the parent entity show the following aggregate amounts:

	2018	2017
	$'000	$'000
Statement of profit or loss and other comprehensive income		
Net profit for the year	3,203	10,279
Other comprehensive income	17,250	-
Total comprehensive income	**20,453**	**10,279**
Statement of financial position		
ASSETS		
Current Assets	50,585	50,903
Non-Current Assets	138,220	113,390
Total Assets	**188,805**	**164,293**
LIABILITIES		
Current Liabilities	61,666	61,599
Non-Current Liabilities	14,310	7,769
Total Liabilities	**75,976**	**69,368**
EQUITY		
Contributed equity	18,406	18,406
Retained profit	65,242	64,588
Asset revaluation reserve	29,181	11,931
Total Equity	**112,829**	**94,925**

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

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

6. OUR CAPITAL STRUCTURE

Introduction to this section

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

Structure

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

6.1 Equity and reserves

Contributed equity	**2018 $'000**	**2017 $'000**
Ordinary shares - fully paid	18,406	18,406

Movement in ordinary share capital

	2018 No.	**2018 $'000**	**2017 No.**	**2017 $'000**
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

Recognition and measurement

Ordinary shares

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

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

The Group seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The weighted average interest expense on interest bearing borrowings was 3.05% (2017: 3.17%). The Group's net debt (total liabilities less cash and cash equivalents) to total equity was 0.48 (2017: 0.54). There were no changes in the Group's approach to capital management during the year.

6.1 Equity and reserves

Retained earnings and reserves	2018 $'000	2017 $'000
Retained profits at the beginning of the financial year	62,149	56,312
Net profit attributable to members of the company	4,234	9,637
Total available for appropriation	66,383	65,949
Dividends provided for or paid (Note 6.4)	(2,550)	(3,800)
Retained profits at the end of the financial year	**63,833**	**62,149**
	Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity owners of the Company	23.0	52.4
Reserves	**$'000**	**$'000**
Revaluation of land	29,181	11,931

Recognition and measurement

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

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

6.3 Subsidiaries and joint operations

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 6.3 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.

Recognition and measurement

Subsidiaries

The consolidated financial statements of the Group include:

Name of subsidiary	Principal activity	Date of acquisition	Country of incorporation	% Equity interest 30/06/2018	30/06/2017
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%

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 of $2.445m that was payable on 30 June 2017 upon adherement of pre-determined EBIT targets. As these targets were not achieved, the contingent consideration has been derecognised and taken through the profit and loss. Details of the fair values of the assets and liabilities acquired and the goodwill arising are disclosed in the 2014 Citywide Group Annual Report.

Joint operations

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

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

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

Citywide North Melbourne Asphalt

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

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

6.3 Subsidiaries and joint operations (continued)

Guarantee provided to Fulton Hogan Industries Pty Ltd

As part of the joint arrangement, Citywide has provided a guarantee up to a maximum of $7,000,000. In the event the Asphalt JO ceases its operations and is permanently closed within 7 years of its commencement on 15th January 2016, due to changes in law or issue of notices, making of order or direction given by a Government Agency since the commencement date, Fulton Hogan has a right to claim for compensation from Citywide. The liability payable on the closure date will be reduced by the number of months the Asphalt JO has operated since the commencement date. As at 30 June 2018, management is of the view the Asphalt JO will continue its operation and liability for compensation to Fulton Hogan is unlikely. As a result, no liability has been recognised.

6.4 Dividends

Movement in dividend payable provision	2018 $'000	2017 $'000
Balance at beginning of year	3,800	3,650
Additional provisions raised during the year	2,550	3,800
Amounts paid during the year	(3,800)	(3,650)
Balance at end of year	**2,550**	**3,800**

The Board has declared a dividend of $2,550,000. (2017: $3,800,000), payable in October 2018.

Recognition and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6.5 Intangible assets - Other

2018	Goodwill on acquisitions $'000	Customer relationships $'000	Total $'000
Critical accounting estimates and judgement			
Amortisation policy	Not applicable	5 years	
Cost			
Opening balance	27,566	1,932	29,498
Additions (See Note 4.3)	-	280	280
Disposals	-	-	-
Closing balance	27,566	2,212	29,778
Accumulated amortisation and impairment			
Opening balance	(4,796)	(1,125)	(5,921)
Amortisation	-	(300)	(300)
Impairment	-	-	0
Closing balance	(4,796)	(1,425)	(6,221)
Carrying value 30 June 2018	**22,770**	**787**	**23,557**
2017			
Cost			
Opening balance	27,566	1,500	29,066
Additions (See Note 4.3)	-	432	432
Disposals	-	-	-
Closing balance	27,566	1,932	29,498
Accumulated amortisation and impairment			
Opening balance	(4,796)	(825)	(5,621)
Amortisation	-	(300)	(300)
Impairment	-	-	-
Closing balance	(4,796)	(1,125)	(5,921)
Carrying value 30 June 2017	**22,770**	**807**	**23,577**

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

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

Impairment of assets
The Group tests assets to ensure that they are not carried above their recoverable amounts:
• annually, or more frequently if events or changes in circumstances indicate that the assets may be impaired, for goodwill and intangible assets that have an indefinite useful life; and
• for all other assets whenever an indication of impairment may exist.

6.6 Intangible assets - Other (continued)

Impairment of assets (continued)

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

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 CGU to which the asset belongs.

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

Allocation of goodwill to CGU's

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

	2018 $'000	2017 $'000
Victoria operations	8,714	8,714
NSW/ACT operations	7,868	7,868
Technigro	6,188	6,188
	22,770	**22,770**

During the 2018 financial year, the CGU's had been redefined in line with the new business structure. The recoverable amount of each CGU has been determined based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The recoverable amount of each unit was determined to be in excess of the carrying value for each CGU, and therefore no impairment has been recognised.

Key assumptions used in the discounted cash flow projections

Future cash flows have been based on the FY2019 budget and overlaid with appropriate discount and growth rates. The discount and growth rate assumptions are as follows:

	2018	2017
Discount rate	8.50%	8.50%
Growth rate	2.20%	2.20%

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

Each CGU has five years of cash flows included in its discounted cash flow models and a terminal growth rate thereafter. The discounted cash flow models the first year cash flow which is based on the FY2019 budget. The long-term compound annual growth rate in EBITDA is estimated by management using past experience and expectations for the future.

6.6 Intangible assets - Other (continued)

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

Each +/- 10 basis point movement in the discount rate assumption impacts the recoverable amount of the NSW/ACT CGU by approximately $123,000 which would result in a minor impairment in the case of a 10 basis point decrease.

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

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

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

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

7. TAXATION

Introduction to this section

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

Structure

7.1 Income tax
7.2 Deferred tax

7.1 Income tax

	2018 $'000	2017 $'000
The Income tax equivalents on the profit from continuing operations differ from the amount of prima facie tax equivalents payable on that profit as follows:		
Prima facie income tax equivalents on the profit from continuing operations at 30% (2017: 30%)	(1,817)	(3,827)
Increase tax equivalents payable due to:		
Non deductible expenses	(6)	(26)
Technigro earn out	-	733
Other	-	-
Income tax equivalents attributed to operating profit	**(1,823)**	**(3,121)**
Income tax equivalents attributable to operating profit comprise:		
Current tax provision	(1,494)	(3,355)
Deferred income tax liability	92	103
Deferred income tax asset	(421)	132
	(1,823)	**(3,121)**

Recognition and measurement

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

7.2 Deferred tax

7.2.1 Deferred income tax equivalent assets

2018 $'000	Balance at 1 July	Charged to Income Statement	Charged to Asset Revaluation	Balance at 30 June	Deferred tax assets	Deferred tax 0
Employee benefits	3,682	(45)	-	3,637	3,637	-
Accruals	1,122	(40)	-	1,082	1,082	-
Other	500	(330)	-	170	170	-
Depreciation	216	6	-	222	222	-
Revaluation of land	(5,113)	-	(7,393)	(12,506)	-	(12,506)
Customer relationships	(112)	90	-	(22)	-	(22)
Tax assets / liabilities	**294**	**(319)**		**(7,418)**	**5,110**	**(12,528)**

2017 $'000	Balance at 1 July	Charged to Income Statement	Charged to Asset Revaluation	Balance at 30 June	Deferred tax assets	Deferred tax liabilities
Employee benefits	4,165	(483)	-	3,682	3,682	-
Accruals	445	677	-	1,122	1,122	-
Other	561	(61)	-	500	500	-
Depreciation	203	13	-	216	216	-
Revaluation of land	(5,113)	-	-	(5,113)	-	(5,113)
Customer relationships	(202)	90	-	(112)	-	(112)
Tax assets / liabilities before	**59**	**235**		**294**	**5,519**	**(5,225)**

Recognition and measurement

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

Critical accounting estimates and judgement

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

8. MANAGING RISKS AND UNCERTAINTIES

Introduction to this section

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

Structure

8.1 Financial instruments

Objectives and policies

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

Market risk

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

Credit risk

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

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability as at 30 June 2018 is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Group intends to hold fixed rate assets and liabilities to maturity. This exposure is managed by the type of borrowings used as per Note 6.1.

	Notes	Floating interest rate $'000	Non-interest bearing $'000	Total $'000	Fair value level (note 8.2)
2018					
Financial assets					
Cash and cash equivalents	4.2	6,849	8	6,857	1
Trade and other receivables	5.1	-	36,456	36,456	1
		6,849	**36,464**	**43,313**	
Weighted average interest rate		1.50%			
Financial liabilities					
Trade and other payables	5.3	-	32,190	32,190	1
Security deposits	5.3	-	223	223	1
		-	**32,413**	**32,413**	
Weighted average interest rate		3.05%			
Net financial assets		**6,849**	**4,051**	**10,900**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

8.1 Financial instruments (continued)

	Notes	Floating interest rate $'000	Non-interest bearing $'000	Total $'000	Fair value level (note 8.2)
2017					
Financial assets					
Cash and cash equivalents	4.2	11,140	14	11,154	1
Trade and other receivables	5.1	-	29,804	29,804	1
		11,140	**29,819**	**40,959**	
Weighted average interest rate		1.50%			
Financial liabilities					
Trade and other payables	5.3	-	37,102	37,102	1
Security deposits	5.3	-	473	473	1
		-	**37,575**	**37,575**	
Weighted average interest rate		3.17%			
Net financial assets		**11,140**	**(7,756)**	**3,384**	

Ageing of Trade Receivables	**2018 $'000**	**2017 $'000**
Current (not yet due)	34,758	29,015
Past due by up to 30 days	658	302
Past due between 31 and 180 days	759	1,017
Past due between 181 and 365 days	41	380
	36,216	30,714

Liquidity risk

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

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group has a bank loan facility that it uses to cover working capital requirements as needed (available funds at 30 June 2018 were $29.6m).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

8.1 Financial instruments (continued)

Contractual maturities	6 months or less $'000	6 - 12 months $'000	1 - 5 years $'000	5 Years or more $'000	Total $'000
Year ended 30 June 2017					
Liquid financial assets					
Cash and cash equivalents	11,154	-	-	-	11,154
Trade and other receivables	29,804	-	-	-	29,804
	40,959	**-**	**-**	**-**	**40,959**
Financial liabilities					
Trade and other payables	37,102	-	-	-	37,102
Security deposits	-	-	473	-	473
	37,102	**-**	**473**	**-**	**37,575**
Net inflow/(outflow)	**3,856**	**-**	**(473)**	**-**	**3,384**

Recognition and measurement

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

Interest rate sensitivity analysis

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

At Reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit would decrease by $20,000 and increase by $20,000 respectively (2017: increase by $20,000 and decrease by $20,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

8.2 Fair value - Financial assets and liabilities

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

8.3 Contingencies

Contingent liabilities

Details of contingent liabilities of the Group at year end are: Guarantees issued by the Bank in respect of contracts secured of $10,751,870 (2017: $10,701,093).

Recognition and measurement

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

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

9. OTHER DISCLOSURES

Introduction to this section

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

Structure

9.1 Key management personnel compensation

Citywide Non Executive Director's payments for the year ended 30 June 2018

Position	Name	Total payments $
Chairman	John Brumby	149,299
Director	Janice van Reyk	93,858
Director	Andrea Waters	97,292
Director	Prue Willsford	90,133
Director	Paul Hardy	83,109
Director	Peter Lamell	86,622

Citywide Executive Remuneration for the year ended 30 June 2018

Position	Name	Total payments $	Total employment package $	STI Payable $
Chief Executive Officer	Chris Campbell	665,609	496,063	186,023
Chief Financial Officer (1)	Paul Hudson	251,342	310,000	62,000
Executive Operations (2)	Duncan Reid	242,340	300,000	75,000
Executive Commercial & Innovation	Matthew Whelan	356,134	297,533	59,506
General Counsel and Company Secretary (3)	Heidi Mitchell	215,719	245,915	49,183
Executive People and Culture (4)	Angelica Georgaklis	38,167	208,000	N/A
Executive People and Culture (5)	Jayne Crow	319,673	305,793	N/A
Executive Operations NSW/ACT/QLD (6)	Craig Fuller	208,004	277,701	N/A

(1) Mr Paul Hudson was appointed Chief Financial Officer on 28 August 2017
(2) Mr Duncan Reid was appointed Executive Operations on 28 August 2017
(3) Ms Heidi Mitchell is employed on a part time basis
(4) Ms Angelica Georgaklis was appointed on 9 April 2018 and is employed on a part time basis, hence not eligible for STI in 2017/2018 financial year
(5) Ms Jayne Crow resigned on 9 May 2018
(6) Mr Craig Fuller resigned on 31 January 2018

9.1 Key management personnel compensation (continued)

Key management personnel compensation comprised the following:

	2018 $	2017 $
Short-term employee benefits	2,659,446	2,250,039
Post-employment benefits	190,228	173,791
Other long-term benefits	43,046	42,672
Termination benefits	47,624	-
Share-based payments	-	-
	2,940,344	**2,466,502**

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 transactions with KMP, refer to Note 9.2 Related party information.

9.2 Related party information

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

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

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 $69,839,518 (2017: $58,876,029) during the financial year. The amount owing at reporting date is detailed in Note 5.1.

Expenditure transactions with the ultimate parent entity amounted to $449,418 (2017: $367,434) during the financial year. The amount owing at reporting date is detailed in Note 5.4.

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

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

Transactions with subsidiaries during the financial year were as follows:

Name of subsidiary	**2018 $'000**	**2017 $'000**
Sterling Group Services Pty Ltd	16	57
Technigro Australia Pty Ltd	-	-
Technigro Pty Ltd	-	-
	16	**57**

Transactions with other related parties
The Group provided services to The Queen Victoria Market amounting to $2062 (2017: $527), which is also owned by the Melbourne City Council. Transactions occurred on commercial arm's length terms.

The Group received consulting services from PAN Group of which Paul Hardy, a director of the Group, is an employee. All transactions were made on commercial terms and conditions and at market rates. Total cost payable to PAN amounted to $126,500 (2017: $103,500).

Transactions between The Group and Citywide North Melbourne Asphalt (Asphalt JO) were to the value of $5,238,000 of which $3,948,000 relates to the purchase of asphalt and $1,290,000 relates to Occupancy Cost on-charges. $456,000 is still unpaid at 30 June 2018. Payment terms between the two entities are 45 days from invoice date. No provisions for doubtful debts were provided for at 30 June and no doubtful debt expense was incurred in the 2018 financial period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

9.3 Commitments

Capital expenditure commitments	2018 $'000	2017 $'000
Capital expenditure contracted for at reporting date but not recognised as liabilities in the financial report		
- Payable within one year	3,857	7,870
Non-cancellable operating leases payable		
Non-cancellable operating lease commitments contracted for but not recognised in the financial report:		
- Payable within one year	4,501	4,125
- Payable later than one year, not later than five years	8,128	9,949
- Payable later than five years	300	802
	12,929	**14,877**

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

Recognition and measurement

Leases

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

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

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

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

9.4 Events after the reporting date

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

Notwithstanding The Group acquired the assets of Just Roots Pty Ltd in August 2018 which represents Revenue of < $1 million p.a.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

9.5 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 issued but not yet effective
A number of new standards, interpretations and amending pronouncements are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

i) *AASB 15 Revenue from Contracts with Customers* and *AASB 2014-5 Amendments to Australian Accounting Standards* arising from AASB 15 (effective 1 January 2018);
ii) *AASB 9 Financial Instruments* (effective 1 January 2018); and
iii) *AASB 16 Leases* (effective 1 January 2019).

AASB 15 Revenue from Contracts with Customers
AASB 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 and AASB 111. The standard becomes mandatory for the June 2019 financial year and will be applied to the comparative year. Based on our analysis performed, the Group does not expect it to have a material impact on the financial statements.

AASB 9 Financial Instruments
AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging. This standard becomes mandatory for the June 2019 financial year and will be applied to the comparative year.
Based on our analysis performed, the adoption of AASB 9 is not expected to have a material impact on the Group.

AASB 16 Leases
AASB 16 provides a new model for accounting for leases. The standard becomes mandatory for the June 2020 financial year and will be applied to the comparative year.
While the Group has yet to undertake a detailed assessment of the classification and measurement of adopting AASB 16, it does expect a material impact as almost all leases will be recognised on the Balance Sheet.

DIRECTORS' DECLARATION

In the Directors' opinion:

a the financial statements and notes set out on pages 5 to 40 are in accordance with the Corporations Act 2001, including:
(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Group's consolidated financial position as at 30 June 2018 and of its performance for the financial year ended on that date;

b the financial statements also comply with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in relevant notes; and

c there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

J Brumby
(Chairman)

A Waters
(Director)

27/08/2018

Victorian Auditor-General's Office

Independent Auditor's Report

To the Directors of CityWide Service Solutions Pty Ltd

Opinion	I have audited the consolidated financial report of CityWide Service Solutions Pty Ltd (the company) and its controlled entities (together the consolidated entity), which comprises the: • consolidated entity and company consolidated statement of financial position as at 30 June 2018 • consolidated entity and company consolidated statement of profit or loss and other comprehensive income for the year then ended • consolidated entity and company consolidated statement of changes in equity for the year then ended • consolidated entity and company consolidated statement of cash flows for the year then ended • notes to the financial statements, including significant accounting policies • directors' declaration. In my opinion the financial report is in accordance with the *Corporations Act 2001* including: • giving a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2018 and of their financial performance and cash flows for the year then ended • complying with Australian Accounting Standards and the *Corporations Regulations 2001.*
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the company and the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the company, would be in the same terms if given to the Directors as at the time of this auditor's report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Directors' responsibilities	The Directors of the company are responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards and

for the financial report	the *Corporations Act 2001*, and for such internal control as the Directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Directors are responsible for assessing the company and the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.
Auditor's responsibilities for the audit of the financial report	As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report. As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also: • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and the consolidated entity's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors • conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company and the consolidated entity to cease to continue as a going concern.

	• evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation • obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the company and the consolidated entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the company and the consolidated entity. I remain solely responsible for my audit opinion.
Auditor's responsibilities for the audit of the financial report (continued)	I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards

MELBOURNE
30 August 2018

Tim Loughnan
as delegate for the Auditor-General of Victoria