

**Management report to Council****Agenda item 6.2****Procurement Australasia Ltd – Trading results to 30 September 2021****Council****Presenter:** Michael Tenace, Chief Financial Officer**29 March 2022****Purpose and background**

1. The purpose of this report is to present the annual results of Procurement Australasia Ltd (the Company) for the period 1 October 2020 to 30 September 2021.
2. The Municipal Authorities Purchasing Scheme was formed in 1985 when 14 inner metropolitan local governments, using infrastructure provided by the Council, co-operated to optimise purchasing contracts for commonly used goods in pursuit of high quality products at lower prices. The Council administered the scheme, providing resources including staff and a central store facility.
3. In March 1993, the Company acquired the scheme from Council for \$350,000 represented by the issue to Council of 250,000 fully paid ordinary shares and the payment of \$100,000. The Company has issued a total of 396,862 fully paid ordinary shares. Council holds 250,000 shares in the Company, being 63 per cent of the issued capital of the Company. Council has approximately 15 per cent of the voting rights (it does not have the ability to direct activities of the entity without the co-operation of the Councils). Therefore, a significant interest is held but not a controlling interest.

**Key issues**

4. The Company made a net profit for the financial year ended 30 September 2021 of \$0.59 million compared to \$0.16 million the previous year.
5. The increase in profit compared with the previous year was due to the following:
  - 5.1. The government imposed COVID-19 measures have continued to impact the business across all revenue categories.
    - 5.1.1. Total Revenues were \$12.84 million (\$15.00 million 2020)
    - 5.1.2. Sales Rebates revenue of \$7.98 million (\$7.94 million 2020), which accounted for 62 per cent of total revenue, increased by \$33K.
    - 5.1.3. Rental Income from co-working and shared office premises (including the newly commissioned Space Station in 440 Collins Street Melbourne and Bourke Street) increased by 70 per cent to \$0.58 million (\$0.38 million 2020). Rental income continues to be affected as a result of reduced demand due to COVID-19 restrictions and people required to work from home.
    - 5.1.4. Trading Sales totalled \$2.78 million (\$5.276 million 2020) and accounted for 22 per cent of total revenue. Trading sales decreased by \$2.50 million (47%) as the international border restrictions had a negative impact.
  - 5.2. Expenditure decreased to \$12.25 million (2020: \$14.84 million) due to the following:
    - 5.2.1. Cost of Trading Sales decreased to \$2.61 million (2020: \$4.67 million) reflecting the decrease in Trading Sales
    - 5.2.2. An increase in expenses occurred in connection with the moving of office premises in Melbourne from Bourke Street to Collins Street. This strategy aims to reduce overall cost in future years.
6. The company had a net cash outflow for the year of \$0.40 million, decreasing the balance of cash and cash equivalents to \$4.29 million (2020: \$4.69 million). The Company maintains a satisfactory level of liquidity with a current ratio of 3.93 (2020: 3.18).

**Recommendation from management**

7. That Council note the annual results of Procurement Australasia Ltd for the financial year ended 30 September 2021.

**Attachments:**

1. Supporting Attachment (Page 2 of 2)

## Supporting Attachment

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### Legal

1. The report is for noting only and no direct legal implications arise from the recommendation made from management.

### Finance

2. The Company paid a dividend of 10 cents per share for the 2020 financial year. The Council received a dividend payment of \$25,000 in December 2021.
3. The Company has received an unqualified audit opinion for 2020–21.

### Conflict of interest

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

### Health and Safety

5. The management at the Company 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

6. Consultation with the Company's management was undertaken in preparation of this report.

### Relation to Council policy

7. N/A.

### Environmental sustainability

8. There is no significant impact on environmental sustainability associated with the recommendation in this report.