

Management report to Council

Agenda item 6.5

Citywide Service Solutions Pty Ltd Annual Report FY2019–20

Council

Presenter: Michael Tenace, General Manager Finance and Corporate and Chief Financial Officer

24 November 2020

Purpose and background

1. The purpose of this report is to note the Citywide Service Solutions Pty Ltd (Citywide) audited Annual Report for the financial year 2019–2020.
2. At the June 2015 Council meeting, the Council requested the Citywide audited Annual Report be adopted in an open session at a Future Melbourne or Council meeting.

Key issues

3. The Citywide audited Annual Report for the financial year 2019–2020 has been finalised and attached.

Recommendation from management

4. That the Council notes the Citywide Service Solutions Pty Ltd audited Annual Report for the financial year 2019–2020.

Attachments:

1. Supporting Attachment (Page 2 of 57)
2. Citywide Annual Report 2020 (Page 3 of 57)

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.

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.

ANNUAL FINANCIAL REPORT 2020



CITYWIDE
shaping liveable cities



Citywide Service Solutions Pty Ltd

ABN: 94 066 960 085

Directors' report for the year ended 30th June 2020

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;
- Prue Willsford; and
- John Grouios (commenced 1st August 2020).

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 \$225,000 (FY2019: \$6,796,000). Excluding restructuring and impairment charges, the PBT result was \$5,826,000.

The Group reported a \$1,213,000 loss after tax equivalents for the year (FY2019: profit \$4,747,000), after deducting income tax equivalents of \$1,438,000 (FY2019: \$2,049,000).

Other comprehensive income, not reclassified to the Group's profit, was solely comprised of a gain on the revaluation of the Group's North Melbourne properties totalling \$7,591,000 (net of tax). The timing of the valuation was consistent with the Group's policy for an independent assessment.

Revenue from operations increased by \$14,443,000 (6.1%) to \$249,675,000 (FY2019: \$235,232,000).

The Group's Total Operating Expenses were \$249,450,000, however excluding impairment and restructuring charges, Total Operating Expenses increased 6.8% to \$243,844,000 (\$15,408,000 higher than FY2019: \$228,436,000). Generally, competition remained strong which resulted in downward pressure on Gross Margin felt across all service lines (including Waste Management, Civil Infrastructure, Capital Projects, and Trees and Open Space).

Balance Sheet

The Group's balance sheet remains sound, noting Total Equity increased \$4,378,000 (3.9%), primarily as a result of the revaluation of the Group's North Melbourne properties.

The Group's Net Cash position increased to \$9,860,000 (FY2019: \$8,122,000) whilst debt facilities (totaling \$38,700,000) were available in full.

Dividends

The Directors of the Company have declared a dividend of 10.9 cents (FY2019: 17.4 cents) per Ordinary Share for the year ended 30 June 2020.

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

	2020	2019
	\$	\$
Dividend of 10.9 cents (FY2019: 17.4 cents) per fully paid Ordinary Share.	2,000,000	3,200,000

The Dividend declared represents a 42% payout ratio on the adjusted PBT result (\$4,763,000, which excludes the non-cash goodwill impairment charge).

Review and Results of Operations

The Group's trading result (PBT), for the year was \$225,000 (FY2019: \$6,796,000). Excluding restructuring and impairment charges, the PBT result was \$5,826,000.

There were a number of specific circumstances which impacted the PBT result including: restructuring and impairment charges; COVID-19 impacts and a challenging trading environment.

Restructuring and Impairment

The Group initiated two formal restructurings in FY2020: a restructuring of the NSW business and a corporate 'right-sizing' initiative. Both initiatives are designed to position Citywide to be more profitable and resilient.

In New South Wales, COVID-19 developments exacerbated the impact on a number of already poorly performing contracts, leading to a formal review of the entire division. Directors endorsed Management's restructuring plan, incorporating terminating loss making Open Space and Commercial Landscaping contracts. Restructuring is currently in process and expected to be completed in February 2021 as contracts expire.

The restructure of NSW resulted in an impairment of goodwill (\$4.5 million) associated with the NSW/ACT Cash Generating Unit ("CGU").

The second initiative involved a reduction of Corporate Functional roles, with the primary aim of realigning Corporate functional investment with core profitability.

COVID-19

It is difficult to reliably estimate the impact of COVID-19 on the Group's Revenue and PBT in FY2020. There were Revenue reductions due to reduced economic activity caused by lockdowns (such as reduced waste in the CBD, suspension or cancellation of public and sporting events which impacted the Traffic and Events business). There were also inefficiencies such as social distancing and additional COVID-19 safe work practices.

Conversely, the Group was able to pursue growth in new lines of business by capitalizing on new service requirements, including community and infrastructure sanitisation services, and to a lesser degree COVID-19 community awareness projects (such as door-knocking). The Group continues to explore new commercial revenue opportunities as they arise.

Growth and Transformation

Consistent with Citywide's Vision 2025, the ongoing investment in growth included the signing of a Business Purchase Agreement in July 2020 for the purchase of the assets of the Gordon McKay businesses – a Victorian based, industry leading electrical service provider.

The acquisition will provide a step-change in the Revenue and PBT profile of Citywide. The Gordon McKay Group acquisition will provide a platform for future growth in the Energy and Utilities sectors.

Furthermore, the Group, via its Citywide Asphalt Group business, doubled the Asphalt plant footprint from one plant co-located in North Melbourne to an additional site in Laverton. The plant was commissioned and operational in April 2020.

The Citywide Asphalt Group has transitioned to incorporating higher recycled product in its asphalt mixes noting the use of crumb rubber (tyres), plastic and recycled asphalt in particular. Further efforts to expand into Glass to sand conversion are progressing.

Citywide Asphalt Group also joined the Melbourne Renewable Energy Project 2 (MREP2) purchasing group, which will mean its plants will be powered by renewable wind energy – the first asphalt plant to be 100% renewable energy enabled.

Significant Changes in the State of Affairs

Other than the above, specifically in relation to the establishment of the Sanitisation COVID-19 derived offering, the acquisition of Gordon McKay and the expanded asphalt business, in the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year.

Likely Developments in the State of Affairs

Each year, Citywide undertakes a detailed Business Planning process, preceded by a Strategic Review (in the context of annually reviewing progress to achieving Citywide's Vision 2025).

The Strategic Pillars for the Citywide Group are: **Culture & People; Growth and Transformation; Sustainability and Innovation; Partnering and Alliances; and Technology and Systems of Work.**

A strong focus on Safety, and improving our Safety Culture, continues to be a critical focus, and something that underpins the company's operations.

As referred to previously, the Group is continuously investigating opportunities to expand and grow its business, noting the Gordon McKay Business Purchase Agreement entered into in FY2021. The Group has an effective strategic planning process that underpins the corporate Strategy which defines our areas of focus for future growth of the Group, which is supported by a strong Balance Sheet. The Group has a watching brief on market opportunities and continues to actively explore complementary investments in line with Citywide's Vision 2025.

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 Owner, 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 Group's 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 appropriate reporting to the Owner. The Group also operates in accordance with Governance Protocols established by the Owner, which covers amongst other things, the function, composition, nomination, performance and remuneration processes of Directors, together with the reporting obligations of the Group and Board performance.

The Board consisted of six Directors throughout the financial year, all of whom are independent non-executive Directors, including the Chairman. A seventh Director was appointed with effect from 1 August 2020. 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, although if eligible, may offer themselves for re-election.

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

As part of this process, the Board has a number of committees. The committees were restructured in April 2018, and the current Committee structure comprises the following four Committees: Remuneration & Nominations; Audit and Finance; Safety, Risk and Environment; and Business Growth. 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 2020, and the number of meetings attended by each Director, are set out below:

	<i>Board of Directors</i>		<i>Audit & Finance Committee</i>		<i>Remuneration & Nomination Committee</i>		<i>Safety, Risk & Environment Committee</i>		<i>Business Growth Committee</i>	
	<i>No. Held</i>	<i>No. Attended</i>	<i>No. Held</i>	<i>No. Attended</i>	<i>No. Held</i>	<i>No. Attended</i>	<i>No. Held</i>	<i>No. Attended</i>	<i>No. Held</i>	<i>No. Attended</i>
<i>Director</i>										
J Brumby	10	10			2	2	3	3		
J van Reyk	10	10	5	5			3	3		
A Waters	10	10	5	5					9	9
P Willsford	10	10	5	5	2	2				
P Hardy	10	10					3	3	9	8
P Lamell	10	10			2	2			9	9
J Grouios	Nil	Nil								

Note: J Grouios was appointed to the Citywide Board of Directors on 1 August 2020

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

As stated above in July 2020 the Group signed an agreement to acquire the assets of the Gordon McKay business.

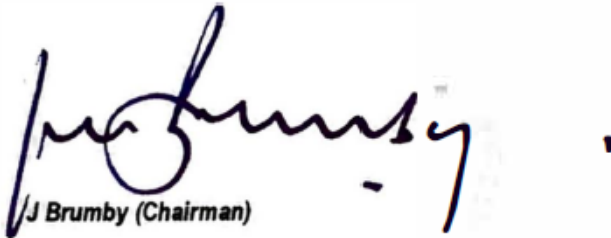
Recent COVID-19 Stage 4 restrictions implemented in Greater Melbourne in Victoria are likely to impact productivity and output across The Group for the shutdown period. As the duration and extent of these and any future stages of restrictions remain uncertain it is not possible to reliably estimate what the financial impact may be.

There were no other matters or circumstances which have arisen between 30 June 2020 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.

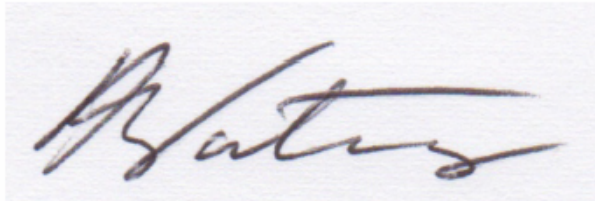
Auditor's independence declaration

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)
24 September 2020

Citywide Service Solutions Pty Ltd
Financial Report 2019 - 2020

Consolidated Financial Statements for
Citywide Service Solutions Pty Ltd ACN 066 960 085
for the year ended 30 June 2020

Citywide Service Solutions Pty Ltd
Financial Report 2019 - 2020

How this report is structured

Citywide Service Solutions Pty Ltd (the Group) has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2020 in the following structure to provide users with the information about the Group's stewardship of resources entrusted to it.

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Citywide Service Solutions Pty Ltd
Financial Report 2019 - 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$'000	2019 \$'000
Revenue from operations			
Services	2.1	249,653	235,148
Other income	2.2	22	84
Total revenue from operations		249,675	235,232
Expenses from operations			
Employee benefits	3.1	83,919	81,389
Contractor costs	3.2	71,214	59,416
Materials and services	3.3	58,051	54,422
Depreciation	4.1	11,660	11,977
Impairment and amortisation - Intangible assets	4.3, 6.5	4,792	382
Amortisation - Right-of-use assets	4.4	3,875	-
Finance costs - Leases	5.5	389	-
Other expenses	3.4	15,550	20,850
Total expenses from operations		249,450	228,436
Profit before income tax equivalents		225	6,796
Income tax equivalents expense	7.1	1,438	2,049
Profit/(Loss) after income tax equivalents		(1,213)	4,747
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of property, net of tax	6.1	7,591	-
Other comprehensive income for the year, net of tax		7,591	-
Total comprehensive income for the year		6,378	4,747

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

Citywide Service Solutions Pty Ltd
Financial Report 2019 - 2020

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Notes	2020 \$'000	2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	4.2	9,860	8,122
Trade and other receivables	5.1	33,160	37,375
Other assets	5.2	8,224	3,963
Total current assets		51,244	49,460
Non-current assets			
Property, plant and equipment	4.1	117,318	98,320
Right-of-use assets	4.4	17,992	-
Deferred tax assets	7.2	9,298	4,557
Intangible assets	4.3 & 6.5	20,290	25,547
Total non-current assets		164,898	128,424
TOTAL ASSETS		216,142	177,884
LIABILITIES			
Current liabilities			
Trade and other payables	5.3	42,634	34,161
Contract liability	5.4	2,504	2,819
Employee provisions	3.1	10,830	10,221
Lease liability	5.5	3,452	-
Current tax liabilities		586	158
Dividends payable	6.4	2,000	3,200
Other provisions		1,141	849
Total current liabilities		63,147	51,408
Non-current liabilities			
Employee provisions	3.1	739	1,003
Lease liability	5.5	13,757	-
Deferred tax liabilities	7.2	21,154	12,506
Total non-current liabilities		35,650	13,509
TOTAL LIABILITIES		98,797	64,917
NET ASSETS		117,345	112,967
EQUITY			
Contributed equity	6.1	18,406	18,406
Retained earnings	6.1	62,167	65,380
Asset revaluation reserve	6.1	36,772	29,181
TOTAL EQUITY		117,345	112,967

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

Citywide Service Solutions Pty Ltd
Financial Report 2019 - 2020

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation \$'000	Total \$'000
Balance at 1 July 2018	18,406	63,833	29,181	111,420
Profit after income tax equivalents	-	4,747	-	4,747
Other comprehensive income for the year, net of tax	-	-	-	-
Transactions with owners in their capacity as owners:				
Dividends provided	-	(3,200)	-	(3,200)
Balance at 30 June 2019	18,406	65,380	29,181	112,967
Profit/(Loss) after income tax equivalents	-	(1,213)	-	(1,213)
Other comprehensive income for the year, net of tax	-	-	7,591	7,591
Transactions with owners in their capacity as owners:				
Dividends provided	-	(2,000)	-	(2,000)
Balance at 30 June 2020	18,406	62,167	36,772	117,345

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

Citywide Service Solutions Pty Ltd
Financial Report 2019 - 2020

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		249,578	220,654
Payments to suppliers and employees (inclusive of GST)		(220,079)	(199,654)
Interest received		41	88
Other receipts		-	-
Interest paid	3.4	(203)	(72)
Income tax equivalents paid		(354)	(2,030)
Short term, low value and variable lease payments		-	-
Net cash provided by operating activities	4.2	<u>28,983</u>	<u>18,986</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,058	753
Purchase of property, plant and equipment		(20,575)	(15,924)
Net cash flows used in investing activities		<u>(19,517)</u>	<u>(15,171)</u>
Cash flows from financing activities			
Proceeds from borrowings		15,000	-
Repayment of borrowings		(15,000)	-
Repayment of lease liabilities	5.5	(4,139)	-
Interest paid - lease liability	5.5	(389)	-
Dividends paid		(3,200)	(2,550)
Net cash flows used in financing activities		<u>(7,728)</u>	<u>(2,550)</u>
Net increase/(decrease) in cash and cash equivalents		<u>1,738</u>	<u>1,265</u>
Cash and cash equivalents at beginning of year		<u>8,122</u>	<u>6,857</u>
Cash and cash equivalents at end of year	4.2	<u>9,860</u>	<u>8,122</u>

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

Citywide Service Solutions Pty Ltd

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1: ABOUT THIS REPORT

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

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

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

1.1: Basis of preparation

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

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

The consolidated financial statements have been prepared on a going concern basis. As at 30 June 2020, current liabilities exceed current assets by \$11.9M (2019: current liabilities exceeded current assets by \$1.9M). The Directors believe that the Group is a going concern because of continued profitability, positive operating cash inflows and the available bank loan facility as disclosed in Note 4.2.

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

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

This is the first set of the Group's annual financial statements in which AASB 16 *Leases* has been applied.

Citywide Service Solutions Pty Ltd

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.2: Critical accounting judgments and estimates

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

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

Accounting estimates and judgements	Note
Revenue recognition	2.1
Long-term employee benefits	3.1.2
Depreciation methods, useful lives and residual values of property, plant and equipment	4.1
Impairment of assets and amortisation policy	4.3 & 6.5
Right-of-use assets	4.4
Recovery of deferred tax assets	7.2
Fair value assets and liabilities	8.2

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

2: OUR REVENUE

Introduction to this section

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

Structure

2.1: Services

2.2: Other income

2.1: Services

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

	2020	2019
	\$'000	\$'000
Rendering of services	<u>249,653</u>	<u>235,148</u>
	<u>249,653</u>	<u>235,148</u>
Disaggregation of revenue		
<i>Type of service</i>		
Infrastructure	67,540	72,208
Waste management	62,522	49,283
Open space	103,979	104,195
Other	15,612	9,462
	<u>249,653</u>	<u>235,148</u>
<i>Geographical region</i>		
VIC	227,322	205,030
NSW	8,270	16,248
QLD	8,915	9,358
ACT	5,146	4,512
	<u>249,653</u>	<u>235,148</u>
<i>Type of contract</i>		
Contract Revenue	160,995	166,404
Non-Contract Revenue	88,658	68,744
	<u>249,653</u>	<u>235,148</u>
Contract liabilities	2,504	2,819

The Group converted the remaining \$2.8m in prior year contract liabilities (income paid in advance) during the 2020 financial period.

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

Remaining performance obligations

	FY2021	FY2022 to	
	\$'000	FY2025	>FY2025
		\$'000	\$'000
Expected contract revenue from existing contracts	134,757	250,228	114,795

Recognition and measurement

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

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

The Group has determined nil contract assets from contracts with customers exist through the adoption of AASB 15 (2019: nil). Contract liabilities include income paid in advance where no performance obligation is met.

Critical accounting estimates and judgement

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

2.2: Other income

	2020	2019
	\$'000	\$'000
Gain/(loss) on disposal of property, plant and equipment, net of costs	(19)	(4)
Interest received	41	88
	22	84

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

Recognition and measurement

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

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

3: THE COST OF OUR OPERATIONS

Introduction to this section

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

Structure

- 3.1: Employee benefits and employee provisions
- 3.2: Contractor costs
- 3.3: Materials and services
- 3.4: Other expenses
- 3.5: Significant items

3.1: Employee benefits and employee provisions

<u>3.1.1 Employee benefits expenses</u>	2020	2019
	\$'000	\$'000
Employee benefits	<u>83,919</u>	<u>81,389</u>
	83,919	81,389

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

Recognition and measurement

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

Superannuation

Accumulation funds

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

Defined contribution plan

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

Defined benefits plan

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

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

Citywide Service Solutions Pty Ltd
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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. The triennial actuarial review is currently underway as at 30 June 2020, however, it is expected to be completed in November 2020. As such, the most recent full actuarial investigation conducted by the Fund's Actuary is at 30 June 2017 with the Group making the following contributions in line with City of Melbourne:

- 13% of salaries for active defined benefit members; and
- top-up payments for exiting members equal to the benefit payment less the vested benefit adjusted for the vested benefit index (VBI), where the VBI is less than 100%. At 30 June 2020, the Fund's Actuary estimated the VBI to be 136.9%.

	2020	2019
	\$'000	\$'000
Employer contributions to complying superannuation funds	5,983	5,801
Employer contributions payable to complying superannuation funds at reporting date	628	766

3.1.2 Employee benefits provisions

	2020	2019
	\$'000	\$'000
Current expected to be settled within 12 months		
Annual leave	5,382	4,237
Long service leave	1,103	835
	6,485	5,072
Current expected to be settled after 12 months		
Annual leave	-	-
Long service leave	4,065	5,149
	4,065	5,149
Total current balance	10,550	10,221
Non-current		
Long service leave	1,019	1,003
	1,019	1,003

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:

	2020	2019
Discount Rate	0.2% - 0.9%	1.2% - 1.5%
Inflation Rate	4.3%	4.3%
Settlement Period	7 years	7 years

Citywide Service Solutions Pty Ltd
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3.2: Contractor costs

	2020	2019
	\$'000	\$'000
Civil services	38,853	33,117
Open space services	16,314	17,735
Environmental services	14,735	8,282
Other services	1,312	282
	<u>71,214</u>	<u>59,416</u>

Recognition and measurement

Contractor costs (inclusive of casual labour hire resourcing) are recognised when the services have been provided.

3.3: Materials and services

	2020	2019
	\$'000	\$'000
Raw materials and consumables used	30,418	25,563
Fleet costs	14,014	15,603
Waste tipping	13,619	13,256
	<u>58,051</u>	<u>54,422</u>

Recognition and measurement

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

3.4: Other expenses

	2020	2019
	\$'000	\$'000
Occupancy costs ¹⁾	2,837	5,836
Finance costs: Interest charges paid	203	70
Auditors' remuneration:		
Audit of financial statements	90	90
Internal audit services	188	207
Consultancy	2,023	2,740
IT Maintenance & Subscriptions	2,514	2,175
Insurance	1,110	2,077
Legal cost	626	996
Equipment Repair & Maintenance	1,185	920
Equipment	831	808
Training	546	670
Other expenses	3,397	4,261
	<u>15,550</u>	<u>20,850</u>

Recognition and measurement

¹⁾ The year on year movement in Occupancy costs was a consequence of adopting AASB 16 – Leases, as property lease costs are now recognised through the amortisation of the Right of Use Asset (refer note 4.4). Remaining occupancy costs include rates, utilities and facility maintenance costs. Occupancy costs are recognised when the benefits are consumed.

Citywide Service Solutions Pty Ltd

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.5: Significant items

The Group incurred \$0.9m in labour and lease redundancy costs as a result of terminating loss making contracts in NSW and \$4.6m impairment of goodwill against the NSW/ACT cash generating unit (refer note 6.5). An additional \$0.2m in redundancy costs were incurred in relation to rationalising Corporate Overhead costs.

Furthermore, a \$0.7m provision for onerous contracts was accrued for contracts residing in Victoria and NSW.

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

4: ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS

Introduction to this section

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

Structure

- 4.1: Property, plant and equipment
- 4.2: Cash and cash equivalents
- 4.3: Intangible assets - software
- 4.4: Right-of-use assets

4.1: Property, plant and equipment

	Land	Buildings	Leasehold improvements	Plant and equipment	Motor vehicles	Work in progress	Total
Critical accounting estimates and judgement							
			Portables: 5-10 years				
	Not applicable	Other: 40 years	Various ⁽¹⁾	1-15 years	3-10 years	Not applicable	
2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
Opening balance	46,056	4,634	5,047	37,710	81,768	1,606	176,821
Additions	-	284	553	6,805	10,685	1,971	20,298
Disposals	-	(49)	(4)	(884)	(8,481)	-	(9,418)
Revaluation	10,844	-	-	-	-	-	10,844
Closing balance	56,900	4,869	5,596	43,631	83,972	3,577	198,545
Accumulated depreciation and impairment							
Opening balance	-	(2,094)	(2,204)	(26,192)	(48,011)	-	(78,501)
Depreciation	-	(185)	(505)	(3,265)	(7,705)	-	(11,660)
Disposals	-	32	(3)	811	8,094	-	8,934
Impairment loss	-	-	-	-	-	-	-
Closing balance	-	(2,247)	(2,712)	(28,646)	(47,622)	-	(81,227)
Carrying value 30 June 2020	56,900	2,622	2,884	14,985	36,350	3,577	117,318
2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
Opening balance	46,077	4,764	5,093	35,992	81,558	1,417	174,901
Additions	-	237	441	4,088	8,227	189	13,182
Disposals	(21)	(367)	(487)	(2,370)	(8,017)	-	(11,262)
Revaluation	-	-	-	-	-	-	-
Closing balance	46,056	4,634	5,047	37,710	81,768	1,606	176,821
Accumulated depreciation and impairment							
Opening balance	-	(2,305)	(1,947)	(25,100)	(47,466)	-	(76,818)
Depreciation	-	(175)	(582)	(3,572)	(7,953)	-	(12,282)
Disposals	-	386	495	2,647	7,408	-	10,936
Impairment loss	-	-	(170)	(167)	-	-	(337)
Closing balance	-	(2,094)	(2,204)	(26,192)	(48,011)	-	(78,501)
Carrying value 30 June 2019	46,056	2,540	2,843	11,518	33,757	1,606	98,320

Citywide Service Solutions Pty Ltd

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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.

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 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 valuer comprise improvements, and to ensure a consistent analytical methodology, deductions for demolition improvements were not considered.

The most recent revaluation was completed on 8 January 2020 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 \$56,900,000 (2019: \$46,077,000). The historical cost of land is \$5,741,000.

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

De-recognition of property, plant and equipment

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

Critical accounting estimates and judgement

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

In endeavouring to address the movement in land valuation between the valuation date (8 January 2020) and 30 June 2020, the valuer highlighted that whilst there is significant market uncertainty as a result of COVID-19 and the introduction of government “lock-down” measures, any value assessed subsequent to the valuation date may change unexpectedly over a short period of time. As such, without conducting a detailed analysis of the market there is no apparent evidence of property sales transactions in the immediate subject location that have occurred that suggest a reduction in the values is warranted.

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

4.2: Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Cash and cash equivalents in the consolidated statement of financial position	9,860	8,122
Cash and cash equivalents in the consolidated statement of cash flows	9,860	8,122

Cash at bank attracts interest rates of 2020: 0 - 1.5% (2019: 0 - 1.5%).

Cash and cash equivalents comprise cash at bank 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 (2019: \$2.5m) and bank loan facility of \$36.2m (2019: \$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 2020 (2019: \$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 2022.

	2020	2019
	\$'000	\$'000
Reconciliation of net cash provided by operating activities to net profit after income tax equivalents		
Net profit after income tax equivalents	(1,213)	4,747
Lease interest expense	389	-
Non-cash items in operating profit:		
- Net (gain) / loss on disposal of non-current assets	355	4
- Depreciation / amortisation of non-current assets	15,784	12,907
- Impairment of Goodwill / Goodwill adjustment	4,543	-
- Provision for Doubtful Debts	(200)	-
Changes in operating assets and liabilities:		
- (Increase)/Decrease in Prepayments, Trade and other receivables	(4,219)	107
- (Increase)/Decrease in Amounts owing by ultimate parent entity	3,665	1,521
- (Increase)/Decrease in Inventories	(133)	192
- (Increase)/Decrease in Deferred tax equivalent assets	656	553
- Increase/(Decrease) in Trade and other payables	8,898	1,231
- Increase/(Decrease) in Employee entitlements	345	(1,042)
- Increase/(Decrease) in Current tax equivalent liabilities	428	(534)
- Increase/(Decrease) in Other liabilities	(315)	(700)
Net cash provided by operating activities	28,983	18,986

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

4.3: Intangible assets - software

	Software
Critical accounting estimates and judgement	
Amortisation policy	3-5 years
2020	\$'000
Cost	
Opening balance	2,247
Additions from software development	179
Disposals	(929)
Closing balance	1,497
Accumulated amortisation and impairment	
Opening balance	(246)
Amortisation	(249)
Disposals	187
Closing balance	(308)
Carrying value 30 June 2020	1,189
2019	\$'000
Cost	
Opening balance	712
Additions from software development	1,966
Disposals	(431)
Closing balance	2,247
Accumulated amortisation and impairment	
Opening balance	(112)
Amortisation	(307)
Disposals	173
Closing balance	(246)
Carrying value 30 June 2019	2,001

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.

Citywide Service Solutions Pty Ltd
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4.4: Right-of-use assets

The Group leases many assets including building and vehicles. Information about leases for which the Group is a lessee is presented below.

\$'000	Buildings	Motor vehicles	Total net carrying amount
	2020	2020	2020
Opening Balance	-	-	-
Additions	17,004	4,905	21,909
Lease modification	(42)		(42)
Leases terminated	-	-	-
Impairment	-	-	-
Amortisation	(2,300)	(1,575)	(3,875)
Closing Balance	14,662	3,330	17,992
Total as at 30 June represented by			
Gross book value	16,962	4,905	21,867
Accumulated amortisation and impairment	(2,300)	(1,575)	(3,875)
Total as at 30 June	14,662	3,330	17,992

Critical accounting estimates and judgement

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end date of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on the statement of financial position.

Right-of-use asset	No of assets leased	Range of remaining term	No of leases with renewal options	No of leases with termination options
Buildings	22	5-10 years	5	0
Motor vehicles	318	5 years	0	0

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

5: OTHER ASSETS AND LIABILITIES

Introduction to this section

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

Structure

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

5.1: Trade and other receivables

	2020	2019
	\$'000	\$'000
Trade receivables	21,493	22,711
Less: Allowance for impairment of receivables	(433)	(633)
	21,060	22,078
Amounts owing from ultimate parent entity	9,393	13,058
Other debtors	2,707	2,239
	33,160	37,375

Classification of financial assets

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

Recognition and measurement

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

	2020	2019
	\$'000	\$'000
Movement in allowance for impairment		
Opening balance	(633)	(633)
Amounts written-off	8	-
Amounts recovered and reversed	192	-
Closing Balance	(433)	(633)

Impaired trade and other receivables

The Group has recognised \$200,000 gain (gain in 2019: \$0) in the statement of profit or loss and other comprehensive income in respect of bad and doubtful trade receivables.

Citywide Service Solutions Pty Ltd
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5.2: Other assets

	2020 \$'000	2019 \$'000
Current		
Accrued income – Unbilled services	6,046	1,870
Prepayments	1,257	1,442
Inventories	648	515
Other current assets	273	136
	<u>8,224</u>	<u>3,963</u>

Recognition and measurement

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

Accrued income

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

Prepayment

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

Inventories

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

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

5.3: Trade and other payables

	2020 \$'000	2019 \$'000
Current		
Trade and other payables	42,606	34,011
Amount owing to ultimate parent entity	-	-
Security Deposits	28	150
	<u>42,634</u>	<u>34,161</u>

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.

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

5.4: Contract liabilities

	2020	2019
	\$'000	\$'000
Deferred revenue	<u>2,504</u>	<u>2,819</u>
	2,504	2,819

Contract liabilities

Contract liabilities includes income paid in advance but not recognised to account as performance obligations are yet to be met.

Deferred revenue

Deferred revenue represents income received in advance by the Group for work to be completed

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 0.45% (2019: 1.45%).

5.5: Lease liability

The Group has leases for Buildings and Motor Vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease agreement that falls under AASB 16 *Leases* is reflected on the statement of financial position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 4.4).

Each lease agreement generally imposes a restriction that the right-of-use asset can only be used by the Group, unless there is a contractual right for the Group to sublet the asset to another party. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses a discount rate of 3%.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Further information on how the Group has adopted AASB 16 is set out in note 9.5.

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets considered under \$10,000. Payments made under such leases are expensed on a straight-line basis.

The undiscounted contractual cash flows below do not include lease payments under renewal/extension options for which the Group is reasonably certain to exercise. The payments under these renewal/extension options are included in lease liabilities recognised in the statement of financial position.

Citywide Service Solutions Pty Ltd
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	2020
	\$'000
Amounts recognised in the statement of profit or loss and other comprehensive income	
Interest on lease liabilities	389
Variable lease payments not included in the measurement of leases	-
Income from sub-leasing right-of-use assets	-
Expenses relating to short-term leases	263
Expenses relating to low-value assets, excluding short term leases of low-value assets	-
	652
Maturity analysis - undiscounted contractual cash flows	
Less than one year	3,849
One to five years	8,441
More than five years	2,285
Total undiscounted contractual cash flows	14,575
Lease liabilities recognised in the statement of financial position	
Current	3,452
Non-current	13,757
Amounts recognised in statement of cash flows	
Total cash outflow for leases	(4,528)
Represented by:	
Repayment of lease liability	(4,139)
Interest on lease liability	(389)

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

6: OUR CAPITAL STRUCTURE

Introduction to this section

This section provides information on the capital structure and financing activities of the Group.

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

	2020 '000	2019 '000
Contributed equity		
Ordinary shares - fully paid	<u>18,406</u>	<u>18,406</u>

Movement in ordinary share capital

	2020		2019	
	No.	'000	No.	'000
Balance at start of year	18,405,629	18,406	18,405,629	18,406
Shares issued	-	-	-	-
Balance at end of year	<u>18,405,629</u>	<u>18,406</u>	<u>18,405,629</u>	<u>18,406</u>

Recognition and measurement

Ordinary shares

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

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

The Group seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The weighted average interest expense on interest bearing borrowings during the period was 1.99% (2019: 2.75%). The Group's net debt (total liabilities less cash and cash equivalents) to total equity was 0.43 (2019: 0.29). There were no changes in the Group's approach to capital management during the year.

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 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2020	2019
	\$'000	\$'000
Retained earnings and reserves		
Retained profits at the beginning of the financial year	65,380	63,833
Net profit/(loss) attributable to members of the company	<u>(1,213)</u>	<u>4,747</u>
Total available for appropriation	<u>64,167</u>	<u>68,580</u>
Dividends provided for or paid (Note 6.4)	<u>(2,000)</u>	<u>(3,200)</u>
Retained profits at the end of the financial year	<u>62,167</u>	<u>65,380</u>
Earnings per share for profit attributable to the ordinary equity owners of the Company	Cents (6.6)	Cents 25.8
Reserves		
Opening Balance	29,181	29,181
Movement	<u>7,591</u>	<u>-</u>
Closing Balance	<u>36,772</u>	<u>29,181</u>

A revaluation of land held by the Group was conducted by independent valuers on 8 January 2020. A summary of the results noted an increase in asset revaluation reserve of \$7.6m at 30 June 2020.

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.

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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:

	2020 \$'000	2019 \$'000
Statement of profit or loss and other comprehensive income		
Net profit for the year	(3,856)	3,326
Other comprehensive income	7,591	-
Total comprehensive income	3,735	3,326
Statement of financial position		
ASSETS		
Current Assets	67,207	47,368
Non-Current Assets	133,407	138,358
Total Assets	200,614	185,726
LIABILITIES		
Current Liabilities	56,793	61,419
Non-Current Liabilities	29,197	13,418
Total Liabilities	85,990	74,837
EQUITY		
Contributed equity	18,406	18,406
Retained profit	59,446	63,302
Asset revaluation reserve	36,772	29,181
Total Equity	114,624	110,889

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 sheet date but not recognised as liabilities in the financial report. All capital expenditure commitments stated in Note 9.3 relate to the Company.

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6.3: Subsidiaries and joint operations

Principals of consolidation

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

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

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

Recognition and measurement

Subsidiaries

The consolidated financial statements of the Group include:

Name of subsidiary	Principal activity	Date of Acquisition	Country of incorporation	% Equity interest	
				30/06/2020	30/06/2019
Sterling Group Services Pty Ltd	Open Space Management	1 January 2011	Australia	100%	100%
A.W.D. Earthmoving Pty Ltd	Infrastructure	31 May 2012	Australia	100%	100%
Technigro Australia Pty Ltd	Holding Company	1 October 2013	Australia	100%	100%
Technigro Pty Ltd	Open Space Management	1 October 2013	Australia	100%	100%
Citywide Asphalt Group Pty Ltd	Asphalt Manufacturing	15 January 2016	Australia	50%	50%

Joint operations

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

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

When the Group transacts with a joint operation in which Citywide Service Solutions Pty Ltd is a joint operator (such as a sale or contribution of assets), any gains or losses are recognised in the financial statements only to the extent of the other party's interests.

Citywide Asphalt Group Pty Ltd

Previously known as Citywide North Melbourne Asphalt Pty Ltd, the corporate nominee changed its name to Citywide Asphalt Group Pty Ltd in January 2020.

The Group has a 50% interest in a joint arrangement called Citywide North Melbourne Asphalt 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.

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

Guarantee provided to Fulton Hogan Industries Pty Ltd

As part of the joint arrangement, the Group has provided a guarantee up to a maximum of \$7,000,000 in the event the Asphalt JO ceases its operations and is permanently closed within 7 years of its commencement on 15th January 2016. Due to changes in law or issue of notices, making of order or direction given by a Government Agency since the commencement date, Fulton Hogan has a right to claim for compensation from the Group. The liability payable on the closure date will be reduced on a straight line basis by the number of months the Asphalt JO has operated since the commencement date. As at 30 June 2020, 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. If compensation was made at 30 June 2020, a payment of \$2,500,000 would be realised.

6.4: Dividends

	2020	2019
	\$'000	\$'000
Movement in dividend payable provision		
Balance at beginning of year	3,200	2,550
Additional provisions raised during the year	2,000	3,200
Amounts paid during the year	(3,200)	(2,550)
Balance at end of year	2,000	3,200

The Board has declared a dividend of \$2,000,000 (2019: \$3,200,000), payable in October 2020.

Recognition and measurement

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

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

6.5: Intangible assets – other

	Goodwill on acquisitions	Customer relationships	Total
Critical accounting estimates and judgement			
Amortisation policy	Not applicable	5 years	
2020	\$'000	\$'000	\$'000
Cost			
Opening balance	28,342	1,500	29,842
Additions	98	-	98
Disposals	-	-	-
Closing balance	28,440	1,500	29,940
Accumulated amortisation and impairment			
Opening balance	(4,796)	(1,500)	(6,296)
Amortisation	-	-	-
Impairment	(4,543)	-	(4,543)
Closing balance	(9,339)	(1,500)	(10,839)
Carrying value at 30 June 2020	19,101	-	19,101
2019	\$'000	\$'000	\$'000
Cost			
Opening balance	27,566	1,500	29,066
Additions	776	-	776
Disposals	-	-	-
Closing balance	28,342	1,500	29,842
Accumulated amortisation and impairment			
Opening balance	(4,796)	(1,425)	(6,221)
Amortisation	-	(75)	(75)
Impairment	-	-	-
Closing balance	(4,796)	(1,500)	(6,296)
Carrying value at 30 June 2019	23,546	-	23,546

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.

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

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identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units or CGUs).

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

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 CGU) 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 CGUs

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:

	2020	2019
	\$'000	\$'000
Current		
Victoria operations	9,588	9,490
NSW/ACT operations	3,325	7,868
Technigro	6,188	6,188
	19,101	23,546

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 Victoria and Technigro CGUs was determined to be in excess of the carrying value and therefore no impairment was recognised.

Following a strategic and financial review of the NSW business (including the impacts of COVID-19), management initiated a formal restructuring plan which resulted in the recognition of an impairment loss of \$4,543,000 in the NSW/ACT CGU recognised in the consolidated statement of profit or loss and other comprehensive income.

Key assumptions used in the discounted cash flow projections

Future cash flows have been based on the FY2021 budget and overlaid with appropriate discount and growth rates. The discount and growth rate assumptions are as follows:

	2020	2019
Discount rate (WACC)	9.00%	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 FY2021 budget. The terminal growth rate in Net Profit After Tax (NPAT) is estimated by management using past experience and expectations for the future.

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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 CGUs 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.

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

7: TAXATION

Introduction to this section

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

Structure

7.1: Income tax

7.2: Deferred tax

7.1: Income tax

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:

	2020	2019
	\$'000	\$'000
Prima facie income tax equivalents on the profit from continuing operations at 30% (2019: 30%)	68	2,039
Increase tax equivalents payable due to:		
Non-deductible expenses	<u>1,370</u>	<u>10</u>
Income tax equivalents attributed to operating profit	<u>1,438</u>	<u>2,049</u>
Income tax equivalents attributable to operating profit comprise:		
Current tax provision	786	1,518
Deferred income tax liability	5,529	(44)
Deferred income tax asset	<u>(4,877)</u>	<u>575</u>
	<u>1,438</u>	<u>2,049</u>

Recognition and measurement

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

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

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

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

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7.2: Deferred tax

	Balance	Charge to	Charged to	Current	Balance at	Deferred tax	Deferred tax
	at 1 July	Income	Asset	Year	30 June	assets	liabilities
2020							
\$'000							
Employee benefits	3,391	98	-	-	3,489	3,489	-
Accruals	612	(366)	-	-	246	246	-
Other	305	(19)	-	-	286	286	-
Depreciation	248	(134)	-	-	114	114	-
Revaluation of land	(12,506)	-	(3,251)	-	(15,757)	-	(15,757)
Customer relationships	-	-	-	-	-	-	-
Right-of-use asset	-	-	-	(5,397)	(5,397)	-	(5,397)
Lease liability	-	-	-	5,163	5,163	5,163	-
Tax assets / liabilities	(7,950)	(421)	(3,251)	(234)	(11,855)	9,298	(21,154)

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

Recognition and measurement

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

Critical accounting estimates and judgement

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

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8: MANAGING RISK AND UNCERTAINTY

Introduction to this section

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

Structure

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

8.1: Financial instruments

Objectives and policies

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

Market Risk

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

Interest rate risk

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 2020 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.

	Notes	Floating interest rate \$'000	Non-interest bearing \$'000	Total \$'000
2020				
Financial assets				
Cash and cash equivalents	4.2	9,860	-	9,860
Trade and other receivables	5.1	-	33,160	33,160
		9,860	33,160	43,020
Weighted average interest rate		0.25%		
Financial liabilities				
Trade and other payables	5.3	-	42,606	42,606
Security deposits	5.3	-	28	28
		-	42,634	42,634
Weighted average interest rate		1.99%		
Net financial assets		9,860	(9,474)	386

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

	2020 \$'000	2019 \$'000
Ageing of Trade Receivables		
Current (not yet due)	30,990	32,860
Past due by up to 30 days	1,570	2,213
Past due between 31 and 180 days	488	755
Past due between 181 and 365 days	112	54
	33,160	35,882

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 2020 were \$38.7m).

Year ended 30 June 2020

Contractual maturities	6 months or less \$'000	6 - 12 months \$'000	1 - 5 years \$'000	5 Years or more \$'000	Total \$'000
Liquid financial assets					
Cash and cash equivalents	9,860	-	-	-	9,860
Trade and other receivables	33,160	-	-	-	33,160
	43,020	-	-	-	43,020
Financial liabilities					
Trade and other payables	42,606	-	-	-	42,606
Security deposits	-	-	-	-	-
	42,606	-	-	-	42,606
Net inflow/(outflow)	414	-	-	-	414

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Year ended 30 June 2019

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

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 25 basis points higher or lower is reasonably possible

At Reporting date, if interest rates had been 25 basis points higher or lower and all other variables were held constant, the Group's net profit would decrease by \$19,000 and increase by \$19,000 respectively (2019: decrease by \$7,000 and increase by \$7,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

8.2: Fair value – financial assets and liabilities

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

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

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

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

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

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For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- carrying amount and the fair value (which would be the same for those assets measured at fair value)
- which level of the fair value hierarchy was used to determine the fair value

Where the fair value of the financial instruments is different from the carrying amounts, the following information has been included to disclose the difference.

Fair value of financial instruments measured at amortised cost

The Group considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

Citywide's contractual financial assets and liabilities are measured at amortised cost; none of the classes of financial assets and liabilities are readily traded on organised markets in standardised form.

	Carrying amount 2020	Fair value 2020	Carrying amount 2019	Fair value 2019
Financial assets				
Cash and cash equivalents	9,860	9,860	8,122	8,122
Trade and other receivables	33,160	33,160	37,375	37,375
	43,020	43,020	45,497	45,497
Financial liabilities				
Trade and other payables	42,606	42,606	34,011	34,011
Security deposits	28	28	150	150
Dividend payable	2,000	2,000	3,200	3,200
	44,634	44,634	37,361	37,361

Fair value determination of non-financial physical assets

	Carrying amount as at 30 June 2020	Fair value measurement at end of reporting period using		
		Level 1	Level 2	Level 3
Land at fair value	56,900	-	56,900	-
	56,900	-	56,900	-
	Carrying amount as at 30 June 2019	Fair value measurement at end of reporting period using		
		Level 1	Level 2	Level 3
Land at fair value	46,056	-	46,056	-
	46,056	-	46,056	-

There have been no transfers between levels during the period.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate fair value.

Land is valued using the market approach, whereby assets are compared to recent comparable sales of comparable assets that are considered to have a nominal value.

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8.3: Contingencies

Contingent liabilities

Guarantees issued by the Bank in respect of contracts secured of \$13,393,261 (2019: \$11,121,090).

In September 2017 Citywide was served with a statutory notice to produce documents to ColInvest. These documents related to the duties performed by certain classes of workers and their remuneration between 1 April 2017 and 30 June 2017. Citywide disputed the validity of this notice on a variety of grounds, one of which was that it is not an employer who is subject to the ColInvest scheme. As this matter is now before the courts, it is not appropriate to make any further comments.

Recognition and measurement

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

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

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

9: OTHER DISCLOSURES

Introduction to this section

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

Structure

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

9.1: Key management personnel compensation

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

Position	Name	Comments
Chairman	John Brumby	
Director	Janice van Reyk	
Director	Andrea Waters	
Director	Prue Willsford	
Director	Paul Hardy	
Director	Peter Lamell	
Chief Executive Officer	Chris Campbell	
Chief Financial Officer	Paul Hudson	
Executive Operations	Duncan Reid	
General Counsel and Company Secretary	Heidi Mitchell	Employed on a part time basis
Executive People and Culture	Angelica Georgaklis	Employed on a part time basis

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

	2020	2019
\$0 - \$79,999	-	-
\$80,000 - \$89,000	1	1
\$90,000 - \$99,999	4	4
\$100,000 - \$149,999	1	1
\$200,000 - \$249,999	-	1
\$250,000 - \$299,999	1	-
\$300,000 - \$349,999	1	1
\$350,000 - \$399,999	1	2
\$400,000 - \$449,000	1	-
\$450,000 - \$499,999	-	1
\$600,000 - \$699,999	-	-
\$700,000 - \$799,999	1	1
	11	12
	\$'000	\$'000
Total remuneration for the financial year included above	2,736	3,074

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

Key management personnel compensation comprised the following:

	2020	2019
	\$'000	\$'000
Short-term employee benefits	2,531	2,756
Post-employment benefits	166	186
Other long-term benefits	39	45
Termination benefits	-	87
Share-based payments	-	-
	<u>2,736</u>	<u>3,074</u>

Director's fees are reviewed annually by the shareholders 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 \$57,714,183 (2019: \$61,035,391) 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 \$464,059 (2019: \$457,959) during the financial year. The amount owing at reporting date is detailed in Note 5.3.

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:

	2020	2019
	\$'000	\$'000
Name of subsidiary		
Sterling Group Services Pty Ltd	-	-
Technigro Australia Pty Ltd	-	-
Technigro Pty Ltd	-	-
A.W.D. Earthmoving Pty Ltd	-	-
	<u>-</u>	<u>-</u>

Citywide Service Solutions Pty Ltd

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Transactions with other related parties

The Group provided services to The Queen Victoria Market amounting to \$8,093 (2019: \$9,387), which is also owned by the Melbourne City Council. Transactions occurred on commercial arm's length terms.

Ms Janice van Reyk, a director of the Group, is a trustee on the Melbourne & Olympic Parks Trust. At various stages throughout the year, the Group provided services to the Trust in the form of traffic management for event days at AAMI Park. During FY2020 period the Trust paid \$17,559 to the Group (\$26,701 in FY2019) for traffic management services provided to the Trust. She is also a director of Tennis Australia. During FY2020 period the Group provided services to Tennis Australia in the form of traffic management for the Australia Open event, for which Tennis Australia paid \$202,378 to the Group (\$109,546 in FY2019).

Transactions between the Group and Citywide North Melbourne Asphalt were to the value of \$4,405,000, of which \$4,070,000 relates to the purchase of asphalt and \$335,000 relates to Occupancy Cost on-charges. \$173,000 is still unpaid at 30 June 2020. Payment terms between the two entities are 45 days from invoice date.

9.3: Commitments

	2020	2019
	\$'000	\$'000
Capital expenditure commitments		
Capital expenditure planned at the reporting date but not recognised as liabilities in the financial report:		
- Payable within one year	3,175	3,097
Non-cancellable operating leases payable		
Non-cancellable operating lease commitments contracted for but not recognised in the financial report:		
- Payable within one year	-	2,753
- Payable later than one year, not later than five years	-	8,280
- Payable later than five years	-	458
	<u>-</u>	<u>11,491</u>

The Group has entered into non-cancellable leases in respect to administrative premises and various items of plant and fleet. Prior year operating lease commitments have been recorded on the balance sheet as lease liabilities at 30 June 2020, refer to section 5.5.

9.4: Events after reporting date

Citywide announced the execution of a Business Purchase Agreement ("BPA") in respect of the acquisition of the assets (not shares) of Gordon McKay Pty Ltd, including its Tasmanian subsidiary Frontline Electrical Pty Ltd on 22 July 2020. The BPA provides for a number of significant conditions precedent prior to moving to initial settlement and transfer of ownership (anticipated in late September 2020).

On 3rd August 2020, the Victorian Government announced Stage 4 restrictions to the Melbourne Metropolitan regions (and reversion to Stage 3 restrictions in the rest of the State of Victoria). To date, the detailed assessment of anticipated impacts on Citywide's business activities – at least in terms of the ability to continue to provide the bulk of services - suggests that the short term impacts resulting from the restrictions is moderate and not likely to be material.

9.5: Change in accounting policies and disclosures

The Group applied AASB 16 for the first time on 1 July 2019. The nature and the effect of the changes as a result of the adoption of this new accounting standard is described below.

Citywide Service Solutions Pty Ltd

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

AASB 16

The Group has adopted AASB 16 using the modified retrospective method of transition, with the date of initial application of 1 July 2019. Under the modified approach, the Group has chosen, on a lease-by-lease basis, to measure the related right-of-use asset at its carrying amount as if AASB 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

In accordance with the provisions of this transition approach, the Group recognised the cumulative effect of applying this new standard as an adjustment to opening retained earnings at the date of initial application i.e. 1 July 2019. Consequently, the comparative information presented has not been restated and continues to be reported under the previous standards on leases – AASB 117 and AASB Interpretation 4 Determining whether an arrangement contains a lease.

The nature and effect of the changes as a result of adoption of AASB 16 are as described below:

Definition of lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under Interpretation 4. Under AASB 16, the Group will continue to assess at contract inception whether a contract is, or contains, a lease but now uses the new definition of a lease.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are, or contain, leases. This means that for arrangements entered into before 1 July 2019, the Group has not reassessed whether they are, or contain, a lease in accordance with the new AASB 16 lease definition. Consequently, contracts existing prior to 1 July 2019 which were assessed per the previous accounting policy described below in accordance with AASB 117 and Interpretation 4 as a lease will be treated as a lease under AASB 16. Whereas, contracts previously not identified as a lease, will not be reassessed to determine whether they would meet the new definition of a lease in accordance with AASB 16. Therefore, the Group applied the recognition and measurement requirements of AASB 16 only to contracts that were previously identified as leases, and does not apply AASB 16 to contracts that were previously not identified as leases. The new definition of lease under AASB 16 will only be applied to contracts entered into or modified on or after 1 July 2019.

Incentives

Under AASB 117, lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease. Under AASB 16, Citywide recognises incentives as a reduction in lease payment when calculating the right-of-use asset and lease liabilities.

Assets in relation to make good provisions

Upon transition, the assets in relation to make good provisions were included as part of the right-of-use asset depending on their nature.

The Group as a lessee

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, this classification no longer exists for the Group as a lessee. Instead, practically all leases are now recognised on the statement of financial position as right-of-use assets with corresponding lease liabilities comprising all amounts which are considered to be lease payments (see Note 5.5 for the new leases policy which explains what amounts are included in lease payments).

Leases previously classified as operating leases under AASB 117

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all applicable leases.

The Group has applied the following practical expedients in transitioning existing operating leases:

- a. Applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment)
- b. Applied the exemption not to recognise right-of-use assets and lease liabilities where the remaining leases term is 12 months or less from the date of initial application
- c. Relied on its assessment of whether leases are onerous applying AASB 137 immediately before the date of initial application, as an alternative to undertaking an impairment review
- d. Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- e. Excluded initial direct costs from the measurement of right-of-use asset at the date of initial application.

Citywide Service Solutions Pty Ltd

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Reconciliation of operating lease commitments under AASB 117 and lease liabilities under AASB 16

As a lessee, the incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on the date of initial application was 3.0%.

The difference between the operating lease commitments disclosed previously by applying AASB 117 and the value of the lease liabilities recognised under AASB 16 on 1 July 2019 is explained as follows:

	1 July 2019
	\$'000
Right-of-use assets	12,858
Lease liabilities	(12,858)
Retained earnings	-
<p>The following table reconciles the Group's minimum lease commitments disclosed in the 30 June 2019 annual financial statements to the amount of lease liabilities recognised on 1 July 2019:</p>	
Operating lease commitments disclosed as at 30 June 2019	11,491
Discounted using the Group's weighted average incremental borrowing rate	7,573
Add: Finance lease liabilities as at 30 June 2019	-
Less: Short-term leases recognised on a straight-line basis as an expense	-
Less: Low-value leases recognised on a straight-line basis as an expense	-
Add/(less): Adjustments as a result of a different treatment of extension and termination options	5,285
Add/(less): Adjustments relating to changes in the index or rate	-
Lease Liability as at 1 July 2019	12,858

9.6: New accounting standards and interpretations

At the date of this financial report the following standards and interpretations which are applicable to the Group, have been issued but are not yet effective. The Group has not adopted and does not intend to adopt these standards early.

A discussion of their future requirements and their impact on the Group is as follows:

Standard / Interpretation ⁽ⁱ⁾	Summary	Applicable for annual reporting periods beginning on	Impact on Citywide's financial statements
AASB 2018-7 <i>Amendments to Australian Accounting Standards - Definition of Material</i>	This Standard principally amends AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> . The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 Jan 2020	The assessment has indicated that there will be no significant impact.

Citywide Service Solutions Pty Ltd

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2019-20 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on the Group's reporting.

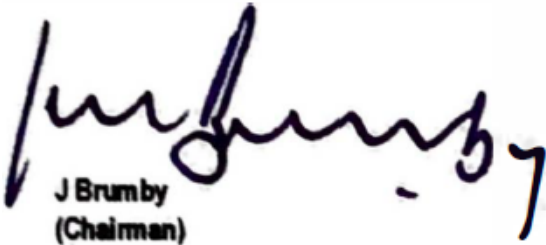
- *AASB 2017-4 Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments*
- *AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle*

Citywide Service Solutions Pty Ltd
DIRECTORS DECLARATION

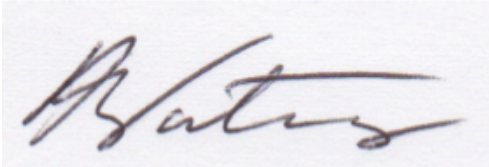
In the Director's opinion:

- a. The financial statements 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 2020 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 the 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)

24/09/2020

Independent Auditor's Report

To the Directors of CityWide Service Solutions Pty Ltd

Opinion	<p>I have audited the consolidated financial report of CityWide Service Solutions Pty Ltd (the company) and its controlled entities (together the consolidated entity), which comprises the:</p> <ul style="list-style-type: none"> • consolidated statement of financial position as at 30 June 2020 • consolidated statement of profit or loss and other comprehensive income for the year then ended • consolidated statement of changes in equity for the year then ended • consolidated statement of cash flows for the year then ended • notes to the financial statements, including significant accounting policies • directors' declaration. <p>In my opinion the financial report is in accordance with the <i>Corporations Act 2001</i> including:</p> <ul style="list-style-type: none"> • giving a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2020 and of their financial performance and cash flows for the year then ended • complying with Australian Accounting Standards and the <i>Corporations Regulations 2001</i>.
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the company and the consolidated entity in accordance with the auditor independence requirements of the <i>Corporations Act 2001</i> and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I confirm that the independence declaration required by the <i>Corporations Act 2001</i>, which has been given to the Directors of the company, would be in the same terms if given to the Directors as at the time of this auditor's report.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>

Directors' responsibilities for the financial report	<p>The Directors of the company are responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards and the <i>Corporations Act 2001</i>, 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.</p> <p>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.</p>
Auditor's responsibilities for the audit of the financial report	<p>As required by the <i>Audit Act 1994</i>, 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.</p> <p>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:</p> <ul style="list-style-type: none">• 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 September 2020



Sanchu Chummar

as delegate for the Auditor-General of Victoria

Auditor-General's Independence Declaration

To the Directors, CityWide Service Solutions Pty Ltd

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

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

Independence Declaration

As auditor for CityWide Service Solutions Pty Ltd for the year ended 30 June 2020, 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 September 2020



Sanchu Chummar

as delegate for the Auditor-General of Victoria