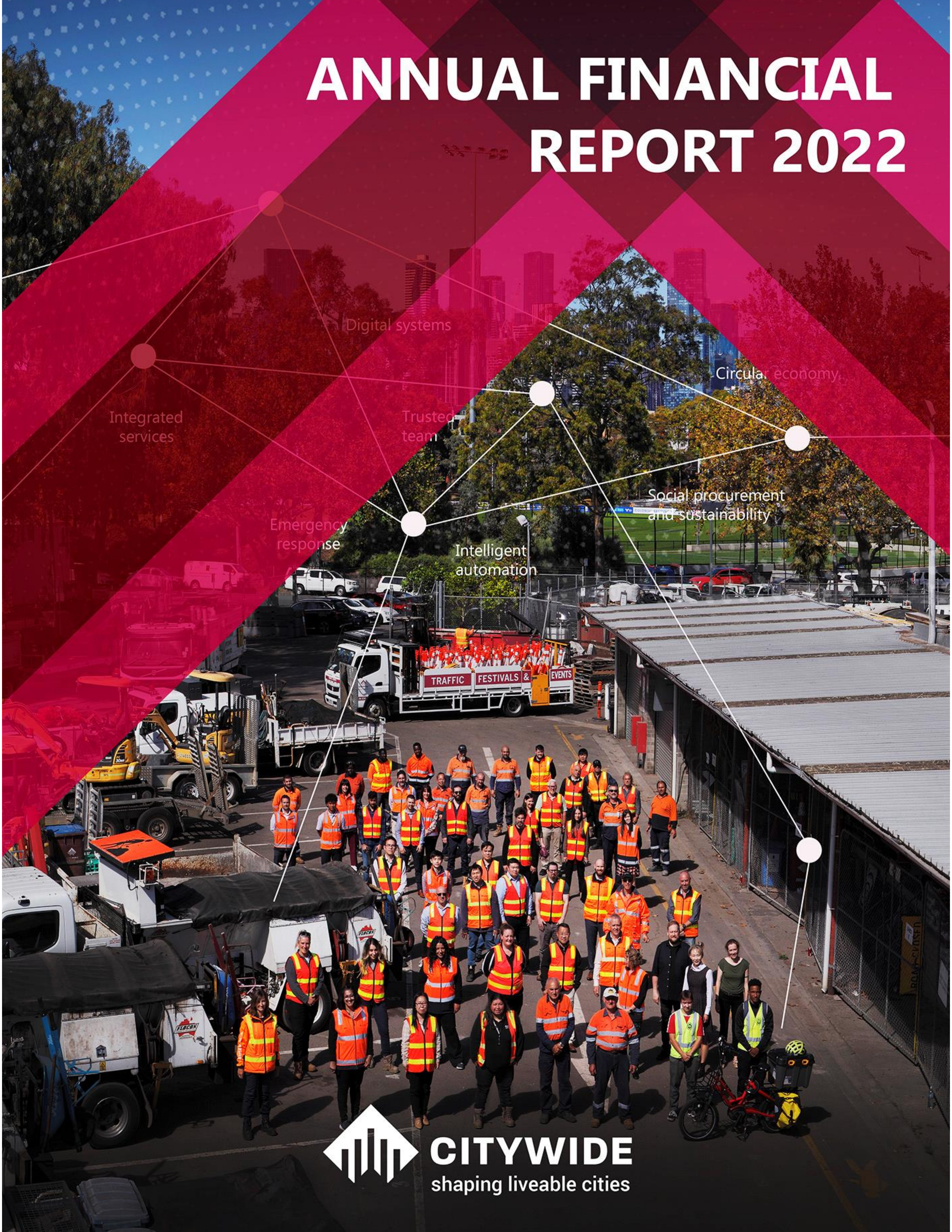
ANNUAL FINANCIAL REPORT 2022



CITYWIDE
shaping liveable cities

Directors' report for the year ended 30th June 2022

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;
- Andrea Waters;
- Prue Willsford; and
- John Grouios.

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 by providing a comprehensive range of quality physical and industrial services.

Trading results *

The Group's profit from ordinary activities, before income tax equivalents ("PBT"), for the year was $6,429,000 (FY2021: $5,304,000).

The Group reported a $4,497,000 Net Profit after tax ("NPAT") result for the year (FY2021: $3,552,000), after deducting income tax equivalents of $1,932,000 (FY2021: $1,752,000).

Revenue from ordinary activities increased by $49,530,000 (16.4%) to $350,276,000 (FY2021: $300,746,000) as a result of the full year impact of acquisitions acquired in FY2021.

The Group's Total Operating Expenses were $343,847,000, 16.3% higher than prior year (FY2021: $295,442,000), similarly as a result of the full year impact of acquisitions acquired in FY2021.

Balance Sheet

The Group's balance sheet remains sound. The Group's Net Asset position increased slightly to $116,639,000 (FY2021: $116,142,000).

Dividends

The Directors of the Company have declared a dividend of 21.7 cents (FY2021: 22.8 cents) per Ordinary Share for the year ended 30 June 2022.

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

	2022	2021
	$	$
Dividend of 21.7 cents (FY2021: 22.8 cents) per fully paid Ordinary Share.	4,000,000	4,200,000

The Dividend declared represents an 89% payout ratio on NPAT.

Review and Results of Operations

The Group's trading result (PBT) totalling $6,429,000 was $1,125,000 or 21.2% higher than FY2021. Key contributors to the result were Municipal, Civil Infrastructure and Waste services, followed by Utilities. The Asphalt Joint Venture's performance deteriorated during the year for a number of reasons including: COVID-19 disruptions; a heavier concentration of infrastructure works in the East of Melbourne and raw material pricing (such as Bitumen prices and energy costs) not able to be fully passed through to customers.

The PBT result was realised despite specific circumstances detailed below, including: significant COVID-19 financial impacts; wet weather and flood impacts; investments in growth and transformation (not realised); and a challenging trading environment.

* FY21 results have been retrospectively adjusted as a consequence of interpretation changes by the International Financial Reporting Standards Interpretations Committee (IFRIC) in relation to IAS 38: Intangible Assets - specifically in relation to Cloud Computing Costs. Appropriate disclosures are contained in the Financial Statements.

Significant, Notable Impacts on Performance (COVID-19, Flooding (NSW/QLD), and Fuel Price)

1. *COVID-19*

   Since March 2020, the Group has actively managed the resulting commercial, operational and reputational risks associated with COVID-19. Citywide's COVID-19 plans are comprehensive and embedded throughout operations and ensured that the Group's operating rhythm remained consistent across the business.

   Most notably in FY22, the Group experienced significant financial impacts resulting from COVID-19 in the form of: major resourcing gaps (at times up to 10% of the total workforce); supply chain impacts noticeable on specific contracts which in turn impacted efficiency greatly; and operational impacts associated with social distancing and close contact management.

2. *Flooding and Wet Weather Events (NSW/QLD)*

   Flooding in NSW and QLD exacerbated the difficult trading conditions caused by COVID-19 – impacting project delivery in terms of site access, efficiency impacts on site and various delays in program delivery (including new project start dates being deferred in some instances).

3. *Fuel Price Impacts*

   The Group's extensive fleet and associated fuel costs were adversely impacted by rising fuel costs. The average fuel price for June 2022 was $1.90 per litre, compared to June 2021 – an average of $1.24 per litre – an increase of 53%. The impacts vary between contracts but ultimately the net adverse impact on PBT is estimated at $800,000 in FY2022.

In aggregate (COVID-19; Floods and Fuel Price impacts), the Group's PBT result was adversely impacted by approximately $4,000,000 in FY2022.

Growth and Transformation

The Group's direct investment in Growth, consistent with our transformation strategy, continued in FY2022. There were no acquisitions completed during the year.

Organic Growth opportunities may remain subdued in the short-term in some Local Government markets due to COVID-19 impacts and resource shortages (where we are seeing instances of councils extending contracts due to concerns about new supplier resourcing and supply chain constraints, e.g., fleet and equipment).

Other matters

More broadly, Citywide's Digital Transformation, and specifically the ongoing investment in our systems, represents a sound platform for performance improvement opportunities in due course.

Significant Changes in the State of Affairs

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 were refreshed in FY2022 in an effort to improve the alignment of Strategy to our Vision and to remain relevant with changes in the market. The pillars to achieving our strategy remain: **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, continued to be a critical focus, and something that underpins the company's operations, and is considered part of our Culture.

The Group is continuously investigating opportunities to expand and grow its business, noting the recent successful establishment of the Citywide Utilities and Energy business unit. 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 will continue to 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.

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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.

The Board's responsibilities include: determining and reviewing the Group's strategic direction and operational policies, establishing targets for Management then 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 Executives, approving significant business transactions, monitoring risk exposures and risk management systems, including those relating to Occupational Health and Safety, 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. 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, with current Committees comprising: Remuneration & Nominations; Audit and Finance; Safety, Risk and Environment; and Business Growth. Each Committee 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 appropriate, recommendations are put to the full Board for decision. The Chief Executive Officer is an *ex officio* attendee of all Board Committees. Other Executive 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 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.

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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 2022, and the number of meetings attended by each Director, are set out below:

	Board of Directors		Audit & Finance Committee		Remuneration & Nomination Committee		Safety, Risk & Sustainability Committee		Business Growth Committee		Digital Reference Group	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J Brumby	9	9			3	3	4	4			1	1
A Waters	9	9	4	4					9	8	1	1
P Willsford	9	9	4	4	3	3					1	1
P Hardy	9	9					4	3	9	7	1	1
P Lamell	9	9			3	3	4	4	9	9	1	1
J Grouios	9	9	4	4					9	9	1	0

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, against 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

A Planning Scheme Amendment for the Arden Structure Plan was gazetted on 28th July 2022. This amendment has the potential to impact the valuation of Citywide's North Melbourne land from the date of the gazettal. A re-valuation has not yet been undertaken due to a lack of comparable market data in the precinct at this time.

Post Balance date the Multi Option Facility has been renewed, as detailed in Note 4.2 of the Annual Report.

There were no other material matters or circumstances not mentioned within this Report, which have arisen between 30th June 2022 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)
29 August 2022

* FY21 results have been retrospectively adjusted as a consequence of interpretation changes by the International Financial Reporting Standards Interpretations Committee (IFRIC) in relation to IAS 38: Intangible Assets - specifically in relation to Cloud Computing Costs. Appropriate disclosures are contained in the Financial Statements.

Consolidated Financial Statements for Citywide Service Solutions Pty Ltd ACN 066 960 085 for the year ended 30 June 2022

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $'000	2021 $'000
Revenue from operations			
Revenue from customers	2.1	**349,704**	300,050
Other income	2.2	**572**	696
Total revenue from operations		**350,276**	**300,746**
Expenses from operations			
Employee benefits	3.1	**133,149**	118,412
Contractor costs	3.2	**78,908**	67,168
Materials and services	3.3	**88,999**	71,002
Depreciation	4.1	**12,484**	12,630
Amortisation - Intangible assets	4.3	**1,285**	903
Amortisation - Right-of-use assets	4.4	**4,604**	4,144
Finance costs - Leases	5.6	**470**	387
Other expenses	3.4	**23,948**	20,796
Total expenses from operations		**343,847**	**295,442**
Profit before income tax equivalents		**6,429**	**5,304**
Income tax equivalents expense	7.1	**1,932**	1,752
Profit after income tax equivalents		**4,497**	**3,552**
Other comprehensive income/(loss) for the year, net of tax		**-**	**-**
Total comprehensive income for the year, net of tax		**4,497**	**3,552**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4.2	**9,166**	13,552
Trade and other receivables	5.1	**49,608**	56,432
Inventories	5.2	**2,697**	1,546
Other assets	5.3	**14,254**	8,376
Total current assets		**75,725**	**79,906**
Non-current assets			
Property, plant and equipment	4.1	**106,694**	113,180
Right-of-use assets	4.4	**13,419**	15,763
Deferred tax assets	7.2	**9,941**	10,133
Intangible assets	4.3	**32,620**	33,905
Total non-current assets		**162,674**	**172,981**
TOTAL ASSETS		**238,399**	**252,887**
LIABILITIES			
Current liabilities			
Trade and other payables	5.4	**45,852**	53,619
Contract liabilities	5.5	**5,396**	4,078
Employee provisions	3.1	**15,393**	14,223
Lease liabilities	5.6	**3,751**	3,711
Current tax liabilities		**1,221**	2,471
Dividends payable	6.5	**4,000**	4,200
Loans and borrowings	5.7	**13,200**	12,000
Total current liabilities		**88,813**	**94,302**
Non-current liabilities			
Trade and other payables	5.4	**-**	1,087
Employee provisions	3.1	**871**	816
Lease liabilities	5.6	**10,085**	12,388
Loans and borrowings	5.7	**-**	6,200
Deferred tax liabilities	7.2	**21,991**	21,952
Total non-current liabilities		**32,947**	**42,443**
TOTAL LIABILITIES		**121,760**	**136,745**
NET ASSETS		**116,639**	**116,142**
EQUITY			
Contributed equity	6.1	**18,406**	18,406
Retained earnings	6.1	**61,461**	60,964
Asset revaluation reserve	6.1	**36,772**	36,772
TOTAL EQUITY		**116,639**	**116,142**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Contributed equity $'000	Retained earnings $'000	Asset revaluation reserve $'000	Total $'000
Balance at 1 July 2020	18,406	61,612	36,772	116,790
Profit after income tax equivalents	-	3,552	-	3,552
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year, net of tax	-	3,552	-	3,552
Transactions with owners in their capacity as owners:				
Dividends provided	-	(4,200)	-	(4,200)
Balance at 30 June 2021	**18,406**	**60,964**	**36,772**	**116,142**
Balance at 1 July 2021	**18,406**	**60,964**	**36,772**	**116,142**
Profit after income tax equivalents	**-**	**4,497**	**-**	**4,497**
Other comprehensive income for the year, net of tax	**-**	**-**	**-**	**-**
Total comprehensive income for the year, net of tax	**-**	**4,497**	**-**	**4,497**
Transactions with owners in their capacity as owners:				
Dividends provided	**-**	**(4,000)**	**-**	**(4,000)**
Balance at 30 June 2022	**18,406**	**61,461**	**36,772**	**116,639**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**356,528**	277,147
Payments to suppliers and employees (inclusive of GST)		**(334,015)**	(263,300)
Interest received	2.2	**57**	49
Interest paid	3.4	**(264)**	(207)
Income tax equivalents paid		**(2,951)**	(587)
Net cash flows from operating activities		**19,355**	**13,102**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**661**	1,090
Purchase of property, plant and equipment	4.1	**(6,578)**	(7,212)
Payment to new business vendors as part of acquisition		**(3,544)**	(15,235)
Net cash flows used in investing activities		**(9,461)**	**(21,357)**
Cash flows from financing activities			
Proceeds from borrowings		**17,000**	29,200
Repayment of borrowings		**(22,000)**	(11,000)
Repayment of lease liabilities	5.6	**(4,610)**	(3,866)
Interest paid - lease liabilities	5.6	**(470)**	(387)
Dividends paid	6.5	**(4,200)**	(2,000)
Net cash flows (used in)/provided by financing activities		**(14,280)**	**11,947**
Net (decrease)/increase in cash and cash equivalents		**(4,386)**	**3,692**
Cash and cash equivalents at beginning of year		**13,552**	9,860
Cash and cash equivalents at end of year	**4.2**	9,166	**13,552**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

1. ABOUT THIS REPORT

The financial statements comprise the Consolidated Financial Statement 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 physical services and quality Asphalt products.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2022.

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

Finance Costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Current and Non-current classification

Assets and liabilities are presented in the Consolidated Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity’s normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity’s normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

1. ABOUT THIS REPORT (continued)

Goods and Services Tax ("GST") and other similar taxes

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case, it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivable and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables, or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Principal accounting policies

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.

Details of the Group's accounting policies and changes to significant accounting policies are described in the financial statements.

Going concern basis of accounting

The Consolidated Financial Statements have been prepared on a going concern basis. 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.

1.2. Impact of COVID-19

During 2021-22 the COVID-19 pandemic continued to impact on Citywide's operations. Citywide has noted the following significant impacts on its financial performance:

A reduction in revenue against Budget of $3.6m (2021: $4.5m) and reduced expenses of $2.9m (2021: $3.1m) in relation to the Traffic and Events business where several events were cancelled and the Asphalt Joint Venture having plant shutdowns due to COVID-19 restrictions.

The Group earned additional revenue of $0.7m (2021: $11.7m) that were directly related to COVID-19, for cleaning and sanitisation work that were fully or partially funded by the Victorian State Government including the Work for Victoria program.

Additional expenditure of $2.7m (2021: $11.8m) was incurred to complete works on various Local Government contracts (including the Work for Victoria program) due to COVID-19 labour shortages and supply chain delays and there were financial impacts associated with labour expenditure for COVID-19 positive cases or close contacts affecting employees who were unable work.

The total financial impact of COVID-19 on the Group's Net Profit Before Tax has been estimated at $2.7m (2021: $1.5m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

1. ABOUT THIS REPORT (continued)

1.3. Critical accounting judgements 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
Right-of-use assets	4.4
Inventories	5.2
Acquisitions	6.4
Recovery of deferred tax assets	7.2
Fair value assets and liabilities	8.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

1. ABOUT THIS REPORT (continued)

1.4. Configuration or Customisation Costs in a Cloud Computing Arrangement

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, Configuration or Customisation Costs in a Cloud Computing Arrangement.

The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group's accounting policy has historically been to capitalise all costs related to cloud computing arrangements as intangible assets in the Statement of Financial Position. Prior to capitalisation, costs are captured as work in progress within property, plant and equipment. The adoption of this agenda decision has resulted in an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the current year and derecognition of previously held work in progress and recognition of a prepayment as an opening balance adjustment to prior year. This change in accounting policy has been applied retrospectively and the prior period comparative amounts restated.

The following table presents the impact of the 1 July 2021 restatement on the comparative information for the prior year ending 30 June 2021.

Consolidated Statement of Financial Position as at 30 June 2021

In thousands of AUD	**As previously reported**	**Adjustment**	**As restated**
Property, plant and equipment	116,967	(3,787)	113,180
Prepayments	2,069	2,185	4,254
Other net assets/(liabilities)	(1,772)	480	(1,292)
Net asset	**117,264**	**(1,122)**	**116,142**
Contributed equity	18,406	-	18,406
Retained earnings	62,086	(1,122)	60,964
Asset revaluation reserve	36,772	-	36,772
Total equity	**117,264**	**(1,122)**	**116,142**

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2021

In thousands of AUD	**As previously reported**	**Adjustment**	**As restated**
Revenue from operations	300,746	-	300,746
Expenses from operations	294,632	(809)	295,442
Profit before income tax equivalents	**6,114**	**(809)**	**5,304**
Income tax equivalents expense	(1,995)	243	(1,752)
Profit after income tax equivalents	**4,119**	**(566)**	**3,552**

The Group has assessed the net impact from adopting the IFRIC decision on prior year’s Consolidated Statement of Cash Flows to be immaterial and has not restated this financial statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

2. OUR REVENUE

2.1. Revenue from customers

The following disaggregates revenue through service and nature of goods sold, geographical location and type of contract.

	2022	2021
	$'000	$'000
Rendering of services	**327,373**	279,485
Sale of goods	**22,331**	20,565
	349,704	**300,050**
Disaggregation of revenue		
Type of service		
Infrastructure	**64,391**	73,516
Waste management	**64,501**	51,234
Open space	**90,771**	94,227
Utilities	**102,947**	44,892
Other	**4,763**	15,616
	327,373	**279,485**
Type of goods		
Asphalt	**22,331**	20,565
	22,331	**20,565**
Geographical region		
VIC	**264,113**	258,197
NSW	**53,735**	21,483
QLD	**9,249**	9,542
ACT	**4,693**	4,506
TAS	**17,914**	6,322
	349,704	**300,050**
Timing of revenue recognition		
Products and services transferred over time	**327,373**	279,485
Products transferred at a point in time	**22,331**	20,565
	349,704	**300,050**
Type of contract		
Contract Revenue	**191,697**	184,548
Non-Contract Revenue	**158,007**	115,502
	349,704	**300,050**
Contract liabilities (deferred revenue)	**5,396**	4,078

The Group recognised contract liabilities of $4.1m at 30 June 2021 as revenue in 2021-22 following the satisfaction of its specific performance obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

2. OUR REVENUE (continued)

Remaining performance obligations

	FY2023 $'000	FY2024 to FY2027 $'000	>FY2027 $'000
Expected contract revenue from existing contracts	151,990	244,700	59,026

Recognition and measurement

Rendering of services refers to revenue from service contracts and is recognised over time as the services are provided. Invoices are issued according to contractual terms and are usually payable within 30 days. 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. Invoices are raised at that point in time and usually payable within 30 days.

Revenue from the sale of goods is recognised when the goods have been accepted by customers at our premises. Invoices are generated at that point in time and are usually payable within 30 days.

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

	2022 $'000	2021 $'000
Gain/(loss) on disposal of property, plant and equipment, net of costs	**515**	647
Interest received	**57**	49
	572	**696**

The gain 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

3. THE COST OF OUR OPERATIONS

3.1. Employee benefits and employee provisions

3.1.1. Employee benefits expenses

	2022 $'000	2021 $'000
Employee benefits	**133,149**	118,412
	133,149	**118,412**

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

Recognition and measurement

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 (10.0% 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 benefits plan accounting as allowed under AASB 119 Employee Benefits.

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

Citywide Service Solutions Pty Ltd makes employer contributions to the defined benefits category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. The most recent full actuarial investigation conducted by the Fund's Actuary is at 30 June 2022 with the Group making the following contributions, in line with the 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 2022, the Fund's Actuary estimated the VBI to be 143.7%.

	2022 $'000	2021 $'000
Employer contributions to complying superannuation funds	**7,802**	7,416
Employer contributions payable to complying superannuation funds at reporting date	**879**	844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

3. THE COST OF OUR OPERATIONS (continued)

3.1.2. Employee benefits provisions

	2022	2021
	$'000	$'000
Current expected to be settled within 12 months		
Annual leave	**10,015**	9,291
Long service leave	**642**	392
	10,657	**9,683**
Current expected to be settled after 12 months		
Long service leave	**4,736**	4,540
	4,736	**4,540**
Total current balance	**15,393**	**14,223**
Non-current		
Long service leave	**871**	816
	871	**816**

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:

	2022	2021
Discount rate	2.4% - 3.7%	(0.02%) - 1.5%
Wage inflation rate	3.0%	2.4%
Settlement period	7 years	7 years

3.2. Contractor costs

	2022	2021
	$'000	$'000
Civil services	**25,790**	33,263
Open space services	**20,396**	18,350
Environmental services	**8,564**	8,917
Utilities services	**24,089**	6,334
Other services	**69**	304
	78,908	**67,168**

Recognition and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

3. THE COST OF OUR OPERATIONS (continued)

3.3. Materials and services

	2022	2021
	$'000	$'000
Raw materials and consumables used	**54,855**	46,436
Fleet costs	**14,530**	13,148
Waste tipping	**19,614**	11,418
	88,999	**71,002**

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

	2022	2021
	$'000	$'000
Occupancy costs	**3,801**	4,439
Finance cost – interest charges paid	**264**	207
Auditors' remuneration:		
Audit of financial statements	**115**	110
Internal audit services	**204**	224
Consultancy	**3,028**	1,899
IT maintenance & subscriptions	**3,345**	2,965
Administrative related expenses	**835**	2,042
Insurance	**2,058**	2,465
Legal costs	**591**	791
Equipment repair, maintenance & tools	**4,424**	1,873
Equipment hire	**2,862**	1,897
Training	**658**	643
Other expenses	**1,763**	1,241
	23,948	**20,796**

Recognition and measurement

Occupancy costs include rates, utilities and facility maintenance costs. Occupancy costs are recognised when the benefits are consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS

4.1. Property, plant and equipment

	Land	Buildings	Work in progress	Plant and equipment	Motor vehicles	Leasehold improvements	Total
Critical accounting estimates and judgement							
Depreciation policy	Not applicable	Portables: 5-10 years Other: 40 years	Not applicable	1 - 15 years	3 - 10 years	Various[1]	
2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost							
Opening balance	**56,900**	**4,894**	**2,695**	**41,379**	**86,577**	**6,358**	**198,803**
Additions	**-**	**-**	**1,441**	**2,732**	**1,795**	**610**	**6,578**
Disposals	**-**	**-**	**-**	**(557)**	**(2,998)**	**-**	**(3,555)**
Assets held for sale	**-**	**-**	**-**	**(643)**	**(1,816)**	**-**	**(2,459)**
Transfers of assets	**-**	**-**	**(1,726)**	**224**	**614**	**888**	**-**
Closing balance	**56,900**	**4,894**	**2,410**	**43,135**	**84,172**	**7,856**	**199,367**
Accumulated depreciation and impairment							
Opening balance	-	**(2,543)**	**-**	**(28,361)**	**(51,384)**	**(3,335)**	**(85,623)**
Depreciation	-	**(191)**	**-**	**(3,331)**	**(8,071)**	**(891)**	**(12,484)**
Disposals	-	**-**	**-**	**528**	**2,882**	**-**	**3,410**
Assets held for sale	-	**-**	**-**	**631**	**1,393**	**-**	**2,024**
Transfers of assets	-	**-**	**-**	**(45)**	**35**	**10**	**-**
Closing balance	**-**	**(2,734)**	**-**	**(30,578)**	**(55,145)**	**(4,216)**	**(92,673)**
Carrying value 30 June 2022	**56,900**	**2,160**	**2,410**	**12,557**	**29,027**	**3,640**	**106,694**
2021							
Cost							
Opening balance	56,900	4,689	2,045	40,656	83,758	5,797	193,845
Additions	-	153	650	1,168	4,677	564	7,212
Acquisition of a business	-	52	-	513	2,579	-	3,144
Disposals	-	-	-	(958)	(4,437)	(3)	(5,398)
Closing balance	**56,900**	**4,894**	**2,695**	**41,379**	**86,577**	**6,358**	**198,803**
Accumulated depreciation and impairment							
Opening balance	-	(2,231)	-	(25,553)	(47,410)	(2,754)	(77,948)
Depreciation	-	(312)	-	(3,624)	(8,110)	(584)	(12,630)
Disposals	-	-	-	816	4,136	3	4,955
Closing balance	**-**	**(2,543)**	**-**	**(28,361)**	**(51,384)**	**(3,335)**	**(85,623)**
Carrying value 30 June 2021	**56,900**	**2,351**	**2,695**	**13,018**	**35,193**	**3,023**	**113,180**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS (continued)

4.1. Property, plant and equipment (continued)

Recognition and measurement

Buildings, plant and equipment and motor vehicles

Buildings, plant and equipment and motor vehicles are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item and subsequent costs incurred to replace parts that are eligible for capitalisation. When each major inspection is performed, its cost is recognised on the carrying amount of the plant and equipment as a replacement only if eligible for capitalisation. All other repairs and maintenance costs are recognised in the statement of profit or loss and other comprehensive income as incurred. Depreciation is calculated on a straight-line basis and recognised to write off the cost of assets 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 28 June 2021 and performed by Charter Keck Cramer, a licensed 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 (2021: $56,900,000). The historical cost of land is $5,741,000.

The land valuation has remained consistent with the 2021 valuation due to significant market uncertainties including:

- COVID-19 is impacting the market;
- Development site sales activity has been limited to virtually non-existent within the North Melbourne precinct over the last 12 months; and
- There is a level of uncertainty which currently exists in the Arden precinct due to future planning conditions. This relates to the Victorian State Government Arden Precinct Structure Plan which is yet to be finalised coupled with the uncertainty of future developer contributions with any proposed redevelopment.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS (continued)

4.2. Cash and cash equivalents

	2022 $'000	2021 $'000
Current		
Cash and cash equivalents	**9,166**	13,552
	9,166	**13,552**

Cash at bank attracts interest rates of 2022: 0 - 0.70% (2021: 0 - 0.25%).

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.

Banking Facilities

At balance date Citywide had a Multi Option Facility of $38.7m in place with $13.2m (2021: $18.2m) of borrowings drawn down and classified as a current liability (refer Note 5.7) due to Citywide not having an unconditional right to defer settlement as at 30 June 2022 for a period beyond at least 12 months.

Post balance date the Multi Option Facility has been renewed and the $13.2m will not be settled within 12 months. The Banking Facilities comprise of a $38.7m Multi Option Facility with interchangeable limits between a Revolving Asset Finance Facility (2022:$20.0m (2021: $0.0m)), Cash Advance Facility (2022: $16.2m (2021: $36.2m)) and an Overdraft Facility (2022: $2.5m (2021: $2.5m)). The facilities are secured with a 1st ranking fixed and floating charge over the net assets of the Group. Subject to the continuance of satisfactory covenants achievement, the banking facilities may be drawn at any time. The banking facilities may be terminated by the bank if the Group defaults under the loan agreement. The facilities expire on 27 July 2025.

	2022 $'000	2021 $'000
Reconciliation of net cash provided by operating activities to net profit after income tax equivalents		
Net Profit after income tax equivalents	**4,497**	**3,552**
Non-cash items in operating profit:		
Depreciation / amortisation of non-current assets	**18,373**	17,677
Net (gain) / loss on disposal of non-current assets	**(515)**	(647)
Provision for doubtful debts	**135**	(185)
Interest paid - lease liabilities	**470**	387
Changes in operating assets and liabilities:		
(Increase)/decrease in prepayments, trade and other receivables	**(4,295)**	(13,783)
(Increase)/decrease in amounts owing by ultimate parent entity	**5,542**	(7,216)
(Increase)/decrease in inventories	**(1,151)**	(898)
(Increase)/decrease in deferred tax equivalent assets	**192**	(37)
Increase/(decrease) in trade and other payables	**(5,310)**	8,934
Increase/(decrease) in employee entitlements	**1,225**	3,465
Increase/(decrease) in current tax equivalent liabilities	**(1,250)**	2,365
Increase/(decrease) in other liabilities	**1,442**	(512)
Net cash flows from operating activities	**19,355**	**13,102**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS (continued)

4.3. Intangible assets

	Goodwill	Software	Customer relationships	Total
Critical accounting estimates and judgement				
Amortisation policy	Not applicable	3 - 5 years	5 years	
2022	**$'000**	**$'000**	**$'000**	**$'000**
Cost				
Opening balance	**39,891**	**1,497**	**4,567**	**45,955**
Closing balance	**39,891**	**1,497**	**4,567**	**45,955**
Accumulated amortisation and impairment				
Opening balance	**(9,339)**	**(734)**	**(1,977)**	**(12,050)**
Amortisation	**-**	**(301)**	**(984)**	**(1,285)**
Closing balance	**(9,339)**	**(1,035)**	**(2,961)**	**(13,335)**
Carrying value 30 June 2022	**30,552**	**462**	**1,606**	**32,620**
2021				
Cost				
Opening balance	28,440	1,497	1,500	31,437
Additions	11,451	-	3,067	14,518
Closing balance	**39,891**	**1,497**	**4,567**	**45,955**
Amortisation and impairment				
Opening balance	(9,339)	(308)	(1,500)	(11,147)
Amortisation	-	(426)	(477)	(903)
Closing balance	**(9,339)**	**(734)**	**(1,977)**	**(12,050)**
Carrying value 30 June 2021	**30,552**	**763**	**2,590**	**33,905**

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS (continued)

4.3. Intangible assets (continued)

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 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:

	2022	2021
	$'000	$'000
Victoria operations	**9,588**	9,588
NSW/ACT operations	**3,325**	3,325
Technigro	**6,188**	6,188
Gordon McKay	**4,104**	4,104
Frontline Electrical	**2,887**	2,887
Ultegra	**4,460**	4,460
	30,552	**30,552**

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 for each CGU was determined to be in excess of the carrying value and therefore no impairment was recognised.

Key assumptions used in the discounted cash flow projections

Future cash flows have been based on the financial year 2023 budget and overlaid with appropriate discount and growth rates. The discount and growth rate assumptions are as follows:

	2022	2021
Discount rate (WACC)	**5.80%**	5.80%
Budgeted EBITDA growth rate	**2.95%**	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS (continued)

4.3. Intangible assets (continued)

Each CGU has five years of cash flows included in its discounted cash flow model and a terminal growth rate thereafter. The discounted cash flow models the first year cash flow which is based on the financial year 2023 budget. For the purposes of calculating a terminal value after 5 years' management has estimated a long term growth rate based on past experience and expectations for the future.

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	2022	2021
Discount rate (WACC)	**1.85%**	1.90%
Budgeted EBITDA growth rate	**(1.25)%**	(1.90)%

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS (continued)

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.

	Buildings	Motor vehicles	Total
2022	**$'000**	**$'000**	**$'000**
Opening balance	**13,928**	**1,835**	**15,763**
Additions	**894**	**-**	**894**
Amortisation	**(3,223)**	**(1,381)**	**(4,604)**
Leases terminated	**-**	**(33)**	**(33)**
Lease modification	**1,011**	**388**	**1,399**
Closing balance	**12,610**	**809**	**13,419**
Total as at 30 June 2022 represented by			
Cost	**20,324**	**4,780**	**25,104**
Accumulated Depreciation	**(7,714)**	**(3,971)**	**(11,685)**
Total	**12,610**	**809**	**13,419**
2021			
Opening balance	12,361	3,330	15,691
Additions	2,703	232	2,935
Amortisation	(2,724)	(1,420)	(4,144)
Leases terminated	(430)	(210)	(640)
Lease modification	2,018	(97)	1,921
Closing balance	**13,928**	**1,835**	**15,763**
Total as at 30 June 2021 represented by			
Cost	18,313	4,519	22,832
Accumulated Depreciation	(4,385)	(2,684)	(7,069)
Total	**13,928**	**1,835**	**15,763**

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	29	1 - 6 year	9	0
Motor vehicles	292	3 years	0	0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

5. OTHER ASSETS AND LIABILITIES

5.1. Trade and other receivables

	2022 $'000	2021 $'000
Current		
Trade receivables	**38,914**	40,071
Less: Allowance for impairment of receivables	**(383)**	(248)
	38,531	**39,823**
Amounts owing from ultimate parent entity	**11,067**	16,609
Other debtors	**10**	-
	49,608	**56,432**

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.

	2022 $'000	2021 $'000
Movement in allowance for impairment		
Opening balance	**(248)**	(433)
Net remeasurement of loss allowance	**(266)**	176
Amounts written-off	**131**	9
Closing balance	**(383)**	**(248)**

Impaired trade and other receivable

The Group has recognised $266,000 loss (gain in 2021: $176,000) in the Statement of Profit or Loss and Other Comprehensive Income in respect of bad and doubtful trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

5. OTHER ASSETS AND LIABILITIES (continued)

5.2. Inventories

	2022 $'000	2021 $'000
Current		
Inventories	**2,697**	1,546
	2,697	**1,546**

Recognition and measurement

Impairment losses on Inventories are presented under 'other expenses', similar to the presentation under AASB 139, and not presented separately in the Statement of Profit or Loss and Other Comprehensive Income due to materiality considerations.

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.

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.

5.3. Other assets

	2022 $'000	2021 $'000
Current		
Accrued revenue - Unbilled services	**6,906**	4,093
Prepayments	**6,888**	4,254
Other current assets	**24**	29
Assets held for sale	**436**	-
	14,254	**8,376**

Recognition and measurement

Accrued revenue

Accrued revenue 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 revenue is recognised at the time the service is provided.

Prepayments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

5. OTHER ASSETS AND LIABILITIES (continued)

5.4. Trade and other payables

	2022 $'000	2021 $'000
Current		
Trade and other payables	**44,714**	50,029
Contingent consideration for acquisitions	**1,087**	3,544
Amount owing to ultimate parent entity	**48**	43
Security Deposits	**3**	3
	45,852	**53,619**
Non-current		
Contingent consideration for acquisitions	**-**	1,087
	45,852	**54,706**

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.

Contingent consideration for acquisitions

As part of the acquisitions of the Gordon McKay, Frontline Electrical and Ultegra businesses, the Group recognised a liability for contingent consideration which will be paid if certain earnings targets are met and key employees and customers are retained by the acquired entity. This contingent consideration was therefore taken into account in determining the amount of goodwill on acquisition.

5.5. Contract liabilities

	2022 $'000	2021 $'000
Current		
Contract liabilities	**5,396**	4,078
	5,396	**4,078**

Contract liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

5. OTHER ASSETS AND LIABILITIES (continued)

5.6. Lease liabilities

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% (2021: 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.

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 that 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.

	2022 $'000	2021 $'000
Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income		
Interest on lease liabilities	**470**	387
Expenses relating to short-term leases	**100**	96
	570	**483**

	2022 $'000	2021 $'000
Maturity analysis - undiscounted contractual cash flows		
Less than one year	**4,122**	4,261
One to five years	**7,307**	10,642
More than five years	**4,265**	8,441
Total undiscounted contractual cash flows	**15,694**	**23,344**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

5. OTHER ASSETS AND LIABILITIES (continued)

5.6. Lease liabilities (continued)

	2022	2021
	$'000	$'000
Lease liabilities recognised in the Statement of Financial Position		
Current	**3,751**	3,711
Non-current	**10,085**	12,388
	13,836	**16,099**

	2022	2021
	$'000	$'000
Amounts recognised in Statement of Cash Flows		
Total cash outflow for leases	**(5,080)**	**(4,253)**
Represented by:		
Repayment of lease liabilities	**(4,610)**	(3,866)
Interest paid - lease liabilities	**(470)**	(387)

5.7. Loans and borrowings

	2022	2021
	$'000	$'000
Current		
Secured bank loans	**13,200**	12,000
	13,200	**12,000**
Non-current		
Secured bank loan	**-**	6,200
	-	**6,200**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

6. OUR CAPITAL STRUCTURE

6.1. Equity and reserves

Contributed equity

	2022 $'000	2021 $'000
Ordinary shares - fully paid	**18,406**	18,406

Movement in ordinary share capital

	2022		2021	
	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	**18,405,629**	**18,406**	**18,405,629**	**18,406**

Recognition and measurement

Ordinary shares

Ordinary shares are classified as equity. 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, asset revaluation reserve 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 1.51% (2021: 1.37%). The Group's net debt (total borrowings less cash and cash equivalents) to total equity was 0.03 (2021: 0.04). There were no changes in the Group's approach to capital management during the year.

Retained earnings and reserves	2022 $'000	2021 $'000
Retained profits at the beginning of the financial year	**60,964**	**61,612**
Net profit attributable to members of the company	**4,497**	3,552
Total available for appropriation	**65,461**	**65,164**
Dividends provided for or paid (Note 6.5)	**(4,000)**	(4,200)
Retained profits at the end of the financial year	**61,461**	**60,964**
Earnings per share for profit attributable to the ordinary equity owners of the Company	**24.40**	**19.30**

Asset revaluation reserve	2022 $'000	2021 $'000
Opening balance	**36,772**	36,772
Movement	**-**	-
Closing balance	**36,772**	**36,772**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

6. OUR CAPITAL STRUCTURE (continued)

6.1. Equity and reserves (continued)

A revaluation of land held by the Group was conducted by independent valuers on 28 June 2021. There was no change in the asset revaluation reserve at 30 June 2022 (2021: $0m).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

6. OUR CAPITAL STRUCTURE (continued)

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.

6.2.1. Summary financial information

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

	2022 $'000	2021 $'000
Statement of Profit or Loss and Other Comprehensive Income		
Profit or (loss) for the year	**(564)**	(3,695)
Other comprehensive income	**-**	-
Total comprehensive income	**(564)**	**(3,695)**
Statement of Financial Position		
ASSETS		
Current assets	**90,346**	96,094
Non-Current assets	**123,628**	132,402
Total Assets	**213,974**	**228,496**
LIABILITIES		
Current liabilities	**82,395**	78,066
Non-Current liabilities	**28,944**	43,230
Total Liabilities	**111,339**	**121,296**
EQUITY		
Contributed equity	**18,406**	18,406
Retained profit	**47,458**	52,022
Asset revaluation reserve	**36,772**	36,772
Total Equity	**102,636**	**107,200**

6.2.2. 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.

6.2.3. 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.

6.2.4. Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

6. OUR CAPITAL STRUCTURE (continued)

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) and joint operations.

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 and Joint Operations

The Consolidated Financial Statements of the Group include:

Name of Subsidiary/Joint Operation	Principal activity	Date of Acquisition	Country of incorporation	% Equity interest	
				30 June 2022	30 June 2021
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 Utilities Pty Ltd	Utilities	29 June 2020	Australia	100%	100%
Citywide Asphalt Group (Aus) 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 (Aus) Pty Ltd

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

6. OUR CAPITAL STRUCTURE (continued)

6.3. Subsidiaries and joint operations (continued)

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 joint operation 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 joint operation has operated since the commencement date. As at 30 June 2022, management is of the view the Asphalt joint operation 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 2022, an amount of $500,000 would be payable.

6.4. Acquisitions

On 1 November, 2020, the Company via its wholly owned subsidiary Citywide Utilities Pty Ltd acquired the net operating assets of Gordon McKay Pty Ltd and Frontline Electrical Pty Ltd. On 1 April, 2021 Citywide Utilities Pty Ltd acquired the net operating assets of Ultegra Pty Ltd.

Included in the identifiable assets and liabilities acquired at the date of acquisition of businesses previously operated by Gordon McKay Pty Ltd, Frontline Electrical Pty Ltd and Ultegra Pty Ltd are property, plant and equipment, inventories, trade debtors, trade creditors, customer relationship assets and an organised workforce. The Group has determined that together the acquired assets and processes significantly contribute to the Group's ability to grow revenue. The Group has concluded that the acquired set is a business.

The acquisition of the Gordon McKay, Frontline Electrical and Ultegra businesses will enable the Group to grow its service offerings in the Energy and Utilities sector. The acquisitions are consistent with Citywide’s strategy which includes growth, both organically and via acquisitions.

For the eight months ended 30 June 2021, Gordon McKay contributed revenue of $22,388,595 and profit (before tax) of $209,988 and Frontline Electrical contributed revenue of $6,321,405 and profit (before tax) of $344,199 to the Group’s results. For the three months ended 30 June 2021, Ultegra contributed revenue of $16,196,719 and profit (before tax) of $1,569,080 to the Group’s results.

The fair values of the identifiable assets and liabilities acquired as at the date of acquisition were previously reported at their provisional amounts in light of the timing of the transaction. At 30 June 2022, provisional fair value of assets and liabilities acquired have been finalised.

Acquisition-related costs

There were no transaction costs (2021: $515,000) incurred during the period in relation to the acquisitions. Transaction costs are included in ‘Other expenses’.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

6. OUR CAPITAL STRUCTURE (continued)

6.4. Acquisitions (continued)

Gordon McKay

The following table summarises the acquisition date fair value of each major class of consideration transferred.

	2021 $'000
Consideration	
Cash and cash equivalents	6,517
Contingent consideration	1,100
Total consideration	**7,617**

Contingent consideration

Contingent consideration will be paid if certain earnings targets are met and key employees and customers are retained by 31st October 2021 and 31st October 2022, by the acquired entity.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	2021 $'000
Identifiable assets acquired and liabilities assumed	
Assets	
Property, plant and equipment	767
Trade receivables	5,419
Intangible assets (Note 3)	898
Accrued income	568
Liabilities	
Trade payables	(1,085)
Provisions	(2,785)
Deferred tax liabilities	(269)
Net assets acquired	**3,513**

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

- Property, plant and equipment - valuation considered the written-down value of the assets acquired and is reflective of the physical deterioration.
- Intangible assets - Customer relationship assets existed at acquisition date as there were a number of long term contracts with customers. These contracts were valued on a discounted cashflow basis which were derived based on each contracts future economic benefits.

At 30 June 2022, provisional fair value of assets and liabilities acquired have been finalised.

Goodwill arising from the acquisition has been recognised as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

6. OUR CAPITAL STRUCTURE (continued)

6.4. Acquisitions (continued)

Gordon McKay (continued)

	2021 $'000
Goodwill	
Consideration transferred	7,617
Fair value of identifiable net assets	(3,513)
Goodwill	**4,104**

The goodwill is attributable mainly to the skills and technical talent of Gordon McKay's workforce. None of the goodwill is expected to be deductible for tax purposes.

Frontline Electrical

The following table summarises the acquisition date fair value of each major class of consideration transferred:

	2021 $'000
Consideration	
Cash and cash equivalents	3,214
Contingent consideration	640
Total consideration	**3,854**

Contingent consideration

Contingent consideration will be paid if certain earnings targets are met and key employees and customers are retained by 31st October 2021 and 31st October 2022, by the acquired entity.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	2021 $'000
Identifiable assets acquired and liabilities assumed	
Assets	
Trade receivables	1,140
Accrued income	113
Inventories	10
Property, plant and equipment	217
Intangible assets	139
Liabilities	
Deferred tax liabilities	(42)
Trade payables	(191)
Provisions	(408)
Other liabilities	(11)
Net assets acquired	**967**

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

- Property, plant and equipment - valuation considered the written-down value of the assets acquired and is reflective of the physical deterioration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

6. OUR CAPITAL STRUCTURE (continued)

6.4. Acquisitions (continued)

Frontline Electrical (continued)

Measurement of fair values (continued)

- Intangible assets - Customer relationship assets existed at acquisition date as there were a number of long term contracts with customers. These contracts were valued on a discounted cashflow basis which were derived based on each contracts future economic benefits.

At 30 June 2022, provisional fair value of assets and liabilities acquired have been finalised.

Goodwill arising from the acquisition has been recognised as follows:

	2021 **$'000**
Goodwill	
Consideration transferred	3,854
Fair value of identifiable net assets	(967)
Goodwill	**2,887**

The goodwill is attributable mainly to the skills and technical talent of Frontline Electrical's workforce. None of the goodwill is expected to be deductible for tax purposes.

Ultegra

The following table summarises the acquisition date fair value of each major class of consideration transferred:

	2021 **$'000**
Consideration	
Cash and cash equivalents	5,504
Contingent consideration	2,891
Total consideration	**8,395**

Contingent consideration

Contingent consideration will be paid if certain earnings targets are met and key employees and customers are retained by 30th June 2021 and 30th June 2022, by the acquired entity.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	2021 **$'000**
Identifiable assets acquired and liabilities assumed	
Assets	
Property, plant and equipment	2,160
Accrued income	106
Inventories	914
Intangible assets	2,030
Liabilities	
Deferred tax liabilities	(609)
Provisions	(666)
Net assets acquired	**3,935**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

6. OUR CAPITAL STRUCTURE (continued)

6.4. Acquisitions (continued)

Ultegra (continued)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

- Property, plant and equipment - valuation considered the written-down value of the assets acquired and is reflective of the physical deterioration.
- Inventories - valuation is the quantities on hand at acquisition date and then the weighted average cost method is applied.
- Intangible assets - Customer relationship assets existed at acquisition date as there were a number of long term contracts with customers. These contracts were valued on a discounted cashflow basis which were derived based on each contracts future economic benefits.

At 30 June 2022, provisional fair value of assets and liabilities acquired have been finalised.

Goodwill arising from the acquisition has been recognised as follows:

	2021 $'000
Goodwill	
Consideration transferred	8,395
Fair value of identifiable net assets	(3,935)
Goodwill	**4,460**

The goodwill is attributable mainly to the skills and technical talent of Ultegra's workforce. None of the goodwill is expected to be deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

6. OUR CAPITAL STRUCTURE (continued)

6.5. Dividends

Movement in dividend payable provision	2022 $'000	2021 $'000
Balance at beginning of year	**4,200**	2,000
Additional provisions raised during the year	**4,000**	4,200
Amounts paid during the year	**(4,200)**	(2,000)
Balance at end of year	**4,000**	**4,200**

The Board has declared a dividend of $4,000,000 (2021: $4,200,000), payable in October 2022.

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.

7. TAXATION

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:

	2022 $'000	2021 $'000
Prima facie income tax equivalents on the profit from continuing operations at 30.0% (2021: 30.0%)	**1,929**	1,591
Increase tax equivalents payable due to:		
Non-deductible expenses	**3**	161
Income tax equivalents attributed to operating profit	**1,932**	1,752
Income tax equivalents attributable to operating profit comprise:		
Current tax provision	**1,701**	2,708
Deferred income tax liability	**(883)**	924
Deferred income tax asset	**1,114**	(1,880)
	1,932	**1,752**

Recognition and measurement

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

7. TAXATION (continued)

7.2. Deferred tax

2022	Balance at 1 July $'000	Charge to Income Statement $'000	Charged to Asset Revaluation $'000	Current Year Recognition $'000	Balance at 30 June $'000	Deferred tax assets $'000	Deferred tax liabilities $'000
Employee benefits	**4,447**	**285**	**-**	**-**	**4,732**	**4,732**	**-**
Accruals	**856**	**(92)**	**-**	**-**	**764**	**764**	**-**
Other	**226**	**68**	**-**	**-**	**294**	**294**	**-**
Depreciation	**(916)**	**(811)**	**-**	**-**	**(1,727)**	**-**	**(1,727)**
Revaluation of land	**(15,757)**	**-**	**-**	**-**	**(15,757)**	**-**	**(15,757)**
Customer relationships	**(777)**	**295**	**-**	**-**	**(482)**	**-**	**(482)**
Right-of-use asset	**(5,418)**	**1,393**	**-**	**-**	**(4,025)**	**-**	**(4,025)**
Lease liability	**5,520**	**(1,369)**	**-**	**-**	**4,151**	**4,151**	**-**
Tax assets / liabilities	**(11,819)**	**(231)**	**-**	**-**	**(12,050)**	**9,941**	**(21,991)**

2021	Balance at 1 July $'000	Charge to Income Statement $'000	Charged to Asset Revaluation $'000	Current Year Recognition $'000	Balance at 30 June $'000	Deferred tax assets $'000	Deferred tax liabilities $'000
Employee benefits	3,489	958	-	-	4,447	4,447	-
Accruals	246	610	-	-	856	856	-
Other	286	(60)	-	-	226	226	-
Depreciation	114	(1,030)	-	-	(916)	(916)	-
Revaluation of land	(15,757)	-	-	-	(15,757)	-	(15,757)
Customer relationships	-	143	-	(920)	(777)	-	(777)
Right-of-use asset	(5,397)	(21)	-	-	(5,418)	-	(5,418)
Lease liability	5,163	357	-	-	5,520	5,520	-
Tax assets / liabilities	**(11,856)**	**957**	**-**	**(920)**	**(11,819)**	**10,133**	**(21,952)**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

8. MANAGING RISK AND UNCERTAINTY

8.1. Financial instruments

Objectives and policies

The Group's principal financial instruments comprise cash assets, receivables, accrued revenue, payables, borrowings, lease liabilities 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 follow 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 2022 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.

	Note	Floating interest rate	Non-interest bearing	Total
2022		**$'000**	**$'000**	**$'000**
Financial assets				
Cash and cash equivalents	4.2	**9,166**	**-**	**9,166**
Trade and other receivables	5.1	**-**	**49,608**	**49,608**
Accrued revenue	5.3	**-**	**6,906**	**6,906**
		9,166	**56,514**	**65,680**
Weighted average interest rate		**0.76%**		
Financial liabilities				
Trade and other payables	5.4	**-**	**45,849**	**45,849**
Security deposits	5.4	**-**	**3**	**3**
Loans and borrowings	5.7	**13,200**	**-**	**13,200**
Lease liabilities	5.6	**-**	**13,836**	**13,836**
		13,200	**59,688**	**72,888**
Weighted average interest rate		**1.51%**		
Net financial (liabilities) / assets		**(4,034)**	**(3,174)**	**(7,208)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

8. MANAGING RISK AND UNCERTAINTY (continued)

8.1. Financial instruments (continued)

	Note	Floating interest rate	Non-interest bearing	Total
2021		**$'000**	**$'000**	**$'000**
Financial assets				
Cash and cash equivalents	4.2	13,552	-	13,552
Trade and other receivables	5.1	-	56,432	56,432
Accrued revenue	5.3	-	4,093	4,093
		13,552	**60,525**	**74,077**
Weighted average interest rate		0.10%		
Financial liabilities				
Trade and other payables	5.4	-	54,703	54,703
Security deposits	5.4	-	3	3
Loans and borrowings	5.7	18,200	-	18,200
Lease liabilities	5.6	-	16,099	16,099
		18,200	**70,805**	**89,005**
Weighted average interest rate		1.37%		
Net financial (liabilities) / assets		**(4,648)**	**(10,280)**	**(14,928)**

	2022	2021
	$'000	$'000
Ageing of Trade Receivables (net of impairment allowances)		
Current (not yet due)	**43,251**	40,968
Past due by up to 30 days	**4,382**	7,284
Past due between 31 and 180 days	**1,773**	7,973
Past due between 181 and 365 days	**202**	207
	49,608	**56,432**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

8. MANAGING RISK AND UNCERTAINTY (continued)

8.1. Financial instruments (continued)

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 2022 were $25.5m (2021: $20.5m)).

Year ended 30 June 2022	**6 months or less**	**6 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Contractual maturities	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liquid financial assets					
Cash and cash equivalents	**9,166**	**-**	**-**	**-**	**9,166**
Trade and other receivables	**49,608**	**-**	**-**	**-**	**49,608**
Accrued revenue	**6,906**	**-**	**-**	**-**	**6,906**
	65,680	**-**	**-**	**-**	**65,680**
Financial liabilities					
Trade and other payables	**45,849**	**-**	**-**	**-**	**45,849**
Security deposits	**3**	**-**	**-**	**-**	**3**
Loans and borrowings	**13,200**	**-**	**-**	**-**	**13,200**
Lease liabilities	**-**	**4,122**	**7,307**	**4,265**	**15,694**
	59,052	**4,122**	**7,307**	**4,265**	**74,746**
Net inflow/(outflow)	**6,628**	**(4,122)**	**(7,307)**	**(4,265)**	**(9,066)**

Year ended 30 June 2021	**6 months or less**	**6 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Contractual maturities	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liquid financial assets					
Cash and cash equivalents	13,552	-	-	-	13,552
Trade and other receivables	56,432	-	-	-	56,432
Accrued revenue	4,093	-	-	-	4,093
	74,077	**-**	**-**	**-**	**74,077**
Financial liabilities					
Trade and other payables	53,616	-	1,087	-	54,703
Security deposits	3	-	-	-	3
Loans and borrowings	12,000	-	6,200	-	18,200
Lease liabilities	-	4,261	10,642	8,441	23,344
	65,619	**4,261**	**17,929**	**8,441**	**96,250**
Net inflow/(outflow)	**8,458**	**(4,261)**	**(17,929)**	**(8,441)**	**(22,173)**

Recognition and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

8. MANAGING RISK AND UNCERTAINTY (continued)

8.1. Financial instruments (continued)

Interest rate sensitivity analysis

Taking into account past performance, future expectations, economic forecasts and management's knowledge and experience in the financial markets, the Group believes that a movement of 175 basis points higher or lower is reasonably possible.

At reporting date, if interest rates had been 175 basis points higher or lower and all other variables were held constant, the Group's net profit would decrease by $306,000 and increase by $306,000 respectively (2021: decrease by $38,000 and increase by $38,000). 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.

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); and
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

8. MANAGING RISK AND UNCERTAINTY (continued)

8.2. Fair value – financial assets and liabilities (continued)

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	$'000	$'000	$'000	$'000
Financial assets				
Cash and cash equivalents	**9,166**	**9,166**	13,552	13,552
Trade and other receivables	**49,608**	**49,608**	56,432	56,432
Accrued revenue	**6,906**	**6,906**	4,093	4,093
	65,680	**65,680**	**74,077**	**74,077**
Financial liabilities				
Loans and borrowings	**13,200**	**13,200**	18,200	18,200
Lease liability	**13,836**	**13,836**	16,099	16,099
Trade and other payables	**45,849**	**45,849**	54,703	54,703
Security deposits	**3**	**3**	3	3
Dividend payable	**4,000**	**4,000**	4,200	4,200
	76,888	**76,888**	**93,205**	**93,205**

Fair value determination of non-financial physical assets

		Fair value measurement at end of reporting period using		
	Carrying amount as at 30 June 2022	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Land at fair value	**56,900**	**-**	**56,900**	**-**
	56,900	**-**	**56,900**	**-**

		Fair value measurement at end of reporting period using		
	Carrying amount as at 30 June 2021	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Land at fair value	56,900	-	56,900	-
	56,900	**-**	**56,900**	**-**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

8. MANAGING RISK AND UNCERTAINTY (continued)

8.3. Contingencies

Contingent liabilities

Guarantees issued by the Bank in respect of contracts secured of $13,864,803 (2021: $14,853,396).

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

9. OTHER DISCLOSURES

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	Andrea Waters	
Director	Prue Willsford	
Director	Paul Hardy	
Director	Peter Lamell	
Director	John Grouios	
Chief Executive Officer	Chris Campbell	
Chief Financial Officer	Paul Hudson	
Executive - Operations	Duncan Reid	
Executive General Manager – Energy and Utilities	Mario Bavaro	
Executive - HR, Strategy, Planning & Governance	Heidi Mitchell	
Executive People and Culture	Angelica Georgaklis	Retired on 31 March 2022

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

	2022	**2021**
$20,000 - $29,999	**-**	1
$60,000 - $69,999	**-**	1
$70,000 - $79,999	**1**	-
$80,000 - $89,999	**1**	1
$90,000 - $99,999	**3**	3
$140,000 - $149,999	**1**	1
$210,000 - $219,999	**1**	1
$280,000 - $289,999	**-**	1
$330,000 - $339,999	**-**	2
$340,000 - $349,999	**-**	1
$380,000 - $389,999	**1**	-
$400,000 - $409,999	**1**	-
$430,000 - $439,999	**1**	-
$460,000 - $469,999	**1**	-
$530,000 - $539,999	**-**	1
$780,000 - $789,999	**1**	-
	12	**13**

	2022	**2021**
	$'000	**$'000**
Total remuneration for the financial year included above	**3,289**	2,658

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

9. OTHER DISCLOSURES (continued)

9.1. Key management personnel compensation (continued)

Key management personnel compensation comprised the following:

	2022 $'000	2021 $'000
Short-term employee benefits	**3,031**	2,423
Post-employment benefits	**196**	188
Other long-term benefits	**62**	47
	3,289	**2,658**

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

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 9.2 Related party disclosures.

9.2. Related party disclosures

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 $64,834,936 (2021: $79,089,420) during the financial year. The amount receivable at reporting date is detailed in Note 5.1.

Expenditure transactions with the ultimate parent entity amounted to $523,109 (2021: $473,332) during the financial year. The amount owing at reporting date is detailed in Note 5.4.

Refer to Note 7.1 for the income tax equivalent charges and Note 6.5 for the dividends payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

9. OTHER DISCLOSURES (continued)

9.2. Related party disclosures (continued)

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:

	2022	2021
Name of subsidiary	**$'000**	**$'000**
Citywide Utilities Pty Ltd	-	59

Transactions with other related parties

Mr Peter Lamell, a director of the Group, is a director of National Trust of Australia (Victoria). At various stages throughout the year, the Group provided services to the National Trust of Australia (Victoria) in the form of Commercial Waste services. During FY2022 period the National Trust of Australia (Victoria) paid $3,645 to the Group ($1,933 in FY2021) for these services.

Transactions between the Group and Citywide Asphalt Group (Aus) Pty Ltd were to the value of $3,912,294 of which $3,371,954 relates to the purchase of asphalt and $540,340 relates to occupancy cost on-charges. $208,513 is still unpaid at 30 June 2022 (2021: $330,000). Payment terms between the two entities are 45 days from invoice date.

9.3. Commitments

	2022	2021
	$'000	**$'000**
Capital expenditure commitments		
Capital expenditure planned at the reporting date but not recognised as liabilities in the financial report:		
Payable within one year	**3,868**	1,652
	3,868	**1,652**

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

9.4. Events after reporting date

A Planning Scheme Amendment for the Arden Structure Plan was gazetted on 28th July 2022. This amendment has the potential to impact the valuation of Citywide's North Melbourne land from the date of the gazettal. A re-valuation has not yet been undertaken due to a lack of comparable market data in the precinct at this time.

Post Balance Date the Multi Option Facility has been renewed, as detailed in Note 4.2.

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

9.5. New accounting standards and interpretations

At the date of this financial report the there are no standards and interpretations which are applicable to the Group, which have been issued but are not yet effective.

The AASB has issued a list of other amending standards that are not effective for the 2021-22 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 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

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 2022 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.

John Brumby
Chairman

Andrea Waters
29 August 2022

Independent Auditor's Report

To the Directors of Citywide Service Solutions Pty Ltd

Opinion	I have audited the consolidated financial report of Citywide Service Solutions Pty Ltd (the company) and its controlled entities (together the consolidated entity), which comprises the: • consolidated entity statement of financial position as at 30 June 2022 • consolidated entity statement of profit or loss and other comprehensive income for the year then ended • consolidated entity statement of changes in equity for the year then ended • consolidated entity statement of cash flows for the year then ended • notes to the financial statements, including significant accounting policies • directors' declaration. In my opinion the financial report is in accordance with the *Corporations Act 2001* including: • giving a true and fair view of the financial position of the consolidated entity as at 30 June 2022 and of the consolidated entity's financial performance and cash flows for the year then ended • complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the company and the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Directors' responsibilities for the financial report	The Directors of the company are responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the Directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Directors are responsible for assessing the company and the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

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

Auditor's responsibilities for the audit of the financial report (continued)	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
9 September 2022

Travis Derricott
as delegate for the Auditor-General of Victoria

VAGO
Victorian Auditor-General's Office

Auditor-General's Independence Declaration

To the Board of 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 2022, 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
9 September 2022

Travis Derricott
as delegate for the Auditor-General of Victoria

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