

citywide

Annual Report 2006


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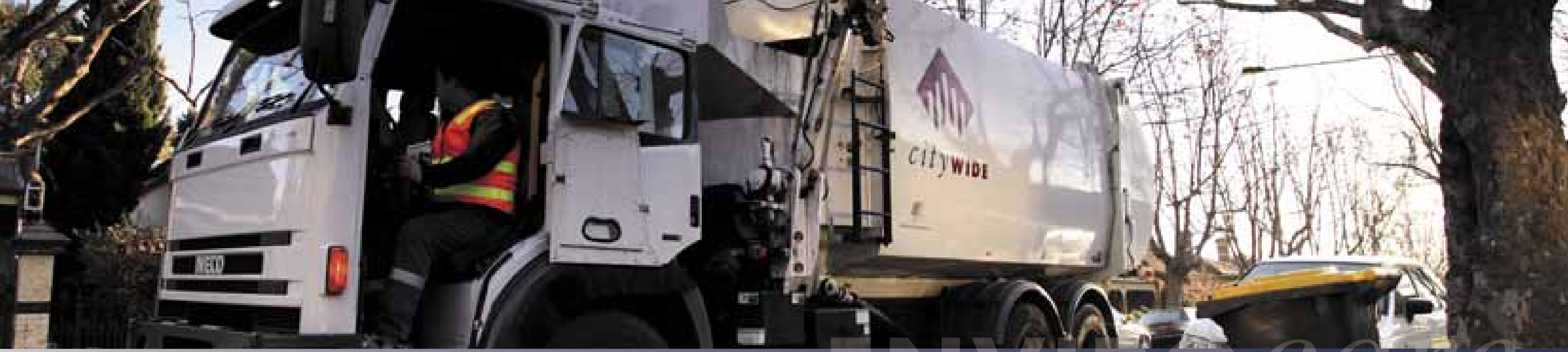

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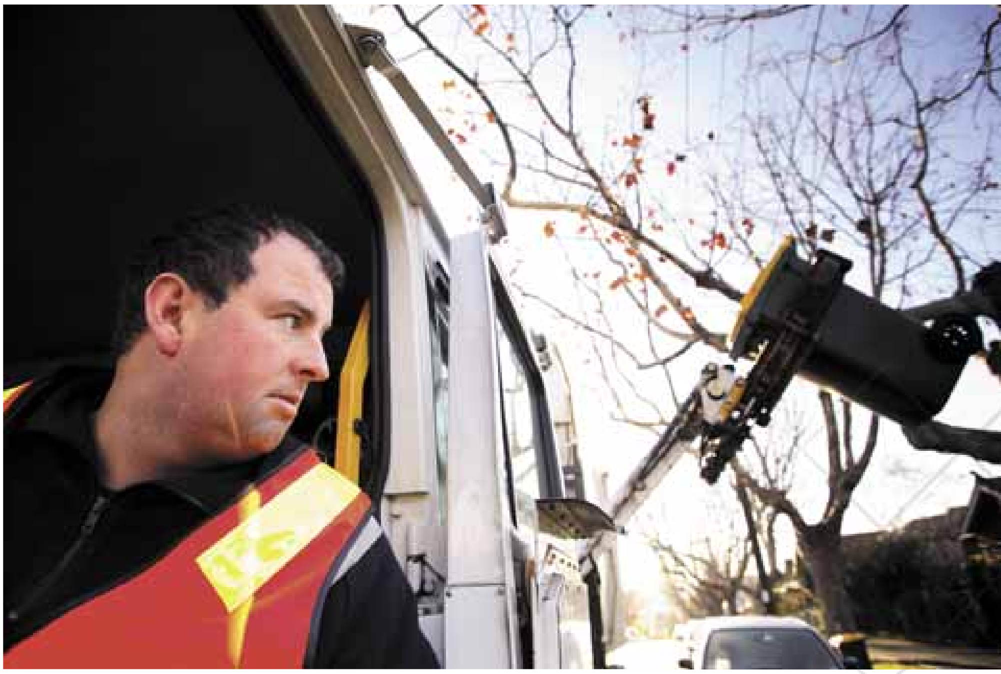
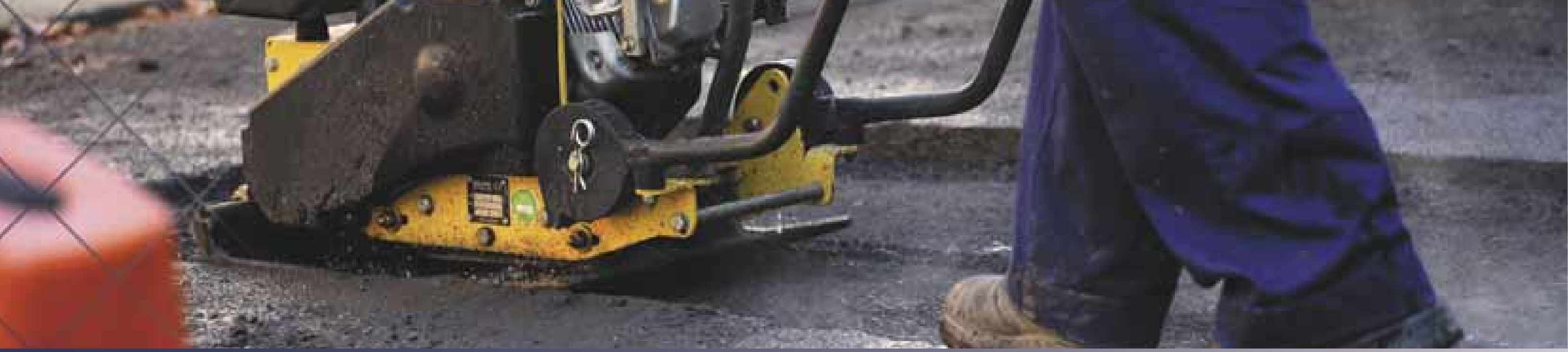




Indicators

	2006	2005	2004	2003	2002
Total revenue ('000)	$96,181	$85,248	$79,652	$72,500	$59,029
Profit from ordinary activities before income tax ('000)	$6,557	$5,746	$4,634	$3,574	$2,639
Net profit after income tax ('000)	$4,549	$3,965	$3,230	$2,458	$1,799
Total assets ('000)	$55,195	$50,534	$47,135	$44,977	$40,495
Shares issued ('000)	$18,406	$18,406	$18,406	$18,406	$18,406
Total equity ('000)	$31,129	$28,421	$26,026	$24,039	$22,646
Number of direct employees	466	445	467	478	397

Performance Measures

	2006	2005	2004	2003	2002
Return on sales before tax	6.8%	6.7%	5.8%	4.9%	4.5%
Return on assets after tax	8.2%	7.8%	6.9%	5.5%	4.4%
Earnings per share after tax	24.7 cents	21.5 cents	17.5 cents	13.4 cents	9.8 cents
Return on total equity after tax	14.6%	14.0%	12.4%	10.2%	7.9%
Current ratio	0.96:1	0.94:1	1.02:1	1.3:1	1.24:1
Revenue per employee	$206,397	$191,569	$171,000	$152,000	$149,000

Left to right: Rebecca Campbell (Group Manager Human Resources), Jim Dunstan (General Manager Environmental Services), Paul Gilmore (Group Manager Sales and Marketing), John Collins (Chief Financial Officer), Kerry Osborne (Managing Director), and Mark Mackay (General Manager Infrastructure Services).

The Year in Review

CIVILcare

The 2006/07 year has again been a memorable one for CityWide. Our financial performance, physical indicators and excellent service delivery all reflect a year of great achievement. Again, safety has been a key management focus with outstanding results delivered against lost time injury targets. In addition to these commercial measures we have continued to mature our management practice and improve our service delivery model to create real value for our clients and our shareholders.

This year we celebrated the continuing growth of CityWide through the retention of existing contracts and the winning of new clients. In particular, we firmly established a foothold in the state government roads market and made significant progress into the civil sub-division sector, supplying asphalt in Melbourne's North West growth corridor from our recently opened Campbellfield plant.

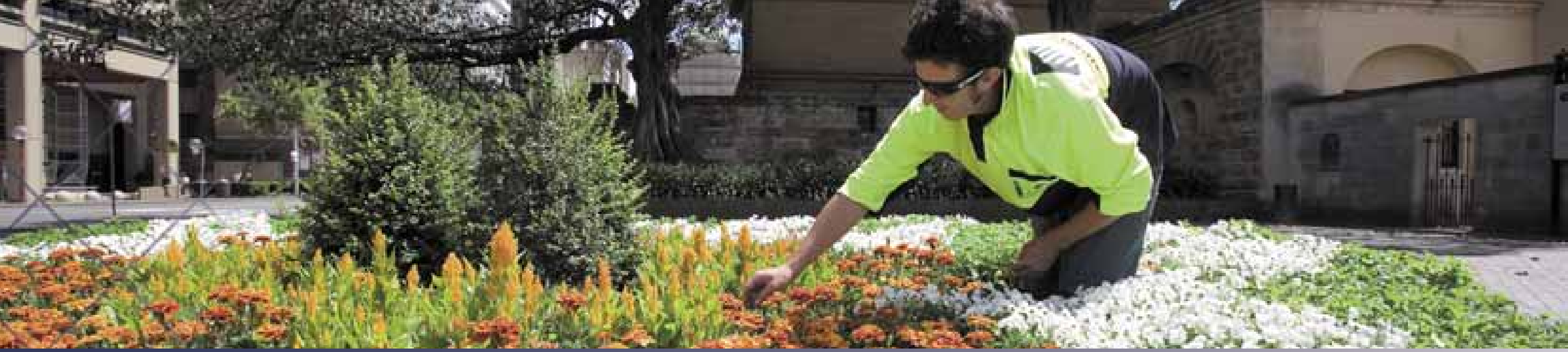
The 2006 Commonwealth Games was the largest and most complex event ever staged in Melbourne. The successful administration of the Games required the cooperation of governments, major service providers (including CityWide), international organisations, statutory authorities and 15,000 volunteers. CityWide's significant contribution to this outstanding event was through the delivery of street sweeping, open space, traffic services and waste management services. Our events teams worked around the clock for the entire duration of the Games, cooperating with every stakeholder group. They were backed up by our call centre and corporate services teams who were all involved in the planning and execution of this project.

The Company received genuine praise from the media, State Government, Melbourne 2006, international tourists, the general public and our customer, the City of Melbourne. Our planning and logistics ensured we were rarely seen but our outcomes were entirely visible: pristine gardens and streets, smooth traffic flow and not a single incident. We can take a lot of pride in the fact that the Games were an outstanding success.

World events have increased the cost of bitumen and fuels which are crucial to the operation of our business. This has placed pressure on the Company to find means by which to recover costs and reduce fuel consumption. Credit is due to our delivery teams for managing costs while continuing to produce positive results. Oil prices will continue to be one of our major challenges in the foreseeable future.

From left: Managing Director, K F Osborne and Chairman, J L Davies.

"We can take a lot of pride in the fact that the Games were an outstanding success"



The Year in Review (continued)

Shareholder Value and Profitable Growth

The year has been another record year for the Company in terms of revenue, profitability and shareholder return. The excellent working relationship between the Company's experienced Board and committed management has given CityWide the capability and confidence to expand.

With the increasing complexities of running a multi-million dollar business the workload has been sizable. To ensure we have the right balance of experience at Board level we welcomed Mr Peter Lowe in the 2005/06 year. Peter brings to CityWide a wealth of experience in the finance and utilities sectors and will add tremendous value to our business in the years ahead. Peter's appointment continues a strong tradition of good governance and strong committee structure which has been a hallmark of the Company since its inception.

Our annual review of performance indicators reveals a stable growth story. Return on capital has increased to 14.6% with shareholder equity also increasing by $2.709 million to $31.129 million. Our return on sales again improved on 2004/05 results to deliver a pre-tax return of 6.8%.

Due to our track record of impressive fiscal management and the confidence of our shareholder, this year the Company was successful in gaining approval from the State Government to change CityWide's constitution allowing it to borrow funds. CityWide can now finance appropriate acquisitions as we seek to expand. Organic growth continues to play an important part in broadening and increasing the revenue base and value of the Company. With increases in customer numbers in private, corporate and local government sectors, 2005/06 was another good year for growth. The competitive nature of the market we operate in and the industries we serve continue to challenge both our service delivery models and our ability to make contracts financially viable. By the end of the financial year both these challenges were met.

CityWide continues to measure itself not only against its competitors but also against customer expectations. It was extremely pleasing to note that our May 2006 customer survey revealed an increase in customer satisfaction from the previous year.

Innovation

CityWide has explored and implemented environmentally friendly fuel alternatives such as a recycled vegetable oil, B100 in its BlackTop paving operation this year. B100 is used to reduce stormwater impacts arising from previously used diesel spray on vehicles and equipment. CityWide is also exploring the use of B5 (bio-diesel with 5% ethanol) as an alternative to standard diesel fuel with trials starting in 2006/07, and we have procured a recyclable product called 'Recover-it' for odour reduction across our asphalt manufacturing operations.

This year saw the integration of waste minimisation technologies and refinement of our CRM program. CityWide's IT division completed development of the TRAX asset management system, receiving an award for technical achievement at the Map (World 2006) Conference in Phoenix, Arizona. This accolade complements praise received from our clients using the system. TRAX combines CityWide's field experience with a computerised system to meet the specific needs of Australian customers. It is truly cutting edge thinking and represents a future direction for our business.

Furthermore, our annual international visitation and research program enabled us to forecast changes in industry. Having reviewed what we consider to be the world's best practice both in Australia and overseas, we feel confident decisions made leading into 2006/07 will be the right ones for our business.

Infrastructure Operations

CityWide's Infrastructure Division achieved excellent growth during the year, particularly in traffic and events management services, while tackling rising materials costs in the asphalt business.

The Company's Rex Road facility continued to increase production levels with June being a record month for the plant. Management is currently undertaking a major operational review of the North Melbourne plant and will present a major rebuild submission to the Board.

Our civil operations, both municipal and private, continue to grow and expand into regional Victoria and, more recently, in Sydney. The opening of our South Sydney depot was a milestone for the Company and by consolidating the majority of our environmental and infrastructure operations under one roof, we will achieve cost efficiencies and strengthen our integrated service offering during the coming year.

Of particular note was the securing of a number of VicRoads maintenance contracts. This strong move into the State Government civil area opens up a major market for the Company's civil works and asphalt businesses.

Enviromental Operations

Our Environmental Division surpassed tough targets set in the annual budget, exceeding its performance of the previous year.

Faced with additional strain on its resources due to the Commonwealth Games and other major events in early 2006, our open space operations (trees and parks) performed admirably. The same was true for the Company's waste and street cleaning units. In particular, our street cleaning operation won significant contracts on Australia's biggest infrastructure project, Eastlink.

Our commercial waste operation remains a growth business, while our new root-barrier operations gear up for significant expansion in 2006/07. Strong organic growth was also experienced across parks operations, supported by the introduction of our CRM program.

The coming year brings with it the re-tendering of a number of key contracts for our Environmental Division, however, prior performance ensures a strong business case.

The Year in Review (continued)

Safety and Risk Management

CityWide had an outstanding OH&S year in 2005/06. Our employees surpassed the year's safety targets, displaying industry leadership in this field. The Company celebrated seven years with no lost time injuries on our Manningham Waste and Government House horticultural contracts. Congratulations are well deserved for all involved.

Throughout all our operations, Safety, Quality and Environment (SQE) Committees worked tirelessly in the development of workable policies and practical solutions for compliance. Our SQE support team deserves credit for ensuring safety programs remain well researched and informed.

A number of strategies form the backbone of our safety management system and these rely heavily upon the leadership skills of our management team. The introduction of the 'Take Five' safety program highlighted the role of health and safety representatives in helping line managers manage and resolve safety issues. A review of training providers also ensured more effective safety, compliance and leadership training. This, coupled with the rollout of a new incident reporting database, has helped line managers prevent incidents recurring by assigning additional training and needs assessment tools.

All employees deserve acknowledgement for the robust nature of CityWide's safety culture. Systems will not work if there is no commitment on the ground in the workplace. We are fortunate to have a depth of commitment to safety throughout the Company.

Environmental Sustainability Report

Environmental management is much more than compliance with industry accreditations; it requires a commitment to identifying sustainable outcomes in every area of our business.

CityWide has actively been reducing energy use through the implementation of energy audit recommendations and employee education programs. Fleet purchasing requirements have been reviewed to incorporate fuel efficiency and reduced air and noise emissions.

During 2005/06 the Company upgraded its environmental management system (EMS) to the new ISO 14001: 2004 standard and increased the number of certified contracts from one to three. We received re-accreditation to the Sustainability Victoria Waste Wise Program and a Waste Reduction Action Plan (WRAP) was implemented across the Company. In addition, we were granted funding from Sustainability Victoria to improve environmental performance and resource recovery at the City of Melbourne, Dynon Road Transfer Station. The grant assisted in the construction of new recycling bays.

Environmental sustainability requires innovation at all levels of the Company. CityWide's SQE Committees have been very successful at encouraging employee participation, capturing innovative suggestions on new approaches.

"All employees deserve acknowledgement for the robust nature of CityWide's safety culture."

Community Values

Conscious of the community and environment we operate within, CityWide has maintained its triple bottom line approach. Throughout the year, individually and as a Company, our people have contributed to a range of community initiatives.

Our environmental focus saw us participate in community based waste and water wise initiatives such as the ‘Waste Wise - Art on Wheels’ School Art Competition, which enables us to influence positive change in the community.

CityWide also supported UnitingCare Connections’ Community Veggie Patch program in the City of Maroondah which will improve the nutrition of disadvantaged families and build community networks. Our people provided expertise and actively got involved in events with Family Life, previously known as Southern Family Life, and the ‘Canteen’ program.

For a second year, CityWide was a major sponsor of the Family Life Open Garden Day where the public viewed some of the City of Bayside’s treasured hidden gardens. Family Life, a community owned agency, supports the needs of people who are experiencing stress and are at risk of family breakdown. CityWide also donated two giant 25 foot living Christmas trees for the City of Bayside ‘Carols in the Park’. The support given underlined our expertise in garden management and brought us closer to the local community.

Other customers throughout metropolitan Melbourne also benefited from similar CityWide contributions throughout the year.

Our People

CityWide’s most valuable asset is our people.

The 2005/06 year presented numerous challenges for each of our divisional teams. Through planning, commitment to the outcome and teamwork we saw the Company achieve more than ever before.

On behalf of the Board and senior executive team, we wish to express our gratitude to all of our staff and contractors who worked so professionally and hard throughout this past year.

To our clients we express our appreciation for their partnership in delivering world class services.

To our talented managers for their dedication and leadership in this record year.

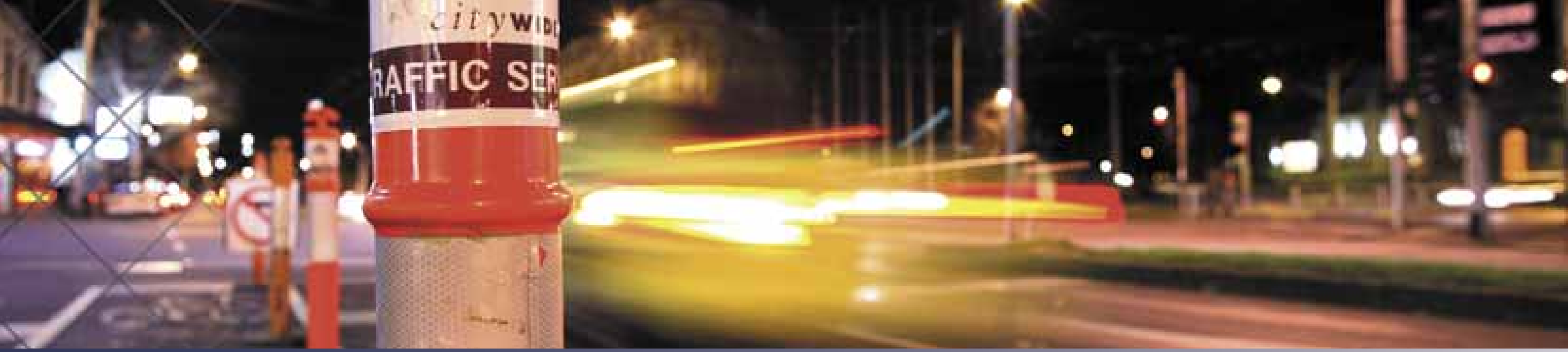
Finally we acknowledge our Board of Directors for their professional guidance, strategic direction and strong governance through the year.

JL Davies (Chairman)

KF Osborne

KF Osborne (Managing Director)
Melbourne, 16 August 2006

“CityWide’s most valuable asset is our people.”



Directors’ Profiles

J L (LYN) DAVIES Chairman

Lyn Davies joined CityWide Services on 3 March 1995 as Chairman. He is a member of the Company’s Audit and Risk Management Committee and of the Remuneration Committee of the Company. He is 61 years of age. His qualifications are a Diploma of Agriculture and an advanced Diploma from the Australian Institute of Company Directors.

Mr Davies is a Company Director and a Business Consultant. He is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management, and a Life Member of the Australian Institute of Agricultural Science and Technology.

Mr Davies is Chairman of Service Stream Ltd and is a Director of Mackay Consolidated Industries Pty Ltd. He is also Chairman of the Board of Yarra Valley Grammar and a Director of ParaQuad Victoria.

He has previously been Chairman of HRL Limited, The Nordia Group, Floriana Pty Ltd, and Collins Booksellers Group and was a Director of Castle Bacon Pty Ltd.

Mr Davies has acted as an advisor on commercial matters to Boards in a wide range of industries and he brings highly developed commercial and corporate governance skills to the Board.

His previous business experience includes more than 20 years at Executive Director level with Elders IXL Limited, Wattie Limited and Goodman Fielder Limited.

Left to right: G E McGuiness, J L Davies, P S Lowe, K F Osborne and D A Eagle.

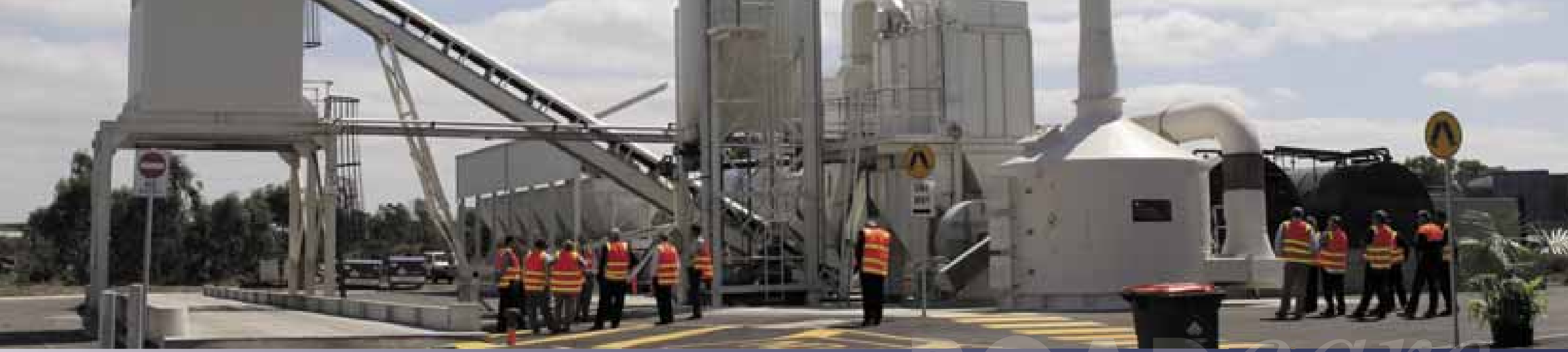
P S LOWE Director

Peter Lowe was appointed to the Board of CityWide on 23 January 2006 and is a member of the Audit and Risk Management Committee and the Finance and Operations Committee of the Company. He is 53 years of age and he holds a Bachelor of Commerce and a Master of Business Administration from the University of Melbourne.

Mr Lowe is a fellow of CPA Australia and member of the Australian Institute of Company Directors.

He is currently a Director of GasNet Australia Limited, Access Providers Ltd, United Energy Distribution Holdings Pty Ltd, Multinet Group Holdings Pty Ltd, Snowy Hydro Limited, Aurora Energy Pty Ltd and despressioNet.

Mr Lowe has had extensive experience at senior management level in all aspects of finance including Chief Financial Officer for both Australian and US public companies in the energy utility sector. He had total responsibility as CEO for the Australian operations of Aquila, formerly Utilicorp United Inc.



D A EAGLE Director

David Eagle was appointed to the Board of CityWide on 3 March 1995 and is Chairman of the Remuneration Committee and a member of the Finance and Operations Committee of the Company. He is 64 years of age. His qualifications include a Bachelor of Commerce and a Master of Business Administration from the University of Melbourne.

Mr Eagle is a Fellow of the Australian Institute of Company Directors.

Mr Eagle's most senior appointments were as Chairman and Managing Director of International Harvester Australia, President, Ford of Japan, and Managing Director of National Consolidated Limited. He has recently retired as Managing Director of GUD Manufacturing Pty Ltd.

G E (Barry) McGUINESS Director

Barry McGuiness was appointed to the Board of CityWide on 20 November 1996 and is Chairman of the Audit and Risk Management Committee and the Finance and Operations Committee of the Company. He is 63 years of age. His qualifications include a Degree in Public Administration.

Mr McGuiness has recently retired as Managing Partner – International, Minter Ellison Lawyers. He was previously the Partner in Charge of Arthur Andersen and Co Consulting practice in Australia (now Accenture), owner/operator of a large primary production property combined with ownership of his own management/strategic consultancy, three years as Managing Director and Chief Executive Officer of the Australian National Line and retired as Deputy Chairman of SPC Ltd. Mr McGuiness has held numerous other Directorships in listed and unlisted companies.

Other responsibilities include Chairman of William Buck Pty Ltd, Safetrac Pty Ltd and Applied Australia, a Director of Vision Systems Ltd and AED Oil Pty Ltd and a strategic consultant for a significant number of companies.

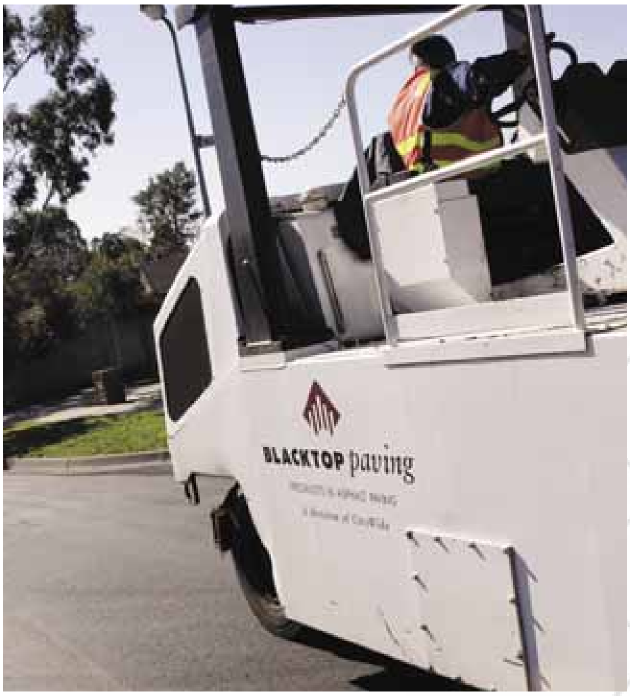
K F OSBORNE Managing Director

Kerry Osborne joined CityWide as CEO on 1 January 2001 and was appointed Managing Director of CityWide on 20 December, 2002. He is 49 years of age.

Mr Osborne is a member of the Local Government Engineers of Australia and Municipal Officers Association, and Member of both the CEO Institute and a Fellow of the Australian Institute of Company Directors. Mr Osborne is also a member of the works committee for the Shrine of Remembrance in Melbourne.

Mr Osborne was educated in Auckland, New Zealand as a Civil Engineer, and has held a number of senior positions in the construction and maintenance industries in both Australia and New Zealand including Chief Executive Officer of EastWorks (New Zealand based roading and municipal services company), Australian General Manager for Manukau Works, and more recently Australian General Manager of Excell Corporation based in Melbourne.

Past responsibilities include Chairman of Gisborne Youth Sports Trust, Director of Gisborne Rotary Club and Director of Micromet Victoria Pty Ltd.



Directors' Report

Directors

The Directors of the Company for the whole of the financial year and up to the date of this report are:

- J L (Lyn) Davies (Chairman)
- David A Eagle
- G E (Barry) McGuiness
- Kerry F Osborne

From January 2006

- Peter S Lowe

Principal activities of the company

The principal continuing activities of the Company during the year were to meet the contract service needs of local government, other government and private and public sector corporations and the community by providing a comprehensive range of quality, physical services.

Trading results

The Company's profit from ordinary activities before income tax equivalents for the year was $6,557,000 (2005 $5,746,000).

The Company's net profit for the year was $4,549,000 (2005 $3,965,000) after deducting income tax equivalents of $2,008,000 (2005 $1,781,000).

The Company has a liability for all normal tax obligations, either by virtue of the tax equivalents regime or direct to the relevant taxing authorities.

Dividends

The Directors of the Company have declared a dividend of 10.00 cents (2005 8.53 cents) per Ordinary Share for the year ended 30 June 2006.

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

	2006 $	2005 $
Interim dividend	-	-
Final dividend of 10.00 cents (2005 8.53 cents) per fully paid ordinary share	1,841,000	1,570,000
	1,841,000	**1,570,000**

Review and results of operations

The Company's revenue from ordinary activities for the year was $96,181,000 (2005 $85,248,000). A review of the operations and results of the company are set out elsewhere in this report.

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 Company that occurred during the financial year.

Matters subsequent to the end of the financial year

The Company has entered into a conditional contract for the purchase of the Spotless Open Space business. Completion is contingent, amongst other matters, upon the majority of contracts that comprise the open space business being assigned to CityWide. Completion is anticipated in the later part of the 2006 calendar year.

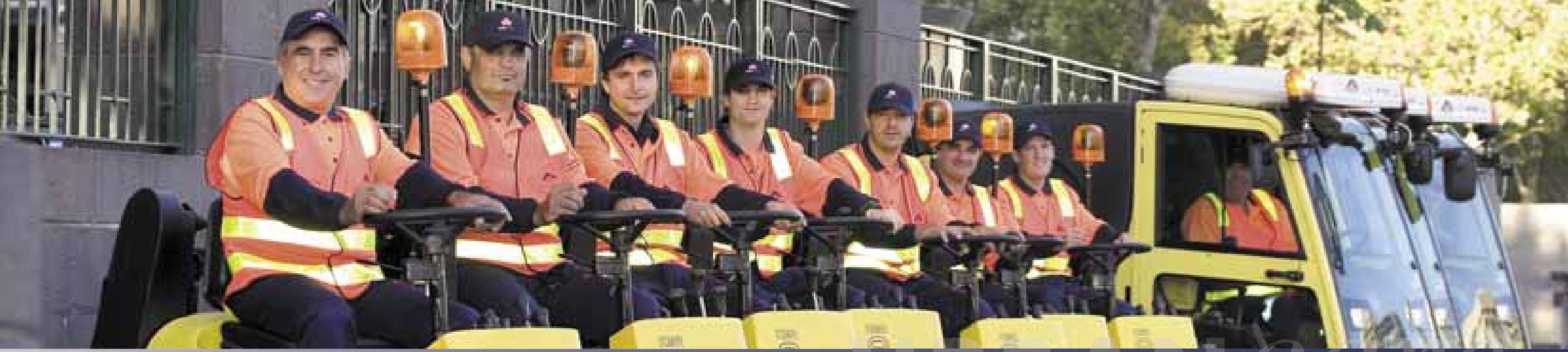
Likely developments in the state of affairs

The Company is continuously investigating opportunities to expand and grow its business. The Company has a strategic planning process that will underpin the corporate strategy going forward.

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

Directors' benefits

No Director of the Company has received since the end of the previous financial year 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 Company or a related body corporate with the Director or with a firm of which the Director is a member, or with an entity in which the Director has a substantial financial interest.



Corporate governance

The Board recognises the need for the highest standards of corporate behaviour and accountability in order to fulfill its responsibilities to the Company's stakeholders who include its shareholder, customers, suppliers, employees, the community and the environment.

In keeping with this responsibility the Company, in consultation with its shareholder, has established a Code of Governance Practices to ensure the Board is well equipped to discharge its responsibilities. This code covers amongst other things the function, composition, nomination, performance and remuneration processes of Directors together with the reporting obligations of the Company and requires the Chairman to review the individual performance of each of the Directors.

The Board consists of five Directors, four independent non-executive Directors, including the Chairman, and an executive Managing Director. A significant majority of the Board are independent non-executive Directors and consist of Directors who bring a balance of skills, experience and diversity to assist the Company to meet its strategic objectives. Non-executive Directors meet periodically, in line with better governance, without the Managing Director or other management present. In accordance with the Company's Constitution one third of the Directors must retire each year, however if eligible, may offer themselves for re-election.

The Board is fully involved in setting the strategic direction of the Company, as well as reviewing the current performance on a monthly basis, with the overall vision to achieve growth in the performance of CityWide.

As part of this process the Board has three committees, Finance and Operations, Remuneration, and Audit and Risk Management. These committees have their own written charter setting out the role, the responsibilities and the manner in which the committee is to operate. Each is comprised entirely of non-executive Directors who provide support to the full Board by giving a professional and skilled focus in each of the three areas.

All matters determined by committees are submitted to the full Board as recommendations for Board decision.

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 Company. Generally this means that the Director will disclose their interest and, if appropriate, will not take part in, and may in some instances, absent themselves during any discussions and not vote on that matter.

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

Under CityWide governance protocols the independent external auditor does not provide any other services to the Company. In addition to the statutory audit, the company also has a comprehensive internal audit programme, which it out-sources, and an external safety and quality audit regime.

Governance is a major area of Board responsibility and consumes considerable time of all Directors. In addition the Board is kept fully informed on issues in the following areas: Environmental matters, Occupational Health and Safety, Legal Compliance, Corporate matters, and sets policy in these and other areas of the business activity.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the class Order applies.

Directors' meetings

The number of Directors' meetings and meetings of committees of Directors held in the period each Director held office during the financial year ended 30 June 2006 and the number of meetings attended by each Director are set out below.

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

In consideration of each of the Directors acting as both a Director and Officer of the Company, 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.

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.

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

JL Davies (Chairman)

George E McGuiness

GE McGuiness (Director)
Melbourne, 16 August 2006

	Board of Directors		Audit & Risk Management Committee		Remuneration Committee		Finance & Operations	
Director	**No. Held**	**No. Attended**	**No. Held**	**No. Attended**	**No. Held**	**No. Attended**	**No. Held**	**No. Attended**
J L Davies	18	18	4	4	2	2	-	-
D A Eagle	18	17	-	-	2	2	2	2
G E McGuiness	18	16	4	4	-	-	2	2
P S Lowe	12	11	2	2	-	-	1	1
K F Osborne	18	18	-	-	-	-	-	-

In addition to these, a significant number of informal meetings are held between Directors and senior management as required.

financial statements

Income Statement

FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 $000	2005 $000
Revenue from continuing operations			
Revenue from continuing activities			
Services		96,181	85,248
Cost of sales		(11,191)	(10,143)
Gross profit		**84,990**	**75,105**
Other Income		73	63
Net gain / (loss) on disposal of non-current assets		100	182
Expenses from continuing operations			
Employee benefits expenses		29,552	28,412
Contractor costs		28,604	23,133
Fleet costs		11,391	9,213
Finance costs		27	15
Other expenses from ordinary activities		9,032	8,831
Expenses from continuing operations		**78,606**	**69,604**
Profit before income tax equivalents	**3**	**6,557**	**5,746**
Income tax equivalents expense	**1 & 4**	2,008	1,781
Profit attributable to members		**4,549**	**3,965**

The accompanying notes form an integral part of this financial report.

Balance Sheet

AS AT 30 JUNE 2006

	Notes	2006 $000	2005 $000
ASSETS			
Current Assets			
Cash and cash equivalents	**5**	4,035	2,534
Trade and other receivables	**6**	14,123	14,545
Inventories	**7**	373	428
Prepayments	**8**	816	416
Other	**9**	1,441	1,106
Total Current Assets		**20,788**	**19,029**
Non-current Assets			
Property, plant and equipment	**10**	31,827	29,115
Deferred income tax equivalent assets	**11**	2,063	1,873
Intangible assets	**12**	517	517
Total Non-current Assets		**34,407**	**31,505**
TOTAL ASSETS		**55,195**	**50,534**
LIABILITIES			
Current Liabilities			
Trade and other payables	**13**	15,445	13,197
Current tax liabilities	**14**	0	1,065
Provisions	**15**	4,110	4,048
Interest-bearing borrowings	**16**	97	80
Unearned income	**1**	2,019	1,920
Total Current Liabilities		**21,671**	**20,310**
Non-current Liabilities			
Deferred income tax equivalent liabilities	**17**	1,719	1,280
Provisions	**18**	478	236
Interest-bearing borrowings	**16**	198	287
Total Non-current Liabilities		**2,395**	**1,803**
TOTAL LIABILITIES		**24,066**	**22,113**
NET ASSETS		**31,129**	**28,421**
EQUITY			
Contributed equity	**19**	18,406	18,406
Retained profit	**20**	12,723	10,015
TOTAL EQUITY		**31,129**	**28,421**

The accompanying notes form an integral part of this financial report.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2006

	Issued capital $000	Retained earnings $000	Total $000
At 1 July 2004	18,406	7,620	26,026
Profit for the year	0	3,965	3,965
Equity dividends	0	(1,570)	(1,570)
At 30 June 2005	**18,406**	**10,015**	**28,421**
Profit for the year	0	4,549	4,549
Equity dividends	0	(1,841)	(1,841)
At 30 June 2006	**18,406**	**12,723**	**31,129**

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 $000 Inflows/ (Outflows)	2005 $000 Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		103,724	96,771
Payments to suppliers		(64,904)	(60,587)
Payments to employees		(25,499)	(25,240)
Finance costs		(27)	(15)
Net gain / (loss) on disposal of non-current assets		73	63
Income tax equivalents paid		(2,917)	(710)
Net cash provided by operating activities	**25**	**10,450**	**10,282**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		667	486
Purchase of property, plant and equipment		(7,975)	(7,929)
Net cash flows used in investing activities		**(7,308)**	**(7,443)**
Cash flows from financing activities			
Proceeds from Borrowings		0	400
Repayment of Borrowings		(71)	(34)
Dividends paid to Company Shareholders		(1,570)	(1,243)
Net cash flows from/(used in) financing activities		**(1,641)**	**(877)**
Net (decrease) increase in cash and cash equivalents		**1,501**	**1,962**
Cash and cash equivalents at beginning of period		2,534	572
Cash and cash equivalents at end of period	**25**	**4,035**	**2,534**

The accompanying notes form an integral part of this financial report.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

1 Summary of significant accounting policies

The financial report of CityWide Service Solutions Pty Ltd (the Company), constitutes a general purpose financial report prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act* 2001.

Basis of accounting preparation

The financial report has been prepared on the basis of historical cost and therefore does not reflect changes in the purchasing power of money or current valuations of non-monetary assets, except where indicated.

Compliance with IFRS

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

Except to the extent that these special provisions require, this finanical report complies with the Australian equivalents to IFRS (AIFRS).

Financial instruments

The Company has elected not to restate comparative information of financial instruments within the scope of AASB 132: "Financial Instruments Disclosure and Presentation" and AASB 139: "Financial Instruments Recognition and Measurement", as permitted on the first time adoption of AIFRS.

Revenue recognition

In accordance with Accounting Standard AASB 118: "Revenue", the Company recognises revenue arising from service contracts by reference to the stage of completion of the contract, unless the outcome of the contract cannot be reliably estimated. The Company determines the stage of completion by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract. Administrative overheads are not included in the costs of the contract for this purpose.

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

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

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

Inventories

Stores and raw materials are stated at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at balance date using the weighted average cost method.

Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows and outflows arising from its continued use and subsequent disposal. These net cash flows are discounted to their present values.

At each reporting date, the Company reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, recoverable amount of the asset, being the higher of the assets' fair value less costs to sell and the value in use, is compared to the assets carrying value. Any excess of the assets' carrying value over its recoverable amount is expensed to the income statement.

Acquisition of assets
The purchase method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition, plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the difference, representing the discount on acquisition, is accounted for by reducing proportionately the fair values of the non monetary assets acquired. Where after reducing to zero the recorded amounts of the non monetary assets acquired, a discount balance remains, it is recognised as revenue in the Income Statement.

Goodwill
Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is now recognised as an intangible asset.

Goodwill is not amortised, instead it is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, as per AASB 3: "Business Combinations".

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Goodwill has been reviewed for impairment for the year ending 30 June 06 and no impairment loss is to be recognised.

Depreciation of property, plant & equipment
Depreciation is calculated on a straight-line basis so as to write off the net cost of each item of property, plant and equipment (excluding land) over its expected useful life to the Company. Estimates of remaining useful lives are re-assessed on an annual basis for all assets.

The ranges of expected useful lives to the Company are unchanged from last year and are as follows:

Buildings	5-10, 40 years
Plant and Equipment	1-10 years
Motor Vehicles	3-10 years

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

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

Trade receivables
All receivables are recognised at the amounts receivable as they are due for settlement, no more than 30 days from the date of recognition.

The collectability of receivables is reviewed on an ongoing basis and a provision for any doubtful debts is raised when considered necessary. Bad debts are written off during the year in which they are identified.

Trade and other payables
Payables represent liabilities for goods and services provided to the Company 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.

Employee benefits
Liabilities for wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates expected to be paid when the liability is settled plus related on costs in respect of employees' services up to that date.

Long Service Leave
All other employee benefit liabilities are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Superannuation
Contributions to defined benefit and other employee superannuation plans are charged as an expense as the contributions are paid or become payable.

The cost of providing super under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Actuarial gains and losses are recognised immediately as income or expense in the income statement.

Tax equivalent regime

The Company is exempt from income tax under Section 50-25 of the *Income Tax Assessment Act* 1997, due to the Company being 100% owned by the Melbourne City Council, a local government authority.

The Company is subject to paying charges (tax equivalents) to the Melbourne City Council equal to the amount of income tax otherwise payable under the *Income Tax Assessment Act* 1997.

Tax effect accounting is applied using the liability method, whereby the income tax expense for the year is based on the accounting profit after allowing for permanent differences.

The deferred income tax assets and liabilities represent the net cumulative effect of items of income and expense that have been brought to account for tax and accounting purposes in different years. Future income tax benefits pertaining to timing differences have only been brought to account where the benefits are expected to be realised beyond reasonable doubt.

Cash and cash equivalents

For purposes of the Statement of cash flows, cash includes deposits at call, which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Interest bearing borrowings

Loan from the parent entity is recorded at an amount equal to the net proceeds received. Interest expense is recognized on an accruals basis.

Leased assets

Operating lease payments are charged as an expense over the period of the lease term, as this represents the pattern of benefits derived from the leased assets.

Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Rounding of accounts

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

2 First-time adoption of Australian equivalents to International Financial Reporting Standards

Following the adoption of Australian equivalents to International Financial Reporting Standards (AIFRS) the Company has prepared its first financial report and other accountability statements in compliance with the AIFRS framework for the financial year ended 30 June 2006.

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly.

Impact of adoption of AIFRS

Reconciliations of AIFRS profit before tax, balance sheet and equity for 30 June 2005 to the balances reported in the 30 June 2005 financial report are detailed in the tables below.

	30 Jun 05 $000	01 Jul 04 $000
Prior year profit before tax as previously reported	**5,647**	**4,634**
Amortisation of goodwill (A)	31	0
Discount Non-current portion of annual leave (B)	68	0
Prior year profit before tax under AIFRS	**5,746**	**4,634**

Reconciliation of total assets and total liabilities as presented under previous AGAAP to that under AIFRS

	30 Jun 05 $000	01 Jul 04 $000
Total assets under previous AGAAP	**50,523**	**47,135**
Adjustments to total assets		
Amortisation of goodwill (A)	31	0
Tax Effect equivalent adjustment on above entries (C)	(20)	0
Total assets under AIFRS	**50,534**	**47,135**
Total liabilities under previous AGAAP	**22,181**	**21,109**
Adjustments to total liabilities		
Discount Non-current portion of annual leave (B)	(68)	0
Total liabilities under AIFRS	**22,113**	**21,109**

Reconciliation of total equity as presented under previous AGAAP to that under AIFRS

	30 Jun 05 $000	01 Jul 04 $000
Total equity under previous AGAAP	**28,342**	**26,026**
Adjustments to Retained earnings		
Amortisation of goodwill (A)	31	0
Discount Non-current portion of annual leave (B)	68	0
Tax Effect equivalent adjustment on above entries (C)	(20)	0
Total equity under AIFRS	**28,421**	**26,026**

Explanatory Notes:

(A) Goodwill is not amortised under AASB 3 "Business Combinations", but was amortised under previous AGAAP to 30 June 2004. This caused an increase in Equity and Profit before tax for the year.

(B) Under AASB 119 "Employee Benefits", Employee Benefits greater than twelve months must be measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. This was not mandatory under AGAAP and was previously only applied to Long Service Leave. This caused an increase in Equity and Profit before tax for the year.

(C) The above adjustments lead to a decrease in Deferred income tax asset.

	2006 $000	2005 $000

3 Profit from continuing operations

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

	2006 $000	2005 $000
Operating revenue		
Profit on sale of non-current assets:		
Property, plant & equipment	275	244
Expenses		
Depreciation:		
Buildings	136	108
Plant & equipment	1,661	1,634
Motor vehicles	2,792	2,488
Leasehold improvements	107	165
Provision for:		
Employee benefits	2,310	1,912
Doubtful debts – Trade debtors	(11)	77
Bad debts	32	33
Contributions to employee superannuation funds	1,767	1,671
Rental expense on operating leases	1,774	1,800
Rental expense on licence agreements	144	151
Loss on sale of non-current assets:		
Property, plant & equipment	175	62
Employee separation costs	402	415

b) Directors' remuneration

	2006 $000	2005 $000
Income received or due and receivable by Directors of the Company from the Company	626	573

The number of Directors of the Company included in these income figures are shown below in their relevant income bands:

Income of	Number	Number
$20,000 to $29,999	1	0
$60,000 to $69,999	2	2
$90,000 to $99,999	1	1
$360,000 to $369,999		1
$370,000 to $379,999	1	0
	5	**4**

No retirement benefits were paid on behalf of Directors during the current financial year or in the prior year.

Directors' fees are reviewed annually using independent surveys to ensure that they are in line with current business standards.

	2006 $000	2005 $000
c) Auditors' remuneration		
Amounts received, or due and receivable by the external auditors for:		
Auditing the financial report	31	30
Other services	0	0
Amounts received, or due and receivable by the internal auditors	63	55

4 Income tax equivalents

The Income tax equivalents on the profit from continuing operations differ from the amount prima facie payable on that profit as follows:

	2006 $000	2005 $000
Prima facie income tax equivalents on the profit from continuing operations at 30% (2005 30%)	(1,967)	(1,724)
Increase tax equivalents payable due to:		
Non deductible expenses	(41)	(57)
Income tax equivalents attributed to operating profit	**(2,008)**	**(1,781)**
Income tax equivalents attributable to operating profit comprise:		
Current tax provision	(1,759)	(1,719)
Deferred income tax liability	(439)	(262)
Deferred income tax asset	190	200
	(2,008)	**(1,781)**

5 Current Assets - Cash and cash equivalents

	2006 $000	2005 $000
Cash at bank and on hand	4,035	2,534
	4,035	**2,534**

Cash at bank are bearing floating interest rates between 5.22% and 5.51% (2005 5.023% and 5.42%)

6 Current Assets - Trade and other receivables

	2006 $000	2005 $000
Trade receivables	8,080	7,068
Less: Provision for doubtful debts	(154)	(166)
	7,926	**6,902**
Amounts owing from parent entity	5,925	7,547
Other debtors	179	96
Current Tax asset	93	–
	14,123	**14,545**

7 Current Assets - Inventories

	2006 $000	2005 $000
Stores and raw materials (at cost)	218	220
Finished goods (at cost)	155	208
	373	**428**

	2006 $000	2005 $000
8 Current Assets - Prepayments		
Prepayments	**816**	**416**
9 Current Assets - Other		
Accrued income – Unbilled services	1,441	1,106
	1,441	**1,106**
10 Non-current Assets - Property, plant and equipment		
Land (at cost)	**6,611**	**6,611**
Buildings (at cost)	3,015	2,606
Net gain / (loss) on disposal of non-current assets	(478)	(342)
	2,537	**2,264**
Leasehold improvements (at cost)	711	1,156
Less Accumulated depreciation	(389)	(858)
	322	**298**
Plant and equipment (at cost)	13,306	12,774
Less Accumulated depreciation	(7,503)	(6,512)
	5,803	**6,262**
Motor vehicles (at cost)	28,239	23,700
Less Accumulated depreciation	(11,685)	(10,072)
	16,554	**13,628**
Work in progress	0	52
Total property, plant and equipment	**31,827**	**29,115**

	Land	Buildings	Leasehold improvements	Plant and equipment	Motor vehicles	Work in progress	Total
2006	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Carrying value at start of year	6,611	2,264	298	6,262	13,628	52	29,115
Additions	0	409	164	1,312	6,141	0	8,026
Disposals / transfers	0	0	(33)	(110)	(423)	(52)	(618)
Depreciation	0	(136)	(107)	(1,661)	(2,792)	0	(4,696)
Carrying value at year end	**6,611**	**2,537**	**322**	**5,803**	**16,554**	**0**	**31,827**

The Directors have determined the current valuation of land and buildings on freehold land at 30 June 2004 to be $8,996,000. The book value of these properties at that date is $8,875,000. The Directors have based their determination of value on an independent valuation carried out by DTZ Australia in June 2004 or, where property was acquired during the year ended 30 June 2004 and subsequent to, the cost of that property.

	2006 $000	2005 $000
11 Non-current Assets - Deferred income tax equivalent assets		
Deferred income tax equivalent asset	**2,063**	**1,873**
12 Non-current Assets – Intangible assets		
Goodwill (at cost)	**517**	**517**
13 Current Liabilities - Trade and other payables		
Trade payables	4,714	2,976
Accrued expenses	8,462	8,651
Amount owing to Parent Entity	2,269	1,570
	15,445	**13,197**

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

14 Current Liabilities - Income tax equivalent payable		
Current tax liabilities	**0**	**1,065**

15 Current Liabilities - Provisions

Employee benefits (15A)	4,110	3,652
Provision for employee separation costs (15C)	0	396
	4,110	**4,048**

The Directors consider the carrying amounts of provisions for employee entitlements approximate their net fair values.

15A Employee Benefits

Current		
All annual leave and LSL entitlements representing 7+ years of continuous service		
- Short-term employee benefits, that fall within 12 months after the end of the period measured at nominal value	2,641	2,389
- Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value	1,469	1,263
	4,110	**3,652**
Non-current		
LSL representing less than 7 years of continuous service measured at present value	478	236

Payroll Tax is included in the current accrued expenses balance as disclosed in note 13 to the financial report.

15B Commentary - Employee Benefits

All annual leave and unconditional vested LSL representing 7+ years of continuous service is:

a disclosed in accordance with AASB 101, as a current liability even where the company does not expect to settle the liability within 12 months as it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months;

b measured at:
- nominal value under AASB 119: "Employee Benefits" where a component of this current liability is expected to fall due within 12 months after the end of the period; and
- present value under AASB 119: "Employee Benefits" where the entity does not expect to settle a component of this current liability within 12 months.

LSL representing less than 7 years of continuous service is:

a disclosed in accordance with AASB 101 as a non-current liability; and

b measured at present value under AASB 119, as the entity does not expect to settle this non-current liability within 12 months.

15C Provisions Reconciliation

	Employee Separation Costs
2006	**$000**
Balance at beginning of the financial year	396
Amounts used	(396)
Balance at end of the financial year	**0**
2005	**$000**
Balance at beginning of the financial year	295
Additional provisions	101
Amounts used	0
Balance at end of the financial year	**396**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	2006 $000	2005 $000
16 Current / Non-current Interest-bearing borrowings		
Current		
Ultimate parent entity – City of Melbourne	**97**	**80**
Non-Current		
Ultimate parent entity – City of Melbourne	**198**	**287**
17 Non-current Liabilities - Deferred Income tax equivalent liabilities		
Provision for deferred income tax equivalent liability	**1,719**	**1,280**
18 Non-current Liabilities - Provisions		
Employee benefits	**478**	**236**
19 Contributed equity		
Share capital		
500,000,000 Ordinary shares of $1 each	**500,000**	**500,000**
Issued share capital	**000's**	**000's**
18,405,629 Ordinary shares of $1 each	**18,406**	**18,406**

Movement in share capital

	2006		2005	
Fully paid ordinary shares	**Number**	**$000**	**Number**	**$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**

20 Retained profit

	2006 $000	2005 $000
Retained profits at the beginning of the financial year	10,015	7,620
Net profit attributable to members of the company	4,549	3,965
Total available for appropriation	**14,564**	**11,585**
Dividends provided for or paid	(1,841)	(1,570)
Retained profits at the end of the financial year	**12,723**	**10,015**

20A Dividends provided for or paid

The Company Board have declared a Dividend of $1,841,000.

	2006 $000	2005 $000

21 Commitments for expenditure

Capital expenditure commitments

Total capital expenditure contracted for at balance date but not recognised in the financial report:

	2006 $000	2005 $000
Payable within one year	852	1,239
Payable later than one year, not later than five years	0	0
Payable later than five years	0	0
	852	**1,239**

Non-cancellable operating leases

Non-cancellable operating lease commitments contracted for but not recognised in the financial report:

	2006 $000	2005 $000
Payable within one year	1,303	1,327
Payable later than one year, not later than five years	2,118	1,853
Payable later than five years	0	0
	3,421	**3,180**

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

22 Employee benefits

Employee benefits liabilities

	2006 $000	2005 $000
Provision for employee benefits:		
Current (note 15)	4,110	4,048
Non current (note 18)	478	236
Accrued wages and salaries and payroll tax (i)	0	941
Aggregate employee benefits liability	**4,588**	**5,225**

i) Accrued wages and salaries and payroll tax are included in the current accrued expenses balance as disclosed in note 13 to the financial report.

Superannuation

CityWide Service Solutions Pty Ltd contributes in respect of its employees to the following subplans of the Local Authorities Superannuation Fund:

- the City of Melbourne subplan,
- the Defined Benefits Scheme subplan, and
- the LASPLAN subplan.

The City of Melbourne subplan comprises members of the former City of Melbourne Superannuation Fund. The City of Melbourne Superannuation Fund was closed to new members on 23 December 1993 and on 31 October 1995 all members of this fund were transferred to the Local Authorities Superannuation Fund. The City of Melbourne subplan is a defined benefits superannuation plan and contributions are determined by the fund actuary. The employer rate is currently 8.0% (2005 8.0%). In addition, employees make member contributions to the subplan. As such, assets accumulate in this subplan to meet members' benefits as they accrue. A full actuarial assessment of the subplan was undertaken by the LAS actuary, G Harslett FIA, FIAA, of Towers Perrin, as at 30 June 2006 on the basis that the liability for accrued benefits was determined by reference to expected future salary levels and by application of a market based risk adjusted discount rate and relevant actuarial assumptions. There was no unfunded liability of the City of Melbourne subplan as at 30 June 2006.

Details of CityWide Service Solutions Pty Ltd's share of the accrued benefits, estimated surplus, plan assets and vested benefits of the City of Melbourne subplan at 30 June 2006 have not been advised by Local Authorities Super Pty Ltd (Fund Trustee) to the Directors of CityWide Service Solutions Pty Ltd. This information is therefore not disclosed.

CityWide Service Solutions Pty Ltd also contributes to the Local Authorities Superannuation Fund Defined Benefits Scheme subplan for one of its employees. The Defined Benefits Scheme subplan was closed to new members on 31 December 1993.

CityWide Service Solutions Pty Ltd makes contributions to the Defined Benefits Scheme subplan in accordance with the rates determined by the Trustee. The rate is currently 9.25% (2005 9.25%). In addition, employees make member contributions to the subplan. As such, assets accumulate in this subplan to meet members' benefits as they accrue. A full actuarial assessment of the subplan was undertaken by the LAS actuary, G Harslett FIA, FIAA, of Towers Perrin, as at 30 June 2006. The Fund's liability for accrued benefits was determined by reference to expected future salary levels and by application of a market-based risk-adjusted discount rate and relevant actuarial assumptions. Directors have been advised that CityWide do not have an outstanding unfunded liability at that date.

CityWide Service Solutions Pty Ltd contributes to complying accumulation superannuation funds. These funds receive both employer and employee contributions on a progressive basis. No further liability accrues to CityWide Service Solutions Pty Ltd as the superannuation benefits accruing to employees in the funds are represented by their share of the assets of the fund.

The amount of superannuation contributions paid by CityWide Service Solutions Pty Ltd during the year was $1,767,000 (2005 $1,671,000).

23 Contingent liabilities

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

Guarantees issued by the Bank in respect of contracts secured of $2,671,117 (2005 $2,338,000).

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

24 Related party information

Controlling entity

The immediate parent entity and ultimate parent entity is the Melbourne City Council.

Directors and Director – Related Entities

The Directors named in the attached Directors Report each held office as a Director of the Company during the year ended 30 June 2006.

Refer to Note 3 for the details of the Directors' remuneration during the financial year.

Related party transactions

Transactions with the parent entity during the financial year comprised vehicle rental services, 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.

Mr Barry McGuiness, Director, chairs the meetings of business consultants, William Buck and engages them for his personal tax affairs. During the year CityWide periodically engaged the services of this firm. When these appointments arose, Mr Barry McGuiness declared a potential conflict of interest and did not participate in the discussion or vote on the matter. The Managing Director uses this firm's services in respect to his personal affairs.

The above transactions were made on commercial terms and conditions and at market rates except where indicated.

Amounts receivable and payable

Amounts receivable from and payable to the controlling entity are disclosed in Notes 6 and 13 to the financial report.

Intercompany revenue and expenditure

Revenue transactions with the parent entity amounted to $35,684,629 during the financial year. Expenditure transactions with the parent entity amounted to $579,205 during the financial year.

Economic dependency

The Company conducts a significant volume of business with the Melbourne City Council.

	2006 $000	2005 $000

25 Cash flow information

Reconciliation of cash

Cash assets at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the Balance Sheet as follows:

	2006 $000	2005 $000
Cash	4,035	2,534
	4,035	**2,534**

Non-cash financing and investing activities

The Company has in place an unused credit facility of $10,000,000 from its parent entity. At 30 June 2006 $295,000 (June 2005, $367,000) had been utilised.

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

	2006 $000	2005 $000
Net profit after income tax equivalents	4,549	3,965
Net (gain) / loss on disposal of non-current assets	(100)	(182)
Depreciation / amortisation of non-current assets	4,696	4,396
(Decrease) / Increase in current tax equivalents liability	(1,158)	669
(Increase) in deferred tax equivalent assets	(190)	(204)
Increase in deferred tax equivalent liabilities	439	210
(Decrease) / Increase in provision for doubtful debts	(12)	77
(Increase) / Decrease in trade and other debtors	(1,095)	720
(Increase) / Decrease in accrued income	(336)	1,049
(Increase) in prepayments	(400)	(260)
Decrease / (Increase) in inventories	55	(30)
Decrease in amounts owing by parent entity	1,622	223
Increase / (Decrease) in trade creditors	1,738	(594)
(Decrease) / Increase in accrued expenses	(189)	110
Increase in unearned income	99	271
Increase / (Decrease) in amounts owing to parent entity	428	(57)
Increase / (Decrease) in employee benefits	304	(81)
Net cash provided by operating activities	**10,450**	**10,282**

26 Segment information

The Company operates in the contract service industry within Australia and the primary reporting format is by business segment. Segment information has been prepared in accordance with revised Accounting Standard AASB 114: "Segment Reporting".

	Infrastructure Services	Environmental Services	Unallocated	Total
2006	**$000**	**$000**	**$000**	**$000**
Total revenue	54,633	50,305	96	105,034
Net gain / (loss) on disposal of non-current assets	(7,330)	(1,344)	(6)	(8,680)
External revenue	**47,303**	**48,961**	**90**	**96,354**
Profit from ordinary activities before tax	6,497	5,955	(5,895)	6,557
Income tax equivalents	–	–	(2,008)	(2,008)
Net profit	**6,497**	**5,955**	**(7,903)**	**4,549**
Segment assets and liabilities				
Total assets	25,966	20,865	8,364	55,195
Acquisition of segment assets during the period	866	6,425	735	8,026
Non cash items				
Depreciation and amortisation of assets	1,362	2,799	535	4,696
Other non-cash expenses	–	–	–	0
2005				
Total revenue	50,170	44,142	112	94,424
Less Internal sales	(7,884)	(1,047)	0	(8,931)
External revenue	**42,286**	**43,095**	**112**	**85,493**
Profit from ordinary activities before tax	5,682	5,057	(4,993)	5,746
Income tax equivalents	0	0	(1,781)	(1,781)
Net profit	**5,682**	**5,057**	**(6,774)**	**3,965**
Segment assets and liabilities				
Total assets	26,276	17,956	6,302	50,534
Acquisition of segment assets during the period	5,057	3,198	866	9,121
Non cash items				
Depreciation and amortisation of assets	1,228	2,801	366	4,395
Other non-cash expenses	0	0	0	0

Internal sales are recorded at amounts equal to competitive market prices charged to external customers for similar goods.

Total liabilities are not or have not been recorded by business units and therefore are not capable of being allocated to business units except by arbitrary allocation.

Products and services within each business segment

The Company is organised into two major operating divisions - Infrastructure Services and Environmental Services. The principal products and services of each of these divisions is as follows:

Infrastructure Services – Provide Civil construction and maintenance solutions for municipal and commercial clients.

Environmental Services – Provide services to the community for waste management, cleaning and maintenance of parks and gardens.

27 Events occurring after balance date

The Company has entered into a conditional contract for the purchase of the Spotless Open Space business. Completion is contingent, amongst other matters, upon the majority of contracts that comprise the open space business being assigned to CityWide. Completion is anticipated in the later part of the 2006 calendar year.

28 Financial instruments

Credit risk exposures

The credit risk on financial assets of the Company, other than investments in shares, is generally the carrying amount net of any provisions for doubtful debts.

The Company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability is set out below.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Company intends to hold fixed rate assets and liabilities to maturity.

	Notes	Floating interest rate $000	Non-interest bearing $000	Total $000
2006				
Financial assets				
Cash and cash equivalents	**5**	4,035	0	4,035
Trade receivables	**6**	0	14,123	14,123
		4,035	**14,123**	**18,158**
Weighted average interest rate		5.37%		
Financial liabilities				
Trade payables	**13**	0	15,445	15,445
Interest bearing borrowings	**16**	295	0	295
		295	**15,445**	**15,740**
Weighted average interest rate		5.37%		
Net financial assets		**3,740**	**(1,322)**	**2,418**

	Notes	Floating interest rate $000	Non-interest bearing $000	Total $000
2005				
Financial assets				
Cash and cash equivalents	**5**	2,534	0	2,534
Trade receivables	**6**	0	14,545	14,545
		2,534	**14,545**	**17,079**
Weighted average interest rate		5.22%		
Financial liabilities				
Trade payables	**13**	0	13,197	13,197
Interest bearing borrowings	**16**	367	0	367
		367	**13,197**	**13,564**
Weighted average interest rate		7.9%		
Net financial assets		**2,167**	**1,348**	**3,515**

Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Company approximates their carrying value.
The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2006		2005	
	Carrying amount $000	Net fair value $000	Carrying amount $000	Net fair value $000
Recorded financial instruments				
Financial assets				
Receivables	14,123	14,123	14,545	14,545
Cash assets	4,035	4,035	2,534	2,534
	18,158	**18,158**	**17,079**	**17,079**
Financial liabilities				
Payables	15,445	15,445	13,197	13,197
Interest Bearing Liabilities	295	295	367	367
	15,740	**15,740**	**13,564**	**13,564**

Directors' Declaration

The Directors declare that the financial report set out on pages 15 to 40:

a complies with Accounting Standards, the *Corporations Regulations* 2001 and other mandatory professional reporting requirements, and

b gives a true and fair view of the Company's financial position as at 30 June 2006 and its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the Directors' opinion:

a the financial report is in accordance with the *Corporations Act* 2001; and

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

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

J L Davies	G E McGuiness
(Chairman)	(Director)

Melbourne, 16 August 2006

AUDITOR GENERAL
VICTORIA

INDEPENDENT AUDIT REPORT

CityWide Service Solutions Pty Ltd

To the Members of the Parliament of Victoria and Members of the Company

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report for the financial year ended 30 June 2006 relates to the financial report of CityWide Service Solutions Pty Ltd included on its web site. The Company's directors are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The audit report refers only to the statements named below. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

The Financial Report

The accompanying financial report for the year ended 30 June 2006 of CityWide Service Solutions Pty Ltd consists of the income statement, balance sheet, statement of changes in equity, cash flow statement, notes to and forming part of the financial report and the director's declaration.

Company Directors' Responsibility

The Company's directors are responsible for:

- the preparation and presentation of the financial report and the information it contains, including accounting policies and accounting estimates
- the maintenance of adequate accounting records and internal controls that are designed to record its transactions and affairs, and prevent and detect fraud and errors.

Audit Approach

As required by the *Corporations Act* 2001 and *Audit Act* 1994, an independent audit has been carried out in order to express an opinion on the financial report. The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement.

The audit procedures included:

- examining information on a test basis to provide evidence supporting the amounts and disclosures in the financial report
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Company's directors
- obtaining written confirmation regarding the material representations made in conjunction with the audit
- reviewing the overall presentation of information in the financial report.

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AUDITOR GENERAL
VICTORIA

Independent Audit Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act* 1975. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. The Auditor-General and his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

Audit Opinion

In my opinion, the financial report of CityWide Service Solutions Pty Ltd is in accordance with:

(a) the *Corporations Act* 2001, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2006 and of its financial performance for the year ended on that date; and
- ii. complying with Accounting Standards in Australia and the *Corporations Regulations* 2001; and

(b) other mandatory professional reporting requirements in Australia.

MELBOURNE
18 August 2006

JW CAMERON
Auditor-General

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