Empower. Engage. Drive.

CITYWIDE

Annual Report 2012

CITYWIDE Annual Report 2012

Registered Office
Citywide Service Solutions Pty Ltd
ABN 94 066 960 085
Level 1, 150 Jolimont Road, East Melbourne 3002
GPO Box 4969 Melbourne VIC 3001
www.citywide.com.au

Shaping sustainable landscapes.

An empowered community has the capacity to influence and participate in its future. In modern cities and regional towns, roads underpin economic growth. Parks and gardens are host to community connectivity and the creation of social capital. Well maintained and leafy streets are a mark of pride as much as important thoroughfares. These physical assets are fundamental to the efficacy of modern life. As their custodian, Citywide empowers Australians.

To be engaged is to be connected, collaborative and aware: conscious of the impacts of climate; cognisant of the cultural and community dynamic of urban or regional life. Citywide's 1100-strong workforce listens and acts. Beyond the scope of contract specifications, our people identify risk and help neighbours when asked. Often members of the local community, they take pride in being part of its success.

The growth of any great institution requires significant investment of human and financial capital over time. Sustainability requires flexibility and adaptability in response to external forces; it requires persistence, with one eye on the horizon and one on immediate need. Most of all, it needs a sense of purpose: to be driven to succeed, and leave a place better than you found it.

Performance highlights.

81

Citywide successfully tenders for 81 contracts in 2011/2012.

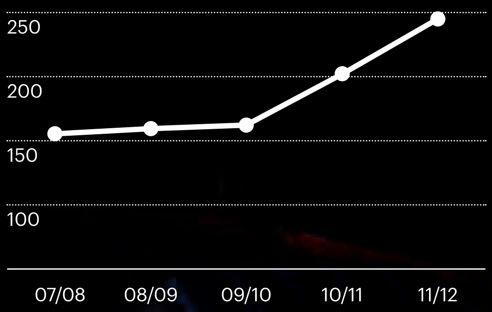
1175

Citywide workforce expands to over 1000 for the first time in it's history.

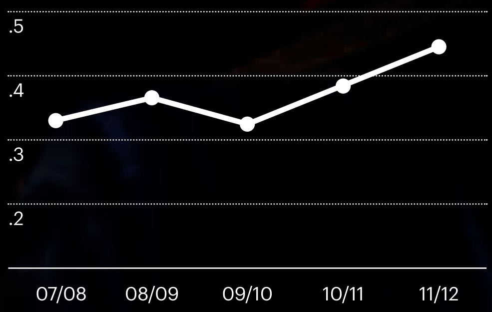
4

Citywide expands into Queensland, and now operates in three Australian states and one territory.

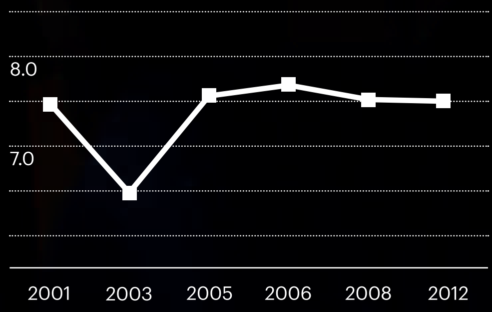
Total revenue in $,000



Earnings per share after tax in $



Customer satisfaction scored out of 10



INDICATORS ($'000)	2012	2011	2010	2009	2008
Total Revenue	246,045	201,925	160,813	158,321	154,681
Profit from ordinary activities before income tax	14,282	11,480	9,632	8,053	9,756
Net profit after income tax	9,924	7,969	7,133	5,789	6,800
Total assets	138,540	121,355	98,747	90,042	95,753
Shares issues	18,406	18,406	18,406	18,406	18,406
Total equity	64,034	58,190	53,361	46,222	42,799
Number of direct employees	1,049	947	797	733	780
PERFORMANCE MEASURES					
Return on sales before tax (%)	5.8	5.7	6.0	5.1	6.3
Return on assets after tax (%)	7.2	6.6	7.2	6.4	7.1
Earnings per share after tax (cents)	53.9	43.3	38.8	31.5	36.9
Return on total equity after tax (%)	15.5	13.7	13.4	12.5	15.9
Current ratio	0.73:1	0.77:1	0.71:1	0.85:1	0.90:1
Revenue per employee ($)	234,552	213,226	201,773	215,990	198,309

Record growth.

Lyn Davies, Chairman

Highlights:

- 11th year of consecutive growth
- Revenue increased to $246 million
- Acquired AWD Earthmoving

On behalf of the Board of Directors, it is my pleasure to present the 2011/2012 Citywide Annual Report.

Fiscal 2012 was another excellent year for Citywide in which it has recorded an eleventh year of consecutive growth. Revenue increased 22 per cent to $246 million and profit increased 25 per cent to $9.9 million, underlining our capacity to expand while managing margins. Citywide declared an annual dividend of 22.17 cents per share, representing a total declared dividend of $4 million, a 30 per cent increase on 2011.

The Board and Executive commenced the year with a strategy to extend our reach into new markets through acquisitions and tendering. By 30 June, the Company's footprint had extended further into regional Victoria and far northern Australia with the $11 million Townsville open space contract establishing a presence in Queensland for the first time. The Sterling Group Services acquisition in NSW has been effectively integrated and we announced the acquisition of AWD Earthmoving in June 2012. AWD has built a strong reputation for high quality road stabilisation works. This diversification reduces risk and presents opportunities to grow organically and laterally into client businesses and new markets. We continue to assess potential acquisitions in Australia and in New Zealand.

Market leadership brings new challenges. Competition is increasing with major, publicly listed infrastructure businesses actively returning to tender for local government services. With our origins in municipal government plus many years specialisation in urban roads and open space maintenance, our Company has accrued a wealth of intellectual property embodied in our senior and operating staff, systems and processes. That knowledge represents value as well as a low risk for our customers.

The Queensland government has consolidated the number of councils from 157 to 73, mirroring consolidation in Victoria over a decade ago. Procurement of services will be reviewed and outsourcing to the private sector is expected to increase. The efficiency and productivity gains achieved in Victoria will be hard to ignore. This presents significant opportunities for Citywide in Queensland, not only for contracted work but applying our unique organisational model.

Outside the local government sector, we have increased state road authority and private sector road works. Although the ongoing effects of a global slowdown continue to delay infrastructure projects and investments, our expansion interstate has established a solid base for when investment levels increase.

In this annual report we highlight how the ‘empowered, engaged and driven’ approach of Citywide’s workforce differentiates us and is fundamental to the trusted relationships we hold with customers. Over the past 18 months the Company has invested in cultural alignment and internal communication, empowering staff to participate in the development of the business. Empowered employees are more likely to proactively solve issues and find opportunities for our customers.

Citywide’s sense of purpose is reflected in our ambition to improve and our engagement with the community in the spaces we maintain. In a year of unforgiving wet weather, Citywide’s assistance to communities in northern Victoria during severe floods opened up transport routes and secured open spaces. The most important outcomes were a return to normal community life for local people and to profitability for businesses using transport infrastructure.

“” Citywide is known to be a purposeful company. That sense of purpose is reflected in our ambition to improve and our engagement with the community in the spaces we maintain.

An annual benchmarked survey of customer satisfaction offers insight into why Citywide continues to win new customers and retain key contracts. In the Survey, respondents repeatedly mention Citywide’s safety systems, performance and reporting mechanisms as superior to industry peers. Scores for relationship management ranked the highest, with the Company’s sense of purpose and willingness to solve contract issues highlighted. Importantly, Citywide is consistently named as offering a better service than its larger competitors.

In combination, Citywide’s adept management of community relationships, our integrated service model and our geographic presence place the Company in an unparalleled position to respond in emergency situations and during recovery works. The social capital we have created and the embodied knowledge of what communities want and need represents very real value.

This is my final year as the Chairman of the Citywide Board. When I took up the position as founding Chairman on 3 March 1995, I did so with a very positive view of the opportunities available for Citywide. It has been an immensely rewarding and exciting 17 years during which the Company has grown from a small local government service provider to a diverse business operating in multiple capital cities and regions across Australia.

The Board also farewells fellow director Alan Evans who joined us on 1 March 2007. We acknowledge his contribution to the Company and thank him for his professionalism and commitment over the years.

To my current fellow directors, Peter Lowe and Janice van Reyk, I offer my appreciation of their work and the unique skills they have brought to the Company.

It is with genuine gratitude I thank our diverse workforce. You are the people that care for cities and towns across Australia where our contracts are located. Melbourne’s status as the “world’s most liveable city” is in part a testament to our staff and I thank them for their extraordinary commitment and effort on behalf of all who enjoy this wonderful city. Your work is appreciated; it is professional and the Board acknowledges your valuable contribution.

Strategy is only ever as good as its implementation and this Company’s managers and service personnel rarely fail to execute their mandate effectively. When issues arise, they adapt and recover quickly: the sign of a truly great Company.

I have sincerely enjoyed working closely with the Company’s founding Chief Executive Officer, Alan Gostelow, and current Managing Director, Kerry Osborne. I have watched with admiration as Citywide’s Executive Team has grown in its vision and capacity in-step with the Company’s expansion.

Throughout my time with Citywide, I have been privileged to work with and, indeed, learn from fellow Board members with admirable business acumen and life experience. I wish to express to those Directors past and present my appreciation of their contributions in shaping this prosperous business.

Finally, on behalf of the Board and the Company, I would like to record our appreciation of the continuing support we receive from our shareholder, the City of Melbourne.

I take great personal pride in what has been achieved and I know the person next appointed to Chair the Citywide Board can be sure of a running start: to be engaged, empowered and driven is in the Citywide DNA.

Lyn Davies, Chairman

Strong culture.

Kerry Osborne, Managing Director

Highlights:
- Secured $100 million in contracted work
- Completed first stage of a values journey
- Entered Queensland market

After another year of impressive performance, I am pleased to report that Citywide is in a strong operational and financial position heading into fiscal 2013.

Contracts under management have grown across all three operational divisions as the Company secured in excess of $100 million in work from renewals and new business. In addition to a suite of other contracts, Citywide has retained signature contracts including Queen Victoria Market, Port Philip Open Space and Trees, and Government House in Victoria. These high value civic spaces are iconic and provide a sense of identity to Melburnians. We feel honored to have such a longstanding responsibility for their maintenance.

This year also saw Citywide commence operations on its most recent expansion into Queensland winning the Townsville City Council open spaces contract. The appointment of Citywide is testament to the confidence Townsville has in the efficient, quality services Citywide has delivered in other cities along the Australian eastern seaboard. Citywide's Infrastructure division grew its operations 27 per cent this financial year, including $25 million in capital works. In addition to important municipal contracts, the division further established its position in the private sector. After successfully completing road surfacing contracts with multinational Transurban on its flagship Citylink toll road in Melbourne, Citywide now enjoys preferred contractor status. Significant major tender wins included a two-year extension of the contract with VicRoads in East Gippsland, representing $4 million in additional revenue.

This year, Citywide's environmentally sensitive asphalt, Greenpave, accounted for 12 per cent of the business's total asphalt production, up 10 per cent year on year. A multimillion dollar investment in the North Melbourne asphalt plant is scheduled for completion in January 2013.

The integration of New South Wales based Sterling Group Services into Citywide has been successfully undertaken with the new business retaining and building on its customer base since the acquisition. High profile contracts have been won with Gosford City Council, Westmead Children's Hospital and Blacktown City Council. Sterling adds specific expertise in turf and sports field restoration and maintenance. We look forward to expanding the Company's presence and leveraging Sterling intellectual property to enhance other Citywide services.

Over the past 12 months, greater than average wet weather resulted in disruption to services and higher plant growth. Drawing on experience, management responded effectively to reduce the impact on margins and service quality. The Open Space division won $5.5 million in new business including work with Melbourne University and new Victorian regional customers, South Gippsland, Bendigo and Moorabool shires.

> "Citywide continues to provide one of the safest workplaces in the physical services sector."

Tree Services continues to be a growth business with associated challenges in staffing. Whilst we continue investment in our apprenticeship program, with 25 apprentices being trained across the business, we have also embarked on a successful recruitment drive in the United Kingdom, which has resulted in a number of UK arborists now working for Citywide in Australia. Innovative responses to staffing challenges have enabled Trees Services to outperform the competition.

Citywide Environmental recorded a 9 per cent increase in total revenue. In addition to a two year extension at Queen Victoria Market, we successfully transitioned to the new Moreland Waste Contract and secured the Whitehorse street cleaning contract. All these outcomes are testament to the combined efforts of our people.

I have always acknowledged that the Company's employees are its greatest asset. This year we completed the first stage of our values journey, designed to understand the alignment of employees with the Company vision and values as well as increase communication clarity across all divisions. Over 100 sessions were held across the organisation exploring the values and behaviours specific to each work contract. The project will continue for several years, however we are already seeing a positive attitude and commitment to strengthening Citywide cultural values. With a workforce now numbering 1175 full-time and casual employees, it is important we employ systems to monitor culture and invest in initiatives to motivate and reward employees.

Sustainability continues to be at the core of the business. Both an ethos and a business goal, sustainability drives innovation across all departments as we reduce consumption, emissions and environmental impacts along each step of the supply chain. As this year's sustainability report details, we have met almost all the targets set last year as well as adding new categories to our reporting.

Based on independently measured benchmarks, Citywide continues to provide one of the safest workplaces in the physical services sector. This was evident in a coordinated response to safety challenges: new, even higher benchmarks. We will never let our focus on safety lapse.

At the end of the 2012 financial year, Citywide is a bigger business in every sense: revenue, profit, geographic footprint, workforce and contracts under management. Importantly, it is also a stable and sustainable business which continues to adapt to the challenges of competition, climate and labour supply.

The Citywide success story is a result of a determined effort from people at every level of the business.

I wish to acknowledge the support of the Citywide Board whose members have provided direction and the confidence to implement our organisational strategies. Citywide's Chairman, Lyn Davies and fellow director Alan Evans retire from the Board this year. Alan leaves the Board after completing a five year term, also serving as Chair on the renumeration committee and I thank him for his contribution and support during his time with Citywide. I also wish to acknowledge the vision and leadership of Citywide's longstanding Chairman, Lyn Davies, who joined the Board as its inaugural Chairman in 1995.

Since my appointment in 2001, Lyn has provided strong governance, invaluable strategic advice and sound counsel to me and my Executive Team, and has always acknowledged the contribution of our staff to Citywide's continued success. Citywide management and staff wish Lyn the very best for the future.

Citywide's Executive Team again excelled through the year and I would like to acknowledge their hard work, loyalty and drive. A restructure has led to the appointment of a new senior manager from within the business. Mike North, Executive General Manager Northern, is entrusted with consolidating and growing the Company's northern contracts and ensuring profitability.

Finally, I extend my gratitude to our dedicated, professional and skilled employees. It is your energy and your achievements that make me extremely proud to work for our Company.

K F Osborne

Kerry Osborne, Managing Director

Infrastructure Overview

> “”
> Citywide is prompt and responsive.
> They are a good group of people to work with.
> Ian Sparkes, Infrastructure (City of Frankston)

Citywide Infrastructure had an exceptional year.

Operating revenue increased 27 per cent on the previous year, with operating profit rising by 37 per cent. A total of $22 million in new business was secured.

In the annual customer satisfaction survey, Citywide Infrastructure scored 8.11 overall (from a possible 10) which is a positive result. Asset management software sytems, TRAX and RAMM, are now in place across numerous infrastructure contracts, with both solutions gaining a strong and positive reputation among customers.

In a year of extreme weather, the division successfully completed in excess of $15 million in flood recovery works for Victorian state road authority, VicRoads, and regional councils across Victoria.

With widespread damage to gravel roads, shoulders, and bridges, the division was tasked with closing, recovering and rebuilding the infrastructure essential to regional communities. Our workforce laboured over long hours, often in tough conditions, to complete projects. Socially and economically, local communities benefited from Citywide’s delivery model as 90 per cent of the workforce was sourced locally.

Local communities, councils and VicRoads were extremely grateful for the effective responsive of Citywide teams to flood damage across northern Victoria. The relationships our teams have formed on the varied works have already underpinned new contract

22	million dollars of new business won
4,000	kilometres of road administered for VicRoads
350	kilometres of new road paved
461	fleet vehicles

wins. Government leaders know that, under pressure and when it absolutely counts, Citywide delivers.

Working closely with Hindmarsh Shire Council, Citywide's expertise was instrumental in the restoration of roads and associated local infrastructure affected or destroyed by the floods. This $5.5 million seven month contract provided many challenges to our regional teams which only served to strengthen their resolve to deliver a quality outcome, irrespective of the inclement conditions.

Citywide's regional operations continue to expand with contracts for various shires, including Benalla and Hindmarsh. Citywide was also awarded a two-year extension of the VicRoads East Gippsland contract, representing $4 million. In Ballarat, Citywide purchased AWD Earthmoving, a company with specialisation in road stabilisation. The acquisition gives our Company access to the regional market and AWD technology.

Production and capacity at the environmentally sensitive North Melbourne Asphalt Plant continues to expand with Citywide's low-emission asphalt, Greenpave, increasing output by 10 per cent on the previous year's results. Greenpave has now been laid in metropolitan Melbourne and on major arterials, reflecting the trust VicRoads and councils have in the product. Greenpave represents 12 per cent of asphalt sales with significant emissions reporting benefits for our customers. $3 million is currently being invested in the North Melbourne plant to increase the production of recycled asphalt product, again with important environmental benefits for our customers and Victorian communities.

Following consecutive years of increasing resurfacing work on Melbourne's Citylink toll road, this year Citywide Infrastructure successfully completed a $14 million road contract with Transurban, Melbourne's dominant private sector road operator. Feedback from Transurban management praised the commitment of Citywide to providing a high quality outcome.

Other notable wins included a $1.5 million contract conducted on behalf of General Motors Holden on their world class Lang Lang vehicle proving grounds. Citywide was engaged to lay Belgian pavers on the vehicle manufacturer's suspension test track.

Open Space Overview

> “”
> Citywide is dependable, professional, reliable and delivers a quality service.
> Trevor Griffin, Open Space (City of Casey)

This was a successful financial year for Citywide Open Space.

Operating revenue grew 21 per cent on fiscal 2011, and an additional $3.2 million in new business was secured.

Changing seasonal conditions presented challenges as Victoria received increased rainfall and new growth spread quickly across the state. Despite the increased pressure on resources, impact on profit was managed effectively and service quality remained high.

Southern operations

During the year, Open Space commenced three new contracts, won over $6 million in new business and re-won Government House Victoria as well as extensions at Brimbank and Casey Councils. Tender wins in South Gippsland and Moorabool Shires have extended our reach into country Victoria. The division employed over sixty people for new positions, gained further growth through variations work and introduced innovative methods of operations through the TRAX data base.

Growth has been backed with investment in plant, fleet and infrastructure. A $5 million capital investment has been allocated to new vehicles, equipment and three new depots. The introduction of the larger mowers (Toro 5910) has had a major impact on our mowing productivity and assisted the operations in maintaining timely mowing schedules, in particular during spring time.

After a review of management and operational structures, a third business manager was appointed to drive future growth across the division. A ‘lean program’ was instigated to improve operational processes through clearer reporting and to increase profitability. The TRAX asset management system now plays an instrumental role to 14 southern operations contracts.

Arborist resourcing strategies include training, links to training schools, online communications and recruitment in the United Kingdom. The national skills shortage of arborists has been a major focus for the division. Open Space representatives visited the UK to recruit qualified arborists into the business. The UK recruitment drive has proven to been very successful with 14 UK arborists working for Citywide in Australia and a further 40 applicants being generated from the most recent trip in May. Recruitment and training is key to the development of personnel across the division. Senior management participated in a strategic management course at Macquarie University. The number of apprentices within our division doubled to 14, and 14 employees are currently undertaking certificate courses in horticulture.

In the annual customer satisfaction survey, Citywide Open Space scored a rating of 7.78 (from a possible 10). This solid result is testimony to the commitment, hard work and dedication displayed by all staff as we continue to grow the business.

3.2 million dollars of new business won

1.2 million trees under management

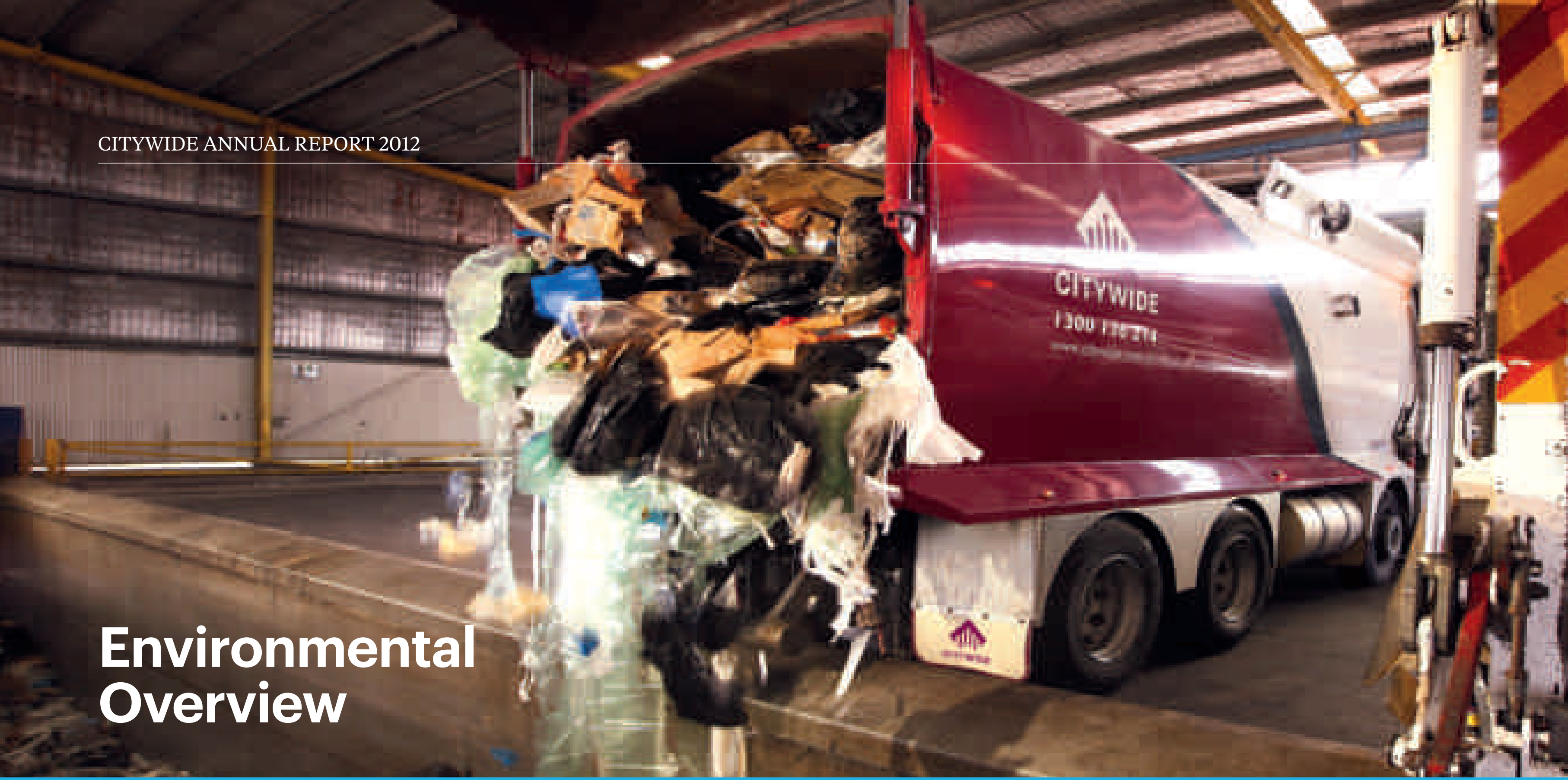
21 per cent increase in revenue

14 thousand new trees planted annually

Northern operations

The Northern Region highlight for this financial year was the successful tender for the Townsville open space contract. The $3.7 million per annum contract is Citywide's first in Queensland and represents the achievement of a long-held ambition to provide services along the eastern seaboard. It is a highly strategic move for Citywide given the election of a new government focused on local government reform. We expect changes in local government administration to drive outsourcing and create opportunities. Open Space service personnel are again visible on the streets of Sydney as they complete planting and paving upgrades for the City of Sydney. Citywide subsidiary, Sterling Group Services successfully completed contracts with the University of Western Sydney at its Campbelltown and Bankstown campuses. Sports field renovations and topdressing at Oakhill College also generated revenue.

Citywide's position in the Australian Capital Territory looks set to expand with strong endorsement on the National Capital Authority tree and garden maintenance contracts and major contracts to be tendered in coming years. The Northern Division re-won key existing contracts including those with Gosford City Council and the Children's Hospital at Westmead — a testament to the quality of work and strength of relationships.



Environmental Overview

It has been a year of steady growth for Citywide Environmental as the division built upon the foundations of fiscal 2011.

Operating revenue was up by 9 per cent on the previous year, with the division's operating profit increasing by 5 per cent. A number of achievements contributed to the year's success; particularly successful tendering for the Queen Victoria Market and the Whitehorse street cleaning contracts.

In the annual customer satisfaction survey, Citywide Environmental achieved an overall score of 8.24 (from a possible 10) reflecting the quality of both customer service and operational service delivery.

Citywide Environmental has extended the contracts on a number of large projects. Queen Victoria Market is a high profile tourist destination and local meeting place welcoming an estimated 10.5 million visitors a year. Citywide's long term provision of cleaning services is fundamental to the health and safety of proprietors and visitors, and underpins the significant contribution of the site to the local economy. We are proud to have been granted a contract extension of two years, representing $3.7 million in revenue per annum.

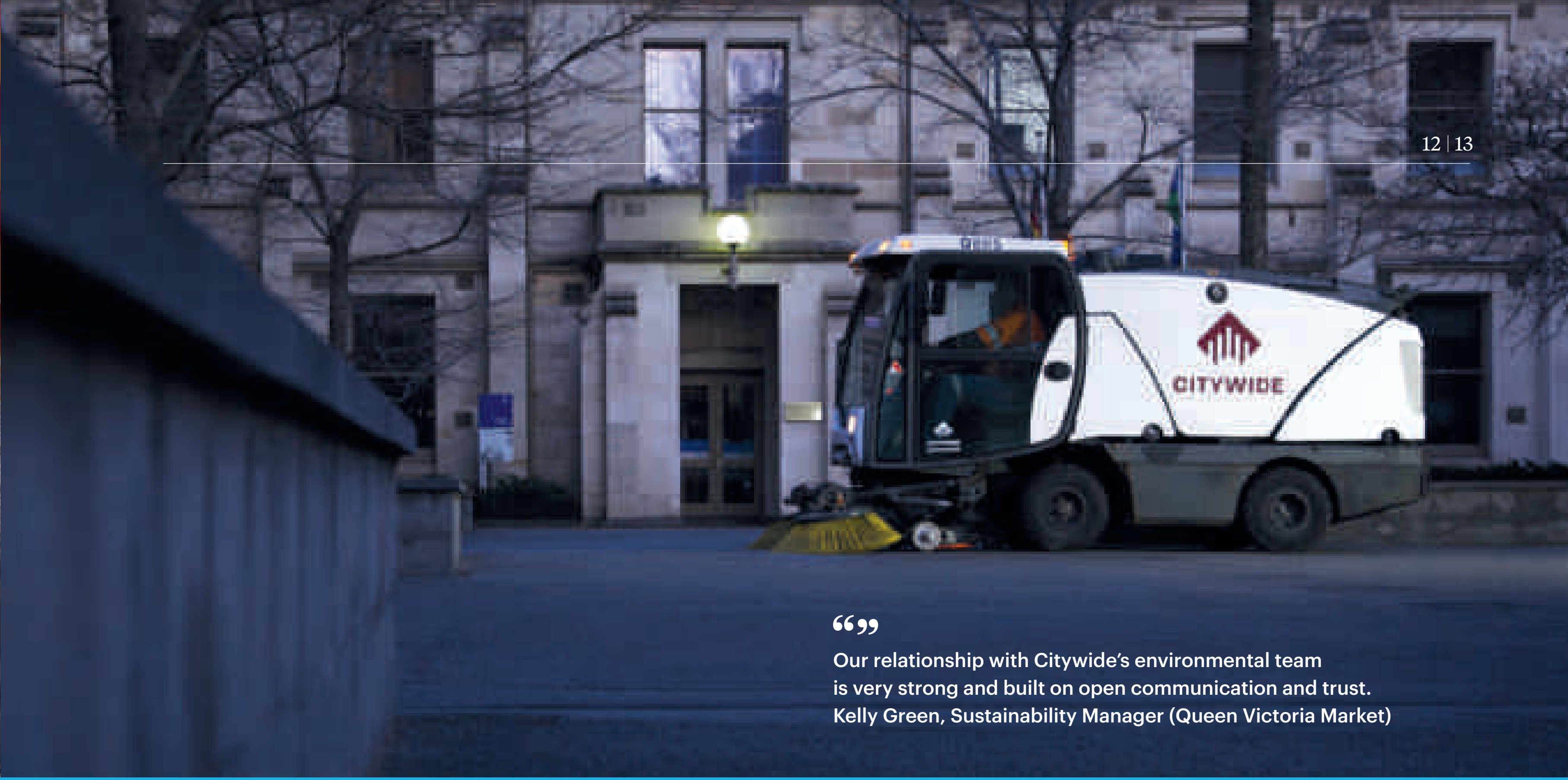
Another long term contract held by Citywide Environmental, the City of Moreland waste contract was re-won after 16 years of consistent service delivery. It is a six year contract (with a one year extension) worth $20 million. The City of Whitehorse street cleaning contract was re-won for seven years plus a possible two year extension and represents nearly $10 million in revenue per annum.

The Dynon Road Transfer Station is Victoria's largest (by volume) waste processing facility, processing up to 180,000 tonnes of waste every year. It is an asset of significant strategic importance to Citywide Environmental as the division continues to build its municipal and commercial waste businesses.

This year, Environmental implemented new methods to improve capacity and efficiency while reducing costs. A bulk bin service was introduced, supplying many large skip bins to customers according to a daily service. Bins are processed through the transfer station. The introduction of these bins and supporting services represents a new market for Citywide in metropolitan Melbourne. Environmental now has over 400 front lift clients and in excess of 600 front-lift bins.

Environmental has been faced with the challenges of increasing costs as we grow the business and meet increased market competition in Melbourne. Many new small players are entering the street sweeping market offering services at competitive and, sometimes, unsustainable pricing levels.

Citywide has a reputation for the high quality and consistency of its waste and street cleansing services, as well as the beneficial relationships it establishes with community stakeholders. These are key differentiators that we intend to maintain. Our challenge is to



“”

Our relationship with Citywide’s environmental team is very strong and built on open communication and trust.
Kelly Green, Sustainability Manager (Queen Victoria Market)

20 million black balloons (CO_2) prevented from entering the atmosphere thanks to our cardboard recycling

720 tonnes of steel processed for recycling annually

180 thousand tonnes of waste processed annually at the Dynon Road facility

8.24 customer satisfaction score (out of 10)

communicate to customers the high quality of our services whilst remaining competitive on pricing. We are also ensuring commercial customers have choices in bin size and servicing needs, enabling sales staff to tailor services to the particular constraints and demands of individual businesses.

With each year, Australia becomes more environmentally conscious with resultant impacts on government policy and the cost of services. The lead up to the introduction of a carbon price as part of the commonwealth government’s Clean Energy Future plan has prompted questions from customers regarding cost impacts. Increasing landfill costs have also led to clients reviewing their service contracts and requirements. Citywide Environmental has retained its clients by working through options and responding with new product services.

Developing our people is crucial to developing our performance. In 2012/13 there will be a focus on the training and up-skilling of employees, as well as the implementation of the cultural development program, in collaboration with human resources.

Vision and values.

Our vision

To be Australia's leader in the provision of sustainable open space, environmental and infrastructure services in our areas of competency through the development of our people, application of technology and industry best performance.

Our values

Throughout calendar 2011, Citywide's workforce went on a values journey designed to understand the values of individual employees and the corporate culture. Corporate values were revisited and amended as a result.

Values	People	Relationships	Innovation	Service Performance	Environment
Goals	The best people working in a culture of teamwork, safety and respect	Establish and maintain beneficial relationships with internal and external stakeholders	Leading provider of innovative solutions	Leading provider of quality services	Enrich the lives of the communities we serve
Desired Behaviour	• Treat people with dignity • Inspire people to grow • Acknowledge excellence • Mentor staff • Provide a safe work environment	• Respect and value relationships • Honest communications • Work as a team • Be accountable	• Thinking differently • Positive evolution • Knowledge as strength • Information sharing	• Quality outcomes • Efficient operations • Continuous improvement • Service driven • Sustainable profit	• Environmentally conscious • Environmentally accountable • Environmentally sensitive • Respectful

Living our values.

A people business

Most people think physical services businesses are all about machinery. After all, it's the big machines bearing Citywide's diamond logo that are so often seen in city streets and along highways. But ours is a people business. There are people behind every steering wheel, wheelie bin, spade and saw. It's people we strive to assist, directly and indirectly, every day of every year.

In fact, Citywide paves roads, maintains parks and cleans streets that are relied upon by millions of Australians commuting, freighting, relaxing, living and meeting across capital cities and regional towns along Australia's eastern seaboard. Upon request, we quite often respond to the specific needs of citizens but, most of the time, our people are an invisible force: ensuring a safe, secure and attractive environment, fundamental to the best quality of life for our communities.

As people, our behaviour is informed by our values. What we value in life is fundamental to the choices we make: the big decisions and the small ones. At work we make decisions all the time and each one of them has an effect on our relationships with colleagues and the service we provide, collectively, to our customers.

> "I sincerely believe the important aspect about this journey was engaging our people and listening to what is important to them.
>
> Angelica Georgaklis, Executive Group Manager, Human Resources

Cultural values journey

Over the past 12 months Citywide has been on a cultural values journey. The existing set of company values were assessed, amended and redefined to closer align with the needs of the business and the views of management and staff. The exercise also aimed to foster greater internal engagement and cooperation between people across the business. Why? Because people are our greatest asset and if they perform well, commit to the business over time and act as one, Citywide will always be competitive and always be in demand.

Employees responded well to management's willingness to listen and the emphasis placed on understanding, trust and open communication. Following extensive consultation, five core values were identified as being relevant to the needs of the business and the workforce: people, relationships, innovation, service performance and environment. These cultural values closely align with those already articulated by the Company.

People are the backbone of the Company and the development and retention of staff is fundamental to our success. We need the best people working in a culture of teamwork, safety and respect. To achieve this we need to ensure all employees treat one another with dignity, inspire others to grow, acknowledge excellence, offer support, and contribute to a safe work environment.

Strong relationships lead to better work and a no blame culture. Relationships ensure customers and employees feel valued, promoting loyalty and commitment over time. Citywide has been very successful at establishing and developing relationships with internal and external stakeholders: it's a hallmark of our delivery model. To maintain a relationship focused culture, we need to value communication, foster honest dialogue, work as a team and embrace accountability.

Adoption of innovative technology and practices has made Citywide a recognised leader. It is important our staff and customers stay ahead of the game. We need to share information and knowledge and evolve positively.

Service performance is not a given: it needs to stay top of mind. High performance has seen Citywide enjoy remarkable profitability and growth. It has enabled us to credibly claim leadership. To maintain performance we need to be service driven, promote quality outcomes, find efficiencies in operations, and seek continuous improvement.

Finally, there is a close and continuous interaction between our business and the environment. As a business working in diverse environmental contexts, we are acutely aware of our impact on and responses to climate, manmade structures and natural space. This awareness allows us to use resources more effectively and improve community outcomes: we need to be environmentally conscious, accountable, sensitive and respectful.

The journey continues

Over coming months, values will form part of company discourse, managers will define what corporate values look like in practice and positive behaviours will be rewarded. At year's end, engagement and cultural alignment will be evaluated.

Citywide is a leader in the provision of sustainable open space, environmental and infrastructure services through the development of its people, the application of innovative technology and industry best practices, and we want our cultural values to reflect this.

We want to live our values. ■

Empower.

To provide an individual with confidence and/or strength to do something, often by enabling them to increase control over their own situation.

CITYWIDE Sustainability Report 2012

Investing in a sustainable future.

21.5

% reduction in energy consumption per employee in 2011/2012

25.6

% reduction in water consumption in 2011/2012

30.5

% reduction in tonnes of CO^2 equivalent per $million of assets since 2010

Our workplace.

Workforce Profile

The Citywide workforce now numbers 1175 people. While numbers grow, workforce profile remains fairly constant: predominantly male with almost half of all staff employed in the Open Space division. Demographic analysis reveals an increasing number of employees over the age of 45. In the coming year the company will investigate the impact this may have on the business. Due to targeted programs, numbers have increased, reflected in the number of employees of less than one year's service. Our turnover rate for the year was 17.9 per cent, a figure we are targeting with multilevel recruitment and retention programs.

Safety, quality and environment

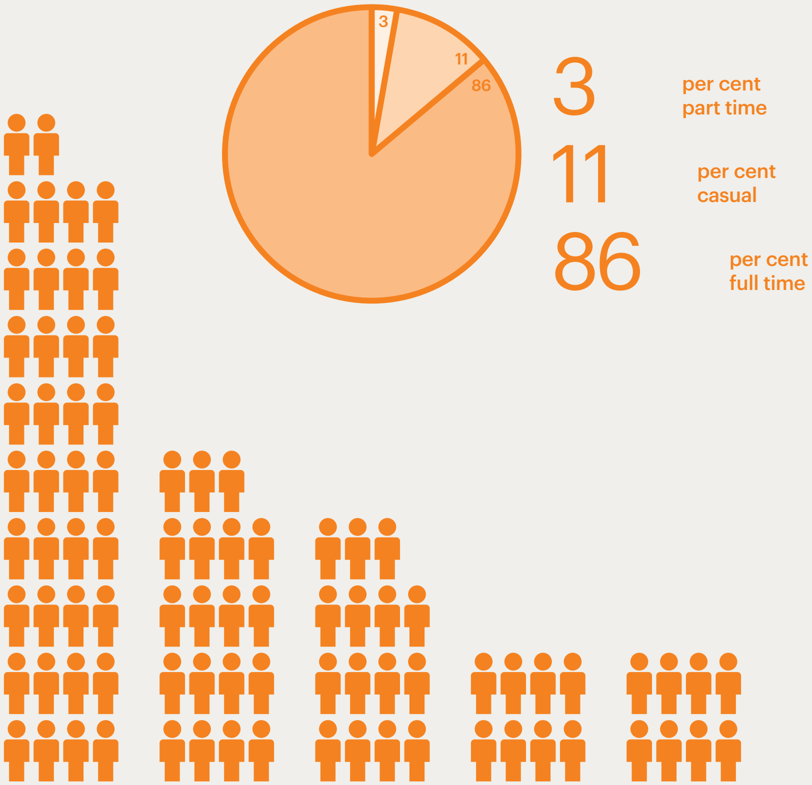
Overall, Citywide managed risk and implemented occupational health, safety and environmental policies and activities effectively. However, two of the company's 2011/2012 safety targets were not achieved. Relevant incidents have been investigated and policy reiterated. The Company achieved its standard WorkCover claims rate, which came in at 2.38. In support of our Zero Harm to People goal we will focus on reducing every injury type by monitoring safety and injury frequency rate and setting a new company wide target. We will also introduce a reduction in emissions target.

New initiatives

- An online performance management system, Sonar, will be launched in December 2012.
- A mature workforce strategy will be introduced in June 2013 to facilitate transitions to retirement.
- An innovation program will be launched in August 2012, to encourage employees to develop new business practices.
- New metrics for injury frequency rate will be introduced.
- New metrics for the reduction of greenhouse emissions will be launched, with a goal of achieving a 5% reduction.

Citywide workforce in 2011/2012

1175 employees



42 per cent Open Space

23 per cent Environment

19 per cent Infrastructure

8 per cent Corporate

8 per cent Sterling

Measuring workplace performance

Organisational Development	Initiative	Action taken in 2011/2012
Operational Values Journey	Ensure Citywide values have meaning and purpose for employees	100+ sessions explored values and behaviours specific to each contract
Senior Leadership Program	Improved management skills of leadership group	Commenced
Competency Framework	Greater control of increment review. Identify areas for future training.	Leadership competencies incorporated in performance review
Safety, Quality & Environment	**Metric**	**Action taken in 2011/2012**
LTI Frequency Rate	Number of lost time injuries ÷ total hours worked x 1 million hours	2011/12 Actual: 5.07 2011/12 Target: 4.2 2012/13 Target: 4.0
At Fault Motor Vehicle Accident Reduction	Number of at-fault motor vehicle accidents ÷ total hours worked x 1 million hours	2011/12 Actual: 71.86 2011/12 Target: 95.00 2012/13 Target: 80.00
Non-Compliance of Corrective Actions	Measured monthly through company's Risk Management & Safety System (RMSS)	2011/12 Actual: 90.4 2011/12 Target: >90.0% 2012/13 Target: >90.0%
Standard Claims Rate	Total number of days lost ÷ total hours worked x 1 million hours	2012/12 Actual: 2.38 2011/12 Target: <3.8 2012/13 replaced with SWIFR (Safety With Injury Frequency Rate)
Medically Treated Injury Frequency Rate	MTIFR	2011/12 Actual: 76.11 2011/12 Target: <65 2012/13 replaced with SWIFR (Safety With Injury Frequency Rate)
Employee Engagement	**Initiative**	**Action taken in 2011/2012**
Health & Well Being program	Incorporate program in the compliance calendar of events	EAP (Employee Assistance Program) launched in March 2012
Continuation of Employee Health Measure	Sun Smart Training Herbicide Surveillance Influenza & Hepatitis Vaccinations	Ongoing
Recognise Long Term Employees	Recognition of Employment Program	Years of Service: Number of People: 10 186 20 39 30 11

Our environment.

Citywide works in diverse climactic zones, natural landscapes and densely populated urban centres. We are acutely aware of the seasonal variations in weather such as the impact of higher rainfall on plant growth and the damage resulting from severe storm events in municipal areas. Being close to the environment makes our people respectful of its fragility and force.

In order to ensure consistency in our interaction with the environment on each contract, the Company employs a multi-level policy, planning and reporting framework that guides environmental management.

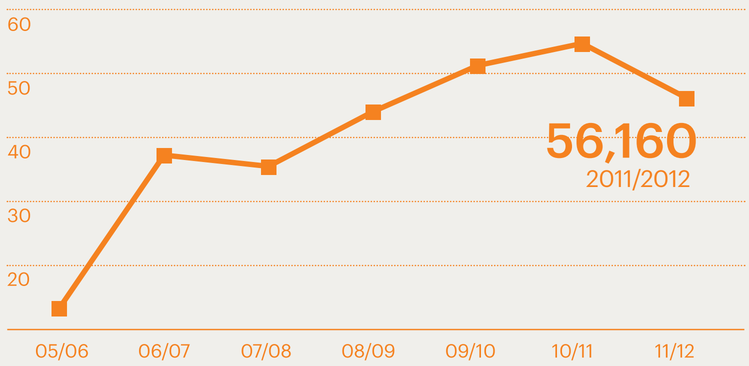
The key to environmental improvement and risk management is careful planning. Citywide reviews all environmental sustainability priorities and records environmental impact and performance.

A committee oversees sustainability governance, while conducting benchmarking and stakeholder research to ensure best practice. All material issues are identified and managed in partnership with the relevant stakeholders through the Citywide risk management process.

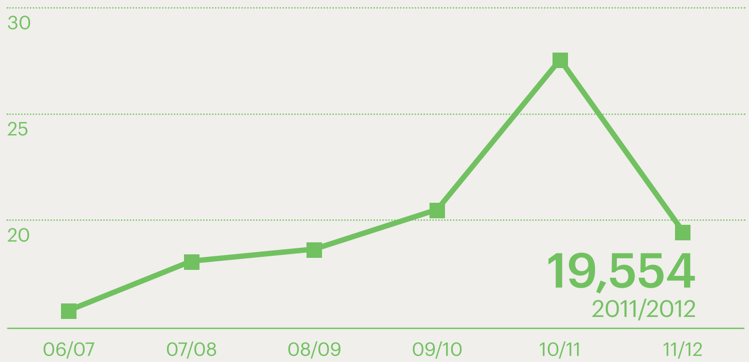
The Company constantly strives to reduce its carbon footprint, adopting emissions reduction technology and innovations across its business. Energy use, emissions, and waste production and collection are all measured and reported according to the National Greenhouse Energy Reporting Scheme (NGERS).

Citywide's leadership in sustainability — reflected in the Company's investment in low emission vehicles, plant and asphalt products, coupled with our early commitment to measurement — assists our customers in their responses to community expectations and governmental policy, such as the Clean Energy Future plan and its component carbon price. As a result, our customers are leading positive change by reducing greenhouse gas emissions, water use and waste, and improving biodiversity — and communities are taking notice.

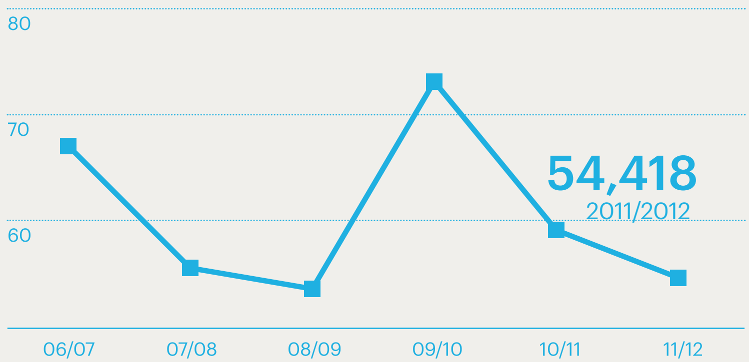
Energy consumption in thousands of gigajoules per year



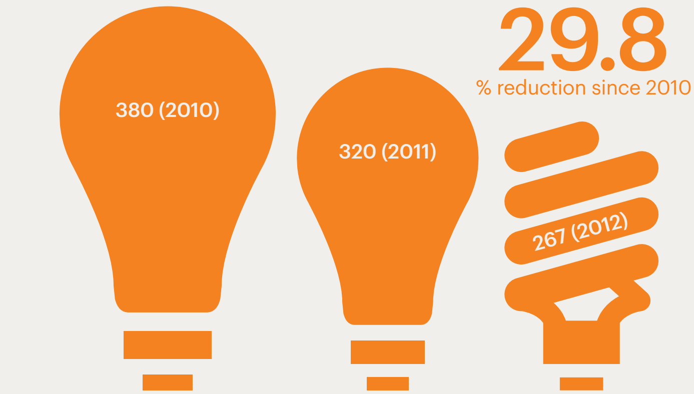
Greenhouse Gas Emissions in thousands of tonnes of CO2 per year



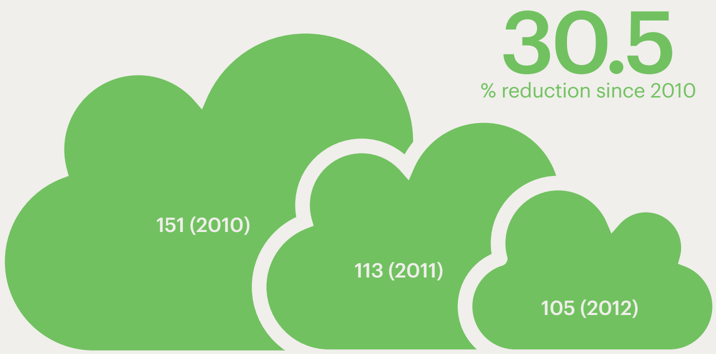
Water consumption in kilolitres per year



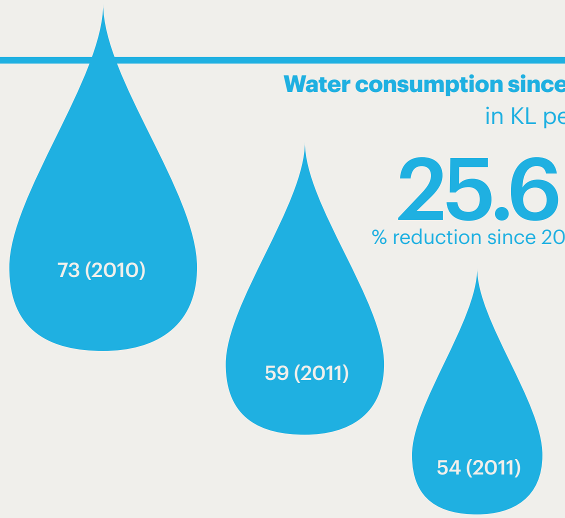
Energy consumption since 2010 in ,000 of GJ per year



CO2 output since 2010 in tonnes of CO2 equivalent per $million worth of assets per year



Water consumption since 2010 in KL per year



Environmental Management System

Citywide has an integrated Environmental Management System (EMS) consistent with ISO 14001. The system has passed a third-party certification audit by NCSI and has received AS/NZS ISO 14001:2004 certification for a large number of contracts. Our objective is to have companywide certification to ISO 14001. The EMS is part of the overall integrated safety, quality, environmental and risk management system (SQER). The SQER system aims for an integrated management approach and is inclusive of all aspects of the business that affect safety, quality, the environment and risk.

Meeting a commitment to transparency, the Company report on the greenhouse impact of works on a contract by contract basis, including direct greenhouse gas emissions from vehicles and machinery, and indirect greenhouse emissions associated with electricity use. We are proud to announce a 30 per cent reduction in CO2 equivalent from 2010 to 2012. In line with our ongoing commitment to 'shaping sustainable landscapes', Citywide has set an organisational target of reducing emissions by five per cent per annum over the next two years.

Environmental innovations (Fiscal 2012)

Green technology is a key factor in Citywide's sector leadership. In the Open Space division, centralised water monitoring systems, controlled water irrigation for trees, passive tree watering (Citywide's H2Pods) and increased recycled water usage, all reduce potable water consumption. The Company's North Melbourne Asphalt Plant is the most environmentally sensitive in the Southern Hemisphere. A new $3 million investment will enable production of 30% more recycled asphalt product. In partnership with the City of Melbourne, Citywide undertook a number of environmental education programs to promote resident organic waste recycling, waste minimisation and reduced recycling contamination.

Green purchasing

Citywide's Purchasing Policy ensures a 'green' alternative is investigated when making all purchases, including the upgrade of fleet and equipment, and investigation of alternative fuels and hybrid fleet options. Citywide is a member of EcoBuy and uses its services to purchase environmentally responsible products. This year a trial of AdBlue, a diesel additive that minimises exhaust emissions, was conducted on selected vehicles across the fleet and will be rolled out during 2012. ■

Our community.

Citywide shapes, cleans, repairs and maintains the spaces in which Australian communities interact. We listen to ordinary people and we give back where we can make a difference.

The Company seeks long term partnerships with community organisations in which our employees can play an active role, sharing their skills and knowledge to get outcomes for local people. Often, Citywide personnel live in the municipalities they maintain. They are 'plugged-in' to community life, helping the Company better respond to localised needs. Nowhere has this been more evident than in the Company's response to the floods which damaged so much of regional Victoria in 2011. Many regional staff and contractors live locally and worked alongside volunteers and emergency services personnel to stabilise and repair infrastructure.

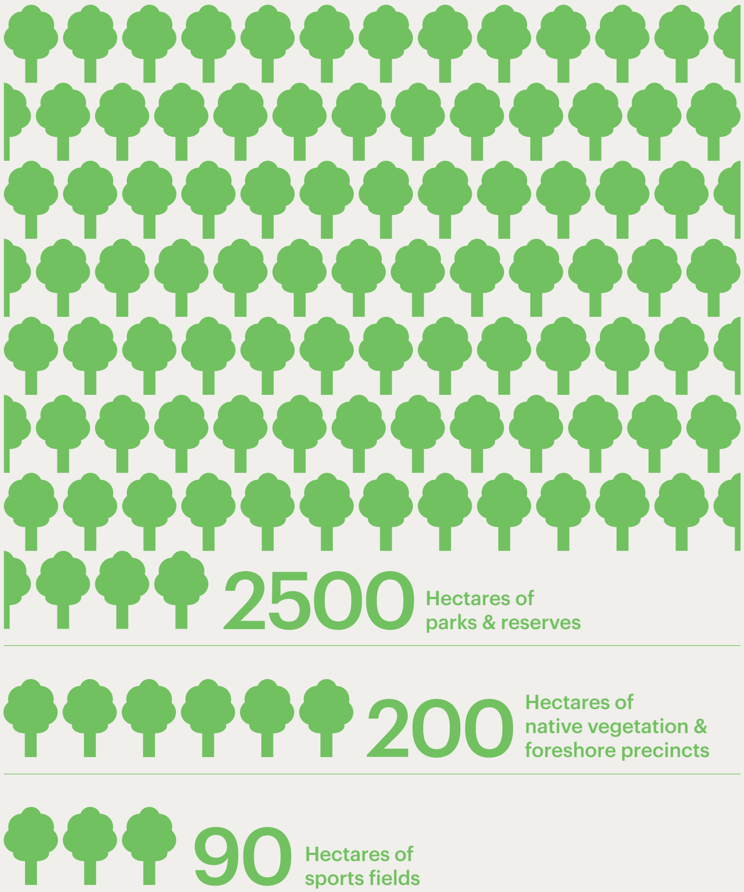
All of our actions are reflective of our company values which emphasise relationships and people. We encourage our employees to participate in decision making where it is relevant to the daily execution of tasks. It is through them we understand the particular social context for the delivery of services: how the work we do affects people; how we can improve our services and generate social impact.

On contracts such as that we hold with Bayside, Citywide has developed a highly synergistic program of activities with the local community. Neighbours meet and cooperate with experienced horticulturalists to germinate and propagate once dormant plant species and replant bushland and foreshore reserves. Many volunteers have become highly competent gardeners, taking their knowledge of indigenous flora into the broader community. It is a genuine partnership with mutual benefits for Bayside City Council, community members and Citywide.

Shaping sustinable landscapes is about providing local community with the means and the tools to make a positive impact on their surrounding environment. As such, Citywide believes it has an important role to play in enhancing the quality of life. ■

Public space under management in hectares

Totaling 3000+ ha

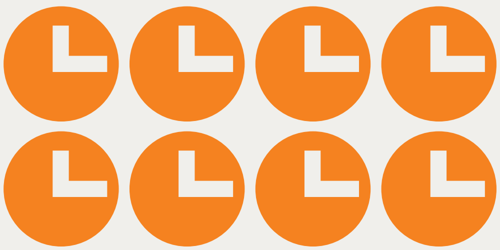


Sponsorship workforce in 2011/2012

In kind Products Finance

Number of community group sponsorships 29

Volunteers in ACT & Victoria
400+



Man hours of support per month in ACT & Victoria
800+

2011 / 2012 Citywide Sponsorship

Each year the Company and its staff support a number of events and charities with both in-kind and financial assistance.

- MS Victoria
- Biggest Morning Tea
- Circus Quirkus for Melbourne's Special Needs & Disadvantaged Children
- Box Hill Hawks
- Family Life Open Garden Day
- Le Page Primary School tree and shrub donation
- Spring Fling Community Festival
- Southern Barbarians Rugby Club
- Bayside Carols in the Park
- Manningham Carols by Candlelight
- Rosebud Football and Netball Club
- Kingston Mayor Charitable Trust
- Governor's Conservation Charity
- Citywide Sealers Touch Football Club
- North Brunswick Junior Football Club
- Maroondah Annual Charity Golf Day 2012
- Uniting Care Helping Hand
- Apollo Bay Hawks
- Relay for Life
- The Incredible, Edible, Movable Maribyrnong Project
- 15th Annual Tree Climbing Championships
- Darebin Mayoral Ball
- Daniel Valente Golf Day
- The Holland Foundation
- Orbost Snowy Rovers Football & Netball Club
- Chelsea Bowling Club
- Marcellin Old Collegians Football Club
- Doncaster Sharks Football Club
- Angela Taylor Memorial Fun Run

“”

Both an ethos and a business goal, sustainability drives innovation across all departments as we reduce consumption, emissions and environmental impacts along each step of the supply chain.

Kerry Osborne, Citywide Managing Director

Engage.

To enter into an activity that one is bound through social, legal or moral obligations.

Director Profiles

J. L. (Lyn) Davies, Chairman

Lyn Davies joined Citywide Services upon its formation on the 3 March 1995 as Chairman. Lyn is a member of the Company's Audit and Risk Management Committee and Remuneration Committee. His qualifications are a Diploma of Agriculture and an advanced Diploma from the Australian Institute of Company Directors.

Lyn 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.

He is Chairman of Star Services International Pty Ltd and is a Director of Mackay Consolidated Industries Pty Ltd. He is also a Director of Independence Australia and a Trustee of the Australian Beef Industry Federation Education Fund.

He has previously been Chairman of Service Stream Ltd, HRL Limited, The Nordia Group, Floriana Pty Ltd, and Collins Booksellers Group and was a Director of Castle Bacon Pty Ltd. He was also Chairman of the Board of Yarra Valley Grammar. His previous business experience includes more than 20 years at executive director level with Elders IXL Limited, Wattie Ltd and Goodman Fielder Ltd.

K. F. Osborne, Managing Director

Kerry Osborne joined Citywide as CEO on 1 January 2001 and was appointed Managing Director on 20 December 2002.

Kerry is Chairman of the New Zealand Victoria Business Group (NZVBG) and is a Fellow of the Australian Institute of Company Directors. He is also a member of the Planning and Development Committee for the Shrine of Remembrance in Melbourne and a director of Wild at Heart Community Arts, which is a program that creates opportunities for people with a disability and/or mental illness to create music performances.

Kerry has held a number of senior positions in the construction and maintenance industries in both Australia and New Zealand including Chief Executive of Eastworks (a NZ based roading and municipal services company), Australian General Manager for Manukau Works and Australian General Manager of Excell Corporation.

P. S. Lowe, Director

Peter Lowe was appointed to the Board of Citywide on 23 January 2006 and is Chairman of the Audit and Risk Committee and a member of the Finance and Operations Committee and the Remuneration Committee of the Company. He holds a Bachelor of Commerce and a Master of Business Administration from the University of Melbourne.

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

He is currently a Director of Norfolk Group Limited, Western Australia Network Holdings Pty Ltd, United Energy Distribution Holdings Pty Ltd, Multinet Group Holdings Pty Ltd, Snowy Hydro Limited and Aurora Energy Pty Ltd.

Peter 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 was also CEO for the Australasian operations of Aquila, formerly Utilicorp United Inc.

A .H. Evans, Director

Alan Evans was appointed to the Board of Citywide on 1 March 2007 and is a member of the Finance and Operations Committee and the Remuneration Committee. He has a Bachelor of Economics, Bachelor of Law and is a Chartered Engineer.

Alan is currently Executive Chairman of Dyno Dynamics (Aust) Pty Ltd, Dynotech Pty Ltd and Managing Director of Strategic Consulting Services Pty Ltd. He is a Director of CAMS, NRMA, M&S and Eco-Motive Australia Pty Ltd. He is a member of the NSW Government's Road Freight Advisory Council and Co-Chairman with the Chief Minister of the ACT Road Safety Task Force.

Alan recently retired from the position of President and Chairman of the NRMA Board and the Australian Automobile Association. He has also been Chairman of Kingmill Pty Ltd (t/a Thrifty Australia) and Kistler Aerospace Australia Pty Ltd and a Director of Adventureworld Travel Pty Ltd.

He previously held positions as CEO and Senior Executive in both the public and private sectors, including as CEO of Medicines Australia, Head of the Office of Regional Development, Executive General Manager of AusIndustry and Principal Advisor to the Federal Treasurer.

Janice van Reyk, Director

Janice van Reyk was appointed to the Board of Citywide on 13 July 2010 and is a member of the Audit and Risk Management Committee and a member of the Strategy Committee. Her multi-disciplinary qualifications include a Master of Environment, Master of Commerce, Bachelor of Laws (Hons) and Bachelor of Arts.

Janice is also a Non-Executive Director of Gippsland Water and the Chairman of its Safety Health and Environment Committee, and a Non-Executive Director of the Port of Melbourne, and a member of its Audit Committee.

She is experienced in environmental and stakeholder issues on infrastructure projects and public policy in the water, energy, waste and transport sectors. Previously she was a senior executive in industrial companies including BHP Billiton, CSR, Macquarie Bank, National Foods and Orica. She is a member of the Environment Institute of Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.

Executive Profiles

Jim Dunstan
Executive General Manager,
Southern Region.
MRiskMgt, MBusLaw, GAICD.

Jim Dunstan joined Citywide in June 2000 as General Manager Environmental Services, was appointed to Chief Operating Officer in 2008, and due to recent business growth requiring regional specialisation, was appointed Executive General Manager, Southern Region. Prior to this over a twenty year period, he held various Senior Executive roles with Brambles Industries, including Divisional Manager Australia for Brambles United and Brambles Tankers. Jim has also been a member of the Board of Governors at Ivanhoe Grammar School since 2001.

Paul Gilmore
Executive Group Manager,
Strategy & Marketing.
B.Eng (Elec Stg 4), Grad Dip Mkt,
MBA, AAICD.

Paul Gilmore joined Citywide in 2001 as Marketing and Sales Manager and was appointed Executive Group Manager Marketing, Sales & Commercial in 2008. In 2012, his role expanded to include strategic planning and implementation. Prior to this, Paul held a number of senior management roles spanning a broad range of industries, in the areas of manufacturing, marketing, operations and product development, with companies such as Boral, Otis Elevator Company, P&O Services and Spotless.

John Collins
Chief Financial Officer
& Company Secretary.
B Bus (Accounting), CA, GAICD.

John Collins joined Citywide in July 2005. He is a Chartered Accountant with extensive experience at CFO level within large multinational organisations. Prior to this his roles included CFO of ASX listed companies Nova Health and IAMA.

Craig Nisbet
Executive Group Manager,
Risk & Business Assurance.
B.Ec., Grad DipTax, M.Acc,
DBA, FAICD.

Craig Nisbet joined Citywide in 2007. Prior to this he held various Senior Leadership positions at Foster's Group Limited including heading the Group Risk and Audit functions. Craig also lectured in the MBA course at RMIT University, was Group Audit Manager at ANZ and spent a number of years consulting at Deloitte and PricewaterhouseCoopers. Craig is currently the Chairman of the Shire of South Gippsland's Audit Committee.

Mike North
Executive General Manager,
Northern Region.
CEng MICE, CPEng MIEA.

Mike North joined Citywide in 2003 as the Operations Manager for the Infrastructure Division. In 2008, he was appointed as its Divisional Manager, where he served until his recent promotion as Executive General Manager, Northern Region. Mike studied civil engineering at Willesen Polytechnic and later at Kingston College in the United Kingdom. He has worked for numerous global organisations including Dutch Engineering firm (Bredro) overseeing major civil engineering projects in the United Kingdom, Saudi Arabia, Malaysia and Egypt.

Angelica Georgaklis
Executive Group Manager,
Human Resources.
BA, Grad Dip Applied Sociology.

Angelica Georgaklis joined Citywide in 2005 as Senior HR Advisor. In February 2008 she was appointed to Group Manager Human Resources, and more recently was appointed to the position of Executive Group Manager, Human Resources. Prior to joining Citywide Angelica worked as an Employee/ Industrial Relations practitioner within both corporate and union environments.

Drive.

Passionately motivated to achieve goals.

Directors' Report

	2012	2011
Declared a dividend of 22.17 cents (2011: 17.06 cents) per fully paid Ordinary Share	$4,080,000	$3,140,000

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:

- J L (Lyn) Davies (Chairman)
- Peter S Lowe
- Alan H Evans
- Janice B C van Reyk
- Kerry F Osborne

Principal activities of the company

The principal continuing activities of the Company and its subsidiaries (the Group) 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 Group's profit from ordinary activities before income tax equivalents for the year was $14,282,000 (2011: $11,480,000).

The Group's profit for the year was $9,924,000 (2011: $7,969,000) after deducting income tax equivalents of $4,358,000 (2011: $3,511,000).

The Group 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 22.17 cents (2011: 17.06 cents) per Ordinary Share for the year ended 30 June 2012.

The total dividends in respect of the current year are as follows in the table above.

Review and results of operations

The Group's revenue from ordinary activities for the year was $246,045,000 (2011: $201,925,000). A review of the operations and results of the Group are set out elsewhere in this annual report.

Significant changes in the state of affairs

The Company acquired AWD Earthmoving Pty Ltd on 31 May 2012. In the opinion of the Directors, there were no other significant changes in the state of affairs of the Group that occurred during the financial year.

Likely developments in the state of affairs

The Group is continuously investigating opportunities to expand and grow its business. The Group has a strategic planning process that underpins the corporate strategy and future growth of the Group.

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

In keeping with this responsibility the Group 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 Group 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. 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 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 Group, as well as reviewing the current performance on a monthly basis, with the overall vision to achieve growth in the performance of the Group.

As part of this process the Board has three committees, Strategy, 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 Managing Director is an ex officio member of all Board Committees. The Chief Financial Officer is an ex officio member of the Strategy Committee and the Audit and Risk Committee. The Executive Group Manager Risk and Assurance is an ex officio member of the Audit and Risk Committee. The Executive Group Manager Human Resources is an ex officio member of the Remuneration Committee.

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

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

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

Governance is a major area of Board responsibility. In addition the Board is kept fully informed on issues in the following areas, Strategy execution, Environmental matters, Occupational Health and Safety, Legal Compliance, Finance, Treasury, 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)

	Board of Directors		Audit & Risk Management Committee		Remuneration Committee		Strategy Committee	
Director	# Held	# Present	# Held	# Present	# Held	# Present	# Held	# Present
J. L. Davies	15	15	4	4	5	5	–	–
P. S. Lowe	15	15	4	4	5	5	5	5
A. H. Evans	15	15	–	–	5	5	5	5
J. B. C. van Reyk	15	15	4	4	–	–	5	5
K. F. Osborne	15	15	4	4	5	5	5	5

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 2012 and the number of meetings attended by each director are set out above.

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

Indemnification and insurance of Officers and Directors

During the financial year the Company continued with previously disclosed agreements to indemnify all Directors of the Company and Group named in this report and current and former executive officers of the Company and Group against all liabilities to persons (other than the Company or a related body corporate) which arise out of the performance of their normal duties as a Director or 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.

Auditor's independence declaration

The auditor's independence declaration is included in the 2012 Annual Report.

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

J. L. Davies (Chairman)

P. S. Lowe (Director)

Melbourne, 17 August 2012

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	2012	2011
		$'000	$'000
Revenue from operations			
Services and Other revenue	2	246,045	201,925
Other Income	2	554	209
Expenses	3		
Employee benefits		(79,198)	(66,808)
Contractor costs		(76,110)	(61,342)
Raw Materials and consumables used		(29,917)	(22,839)
Fleet costs		(14,943)	(12,845)
Depreciation and amortisation		(11,357)	(9,923)
Occupancy costs		(4,078)	(3,419)
Finance costs		(630)	(640)
Other expenses		(16,084)	(12,838)
		(232,317)	(190,654)
Profit before income tax equivalents		**14,282**	**11,480**
Income tax equivalents expense	4	(4,358)	(3,511)
Profit for the year		**9,924**	**7,969**
Other comprehensive income		–	–
Total comprehensive income for the year		**9,924**	**7,969**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	2012	2011
		$'000	$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	939	1,632
Trade and other receivables	6	35,516	32,401
Inventories	7	436	407
Prepayments		667	659
Other assets	8	4,515	3,804
Total Current Assets		**42,073**	**38,903**
Non-Current Assets			
Property, plant and equipment	9	69,995	60,032
Deferred income tax equivalent assets	10	5,094	4,706
Intangible assets	11	21,378	17,714
Total Non-Current Assets		**96,467**	**82,452**
Total Assets		**138,540**	**121,355**

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

	Notes	2012	2011
		$'000	$'000
LIABILITIES			
Current Liabilities			
Trade and other payables	12	36,082	33,202
Interest-bearing loans and borrowings	13	980	–
Current tax equivalent liabilities		3,368	3,370
Provisions	14	15,267	12,635
Unearned revenue		1,608	1,417
Total Current Liabilities		**57,305**	**50,624**
Non-Current Liabilities			
Trade and other payables	12	1,000	–
Interest-bearing loans and borrowings	13	10,850	7,000
Deferred Income tax equivalent liabilities	15	3,684	4,087
Provisions	14	1,667	1,454
Total Non-Current Liabilities		**17,201**	**12,541**
Total liabilities		**74,506**	**63,165**
Net Assets		**64,034**	**58,190**
Equity			
Contributed equity	16	18,406	18,406
Retained earnings	17	38,983	33,139
Reserves	17	6,645	6,645
Total Equity		**64,034**	**58,190**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Issued capital	Retained earnings	Asset revaluation	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2010	18,406	28,310	6,645	53,361
Total comprehensive income for the year	**–**	**7,969**	**–**	**7,969**
Transactions with owners in their capacity as owners:				
Dividend provided or paid	–	(3,140)	–	(3,140)
Balance at 30 June 2011	**18,406**	**33,139**	**6,645**	**58,190**
Total comprehensive income for the year	**–**	**9,924**	**–**	**9,924**
Tranactions with owners in their capacity as owners:				
Dividend provided or paid	–	(4,080)	–	(4,080)
Balance at 30 June 2012	**18,406**	**38,983**	**6,645**	**64,034**

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 2012

	Notes	2012 Inflows/ (Outflows)	2011 Inflows/ (Outflows)
		$'000	$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		264,173	206,396
Payments to suppliers and employees (inclusive of GST)		(236,842)	(182,204)
Interest paid		(625)	(640)
Interest received		22	21
Income tax equivalents paid		(5,445)	(4,052)
Net cash provided by operating activities	23	**21,283**	**19,521**
Cash flows from investing activities			
Payments for purchase of subsidiaries, net of cash acquired		(3,542)	(9,051)
Proceeds from sale of property, plant and equipment		897	565
Purchase of property, plant and equipment		(21,021)	(11,864)
Net cash flows used in investing activities		**(23,666)**	**(20,350)**
Cash flows from financing activities			
Proceeds from Borrowings		3,850	6,000
Dividends paid		(3,140)	(2,730)
Net cash flows provided by financing activities		**710**	**3,270**
Net (decrease)/increase in cash and cash equivalents		**(1,673)**	**2,441**
Cash and cash equivalents at beginning of year		1,632	(809)
Cash and cash equivalents at end of year	23	**(41)**	**1,632**

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

Notes to the Consolidated Financials Statements

For the year ended 30 June 2012

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity of Citywide Service Solutions Pty Ltd and its subsidiaries. Citywide Service Solutions Pty Ltd (the Company or the parent entity), and its subsidiaries are referred to in this financial report as the Group or the consolidated entity.

The Company is a proprietary company incorporated under the *Corporations Act 2001*, and is domiciled in Australia. The address of the Company's registered office and principal place of business is Level 1, 150 Jolimont Road, East Melbourne VIC 3001.

The Group's principal activities are 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.

1.1 Basis of preparation

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Citywide Service Solutions Pty Ltd is a for-profit entity for the purpose of preparing the financial statements. The financial statements comply with International Financial Reporting Standards adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Directors on 17 August 2012.

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.

The functional and presentation currency of the Group is Australian Dollars.

Citywide Service Solutions Pty Ltd decided in the current financial year to change the classification of its expenses in the Consolidated Statement of Comprehensive Income from a classification by function to a classification by nature. We believe that this will provide more relevant information to our stakeholders. The comparative information has been reclassified accordingly.

The Company is of a kind referred to in Class Order 98/0100, (dated 10 July 1998) issued by the Australian Securities and 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.

1.2 Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

1.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners and the equity instruments issued by the Group in exchange for control of the acquiree.

Acquisition-related costs are expensed in the Statement of Comprehensive Income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

— deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;
— assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, or AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in the Statement of Comprehensive Income.

1.4 Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the fair value of the Company's interest in the net identifiable assets of the acquired entity at the date of acquisition. Goodwill is 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 and is carried at cost less accumulated impairment losses, 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 2012.

1.5 Revenue recognition

In accordance with Accounting Standard AASB 118 *Revenue*, the Group 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 Group 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.

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.

1.6 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. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw Materials – purchase cost on a weighted average cost basis. The cost of purchase comprises the purchase price including taxes (other than those subsequently recoverable by the entity from the taxing authorities) transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

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

1.7 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 Group 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 asset's 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 Statement of Comprehensive Income.

1.8 Property, plant & equipment

Buildings, plant and equipment are stated at historical cost less accumulated deprecation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised on the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the Statement of Comprehensive Income as incurred.

Land is measured at fair value, based on periodic but at least triennial valuations by external independent valuers (Refer Note 9).

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Land	not depreciated
Buildings – portables	5-10 years
Buildings – other	40 years
Plant and Equipment	1-15 years
Motor Vehicles	3-10 years

The assets residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end. The life of the assets are unchanged from the prior year.

Revaluation of land

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position.

Disposal

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

1.9 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 Group whichever is the shorter. 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.

1.10 Maintenance and repairs

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

1.11 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.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt.

1.12 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.

1.13 Employee benefits

Wages, salaries, and annual leave

Liabilities for employees' entitlements to wages and salaries, annual leave, and other employee benefits which are 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 in accordance with AASB 119 *Employee Benefits*.

Long Service Leave

Liabilities for other employee benefits which are not expected to be paid within twelve months of the reporting date are measured as per AASB 119 at the present values of 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 – defined contribution plans

A defined benefit 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 during which the services are rendered by employees.

Superannuation – defined benefits plans

The Company participates in a multi-employer defined benefits plan for which sufficient information is not available to use defined benefits accounting. As such, it accounts for contributions to those plans as if they were defined contributions plans rather than defined benefit plan accounting as allowed under AASB 119. Details of these arrangements are set out in Note 20.

1.14 Tax equivalent regime

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 is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

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. Deferred tax is recognised in respect of temporary differences between the carrying amounts of asset and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted at reporting date.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they 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.

Tax effect accounting procedures are applied using the liability method, whereby the income tax expense for the period is based on the accounting profit adjusted for amounts that are not assessable or deductible.

1.15 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:
when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables, which

are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

1.16 Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

1.17 Interest bearing borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of financial position date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

1.18 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.

1.19 Dividends

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.

1.20 Parent entity financial information

The financial information for the parent entity, disclosed in Note 27 has been prepared on the same basis as the Consolidated Financial Statements, except as set out below:

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity.

1.21 Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional Statement of Financial Position as at the beginning of the earliest comparative period will be disclosed.

1.22 Critical accounting estimates and judgements

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. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods. 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 below:

i) **Revenue recognition**

The Group recognises revenue arising from service contracts by reference to the stage of completion of the contract in accordance with the accounting policy stated in Note 1.5. Where the outcome of a contract can not 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.

ii) **Estimated impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated at Note 1.4. The recoverable amounts of cash generating units have been determined based on fair value less costs to sell 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. Cash flows beyond the five year period are extrapolated using a growth rate not exceeding the long term growth rate for the business in which the CGU operates. These calculations require the use of assumptions. Refer to Note 11 for details of these assumptions.

1.23 New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group has assessed the impact of the first 3 revised standards and interpretations listed and do not believe there will be an impact on the Group's financial statements. The last revised standard has yet to be fully assessed, however given the Group currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period, the amendments to AASB 119 require that such liabilities be calculated on the basis of when the leave is expected to be taken. When this standard is first adopted, this may result in a reduction of the annual leave liabilities recognised on 1 January 2012, and a corresponding increase in retained earnings at that date. The Group has not yet decided when to adopt these standards.

i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013).

ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013).

iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013).

iv) Revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011) and AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* (effective 1 January 2013).

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on forseeable future transactions.

Notes to the Consolidated Financials Statements (continued)
For the year ended 30 June 2012

2. Revenue and Other Income

	2012	2011
	$'000	$'000
Sales revenue		
Rendering of services	246,023	201,904
Other revenue		
Interest received	22	21
Total Revenue	**246,045**	**201,925**
Other Income		
Gain on disposal of property, plant and equipment	554	209

3. Profit from operations

	2012	2011
	$'000	$'000
a) Operating profit before income tax equivalents has been determined after:		
Expenses		
Depreciation:		
Buildings	194	217
Plant & equipment	3,198	3,251
Motor vehicles	7,920	6,403
Leasehold improvements	45	52
Total depreciation	**11,357**	**9,923**
Finance costs:		
Interest charges paid	630	640
Provision for:		
Employee benefits	6,236	5,320
Impairment expense – Trade debtors	(110)	69
Bad debts	117	82
Contributions to employee superannuation funds	4,807	4,062
Rental expense on operating leases	1,928	1,805
Rental expense on licence agreements	347	358
Employee separation costs	265	201

b) Auditors' remuneration

	2012	2011
	$	$
Amounts received, or due and receivable by the external auditors for auditing the financial report	70,250	68,189
Amounts received, or due and receivable by the internal auditors	186,707	139,583

4. Income tax equivalents

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:

	2012	2011
	$'000	$'000
Prima facie income tax equivalents on the profit from continuing operations at 30% (2011: 30%)	(4,285)	(3,445)
Increase tax equivalents payable due to:		
Non deductible expenses	(74)	(90)
Other	1	24
Income tax equivalents attributed to operating profit	**(4,358)**	**(3,511)**
Income tax equivalents attributable to operating profit comprise:		
Current tax provision	(5,147)	(4,548)
Deferred income tax liability	403	217
Deferred income tax asset	386	820
	(4,358)	**(3,511)**

5. Current Assets - Cash and cash equivalents

	2012	2011
	$'000	$'000
Cash at bank and in hand	**939**	**1,632**

Cash at bank is bearing floating interest rates between zero and 4.35% (2011: zero and 4.37%).

6. Current Assets - Trade and other receivables

	2012	2011
	$'000	$'000
Trade receivables	20,646	20,319
Less: Allowance for impairment of receivables	(233)	(343)
	20,413	**19,976**
Amounts owing from ultimate parent entity	12,748	11,329
Other debtors	2,355	1,096
	35,516	**32,401**

Impaired trade and other receivables

The Group has recognised losses of $7,000 in the Statement of Comprehensive Income (2011: loss of $151,000) in respect of bad and doubtful trade receivables during the year ended 30 June 2012. At 30 June 2012, there were no material receivables either past due which have not been impaired or individual balances specifically impaired. Collateral is not normally obtained for balances owing.

	2012	2011
	$'000	$'000
Movement in Allowance for impairment		
Balance at beginning of year	**(343)**	**(274)**
Allowance for impairment recognised during the year	(7)	(151)
Receivables written off during the year as uncollectable	117	82
Balance at end of year	**(233)**	**(343)**

7. Current Assets — Inventories

	2012	2011
	$'000	$'000
Stores and raw materials (at cost)	302	229
Finished goods (at cost)	134	178
	436	**407**

8. Current Assets - Other assets

	2012	2011
	$'000	$'000
Accrued income — unbilled services	**4,515**	**3,804**

9. Non-current Assets — Property, plant and equipment

	2012	2011
	$'000	$'000
Land at Valuation (2010)	16,105	16,105
	16,105	**16,105**
Buildings (at cost)	4,474	4,457
Less Accumulated depreciation	(1,610)	(1,425)
	2,864	**3,032**
Leasehold improvements (at cost)	1,256	1,149
Less Accumulated depreciation	(968)	(923)
	288	**226**
Plant and equipment (at cost)	33,258	28,432
Less Accumulated depreciation	(19,603)	(17,580)
	13,655	**10,852**
Motor vehicles (at cost)	72,943	62,605
Less Accumulated depreciation	(36,263)	(32,825)
	36,680	**29,780**
Work in progress	**403**	**37**
Total property, plant & equipment	**69,995**	**60,032**

9. Non-current Assets — Property, plant and equipment (continued)

	Land	Buildings	Leasehold improvements	Plant and equipment	Motor vehicles	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2011							
Carrying value at start of year	16,105	3,246	220	8,915	28,988	492	57,966
Additions through acquisition of entities	–	–	–	330	152	–	482
Additions	–	3	58	4,881	7,376	–	12,318
Disposals	–	–	–	(23)	(333)	(455)	(811)
Depreciation	–	(217)	(52)	(3,251)	(6,403)	–	(9,923)
Carrying value at year end	**16,105**	**3,032**	**226**	**10,852**	**29,780**	**37**	**60,032**
2012							
Carrying value at start of year	16,105	3,032	226	10,852	29,780	37	60,032
Fair value adjustments on acquisition of subsidiary (Note 25)	–	–	–	52	325	–	377
Additions through acquisition of entities (Note 25)	–	–	–	19	246	–	265
Additions	–	26	107	5,963	14,559	366	21,021
Disposals	–	–	–	(33)	(310)	–	(343)
Depreciation	–	(194)	(45)	(3,198)	(7,920)	–	(11,357)
Carrying value at year end	**16,105**	**2,864**	**288**	**13,655**	**36,680**	**403**	**69,995**

Valuation of Land

The valuation basis of Land is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The last revaluation of land held by the Group was based on an assessment by independent valuers, Knight Frank on 7 May 2010. The revaluation surplus net of applicable deferred income taxes was credited to other reserves in shareholders' equity (Note 17).

10. Non-current Assets — Deferred income tax equivalent assets

	2012	2011
	$'000	$'000
Deferred income tax equivalent asset	**5,094**	**4,706**

	Employee Benefits	Deferred Revenue	Accruals	Other	Total
	$'000	$'000	$'000	$'000	$'000
Movements					
Opening Balance	2,768	268	767	84	3,887
Charged to Income	522	33	181	21	757
Acquisition of Subsidiary	62	–	–	–	62
Balance at 30 June 2011	**3,352**	**301**	**948**	**105**	**4,706**
Opening Balance	3,352	301	948	105	4,706
Charged to Income	570	(22)	(162)	–	386
Acquisition of Subsidiary (Note 25)	2	–	–	–	2
Balance at 30 June 2012	**3,924**	**279**	**786**	**105**	**5,094**

11. Non-current Assets — Intangible assets

	2012 $'000	2011 $'000
Goodwill on Acquisition	**21,378**	**17,714**

Goodwill has been reviewed for impairment for the year ending 30 June 2012.

Goodwill		
Cost	9,852	
Accumulated amortisation and impairment	–	
Opening Balance	9,852	
Acquisition of Subsidiary	7,862	
Balance at 30 June 2011	**17,714**	
Cost	17,714	
Accumulated amortisation and impairment	–	
Opening Balance	17,714	
Fair value adjustment on acquisition of a subsidiary (Note 25)	6	
Acquisition of Subsidiary (Note 25)	3,658	
Balance at 30 June 2012	**21,378**	

Impairment testing for cash-generating units containing goodwill

For the purposes of impairment testing, Goodwill is allocated to the consolidated entity's operating divisions. The aggregate carrying amounts of Goodwill allocated to each cash-generating unit are as follows:

Asset Maintenance Services	8,714	8,714
Arboriculture NSW	1,138	1,138
Open Space NSW	7,868	7,862
Infrastructure services	3,658	–
	21,378	**17,714**

The recoverable amount of each cash-generating unit has been determined based on its value in use, and was determined by discounting the future cash flows to be generated from the continuing use of the cash-generating unit. The recoverable amount of each unit was determined to be in excess of the carrying value for each cash-generating unit, and therefore no impairments have been recognised.

11. Non-current Assets — Intangible assets (continued)

Key assumptions used in the discounted cash flow projections

The key assumptions used in the calculation of recoverable amounts are discount rates, and EBITDA growth. These assumptions are as follows:

	2012	2011
Discount Rate (%)	3.04%	5.21%
EBITDA Growth Rate	3.00%	2.75%

The discount rate used is a pre-tax measure based on the risk-free rate for 10-year bonds issued by the Australian government.

Each CGU has five years of cash flows included in its discounted cash flow models. The long-term compound annual growth rate in EBITDA is estimated by management using past experience and expectations for the future.

Budgeted EBITDA growth is expressed as the compound annual growth rates in the initial five years of the plans used for impairment testing and has been based on past experience and expectations for the future.

Sensitivity to change in assumptions

The company has modelled a 40%–50% reduction in EBITDA in each CGU. In each case, the value in use would not be lower than the carrying amount, and therefore no impairment charge would arise.

The Arboriculture NSW CGU has contracts going to tender in 2012/2013 financial year. There would be an impairment charge if existing contracts are not rewon and new work is not won within the CGU.

The company has a strong history of rewinning contracts as they come up for renewal.

12. Current / Non-current Trade and other payables

	2012	2011
	$'000	$'000
Current		
Trade payables	9,672	8,989
Other payables and accruals	26,374	24,213
Amount owing for Ultimate Parent Entity	36	–
	36,082	**33,202**

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

	2012	2011
	$'000	$'000
Non-current		
Other payables and accruals	**1,000**	**–**

Notes to the Consolidated Financials Statements (continued)
For the year ended 30 June 2012

13. Current / Non-current Interest-bearing loans and borrowings

	2012 $'000	2011 $'000
Current		
Bank Overdraft	**980**	–
Non-Current		
Bank Loans	10,500	7,000
Security Deposits	350	–
	10,850	**7,000**

Bank loans, secured by a first ranking fixed and floating charge. $29.0m facility and overdraft (2011: $22.1m).

Terms and conditions

Interest bearing loans and borrowings

Bank Overdraft and Bank loans:

The bank overdraft facility $0.6m (2011: $0.6m) is a secured facility. In February 2012 the Bank loan facility was increased to $29.0m from $22.1m in 2011. This facility is also a secured facility. There is a 1st ranking fixed and floating charge. The bank facilities may be drawn at any time and may be terminated by the bank subject to default under the loan agreement. Subject to the continuance of satisfactory covenant achievement, the bank facilities may be drawn at any time. The facilities expire on the 30 September 2013.

Security Deposits:

Security Deposits are unsecured and represent amounts withheld and payable by the Group in future periods relating to recent acquisitions. Interest is being charged to the Group on these deposits at the current Bank Bill Swap rate of 3.58% (2011: N/A).

14. Current / Non-current Provisions

	2012 $'000	2011 $'000
Current		
All annual leave and long service leave 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	5,598	4,955
Present value of other long-term employee benefits that do not fall due within 12 months after the end of the period	5,589	4,540
Dividend payable	4,080	3,140
	15,267	**12,635**
Movement in Dividend payable Provision		
Balance at beginning of year	**3,140**	
Additional provisions raised during the year	4,080	
Amounts paid during the year	(3,140)	
Balance at end of year	**4,080**	

The Board has declared a dividend of $4,080,000 which is payable in November 2012 (2011: $3,140,000).

	2012 $'000	2011 $'000
Non-current		
Long service leave representing less than 7 years of continuous service measured at present value	**1,667**	**1,454**

15. Non-current Liabilities — Deferred Income tax equivalent liabilities

	2012	2011
	$'000	$'000
Provision for deferred income tax equivalent liability	**3,684**	**4,087**

	Depreciation	Revaluation of Land	Total
	$'000	$'000	$'000
Movements			
Opening Balance	1,456	2,848	4,304
Charged to Income	(217)	–	(217)
Balance at 30 June 2011	**1,239**	**2,848**	**4,087**
Opening Balance	1,239	2,848	4,087
Charged to Income	(403)	–	(403)
Balance at 30 June 2012	**836**	**2,848**	**3,684**

16. Contributed equity

	2012	2011
	$'000	$'000
Share capital		
Ordinary shares — fully paid	**18,406**	**18,406**

	2012		2011	
	No.	$'000	No.	$'000
Movement in ordinary share capital				
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**

Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

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

The Group seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The weighted average interest expense on interest bearing borrowings was 4.38%. The Group's net debt (total liabilities less cash and cash equivalents to total equity) was 1.15 (2011:1.06).

There were no changes in the Group's approach to capital management during the year.

17. Retained Earnings and Reserves

	2012	2011
	$'000	$'000
Retained profits at the beginning of the financial year	33,139	28,310
Net profit attributable to members of the company	9,924	7,969
Total available for appropriation	**43,063**	**36,279**
Dividends provided for or paid (Note 14)	(4,080)	(3,140)
Retained profits at the end of the financial year	**38,983**	**33,139**
	cents	cents
Earnings per share for profit attributable to the ordinary equity owners of the Company:	53.9	43.3
	$'000	$'000
Reserves		
Revaluation of Land	**6,645**	**6,645**

The asset revaluation reserve records the revaluation of the Group's Land which is carried at fair value.

18. Key Management Personnel Compensation

The totals of remuneration paid to key management personnel (KMP) of the Group during the year are as follows:

	2012	2011
	$'000	$'000
Short-term employee benefits	**2,944**	**2,983**

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

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

Other KMP transactions

For details of other transactions with KMP, refer to Note 22 Related party information.

19. Commitments for expenditure

	2012	2011
	$'000	$'000
Capital expenditure commitments		
Total capital expenditure contracted for at balance date but not recognised as liabilities in the financial report:		
Payable within one year	**1,643**	**5,844**
Non-cancellable operating leases payable		
Non-cancellable operating lease commitments contracted for but not recognised in the financial report:		
Payable within one year	2,167	1,818
Payable later than one year, not later than five years	5,746	4,688
Payable later than five years	1,837	2,209
	9,750	**8,715**

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

	2012	2011
Non-cancellable operating leases receivable		
Non-cancellable operating lease receivable contracted for but not recognised in the financial report:		
Receivable within one year	51	51
Receivable later than one year, not later than five years	50	101
	101	**152**

The Company has entered into non-cancellable operating leases in respect to business premises.

20. Retirement benefit obligations

Superannuation

Citywide Service Solutions Pty Ltd makes employer superannuation contributions in respect of its employees to complying accumulation superannuation funds. Obligations for contributions are recognised as an expense in profit or loss when they are due.

Accumulation Funds

The accumulation funds, (including the Local Authorities Superannuation fund's accumulation category, Vision Super Saver), receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9% 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 Benefit Plan

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. 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, Citywide Service Solutions Pty Ltd does not use defined benefit accounting for these contributions.

Citywide Service Solutions Pty Ltd makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2011 and on advice from the City of Melbourne, Citywide Service Solutions Pty Ltd makes the following contributions:

— Increase the ongoing contribution rate from 4% to 13% (inclusive of 1% salary continuance cover) of salaries for Division D members from 1 July 2012;
— Fund the top-up payments for exiting members equal to the following amount increased for contribution tax: Benefit Payment less (Vested Benefit x VBI)

Top-up payments are to be calculated and invoiced quarterly in arrears from 1 July 2012.

	2012	2011
	$'000	$'000
Employer contributions to complying superannuation funds	4,807	4,062
Employer contributions payable to complying superannuation funds at reporting date	403	353

21. Contingent liabilities

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

— Guarantees issued by the Bank in respect of contracts secured of $11,074,000 (2011: $9,244,000).

The Group is a defendant from time to time in legal proceedings in respect of claims and court proceedings arising from the conduct of its business. The Group does not consider that the outcome of any current 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 Group.

22. Related party information

Controlling entity

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

Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, including any director (whether executive or otherwise) of the Company is considered key management personnel.

Refer to Note 18 for the details of the Key management personnel remuneration during the financial year.

Related party transactions

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.

Transactions with subsidiaries during the financial year were based on the provision of services comprising contract sales.

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

Intercompany revenue and expenditure

— Revenue transactions with the ultimate parent entity amounted to $58,931,000 during the financial year (2011: $58,328,000).
— Expenditure transactions with the ultimate parent entity amounted to $398,000 during the financial year (2011: $384,000).
— Expenditure transactions with subsidiaries amounted to $231,000 during the financial year (2011: $Nil).

23. Cash flow information

	2012	2011
	$'000	$'000
Reconciliation of cash and cash equivalents		
Cash assets at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to the related items in the Consolidated Statement of Financial Position as follows:		
Cash and cash equivalents (Note 5)	939	1,632
Bank overdraft (Note 13)	(980)	–
Balance per Statement of Cash Flows	**(41)**	**1,632**

Non-cash financing and investing activities

The Company has in place an unused credit facility of $10,000,000 from its ultimate parent entity. At 30 June 2012 $Nil (2011: $Nil) had been utilised.

Bill Facility

The Company has a secured (1st ranking fixed and floating charge) bill facility with Westpac for $29,000,000 (2011: $22,100,000).

Overdraft

The Company has a secured (1st ranking fixed and floating charge) overdraft facility with Westpac for $600,000 (2011: $600,000).

23. Cash flow information (continued)

	2012	2011
	$'000	$'000
Reconciliation of net cash provided by operating activities to net profit after income tax equivalents		
Net profit after income tax equivalents	9,924	7,969
Net (gain) / loss on disposal of non-current assets	(554)	(209)
Depreciation / amortisation of non-current assets	11,357	9,923
Changes in operating assets and liabilities		
(Increase)/Decrease in Trade and other receivables	(291)	(2,922)
(Increase)/Decrease in amounts owing by Ultimate parent entity	(1,419)	(4,259)
(Increase)/Decrease in Inventories	(29)	71
(Increase)/Decrease in Deferred tax equivalent assets	(386)	(758)
Increase/(Decrease) in Trade and other payables	1,448	8,133
Increase/(Decrease) in Employee entitlements	1,898	1,642
(Decrease)/Increase in Current tax equivalent liabilities	(298)	182
Increase/(Decrease) in amounts owing to Ultimate parent entity	36	(34)
(Decrease)/Increase in Deferred tax equivalent liabilities	(403)	(217)
Net cash provided by operating activities	**21,283**	**19,521**

24. Financial instruments

Credit risk

The credit risk on financial assets of the Group, is generally the carrying amount net of any provisions for doubtful debts.

Debtors risk is managed by ongoing following up on debts as they fall due.

The 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. This exposure is managed by the type of borrowings used as per Note 13.

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

	Notes	Floating interest rate	Non-interest bearing	Total
		$'000	$'000	$'000
2012				
Financial assets				
Cash and cash equivalents	5	939	–	939
Trade and other receivables	6	–	35,516	35,516
		939	**35,516**	**36,455**
Weighted average interest rate		1.78%		
Financial liabilities				
Trade and other payables	12	–	37,082	37,082
Interest bearing loans and borrowings	13	11,830	–	11,830
		11,830	**37,0 82**	**48,912**
Weighted average interest rate		4.38%		
Net financial assets		**(10,891)**	**(1,566)**	**(12,457)**

24. Financial instruments (continued)

	Notes	Floating interest rate	Non-interest bearing	Total
		$'000	$'000	$'000
2011				
Financial assets				
Cash and cash equivalents	5	1,632	–	1,632
Trade and other receivables	6	–	32,401	32,401
		1,632	**32,401**	**34,033**
Weighted average interest rate		1.86%		
Financial liabilities				
Trade and other payables	12	–	33,202	33,202
Interest bearing loans and borrowings	13	7,000	–	7,000
		7,000	**33,202**	**40,202**
Weighted average interest rate		3.83%		
Net financial assets		**(5,368)**	**(801)**	**(6,169)**

	2012	2011
	$'000	$'000
Net fair value of financial assets and liabilities		
The carrying amounts of all financial assets and liabilities are a reasonable approximation of their fair value due to short-term to their maturity. The carrying amounts and net fair values of financial assets and liabilities at balance date are:		
Ageing of Trade Receivables		
Current (not yet due)	31,711	29,945
Past due by up to 30 days	1,118	1,295
Past due between 31 and 180 days	537	270
Past due between 181 and 365 days	28	138
	33,394	**31,648**

Interest Rate Sensitivity Analysis

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

At Reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's Net Profit would increase by $72,000 and decrease by $72,000 (2011: increase by $66,000 and decrease by $66,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Liquidity Risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group manages its liquidity risk by monitoring the total inflows and outflows expected on a monthly basis. The Group ensures that sufficient liquid assets are available to meet all the short-term cash payments. The Group has a Bank loan facility that it uses to cover working capital requirements as needed (at 30 June 2012, available funds were $18.5m).

24. Financial instruments (continued)

Contractural Maturities	6 mths or less	6-12 months	1-5 Years	5 Years or more	Total
	$'000	$'000	$'000	$'000	$'000
Year Ended 30 June 2012					
Liquid financial assets					
Cash and cash equivalents	939	–	–	–	939
Trade and other receivables	35,516	–	–	–	35,516
	36,455	**–**	**–**	**–**	**36,455**
Financial Liabilities					
Trade and other payables	36,082	–	1,000	–	37,082
Interest bearing loans and borrowings	980	–	10,500	350	11,830
	37,062	**–**	**11,500**	**350**	**48,912**
Net Inflow/(Outflow)	**(607)**	**–**	**(11,500)**	**(350)**	**(12,457)**
Year Ended 30 June 2011					
Liquid financial assets					
Cash and cash equivalents	1,632	–	–	–	1,632
Trade and other receivables	32,401	–	–	–	32,401
	34,033	**–**	**–**	**–**	**34,033**
Financial Liabilities					
Trade and other payables	33,202	–	–	–	33,202
Interest bearing loans and borrowings	–	–	7,000	–	7,000
	33,202	**–**	**7,000**	**–**	**40,202**
Net Inflow/(Outflow)	**831**	**–**	**(7,000)**	**–**	**(6,169)**

25. Business Combinations

25.1 Current year

	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred
			%	$'000
AWD Earthmoving Pty Ltd	Infrastructure	31 May 2011	100	6,243

AWD Earthmoving Pty Ltd was acquired for $4.5m so as to continue the expansion of the Group's Infrastructure activities. Details of the preliminary fair value assessment of the assets and liabilities acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash paid	3,000
Contingent consideration[a]	1,500
Acquisition Value	**4,500**
Cash payable in consideration of working capital	1,743
Consideration	**6,243**
Less fair value of net identifiable assets acquired	(2,585)
Goodwill	**3,658**

[a] Under the contingent consideration arrangement, the Group is required to pay the vendors up to $0.5m per annum for the three years ending 30 June, 2015. The directors consider it probable that the payment will be made. The amount has been accrued as at the acquisition date.

Goodwill arose in the acquisition of AWD Earthmoving Pty Ltd as it includes amounts in relation to revenue growth, future market development and expected synergies with the Group. These benefits are not separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

25. Business Combinations (continued)

25.1 Current year (continued)

	Acquiree's carrying amount	Preliminary fair value
	$'000	$'000
Assets and liabilities acquired at 31 May 2012		
Cash and cash equivalents	464	464
Trade and other receivables	2,127	2,127
Deferred income tax equivalent assets	2	2
Plant and Equipment	265	642
Trade and other payables	(347)	(347)
Current tax equivalent liabilities	(296)	(296)
Provisions	(7)	(7)
Net assets acquired	**2,208**	**2,585**

The receivables acquired (which comprised of trade receivables $436,000, other receivables of $1,681,000 and other current assets of $10,000) had a fair value of $2,127,000. The trade receivables had a gross contractual value of $436,000. For the receivables, the best estimate at acquisition date, was that all of the contracted cash flows would be collected.

Purchase consideration — cash outflow

	$'000
Consideration paid in cash	3,000
Less: cash and cash equivalent balances acquired	(464)
Outflow of cash - Investing activities	**2,536**

Acquisition related costs

Acquisition related costs of $83,000 have been excluded from the consideration transferred and have been recognised as an expense in the year in the Consolidated Statement of Comprehensive Income.

Revenue and profit contribution

Included in the profit for the year is $88,000 derived from AWD Earthmoving Pty Ltd. Revenue for the year includes $231,000 derived from AWD Earthmoving Pty Ltd. The revenue derived for the one months trading by AWD Earthmoving Pty Ltd related to the Company, and the revenue and profit were eliminated for Group purposes.

Had the business combination been effected at 1 July 2011, the revenue of the Group from continuing operations would have been $248,437,000, and the profit would have been $10,398,000. The directors of the Group consider these 'pro-forma' numbers represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

25. Business Combinations (continued)

25.2 Previous corresponding year

Summary of acquisitions

Sterling Group Services Pty Ltd

On 1 January 2011, the Group acquired 100% of Sterling Group Services Pty Ltd for a total consideration of $12.065m inclusive of a contingent consideration of $1.0m. Details of the fair values of the assets and liabilities acquired and the goodwill arising are disclosed in the 2011 Citywide Group Annual Report.

At the date of acquisition, the acquired entity's principal activities was the maintenance of Open space areas.

During the current financial year the contingent consideration of $1.0m crystalised, became due and payable and settled.

There have been no further preliminary value adjustments to these amounts in the current period.

26. Events occurring after reporting date

There were no material matters or circumstances which have arisen between 30 June 2012 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.

27. Parent entity information

	2012	2011
	$'000	$'000
a) Summary financial information		
The individual financial statements of the parent entity show the following aggregate amounts:		
Statement of Financial Position		
Assets		
Current Assets	39,408	36,886
Non-Current Assets	101,933	86,007
Total Assets	**141,341**	**122,893**
Liabilities		
Current Liabilities	61,425	52,722
Non-Current Liabilities	17,150	12,508
Total Liabilities	**78,575**	**65,230**
Equity		
Contributed equity	18,406	18,406
Retained profit	37,715	32,612
Reserves		
Asset revaluation	6,645	6,645
Total Equity	**62,766**	**57,663**
Profit for the year	**8,691**	**7,084**
Total comprehensive income	**8,691**	**7,084**

b) Guarantees

Refer Note 21 for Guarantees issued by the Bank in respect of contracts secured relating to the Company. All Guarantees stated in Note 21 relate to the Company.

c) Capital expenditure commitments

	2012	2011
	$'000	$'000
Total capital expenditure contracted for at balance date but not recognised as liabilities in the financial report:		
Payable within one year	1,643	5,844

Directors' declaration

In the Directors' opinion:

a) the financial statements and notes set out on pages 36 to 69 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 financial position as at 30 June 2012 and of its performance for the financial year ended on that date; 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.

Note 1.1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

J. L. Davies (Chairman)

P. S. Lowe (Director)

Melbourne, 17 August 2012


VAGO

AUDITOR-GENERAL'S INDEPENDENCE DECLARATION

To the Directors, CityWide Service Solutions Pty Ltd

Independence Declaration


VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Members of CityWide Service Solutions Pty Ltd

The Financial Report


Independent Auditor's Report (continued)

MIX
Paper from responsible sources
FSC® C010983
www.fsc.org

The 2012 Citywide Annual Report has been printed on FSC® Certified Paper