



Bolte Bridge

ANNUAL REPORT 2010
INNOVATION WITH PURPOSE



CITYWIDE

shaping sustainable landscapes

Innovation begins with creative ideas and is realised in their successful implementation. At Citywide, genuine innovation is embodied in the knowledge of our people, the multiple research and development projects we undertake, the process improvements we implement and our adoption and adaptation of new technologies.

Innovation is the engine of Citywide's impressive growth. It differentiates us from our competitors and creates a more efficient, more productive and more secure environment for our workforce.

Most importantly, Citywide innovation flows through to the public assets we maintain on behalf of our customers. That connection between creative thinking and real world outcome sees millions of Australians enjoy parklands and road networks that are resilient, clean and among the best in the world.



CONTENTS

| | | | |
|-----------------------------------|----|------------------------------|----|
| Key Performance Indicators | 5 | Sustainability Report | 20 |
| Messages | 6 | Our Workplace | 22 |
| Chairman's Message | 6 | Our Community | 24 |
| Managing Director's Message | 8 | Our Environment | 26 |
| Operational Overviews | 10 | Profiles | 28 |
| Infrastructure | 10 | Executive Profiles | 28 |
| Open Space | 12 | Directors Profiles | 31 |
| Environmental | 14 | Financial Statements | 35 |
| Our Organisation | 17 | Directors Report | 35 |
| Our Vision, Our Values | 17 | Financials | 39 |
| | | Auditor General's Report | 60 |

INNOVATION LED GROWTH

With a 20% increase in profit and record revenue, Citywide continues to build from a broad base of long term contracts.

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|------------|------------|------------|------------|------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Indicators | | | | | |
| Total Revenue | \$160,813 | \$158,321 | \$154,681 | \$128,003 | \$96,181 |
| Profit from ordinary activities before income tax | \$9,632 | \$8,053 | \$9,756 | \$8,764 | \$6,557 |
| Net profit after income tax | \$7,133 | \$5,789 | \$6,800 | \$6,113 | \$4,549 |
| Total assets | \$98,747 | \$90,042 | \$95,753 | \$85,113 | \$55,195 |
| Shares issues | \$18,406 | \$18,406 | \$18,406 | \$18,406 | \$18,406 |
| Total equity | \$53,361 | \$46,222 | \$42,799 | \$38,659 | \$31,129 |
| Number of direct employees | 797 | 733 | 780 | 770 | 466 |
| Performance Measures | | | | | |
| Return on sales before tax | 6.0% | 5.1% | 6.3% | 6.8% | 6.8% |
| Return on assets after tax | 7.2% | 6.4% | 7.1% | 7.2% | 8.2% |
| Earnings per share after tax | 38.8 cents | 31.5 cents | 36.9 cents | 33.2 cents | 24.7 cents |
| Return on total equity after tax | 13.4% | 12.5% | 15.9% | 15.8% | 14.6% |
| Current ratio | 0.71:1 | 0.85:1 | 0.90:1 | 0.87:1 | 0.96:1 |
| Revenue per employee | \$201,773 | \$215,990 | \$198,309 | \$166,238 | \$206,397 |

HIGHLIGHTS

- Re-won 10 year City of Bayside Victoria Infrastructure Maintenance Contract
- Won 7 year VicRoads Routine Maintenance contracts
- Won prized National Capital Authority open space contract in the ACT
- New open space contracts with the Cities of Blacktown & Sutherland Shire in NSW, Knox & Brimbank, Victoria and National Gallery Victoria.
- Won Victorian Docklands street cleaning tender
- Completed \$1.5m upgrade to the Melbourne Dynon Road waste transfer facility

MESSAGE FROM THE CHAIRMAN



Chairman, Lyn Davies, with Citywide gardeners, Pardon Kanyuchi (left) and Mark Whiting.

It gives my fellow Board members and I great pleasure to present the 2010 Citywide Annual Report.

After mitigating the impacts of the global financial crisis, this financial year saw Citywide gain momentum. We have strengthened our core businesses, established pathways for new, vertically integrated services and won a record number of important contracts.

This year's trading result was above budget with earnings per share at a healthy 52.3c. Total revenue increased to a record \$161 million, with an increase in profit of 20 per cent to a record \$9.6 million: a great outcome.

A number of achievements were behind this result, each highly strategic in terms of the direction the Company intends to take in the future. At year's end we were awarded the contract to maintain the prominent open space of the National Capital Authority in Canberra. The contract covers approximately 120 hectares of parkland which surrounds

some of the nation's most significant landmarks, including Parliament House. It joins Australia's other prominent gardens in central Melbourne and Sydney under Citywide management, cementing our status as the leader in high value open space management across multiple states. The new contract has mobilised well under the competent leadership of the appointed Horticultural Manager, and should serve as a solid foundation for future opportunities that present themselves in the ACT.

This year Citywide won two more VicRoads maintenance contracts bringing the total under management to five across Victoria: from Apollo Bay in the west, across metropolitan Melbourne, north to the Murray River and east to Mallacoota on the Victorian/NSW border. This is a highly strategic outcome, as it not only extends our work outside local government with solid long-term contracts, it places us in a credible position to tender for major road maintenance alliance contracting agreements.

A notable achievement has been the successful application of Citywide knowledge and ideas in the development and adaptation of innovations – the theme of this annual report. In our Open Space Division we saw further expansion in the use of our proprietary H2Pod water barriers and the design and commissioning of the AirRaider tree watering vehicle.

Citywide Infrastructure supplied greater volumes of low emission Greenpave asphalt from the Company's high-tech North Melbourne plant and, after a successful government relations program, Citywide is much closer to augmenting its central Melbourne waste transfer station with waste processing technology to generate electricity.

Customer surveys consistently identify innovation as a key association with the Citywide brand. Innovation not only differentiates us in the marketplace but ensures we are a step ahead of the competition. Perhaps most importantly, Citywide's innovation is driving positive change in the public domain of the cities we service, improving the lives of millions of Australians every day. At year's end Citywide has a track record of over 90% contract retention – irrefutable evidence of the quality of the service we provide and strength of the relationships we have established with our customers.

The challenge before us is to win new contracts and acquire compatible businesses. We have brought significant rigour to our acquisition activities over the past twelve months. The formation of a dedicated acquisition taskforce has produced a more robust market research and analysis process, and a well defined framework for testing acquisition targets. Seven businesses were assessed during the financial year, of which three moved to more advanced due diligence; none met the Company's requirements. We are confident of progress in the new year.

In addition to innovation, a supportive culture is a Citywide hallmark. With the focus on growth, it is vital we understand Citywide's culture, ensuring clarity of purpose, consistency of service and preservation of the core values behind the Company's fifteen year success story. A cultural review early in late 2010 will provide insight with which to strengthen staff unity, drive performance and reward excellence.

This year has been marked by heightened debate about population growth, higher density living and housing affordability. These are issues affecting every Australian family and the governments that serve them. Over the past decade Citywide has emerged as a leading contributor to government strategies for coping with extreme weather events and drought. We have adapted our business to operate more efficiently and sustainably, while investing in innovations to help our clients meet their commitments to reducing carbon emissions. We will continue to support local and state governments tackling the impact of higher density living and the pressure it will place on the public spaces and infrastructure of our cities.

On behalf of the Board, I wish to recognise the leadership of Managing Director Kerry Osborne, the executive and the senior management team and congratulate them on a

record result. Every year, Citywide becomes more focused in the pursuit of its activities. That focus is playing through in regional and interstate expansion.

I also wish to acknowledge the insight and commercial advice provided by my fellow Board members throughout the year. While pursuing its fiduciary duties with vigour, the Board takes a keen interest in the people who make up this great Company and their collective achievements and workplace experiences.

“

We have adapted our business to operate more efficiently and sustainably while investing in innovations to help our clients meet their commitments to reducing carbon emissions.

”

In particular I would like to acknowledge the most significant contribution of retiring Director, Barry McGuinness. Appointed to the Board in November 1996, Barry has been an integral board member and Chair of various committees, as well as a driving force in Citywide's impressive growth. On behalf of the Company and its shareholder, I sincerely thank him for his major contribution. This contribution in many ways has been pivotal to Citywide's success and growth. I am pleased to announce a new appointment to the Board, Janice van Reyk. She brings a wealth of relevant experience and will make a valuable contribution to the ongoing success of the organisation, particularly in the important areas of OH&S and environmental management.

In closing, it gives me great pleasure to convey the appreciation of our shareholder to the entire Citywide workforce. You are an extremely capable and committed

group of people whose work we appreciate and acknowledge. It has been a record year in which we can all be justifiably proud.

Lyn Davies
Chairman



MESSAGE FROM THE MANAGING DIRECTOR



Kerry Osborne, Managing Director

In reviewing the financial year, it is rewarding to see the balance between financial performance, safety statistics and tender successes.

Tender performance has been particularly satisfying given the strategic long-term nature of many of the major contracts secured. While retaining over 90% of tendered contracts held, Citywide has successfully won an additional \$8.8 million in annualised revenue.

One of our key objectives for the 2009/2010 financial year was to further improve our tender win/loss ratios. I am pleased to report that across the organisation, we have succeeded. For every three tenders we submit we now win one: an outstanding ratio which represents great efficiency gains as well as the strength of our tender submissions and the Company brand.

Substantial growth brings with it challenges to our structure, succession planning, future incentive schemes and, of course, margin management. These challenges will be

considered and met through the rollout of our organisational development program and ongoing administration review continued from 2009/10 and expanded into 2010/11.

Training and development of key staff is a critical focus, particularly in the area of project management and improved people skills. Training investment for the past year was \$156,000 with an even higher allocation earmarked for 2010/11. The transfer of intellectual property currently embodied by our people into our information management systems, namely Sharepoint and the CRM system, has been identified as a priority focus. Culture and its importance to the organisation, particularly as we navigate a strong growth period, is also high on our agenda.

An integrated sales, marketing and communications strategy is under development. It will respond to the diverse nature of the markets we operate in and the customers we serve, ensuring the Company is front-of-mind at both the political and contract management levels.

This year's admirable safety results underline part of this strong culture and ongoing duty of care our employees feel and express in the workplace. The Lost Time Injury frequency rate was 1.65, well below the industry average.

Backing our people are the business systems upon which we rely. System integrity, supported by smart, accurate and commonsense procedures, will be at the foundation of our success in the coming year. Specifically, we are strengthening our job costing systems, HR policies and procedures, OH&S, risk and quality frameworks and the Company's proprietary asset management product, TRAX to definitively underpin future growth.

The last 12 months in our Sydney operations have been challenging with major changes to the delivery structure, culminating in the appointment of a Northern Regional Manager in December 2009, who has overseen the establishment of tighter quality controls, cultural change programs and, most importantly, improved horticultural practices.

Further employment of capable business development, estimating, and administration staff is underway to continue the momentum these changes have brought. Efforts made over the past six months and into the new financial year will make a significant difference to the profitability, culture and consolidation of operations around its Sydney base.

With new contract wins and increased sales of our asphalt products, Citywide Infrastructure (Victoria) has well defined targets for the coming year. Greenpave production is forecast to accelerate and we expect a strong increase in sales to new commercial customers over the coming year. We will keep building our portfolio of state road authority works and strengthen the graduate engineering program to ensure we have the capacity to meet growth expectations.

Citywide Open Space experienced difficult seasonal growth fluctuations and a lack of variation works at critical times throughout the year. However, as a true reflection of the the high standards of service quality provided, the division retained all of its major contracts.

The newly acquired Cardinia contract has given Citywide a significant presence in the important eastern growth corridor of Melbourne. Our tree services teams performed well but the lack of trained and seasoned arborists continues to hamper growth and impinge upon effective succession planning. As a result, we have embarked on a substantial recruitment drive to attract qualified arborists for both the Sydney and Melbourne regions.

The key to forward expansion of our Victorian Environmental operation will be centred around the Dynon Road waste management facility - maximising its geographic advantage and leveraging from other Citywide waste businesses to boost economies of

scale. Moving up the value chain, we are assessing the technology options to augment the existing facility.

Over the coming year, the engagement of the City of Melbourne and other important stakeholders will be crucial to ensure the best result, both financially and environmentally, for all parties. Recent discussions with the Victorian state government were successful in giving us certainty over the future of Dynon Road with respect to the Government's \$38 billion West Link project.

“

While retaining over 90% of tendered contracts held, Citywide has successfully won an additional \$8.8 million in annualised revenue.

”

We have an excellent management team across our collective operations in VIC, NSW and the ACT. Its members have worked tirelessly to present the Board and shareholder with an impressive score card for 2009/10. They are motivated to do even better in the coming year.

A good team can sometimes make work look easier than it actually is; we need to be ever aware of balancing the priorities of businesses, residents and the public when delivering our services. Our contracts will only become more complex and more competitive over time but, guided by a well-articulated strategic plan, we will ensure cohesion and visibility throughout our operations.

I would also like to acknowledge our retiring Director, Barry McGuinness who has provided informed counsel, invaluable strategic advice and experience during my 10 years at Citywide.

I extend my sincere thanks to all Citywide personnel for their continued hard work as we move positively into the future.

Kerry Osborne
Managing Director



INFRASTRUCTURE OVERVIEW



Mike North, Divisional Manager

Citywide Infrastructure has had an outstanding year, winning significant new contracts and retaining fiercely contested long-term contracts that came up for renewal. In a doubling of the previous year's total, \$23m in annualised revenue has been secured, representing whole-of-contract life value in excess of \$75m.

Citywide expanded its civil roads maintenance services to state road authority, VicRoads, re-winning the northern region Echuca contract (held for the past three years), winning the adjacent Swan Hill-Buloke contract, and further extending our presence to the far east of the state with the routine maintenance of arterial roads contract in eastern Gippsland. Each of these contracts has a seven year lifetime, establishing Citywide as a major player in routine maintenance works across regional Victoria. We now hold a total of five VicRoads maintenance contracts.

Following a well executed bid for the City of Bayside infrastructure maintenance services tender; the Company was reassigned the contract for a further ten years,

“

Advice to customers, traffic management and pedestrian access past the site was managed exceptionally well considering we had 2 major cricket games on at the nearby MCG.

Elena Tooley, Transurban

”

an exceptional result given the level of competition from opposition companies. The win is testament to the strong working relationship and reputation for quality our Bayside managers and delivery crews established during the performance of the previous contract. In addition to Bayside, the Hobsons Bay City Council exercised its option to extend the road and drainage maintenance services contract for a further three years.

Serving a metropolis with the complexity of the City of Melbourne sees Citywide work around the clock to deal with the full scope of service demands. From the replacement of bluestone pitchers in the city's famous laneway network, to the clean up following extreme storm events: Citywide's workforce acts quickly and decisively while minimising disruption to city businesses, pedestrians and traffic flow. This year the Melbourne team achieved with an impressive 33% reduction in the number of outstanding maintenance defects. In addition, almost \$20m of capital works projects were delivered by our in-house design and construction team, in conjunction with city engineers. In another joint project, the parking meter maintenance team undertook a "lean thinking" study of all aspects of the service delivery process with outstanding results. A more streamlined delivery model is now producing higher efficiencies and greater revenue return for the City.

Other noteworthy municipal contract wins for the year were the Boroondara asphalt maintenance services contract, the Moonee Valley annual supply contract, Wyndham city council footpath reinstatement works, Yarra City Council annual asphalt and rotomilling supply contract and Mansfield Shire Council road construction works in Jamieson. The growing number and size of the contracts we hold with municipal customers highlights the confidence they have in the Company's ability to deliver.

Three major commercial projects were undertaken by Citywide project managers and engineers for international toll road developer, Transurban Group, in some of Melbourne's most high profile, high traffic flow CBD locations, including the iconic Bolte Bridge. Works were delivered on-time and on-budget to the complete satisfaction of Transurban managers, who were not only pleased with the quality of the workmanship but also Citywide's traffic and pedestrian management.

Citywide's environmentally friendly North Melbourne asphalt plant had another excellent year, producing hot mix (HMA) and Greenpave (WAM) in record quantities. Reflecting community demand for low emission infrastructure solutions, sales of Greenpave and recycled asphalt product (RAP) continue to grow. We expect both government and commercial customers to further embrace these innovative products in line with their commitment to environmental sustainability.

Debate is intensifying around Australia's population growth and the ability of ageing infrastructure to cope with spiralling inner city density issues. Melbourne is Australia's fastest growing city with an estimated 600,000 extra households required to meet demand over the next 20 years. Development is expected to escalate in the growth corridor areas of Wyndham, Melton, Hume, Whittlesea and Casey-Cardinia.

Citywide is continually looking for new solutions to assist local government in improving infrastructure resilience as pressure increases. Attracting private capital for public infrastructure investment will be necessary and Citywide will lead advances in the design of public-private partnerships.

HIGHLIGHTS

- Re-won 10 year City of Bayside, Victoria Infrastructure Maintenance contract
- Won 7 year VicRoads Routine Maintenance contracts
- Secured VicRoads Routine Maintenance contract in Eastern Gippsland, Victoria for 7 years
- Secured \$3m road construction contract with Mansfield Shire Council Victoria
- Significant improvements through price and profit management program



OPEN SPACE OVERVIEW



Dean Grant, Divisional Manager

A busy 2009/10 fiscal year saw Citywide Open Space broaden its footprint in the maintenance of signature gardens while restructuring the northern operations.

Meeting traditional and new challenges, Citywide effectively managed the summer grass growth period, secured new business including contract variations, sourced new skilled labour and improved profitability.

Citywide Open Space won \$12m in tendered government services, which is a great outcome and particularly important considering the sweep of new municipal and commercial clients we have gained, and for which we can build our services across each division.

In Victoria, the Company was awarded contracts with new customers including the City of Knox, City of Brimbank, National Gallery of Victoria (NGV) and Melbourne General Cemetery. Citywide negotiated contract extensions with Windy Hill and

“

The Shrine's 13 hectare Reserve has long been looked after by Citywide... We have always found your services to be exemplary and your staff are always eager to go 'beyond the call of duty'.

”

Denis Baguley, Chief Executive - Shrine of Remembrance

Brighton Grammar as well as the cities of Stonnington and Port Phillip. Open Space management also successfully guided the mobilisation and transition of the Whittlesea and Bayside parks and trees contracts while mobilising the Kingston and Melton tree contracts.

The business maintained its innovative approach to service delivery throughout the year. Citywide successfully designed and built an aeration machine to mitigate against the effects of drought and improve tree health. The Company rolled out over 1000 proprietary H2POD water pods into parks and gardens. Modelled on traditional traffic barriers and doubling as a bench seat for park visitors, the H2POD drip feeds water to tree roots, minimising wastage while blending into the landscape. The Company also introduced TRAX into more parks contracts to improve programming and minimise risk.

Citywide furthered its ongoing commitment to providing training and development opportunities for staff, with a tailored apprenticeship program, in-house training at night for arborists and compliance training for each individual contract. We were very proud to have two of our young employees awarded Apprentice of the Year and Trainee of the Year with Northern Melbourne Institute of TAFE.

Only one lost time injury was recorded across all delivery teams for the entire year. Citywide's ongoing safety success represents the culmination of the early intervention Return to Work program, ongoing training and an improved relationship with health practitioners through the InjuryNET network.

In the final quarter, Citywide's Open Space Divisional Manager and Business Unit Manager - Horticulture Victoria undertook a UK study tour, visiting the world renowned Chelsea Flower Show, horticultural universities and the City of London to discuss horticultural trends. Citywide is developing strategic relationships in England to establish a flow of new arborists and horticulturalists.

Northern Region

A new regional manager was appointed to Citywide's Northern Division in December 2009. After a detailed assessment of operational capabilities and management, the division was re-organised with the creation of key management positions. New management structures, systems, skilled personnel and resources will enable Citywide to capitalise on future opportunities as they present themselves throughout the 2010/2011 financial year.

Over the past 12 months a number of significant new NSW contracts were secured, including open space maintenance with Blacktown City Council and, in Canberra, the National Capital Authority. The NCA contract covers the high profile Parliamentary Triangle precinct, National Rose Gardens, Commonwealth Gardens, and Old Parliament House. It is an excellent

foundation from which to take advantage of other opportunities in the ACT and regional NSW locations, and it adds to Citywide's suite of prominent parks and gardens under management in Sydney and Melbourne.

This year, Citywide also re-won the contract to deliver the iconic Sydney Living Colour program for the City of Sydney. The Mosman contract performed admirably, providing a base for expansion across the Sydney metropolitan area.

A comprehensive fleet review was recently initiated to ensure the Citywide brand was consistently and prominently presented on all vehicles. Ageing plant and equipment was identified for replacement with more suitable customised configurations that better meet customer requirements. Citywide Open Space looks every bit the leader it is.

HIGHLIGHTS

- Won prized National Capital Authority open space contract in the ACT
- New Victorian contracts: Knox, Brimbank, NGV and Melbourne Cemetery
- Successfully commenced cities of Kingston, Melton, Whittlesea and Bayside
- Won NSW contracts with Blacktown, Sydney and Sutherland
- Successful restructure into Northern and Southern regions



ENVIRONMENTAL OVERVIEW



Chris Ryan, Divisional Manager

Citywide Environmental completed a successful year marked by solid revenue generation and advances towards construction of inner-Melbourne's first alternative waste treatment facility. The Company continued staged implementation of its strategy to focus on niche customer segments, particularly those in high density inner-city settings, where Citywide's core competencies are a match for the type of service required.

Municipal government contracts under management have increased, with over \$6m in tendered services won over the course of the year. Citywide re-won the Bayside City Council Street and shopping centre sweeping contract for a further term of seven years, adding to the success of other divisions in Bayside.

The year also saw the Company secure and successfully transition the City of Melbourne Docklands public domain cleaning services contract. After a decade of construction, Melbourne Docklands is halfway through its development with billion

“

I commend you for the professional and friendly manner your residential waste collectors display... It is refreshing to know that committed and dedicated staff are prevalent in the workforce.

”

Building Manager, Stargate Apartments

dollar residential, retail and commercial activity still to come. Citywide will provide mechanical sweeping of promenades and plazas. It is a strategically important contract given the synergies it shares with our other City of Melbourne operations from a resource sharing perspective, and its close geographical proximity to the Lonsdale Street depot.

Waste collection operations continue to contribute substantial income. Citywide successfully grew its market share in commercial and industrial collection, targeting high density commercial precincts and the Melbourne CBD. Citywide Environmental now operates a fleet of front lift and rear lift commercial waste collection vehicles, serving thousands of customers daily.

A restructure of the commercial waste business, with the amalgamation of the administration and sales team at Dynon Road, has reduced costs and improved productivity.

Citywide Environmental has continued its industry leading path of researching, testing and incorporating new technologies and advanced equipment. The division recently

completed the first stage of the redevelopment of the Dynon Road Waste Transfer Station (Kensington, Melbourne) with the installation of a third pit, increasing the capacity of the facility by an additional 70,000 tonnes per annum. The new pit was opened on 3 December 2009. The waste transfer station is now capable of processing up to 200,000 tonnes of waste per annum. Citywide's customers enjoy improved vehicle turnaround times and, as a result, improved productivity.

Dynon Road is strategically located on the fringe of Melbourne CBD and currently provides waste management services to in excess of 45,000 local residents as well as surrounding municipalities and commercial customers.

In recent years the development of alternative waste technology has markedly increased the value of the major components of organic waste. The second stage of the waste transfer station redevelopment includes a feasibility study to integrate a multifunction resource recovery and bioconversion plant using alternative resource recovery technology (ARRT) to divert up to 85% of municipal waste from landfill. The technology offers the added benefit of electricity generation from the bio-conversion process.

Dynon Road sits in the area zoned for the state government's West Link project - a major road infrastructure development to divert traffic from the West Gate Bridge. Early in 2009 it was identified that

the project threatened the security of the Citywide Dynon Road site. The Company entered into high level discussions with relevant ministerial offices in order to get certainty over government intentions. As the financial year drew to a close we received confirmation that the Dynon Road site is not to be affected.

Citywide continues to monitor and trial the latest in alternative fuel technology. The first company in Australia to trial CNG (compressed natural gas) technology in waste vehicles, Citywide recently completed successful trials of a new LPG system, which was fitted to the Company's waste compactors. Citywide Environmental also completed a trial of bio-fuel in select waste collection vehicles and continues to investigate alternate fuels to reduce the carbon footprint of the business.

HIGHLIGHTS

- Won the significant Melbourne Docklands street cleaning contract
- Re-won the City of Bayside Victoria Street Cleaning Contract Victoria
- Completed \$1.5m extension to Dynon Road, adding 70,000 tonne capacity
- Secured additional 15,000 tonnes of new business for the Melbourne Dynon Road Waste Transfer Facility
- Restructure for further growth of the commercial waste business





Innovation from the ground up.

Independently tested and trialled across 27 sites in Victoria, Citywide Greenpave advanced lower emission asphalt produces 25% less CO2 per tonne. That's a saving of 4,360 black balloons for every truck that leaves our North Melbourne plant.



OUR ORGANISATION

INNOVATIVE, SUSTAINABLE AND FOCUSED ON PEOPLE

Citywide is a diverse company shaping and maintaining high performance assets.

We deliver the full scope of open space, environmental and civil infrastructure services, supported with expert advice, to government and private enterprise.

A trusted partner in our customers' growth and development, Citywide has a strong reputation for service innovation and the quality of our work.

Shaping sustainable landscapes.

Our unique, diversified service model has underpinned the Company's rapid growth since its foundation in 1995. Today we deliver integrated services to Australia's most prominent capital city governments and national corporations.

Our service teams are led by people who are experts in their fields. Applying knowledge and experience, they deliver services that set benchmarks for best practice. Citywide also invests in annual in-house training and development programs to further our reputation for highly skilled people, process innovation and effective application of new technology.

A partner in the truest sense, we work with customers to achieve higher performance.

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

- People
- Customer relationships
- Performance
- Knowledge
- Innovation
- Sustainability

Innovation at the roots.

Designed and developed by our horticulturalists, the Citywide AirRaider drills through hard earth to the very roots of city trees. Injecting a blast of lifesaving water, the AirRaider ensures majestic elms, gums and palms continue to be enjoyed by communities of Australians despite the challenge of extreme weather.



A GREAT PLACE TO WORK

Citywide has an industry-wide reputation for investing in people.

Engineers, arborists, horticulturalists, road workers and vehicle drivers all know that a job with Citywide offers career development opportunities, a great workplace culture and some of the most majestic landscapes in which to work.

Innovation begins with people and an environment that supports creative thinking and open discussion. Citywide people are innovators. They drive the improvements synonymous with our brand. They manage the strong and enduring relationships we hold with our customers. They are trusted advisors to contract managers, councillors, company directors and community members.

Citywide is conscious of the value each employee represents. Our Company consistently differentiates by the knowledge our employees apply on high profile contracts. In the management of World Heritage listed gardens, the paving of major urban roads with advanced asphalt, or management of waste at optimal levels of efficiency: Citywide people are at the vanguard of public space maintenance.

We support employee development with accredited occupational health and safety programs, ensuring our people are protected at all times. A focus on safety ensures that, even when astride a 100 year old tree with the Sydney Harbour Bridge in the background, our arborists are secure and the public not at risk. The evidence is compelling: company-wide safety culture saw Citywide achieve a lost time injury frequency rate of 1.65 - an outstanding result.

We offer competitive salary packages, comprehensive leave entitlements and we are proud of our industry leading enterprise bargaining agreement. We also offer study assistance and flexibility arrangements to accommodate work-life balance. Citywide recruits people at all career stages. Our civil engineering graduate program and apprenticeship programs offer young, enthusiastic people the opportunity to take confident first steps alongside many of the most experienced workers in industry.

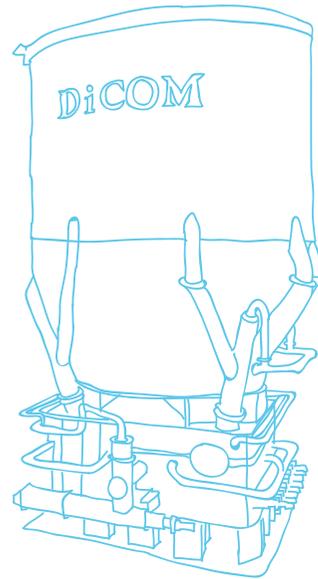
Our commitment to a diverse workforce extends to the inclusion of unskilled or semi-skilled employees who are employed under an apprenticeship or traineeship scheme. Offering apprenticeships or traineeships to existing employees also supports organisational skills improvement and succession planning for the future.

In addition to utilising traditional recruitment pathways, we are engaging people through non-traditional avenues in both permanent roles and work experience. Our partnership with Monash University provides short term internships to overseas students pursuing careers in human resources, finance and information technology. Citywide's participation in diverse employment programs enables us to engage and seek the best candidates while building a strong and supportive culture.

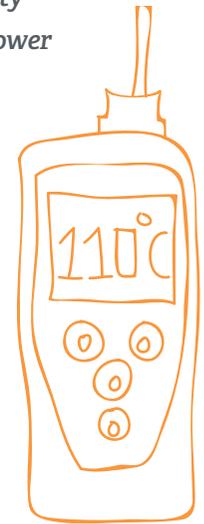
We never rest on our laurels. In late 2010, Citywide will conduct an employee alignment survey to ensure the experiences and feedback of all our people are channelled toward making this company The Employer of Choice.



Citywide is at advanced stages of feasibility modelling for the establishment of inner Melbourne's first alternative waste treatment plant at the Company's Dynon Road transfer station. Citywide's Community Biopower Centre will reduce waste to landfill by up to 80%, taking waste from communities and businesses across inner Melbourne. Applying advanced technology, the facility sorts waste mechanically and turn organic waste into biogas and energy pellets.



Greenpave, Australia's first commercially produced lower emission asphalt, is now being delivered to over 20 Victorian local governments and trialled by state road authority VicRoads. Produced at Citywide's North Melbourne asphalt plant, the most environmentally conscious facility in the southern hemisphere, its lower temperatures and lower fumes not only dramatically reduce emissions but create a safer environment for road workers and the community. Using Greenpave is one of the most accessible ways councils can meet their commitment to reducing their carbon footprint.





CITYWIDE
shaping sustainable landscapes

SUSTAINABILITY REPORT

INVESTING IN A SUSTAINABLE FUTURE FOR AUSTRALIAN COMMUNITIES



Applying the knowledge of our horticultural and arboricultural experts, Citywide funded a research and development program to develop an advanced means of deep root watering for high value trees in inner city gardens. The AirRaider is now ensuring the preservation of majestic elms, gums and palms, despite tough weather conditions.



OUR WORKPLACE

Our Approach

One of Citywide's six core value areas is people - the best managed workforce with the right balance of knowledge and skills supported by targeted learning and development programs.

In line with the increase in contracts under management and expansion into NSW, Citywide's workforce has grown. As of 30 June 2010 the total number of employees was 785 and the Company's organisational structure changed late in 2009 with the introduction of two distinct regions: Southern and Northern. Staff turnover was 18%, inclusive of involuntary terminations from redundancies. The workforce enjoys a spread of ages, ensuring consistency of operation into the future.

Outcomes

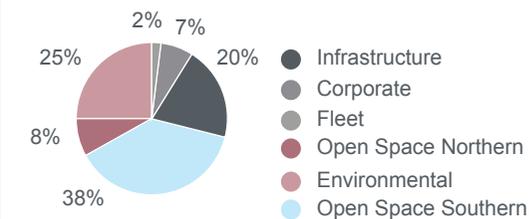
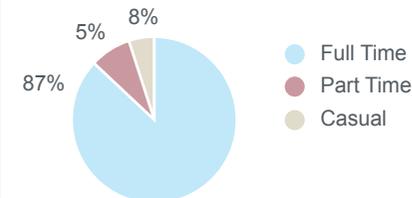
Safety, Quality and Environment

It has been a great year for Safety, Quality, Environment and Risk (SQER) performance with all of the Company's 2009/2010 safety targets achieved (see table on facing page). As part of our Injury Management Program, this year Citywide contracted InjuryNet, an organisation which engages doctors and physiotherapists committed to occupational medicine and workplace issues. In the first year of the new Environmental KPI, the Company achieved a fall in Black Balloons emitted from 480k per employee to 426k due to products such as Greenpave and recycled asphalt, adoption of hybrid vehicles and more energy efficient practices at depots.

Developing and Retaining the Best People

During the year, a learning and development framework was developed. Incorporated is a Talent Management Program to identify talent within the organisation and provide structured learning and development opportunities to foster that talent. A long term employee development and retention strategy, it will create a talent pool that can be tapped when positions are vacant. Furthermore, the development of a Citywide Leadership Program will ensure strategic promotion of leaders within the organisation into key positions.

Employment Type & Citywide Staff by Division



Employee Satisfaction Survey 2010

In 2008 Citywide conducted an employee satisfaction survey to assess employee attitude, motivation and satisfaction. A commitment was made to repeat the survey within three years, utilising the 2008 results as a benchmark. The survey will be conducted in October 2010, with results expected to highlight strengths and areas for improvement. In response, employee initiatives will be developed and integrated into future business plans. Citywide will also undertake a cultural alignment survey of its senior leadership team to assess alignment of actions and behaviours with performance expectations.

Recruitment and Supplier Efficiency

Citywide has a long standing challenge in the attraction of qualified arborists. A recruitment/retention strategy has been reviewed and now has five directions: traineeships, apprenticeships, recruitment and retention (including conditions), rural arborists, and marketing campaigns.

A labour hire preferred supplier arrangement has also been implemented across the Southern Region. The tender process measured submissions against a broad range of key criteria including pay rates, invoicing, OH&S and reporting. The preferred suppliers list was finalised in June 2010.

MEASURING OUR PERFORMANCE

| Description | Initiative | Target 10/11 | Actual 09/10 | |
|--|--|---|---|----------------|
| Organisational Development | | | | |
| Citywide continues to invest in the development and training of its staff – professional development, technical, operational and compliance training. Citywide also has a leadership program for emerging leaders at key stages of their career. | Talent Management Program | Implementation of Stage 2 development program | 30 key personnel from the completed Stage 1 of individual development program | |
| | Emerging Leaders Program | Development Programs established | Succession Plans completed | |
| | Internal Frontline Management Program | Second tier program to be completed by June 2011 | Frontline management training completed across all three Divisions | |
| Online Induction | Implementation of online interactive induction program across the company | Implementation to be completed October 2010 | New Initiative | |
| Innovation Program | To generate and capture innovation across the company - innovative culture and smart new practices | Innovation improvements achieved across; <ul style="list-style-type: none"> • Environmental • Process Improvement • Safety • Customer relations | Innovation Framework implemented | |
| Safety, Quality & Environmental (SQE) | | | | |
| LTI Frequency Rate | Calculated by the number of lost time injuries divided by the total hours worked X 1,000,000 hours | target 5 | target 7 | actual 1.65 |
| Standard Claims Rate | Total number of days lost divided by the total hours worked X 1,000,000 hours | target 4.3 | target 5 | actual 3 |
| Black Balloon Reductions (1 X Black Balloon = 50 grams of greenhouse gas) | Calculated quarterly based on planet footprint reports | 475,000 Black Balloons | target <500,000 | actual 426,925 |
| Employee Engagement | | | | |
| Employee Satisfaction | Retention | 86 – 88% | 85 – 88% | |
| Citywide recognises and values the knowledge and experience of our longer term employees | Recognition of Employment Program | Annual Ceremony - December | Years of Services | No of people |
| | | | 10 | 42 |
| | | | 20 | 9 |
| | | | 30 | 3 |
| | | | 40+ | 1 |

OUR COMMUNITY

Our Approach

We seek long term partnerships that engage the community and our employees. Citywide people are active among the communities we serve on a daily basis. In fact, a lot of the time they live locally and provide important insight on community needs and attitudes to which we can respond.

Citywide's leadership is playing an increasing role in the development of thinking around public realm development and maintenance. Because of their skills and expertise, our people are often called upon to provide advice and lend a hand in emergency situations. The Company also runs public education programs in waste and environmental management.

Each year the Company and its staff support a number of events and charities with both in-kind and financial assistance. This year we were proud to add a few more to the list.

2009/2010 Community Programs

Community Sponsorships

UnitingCare's Helping Hand

Helping Hand is a community welfare program run by the Croydon Uniting Church, part of the UnitingCare network in Australia. The program supports individuals, families and couples in need throughout Melbourne's eastern suburbs, providing food parcels and vouchers

sourced from community donations. Over the past year, Citywide supported Helping Hand by funding the program's coordinator, making contributions to ease the cost of volunteer training and site facilities, and running a very successful campaign to collect basic foods and toys which were then donated to disadvantaged families. Citywide will continue its relationship with Helping Hand and UnitingCare, working together to support the communities in which we live and work.

Ex-Servicewomen's Memorial Garden

Commemorating the 70,000 Australian women who served in the armed forces from the Boer War through to 1985, the Ex-Servicewomen's Memorial Garden & Cairn in Melbourne is a significant monument. Currently located in the Kings Domain Gardens at the bottom of the Perennial Border and distant from the Shrine, it will soon be relocated to the eastern area of the Shrine Gardens and stand alongside other memorials of the reserve, attaining the recognition it deserves.

Citywide is sponsoring and assisting in the construction of this memorial, which includes completing all construction works, relocation of the memorial, installation of soils, plinthing garden beds, sourcing plant stock, installing the turf and planting and mulching the beds. The Company is also assisting in raising awareness of the gardens. It is anticipated that the Memorial Garden will be completed and open to the community in November 2010.

Bayside Christmas Carols in the Park

For the past four years Citywide has helped to increase community connectivity in Bayside by sponsoring the yearly Bayside Christmas Carols in the Park. This local event brings community members young and old together in festive spirit for a great night of entertainment in a safe and fun environment. As well as sponsorship, Citywide also provides signage, labour and equipment as well as the impressive giant Christmas Trees which herald the approach of yuletide celebrations. Every December the event attracts over 15,000 people. Citywide will once again be a major sponsor for this year's community event.

Manningham Walk the Torque

In February 2010 runners, joggers and walkers from across Manningham participated in the Walk the Torque fun run and walk, a community event developed by Manningham Council and Rotary Club of Doncaster Sunrise to raise awareness of the importance of teenage driver safety. Citywide has been a gold sponsor of Walk the Torque for the past three years. Funds raised as part of this event help to reduce the over-representation of young people involved in serious trauma on our roads by providing practical, safe and responsible driver education for the young people of Manningham. Walk the Torque is held yearly and features 10km and 5km cross country runs and a 4km walk.

Community training and education programs

National Tree Day 2010

Each year Citywide bushland and nursery teams take part in National Tree Day activities throughout the communities in which we operate. This year Citywide was involved in a number of planting days, including the City of Bayside's tree planting day which coincided with the 2010 National Tree Planting Day and the National Schools Tree Planting Day. The annual event sees community members return natural flora and fauna to the foreshore dunes of Sandringham.

Citywide hosted two sites with around 70 people joining our expert horticulturalists over the course of two hours. Participants planted 2000 indigenous plants while Citywide staff shared knowledge and advice on indigenous flora and fauna. It's a great way for local community members to learn more about gardening and natural heritage, while contributing the sustainability of cherished open spaces.

Friends of Bayside

The Citywide Bayside Community Nursery team holds a number of training sessions for local volunteers and local friends groups. This year's activities included nursery tours of CERES and Briars, spotlighting at Mt Rothwell, and a number of plant sales including Arbor Week Open Day. Citywide horticulturalists also attended the Family Life Open Garden Day event, supported by the Company for the past five years. Our staff members



give informative presentations to Bayside locals on native plants and tips for garden care in difficult drought conditions. Citywide's bushland crew also ran 93 working bees with 947 volunteers. Activities included revegetation, hand weeding and seed collection. The bushland crew also runs programs with local secondary and primary schools.

Non-Traditional Recruitment Assisting the Community

For a number of years Citywide has provided training and education assistance to disadvantaged community members in both permanent and work experience roles. Non-traditional recruitment creates a wider pool of resources and valuable work experience.

Citywide works with Monash University to provide short term internships to overseas students in the Company's human resources, finance and IT service areas. Our IT team provided work experience to a candidate from the Asylum Seeker Resource Centre which assists

people transitioning into Australia. Collaboration with Wesley Mission saw Citywide Open Space provide work experience to two intellectually disabled workers. In addition, Citywide worked with the Judy Lazarus Transition Centre which helps people with criminal convictions transition back into everyday life.

The Doxa Cadetship program provides young people from socially or financially disadvantaged backgrounds with financial support and work experience throughout the period of their university studies. Citywide once again worked with Doxa, providing sponsorship to a student who will be working with the human resources team.

Donations

During the 2009/2010 year, Citywide supported the following organisations:

- Australia Business Arts Foundation
- Asylum Seeker Resource Centre
- UnitingCare Connections
- UnitingCare Helping Hand
- Creativity Australia
- The Royal Children's Hospital
- Safety House
- The Holland Foundation
- Sporting Clubs: Chelsea Bowling Club and Doncaster Sharks Football Club
- Family Life
- St Vincent de Paul

OUR ENVIRONMENT

Our Approach

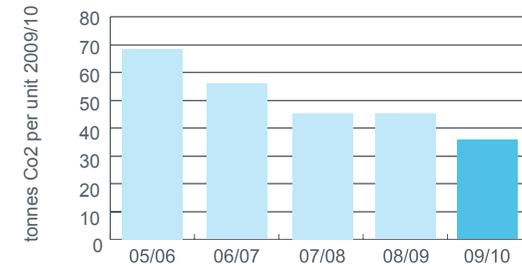
Environmental sustainability is an important driver for Citywide's business strategy and is a core value of the organisation. The Citywide leadership team reviews and approves environmental sustainability priorities and receives programmed updates on environmental impacts and performance. Material issues are identified and managed in partnership with our key stakeholders via the Citywide Risk Management process and environmental sustainability priorities are overseen by Board committees where relevant. Citywide conducts benchmarking and stakeholder research to ensure best practice.

Climate change presents potential risks and opportunities to our business in the medium to long-term. Citywide has responded by implementing initiatives to reduce greenhouse gas emissions and expand public reporting. An energy and water efficiency study has been conducted and all Citywide sites participate in improvement projects.

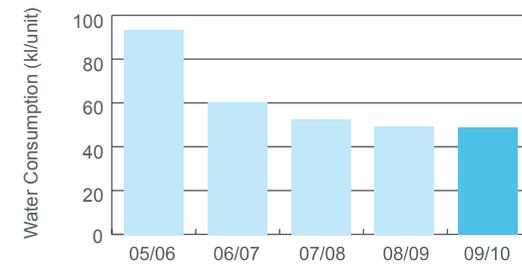
Our customers are at the leading edge of community change, developing policies and setting targets for reduction of greenhouse gas emissions, water use, waste minimisation and the improvement of biodiversity. Citywide assists in addressing these targets and continues to be at the forefront of their implementation.

| Area | Initiatives | Outcomes |
|---------------------|--|--|
| Energy reduction | <ul style="list-style-type: none"> Energy audits of major use sites and depots "Switch Off" energy awareness campaign Industry energy efficiency greenhouse programs Assessment of lower emission technologies Emission measurement systems Demonstrate positive performance trends before peers | <ul style="list-style-type: none"> Baseline data collected Campaign conducted Independent audit conducted on National Greenhouse & Energy Report reporting. Technology trials completed Planet Footprint provides quarterly reports |
| Emissions reduction | <ul style="list-style-type: none"> Greenhouse emissions analysis project North Melbourne asphalt plant Greenpave market development | <ul style="list-style-type: none"> Carbon Footprint produced Plant achieves gas and electricity consumption savings of over 30% Greenpave achieves 25% less emissions than standard asphalt |
| Water use reduction | <ul style="list-style-type: none"> Depot roof rainwater harvesting Waterless urinal installation at depots Controlled water release barriers Consumption and cost savings tracking integrated into business reporting systems Water risk assessments undertaken for key sites Demonstrate positive performance trends before peers | <ul style="list-style-type: none"> Water Management Plan developed Audit conducted on water-saving measures Proprietary H2Pods in municipal parks Reports developed WaterMAP plans developed |

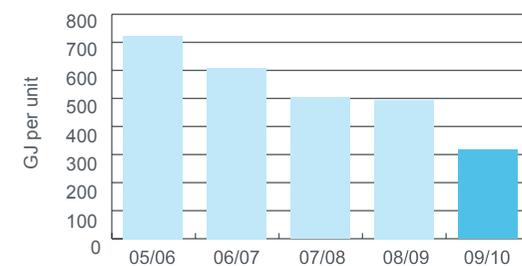
Energy greenhouse gas emissions 2005/06 to 2009/10



Water Usage 2005/06 to 2009/10



Energy Consumption 2005/06 to 2009/10



Environmental Management System

Citywide's environmental policies have been developed with a goal of continuous environmental improvement. To help achieve this goal we have established an environmental management system (EMS) consistent with ISO 14001. Citywide has had third party certification audit of its EMS document system and has received AS/NZS ISO 14001:2004 certification for several contracts.

The EMS is part of the overall integrated safety, quality, environmental and risk management system (SQER). The EMS ensures we measure and control the environmental impacts of operations across all Company business units. Citywide's environmental management plans (EMP) are developed to address specific contracts and projects. In addition, Citywide subscribes to EnviroLaw, which provides regular updates on relevant acts, regulations, codes of practice, and standards.

Environmental Innovations (Fiscal 2010)

Highlights

- "Switch Off" education program to reduce electricity use across all Citywide sites.
- High-rise recycling education initiative with the City of Melbourne. Multi-level apartments are a priority target for improving recycling practices. Citywide distributed portable recycling containers with new bin station signage and educational resources. The post trial audit indicated much improved segregation of recycling by residents across all sites.

- Reporting and management framework on the greenhouse impact of works, including direct greenhouse gas emissions from vehicles and machinery, and indirect greenhouse emissions associated with electricity use.
- Audit of Company water-saving measures, water reclamation and re-use leading to endorsed recommendations
- Commercial energy review identifying opportunities to save energy and associated costs across Citywide contracts and operations
- Citywide key organisational KPI of less than 500,000 black balloons per employee achieved.

Green purchasing

Citywide's Purchasing Policy ensures a 'green' alternative is investigated when making all purchases, from the upgrade of fleet and equipment to investigation of alternative fuels and hybrid options. Citywide is a member of EcoBuy and uses its services to identify and guide purchase of environmentally responsible products.

Innovation in environmental sustainability

Over the past five years Citywide has invested in new technology to achieve tough new customer environmental targets. Outcomes include:

- North Melbourne Asphalt Plant, the most environmentally sensitive in the Southern Hemisphere, achieves energy consumption savings of over 30% while reducing noise, dust and odour.



- Greenpave low emission asphalt, Victoria's leading warm asphalt mix, laid at 27 sites across metropolitan Melbourne and currently trialled by VicRoads. Independently tested, Greenpave is achieving 25% less emissions than standard mix asphalt. The Company intends to bring that rate up to 30%. Greenpave also reduces heat, fumes and dust, improving workplace and community safety.
- Hybrid trucks, using electric and LPG fuel, are achieving 14% reduction in carbon emissions and a 12% reduction in NOx (a toxic pollutant).

EXECUTIVE PROFILES



Jim Dunstan

Chief Operating Officer
MRiskMgt, MBusLaw, GAICD

Jim Dunstan joined Citywide in June 2000 as General Manager Environmental Services and was appointed Chief Operating Officer in January 2008. Prior to this he held various Senior Executive roles with Brambles Industries over a twenty year period, 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 and is a Director of Club Fifty, a not for profit fund-raising organisation aimed at raising funds primarily for disadvantaged children.



Paul Gilmore

**Executive Group Manager Sales,
Marketing and Commercial.**
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. Prior to this, Paul has 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.



Craig Nisbet

**Group Manager Risk and
Information Technology**
B.Ec., Grad DipTax M.Acc., DBA, FAICD

Group Manager Risk, Compliance and IT
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 at RMIT University, was Group Audit Manager at ANZ and spent a number of years consulting at Deloitte and PricewaterhouseCoopers. Craig is currently the independent member of the Shire of South Gippsland's Audit Committee.

EXECUTIVE PROFILES



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

BA, Grad Dip Applied Sociology
Angelica Georgaklis joined Citywide in 2005 as our Senior HR Advisor. In February 2008 she was appointed Group Manager Human Resources. Prior to joining Citywide Angelica worked as an Employee/Industrial Relations practitioner within both corporate and union environments.



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

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



Stuart Schramm
Northern Regional Manager
B.Comm

Stuart Schramm joined Citywide in 2009. Stuart has over 16 years managerial experience across a broad range of industries in the public and private sector. Prior to working at Citywide he held senior management positions with the Southbank Corporation, Sydney Harbour Foreshore Authority, Star City and was the Director at Corporate Solutions Consulting.



Citywide footprint



DIRECTOR PROFILES



J L (Lyn) Davies Chairman

Lyn Davies joined Citywide Services on the 3 March 1995 as Chairman. He is a member of the Company's Audit and Risk Management Committee and of the Remuneration Committee of the Company. He is 66 years of age. His qualifications are a Diploma of Agriculture and an advanced Diploma from the Australian Institute of Company Directors. Lyn is a Company Director. He is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management, and a Life Member of the Australian Institute of Agricultural Science and Technology.

Lyn is also Chairman of Star Services International Pty Ltd and is a Director of Mackay Consolidated Industries Pty Limited and of Independence Australia. He has previously been Chairman of Service Stream Ltd, HRL Limited, The Nordia Group, Floriana Pty Limited, and Collins Booksellers Group and was a Director of Castle Bacon Pty Ltd. He was also Chairman of the Board of Yarra Valley Grammar. Lyn has acted as an advisor on commercial matters to Boards in a wide range of industries and he brings highly developed commercial and corporate governance skills to the Citywide Board. His previous business experience includes more than 20 years at Executive Director level with Elders IXL Limited, Wattie Limited and Goodman Fielder Limited.



K F Osborne Managing Director

Kerry Osborne joined Citywide as CEO on 1 January 2001 and was appointed Managing Director on 20 December 2002. He is 53 years of age.

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 & 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, video and performance events for the whole community.

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 (NZ based roading and municipal services company), Australian General Manager for Manukau Works and Australian General Manager of Excell Corporation. Past responsibilities include Chairman of Gisborne Youth Sports Trust, Director of Gisborne Rotary Club and Director of Micromet Victoria Pty Ltd.

DIRECTOR PROFILES



A H Evans Director

Alan Evans was appointed to the board of Citywide on 1 March 2007 and is a member of the Finance & Operations Committee and the Remuneration Committee. He has a Bachelor of Economics, Bachelor of Law and is a Chartered Engineer. Alan recently retired from the position of President and Chairmen of the NRMA Board and the Australian Automobile Association. He has held positions as CEO and a 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.

Alan is currently Executive Chairman of Dyno Dynamics(Aust) Pty Ltd and Managing Director of Strategic Consulting Services Pty Ltd; Chairman of Rally Australia Pty Ltd. He is a Director of CAMS 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. He has previously been the Chairman of Kingmill Pty Ltd (t/a Thrifty Australia) and Kistler Aerospace Australia Pty Ltd and a Director of Adventureworld Travel Pty Ltd.



G E (Barry) McGuinness Director

Barry McGuinness was appointed to the Board of Citywide on 20 November 1996 and is a member of the Audit and Risk Management Committee, Chairman of the Finance and Operations Committee of the Company and Chairman of the Remuneration Committee. He is 67 years of age. His qualifications include a Degree in Public Administration.

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

Other responsibilities include Chairman of WOLECO Amenities (Singapore), Director of AED Oil Pty Ltd., Board member of Applied International, Chairman of SANZA Ltd (London) and Chairman of Macpherson and Kelley Legal Group Australia. As well, Barry is a strategic consultant for a number of companies.

DIRECTOR PROFILES



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, 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.



Janice van Reyk Director

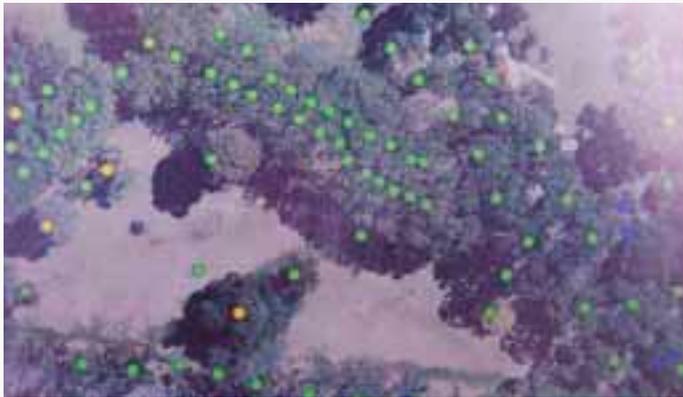
Janice van Reyk was appointed to the board of Citywide on 13 July 2010 and is a member of the Audit and Risk Management Committee and a member of the Finance and Operations Committee. Her multi-disciplinary qualifications include a Master of Environment, Master of Commerce, Bachelor of Laws (Hons) and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

Janice is also a non-executive director of Gippsland Water and Chairman of its Safety Health and Environment Committee and a non-executive director of Fitted For Work and Chairman of its Governance and Nominations Committee.

In addition she consults on 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 the Australian Institute of Company Directors.

Innovation to prolong asset life.

Developed in-house, tested in the field, the Citywide TRAX asset management and maintenance system gives contract managers a higher level of visibility over asset condition and scheduled works. That means confidence in decision-making and minimum risk to people and property.



DIRECTORS' REPORT

Directors

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

- J L (Lyn) Davies (Chairman)
- G E (Barry) McGuinness
- Peter S Lowe
- Alan H Evans
- Janice van Reyk (Appointed 13 July 2010)
- Kerry F Osborne

Principal activities of the company

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

Trading results

The Company's profit from ordinary activities before income tax equivalents for the year was \$9,632,000 (2009 \$8,053,000).

The Company's net profit for the year was \$7,133,000 (2009 \$5,789,000) after deducting income tax equivalents of \$2,499,000 (2009 \$2,264,000).

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

Dividends

The Directors of the Company have declared an interim dividend of 14.83 cents (2009 12.85 cents) per Ordinary Share for the year ended 30 June 2010.

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

| | 2010 | 2009 |
|---|------------------|------------------|
| Declared Interim dividend of 14.83 cents (2009 12.85 cents) per fully paid Ordinary Share | 2,730,000 | 2,366,000 |
| Final Dividend | 0 | 0 |
| Total | 2,730,000 | 2,366,000 |

Review and results of operations

The Company's revenue from ordinary activities for the year was \$160,813,000 (2009 \$158,321,000). A review of the operations and results of the Company are set out elsewhere in this annual report.

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year.

Likely developments in the state of affairs

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

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

DIRECTORS' REPORT

Directors benefits

No director of the Company has received since the end of the previous financial year or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors shown in the financial report) by reason of a contract made by the Company or a related body corporate with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial financial interest.

Corporate governance

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

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

The Board consists of six Directors, five independent non-executive Directors, including the Chairman, and an executive Managing Director. A significant majority of the Board are independent non-executive Directors and consist of Directors who bring a balance of skills, experience and diversity to assist the Company to meet its strategic objectives. Non-executive Directors meet periodically, in line with better governance, without the Managing Director or other management present. In accordance with the

Company's Constitution one third of the Directors must retire each year, however if eligible, may offer themselves for re-election.

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

As part of this process the Board has three committees, Finance and Operations, Remuneration, and Audit and Risk Management. These committees have their own written charter setting out the role, the responsibilities and the manner in which the committee is to operate. Each is comprised entirely of non-executive Directors who provide support to the full Board by giving a professional and skilled focus in each of the three areas. All matters determined by committees are submitted to the full Board as recommendations for Board decision. The Managing Director is an ex officio member of all Board Committees. The Chief Financial Officer is an ex officio member of the Finance and Operations Committee and the Audit and Risk Committee. The Group Manager Risk is an ex officio member of the Audit and Risk 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 Company. Generally this means that the Director will disclose their interest and, if appropriate, will not take part in, and may in some instances absent themselves during any discussions and not vote on that matter.

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

DIRECTORS' REPORT

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

Governance is a major area of Board responsibility and consumes considerable time of all Directors. In addition the Board is kept fully informed on issues in the following areas, Environmental matters, Occupational Health and Safety, Legal Compliance, 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) 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 2010 and the number of meetings attended by each director are set out below:

| Director | Board of Directors | | Audit & Risk Management Committee | | Remuneration Committee | | Finance & Operations Committee | |
|----------------|--------------------|--------------|-----------------------------------|--------------|------------------------|--------------|--------------------------------|--------------|
| | No. Held | No. Attended | No. Held | No. Attended | No. Held | No. Attended | No. Held | No. Attended |
| J L Davies | 14 | 14 | 4 | 4 | 2 | 1 | - | - |
| G E McGuinness | 14 | 12 | 4 | 4 | 2 | 2 | 3 | 3 |
| P S Lowe | 14 | 14 | 4 | 4 | 2 | 2 | 3 | 3 |
| A H Evans | 14 | 14 | - | - | 2 | 2 | 3 | 3 |
| K F Osborne | 14 | 14 | 4 | 4 | 2 | 2 | 3 | 3 |

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

DIRECTORS' REPORT

Indemnification and insurance of Officers and Directors

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

In consideration of each of the Directors acting as both a director and officer of the Company, the Company has agreed to indemnify the Directors in accordance with Sections 241 (2) and (3) of the Corporations Act 2001 and this continues for a period of seven years from the date from which the director ceases to be an Officer of the Company.

The Directors and officers liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company or a related body corporate) incurred in their position as director or executive officer unless the conduct involves a willful 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 on the last page of the 2010 Annual Report.

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



J L Davies (Chairman)



P S Lowe (Director)

Melbourne, 11 August 2010

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

| | Notes | 2010 \$'000 | 2009 \$'000 |
|--|----------|----------------|----------------|
| Income from continuing operations | | | |
| Services | | 161,202 | 151,295 |
| Cost of sales | | 17,609 | 18,384 |
| Gross profit | | 143,593 | 132,911 |
| Other Income | | 9 | 5 |
| Expenses from continuing operations | | | |
| Employee benefits expenses | | 56,532 | 51,226 |
| Contractor costs | | 42,489 | 40,566 |
| Fleet costs | | 18,602 | 18,279 |
| Occupancy costs | | 2,938 | 2,956 |
| Finance costs | | 417 | 678 |
| Other expenses | | 12,772 | 9,239 |
| Expenses from continuing operations | | 133,750 | 122,944 |
| Net gain / (loss) on disposal of non-current assets | | 169 | (58) |
| Profit from continuing operations, before adjustment for income recognition under long term contracts | | 10,021 | 9,914 |
| Adjustment of income recognition under long term contracts | 1 | (389) | 622 |
| Profit from continuing operations | | 9,632 | 10,536 |

| | Notes | 2010 \$'000 | 2009 \$'000 |
|--|------------------|----------------|----------------|
| Income from discontinued operations | | 0 | 6,404 |
| Expenses from discontinued operations | | 0 | 7,990 |
| Goodwill write off and other one off separation costs from discontinued operations | | 0 | 657 |
| Net gain / (loss) on disposal of non-current assets | | 0 | (240) |
| Loss from discontinued operations | | 0 | (2,483) |
| Profit before income tax equivalents | 2 | 9,632 | 8,053 |
| Income tax equivalents expense | 1 & 3 | 2,499 | 2,264 |
| Net Profit for the year | | 7,133 | 5,789 |
| Other comprehensive income | | | |
| Gain/(loss) on revaluation of property, net of tax | | 2,736 | 0 |
| Other comprehensive income for the year, net of tax | | 2,736 | 0 |
| Total comprehensive income for the year | | 9,869 | 5,789 |

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2010

| | | 2010 | 2009 |
|---------------------------------------|-------|---------------|---------------|
| | Notes | \$'000 | \$'000 |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4 | 15 | 15 |
| Trade and other receivables | 5 | 23,519 | 23,394 |
| Inventories | 6 | 478 | 382 |
| Prepayments | 7 | 592 | 438 |
| Other Current Assets | 8 | 2,439 | 1,156 |
| Total Current Assets | | 27,043 | 25,385 |
| Non-current Assets | | | |
| Property, plant and equipment | 9 | 57,966 | 51,812 |
| Deferred income tax equivalent assets | 10 | 3,886 | 2,993 |
| Intangible assets | 11 | 9,852 | 9,852 |
| Total Non-current Assets | | 71,704 | 64,657 |
| TOTAL ASSETS | | 98,747 | 90,042 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 12 | 26,024 | 20,274 |
| Current tax liabilities | 13 | 2,874 | 1,658 |
| Provisions | 14 | 7,858 | 7,109 |
| Interest-bearing loans and borrowings | 15 | 0 | 47 |
| Unearned income | 1 | 1,268 | 797 |
| Total Current Liabilities | | 38,024 | 29,885 |

| | | 2010 | 2009 |
|--|-------|---------------|---------------|
| | Notes | \$'000 | \$'000 |
| Non-current Liabilities | | | |
| Deferred Income tax equivalent liabilities | 16 | 4,304 | 3,880 |
| Provisions | 14 | 1,234 | 1,001 |
| Interest-bearing loans and borrowings | 15 | 1,824 | 9,054 |
| Total non-current Liabilities | | 7,362 | 13,935 |
| TOTAL LIABILITIES | | 45,386 | 43,820 |
| NET ASSETS | | 53,361 | 46,222 |
| EQUITY | | | |
| Contributed equity | 17 | 18,406 | 18,406 |
| Retained profit | 18 | 28,310 | 23,907 |
| Reserves | 18 | 6,645 | 3,909 |
| TOTAL EQUITY | | 53,361 | 46,222 |

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

| | \$'000 | \$'000 | \$'000 | \$'000 |
|---|----------------|-------------------|-------------------|---------------|
| | Issued capital | Retained earnings | Asset Revaluation | Total |
| Balance at 1 July 2008 | 18,406 | 20,484 | 3,909 | 42,799 |
| Net Profit for the year | 0 | 5,789 | 0 | 5,789 |
| Revaluation of land and buildings to fair value | 0 | 0 | 0 | 0 |
| Total comprehensive income for the year | 0 | 5,789 | 0 | 5,789 |
| Dividend paid | 0 | (2,366) | 0 | (2,366) |
| Balance at 30 June 2009 | 18,406 | 23,907 | 3,909 | 46,222 |
| Net Profit for the year | 0 | 7,133 | 0 | 7,133 |
| Revaluation of land and buildings to fair value | 0 | 0 | 2,736 | 2,736 |
| Total comprehensive income for the year | 0 | 7,133 | 2,736 | 9,869 |
| Dividend paid | 0 | (2,730) | 0 | (2,730) |
| Balance at 30 June 2010 | 18,406 | 28,310 | 6,645 | 53,361 |

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

| | Notes | 2010 \$'000 | 2009 \$'000 |
|---|-----------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Receipts from customers (Inclusive of GST) | | 160,347 | 165,421 |
| Payments to suppliers (Inclusive of GST) | | (87,468) | (97,868) |
| Payments to employees | | (48,131) | (47,074) |
| Interest Paid | | (417) | (678) |
| Interest Received | | 9 | 5 |
| Income tax equivalents paid | | (2,924) | (1,776) |
| Net cash provided by operating activities | 23 | 21,416 | 18,030 |
| Cash flows from investing activities | | | |
| Acquisition of business | | 0 | (1,138) |
| Proceeds from sale of property, plant and equipment | | 669 | 1,183 |
| Purchase of property, plant and equipment | | (12,442) | (11,887) |
| Net cash flows used in investing activities | | (11,773) | (11,842) |
| Cash flows from financing activities | | | |
| Proceeds from Borrowings | | (6,500) | (3,100) |
| Repayment of Borrowings | | (47) | (111) |
| Dividends paid to Company Shareholders | | (2,366) | (2,660) |
| Net cash flows from/(used in) financing activities | | (8,913) | (5,871) |
| Net (decrease) increase in cash and cash equivalents | | 730 | 317 |
| Cash and cash equivalents at beginning of year | | (1,539) | (1,856) |
| Cash and cash equivalents at end of year | 23 | (809) | (1,539) |

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Summary of significant accounting policies

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Accounting estimates are made in the recognition of revenue and costs associated with services and other contracts performed by the company. Revenue recognition is applied as stated under the revenue recognition statement set out below.

Revenue recognition

In accordance with Accounting Standard AASB 118: "Revenue", the Company recognises revenue arising from service contracts by reference to the stage of completion of the contract, unless the outcome of the contract cannot be reliably estimated. The Company determines the stage

of completion by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract. Administrative overheads are not included in the costs of the contract for this purpose.

Where the outcome of a contract 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.

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

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

Inventories

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Recoverable amount of non-current assets

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

At each reporting date, the Company reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, recoverable amount of the asset, being the higher of the 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.

Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition, plus incidental costs directly attributable to the acquisition.

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

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 2010.

Property, plant & equipment

Plant and equipment is stated at historical cost less accumulated depreciation 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 profit and loss as incurred.

Land and buildings are measured at fair value, based on periodic but at least triennial valuations by external independent valuers, less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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 | 1-10 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.

Revaluations of land and buildings

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.

Leasehold improvements

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

Maintenance and repairs

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

Trade receivables

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

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.

Trade and other payables

Payables represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Wages, salaries, annual leave and sick leave

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

All employee benefit liabilities not anticipated to be paid within twelve months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Superannuation

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

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

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

Tax equivalent regime

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

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

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

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

Other Taxes

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 statement of financial position.

Cash flows are included in the 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.

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

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.

Rounding of accounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the “rounding off” of amounts in the financial report.

Amounts in the financial report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

2 Profit from continuing operations

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

| | 2010 | 2009 |
|--|--------|--------|
| | \$'000 | \$'000 |
| Operating revenue | | |
| Profit on sale of non-current assets: | | |
| Property, plant & equipment | 312 | 214 |
| Expenses | | |
| Depreciation: | | |
| Buildings | 244 | 197 |
| Plant & equipment | 2,132 | 2,370 |
| Motor vehicles | 7,157 | 5,905 |
| Leasehold improvements | 164 | 129 |
| Provision for: | | |
| Employee benefits | 4,424 | 4,223 |
| Doubtful debts – Trade debtors | 55 | (158) |
| Bad debts | 24 | 13 |
| Contributions to employee superannuation funds | 3,451 | 3,279 |
| Rental expense on operating leases | 1,725 | 2,118 |
| Rental expense on licence agreements | 373 | 258 |
| Loss on sale of non-current assets: | | |
| Property, plant & equipment | 143 | 512 |
| Goodwill amortisation | 0 | 517 |
| Employee separation costs | 177 | 322 |

b) Directors' remuneration

| | 2010 | 2009 |
|--|--------|--------|
| | \$'000 | \$'000 |
| Income received or due and receivable by Directors of the Company from the Company | 849 | 934 |

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

| Income of | Number | Number |
|------------------------|----------|----------|
| \$70,000 to \$79,999 | 1 | 1 |
| \$80,000 to \$89,999 | 1 | 1 |
| \$90,000 to \$99,999 | 1 | 1 |
| \$100,000 to \$109,999 | 0 | 0 |
| \$120,000 to \$129,999 | 1 | 1 |
| \$460,000 to \$469,999 | 1 | 0 |
| \$545,000 to \$554,999 | 0 | 1 |
| | 5 | 5 |

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.

c) Auditors' remuneration

Amounts received, or due and receivable by the external auditors for:

| | | |
|---|-----|-----|
| Auditing the financial report | 67 | 65 |
| Amounts received, or due and receivable by the internal auditors. | 138 | 128 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

3 Income tax equivalents

| | 2010 | 2009 |
|--|--------|--------|
| | \$'000 | \$'000 |

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

| | | |
|---|----------------|----------------|
| Prima facie income tax equivalents on the profit from continuing operations at 30% (2009 30%) | (2,890) | (2,416) |
| Increase tax equivalents payable due to: | | |
| Non deductible expenses | (60) | (204) |
| Other | 451 | 356 |
| Income tax equivalents attributed to operating profit | (2,499) | (2,264) |
| Income tax equivalents attributable to operating profit comprise: | | |
| Current tax provision | (3,817) | (2,546) |
| Deferred income tax liability | 425 | 87 |
| Deferred income tax asset | 893 | 195 |
| | (2,499) | (2,264) |

4 Current Assets - Cash and cash equivalents

| | | |
|--------------|----|----|
| Cash on Hand | 15 | 15 |
|--------------|----|----|

Cash at bank are bearing floating interest rates between 2.83% and 4.36% (2009 2.77% and 7.17%)

5 Current Assets - Trade and other receivables

| | 2010 | 2009 |
|--|--------|--------|
| | \$'000 | \$'000 |

| | | |
|---|---------------|---------------|
| Trade receivables | 15,304 | 12,511 |
| Less: Provision for impairment of receivables | (274) | (219) |
| | 15,030 | 12,292 |
| Amounts owing from parent entity | 7,070 | 9,460 |
| Other debtors | 1,419 | 1,642 |
| Current Tax asset | 0 | 0 |
| | 23,519 | 23,394 |

6 Current Assets - Inventories

| | | |
|------------------------------------|------------|------------|
| Stores and raw materials (at cost) | 361 | 235 |
| Finished goods (at cost) | 117 | 147 |
| | 478 | 382 |

7 Current Assets - Prepayments

| | | |
|-------------|-----|-----|
| Prepayments | 592 | 438 |
|-------------|-----|-----|

8 Current Assets - Other

| | | |
|------------------------------------|-------|-------|
| Accrued income – Unbilled services | 2,439 | 1,156 |
|------------------------------------|-------|-------|

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

9 Non-current Assets - Property, plant and equipment

| | 2010 | 2009 | | 2010 | 2009 |
|----------------------------------|---------------|---------------|--|---------------|---------------|
| | \$'000 | \$'000 | | \$'000 | \$'000 |
| Land at Valuation (2010) | 12,196 | 12,196 | Plant and equipment (at cost) | 22,949 | 20,542 |
| Revaluation | 3,909 | 0 | Less Accumulated depreciation | (14,034) | (12,387) |
| | 16,105 | 12,196 | | 8,915 | 8,155 |
| Buildings (at cost) | 4,455 | 4,214 | Motor vehicles (at cost) | 56,615 | 50,607 |
| Less Accumulated depreciation | (1,209) | (965) | Less Accumulated depreciation | (27,627) | (22,885) |
| | 3,246 | 3,249 | | 28,988 | 27,722 |
| Leasehold improvements (at cost) | 1,092 | 1,084 | Work in progress | 492 | 114 |
| Less Accumulated depreciation | (872) | (708) | Total property, plant and equipment | 57,966 | 51,812 |
| | 220 | 376 | | | |

| | Land | Buildings | Leasehold improvements | Plant and equipment | Motor vehicles | Work in progress | Total |
|-----------------------------------|---------------|--------------|------------------------|---------------------|----------------|------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2010 | | | | | | | |
| Carrying value at start of year | 12,196 | 3,249 | 376 | 8,155 | 27,722 | 114 | 51,812 |
| Asset Revaluation | 3,909 | 0 | 0 | 0 | 0 | 0 | 3,909 |
| Additions | 0 | 241 | 7 | 2,912 | 8,904 | 378 | 12,442 |
| Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals / transfers | 0 | 0 | 0 | (19) | (481) | 0 | (500) |
| Depreciation | 0 | (244) | (164) | (2,132) | (7,157) | 0 | (9,697) |
| Carrying value at year end | 16,105 | 3,246 | 219 | 8,916 | 28,988 | 492 | 57,966 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

10 Non-current Assets - Deferred income tax equivalent assets

| | 2010 | 2009 |
|--------------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Deferred income tax equivalent asset | 3,886 | 2,993 |

11 Non-current Assets – Intangible assets

| | | |
|-------------------------|--------------|--------------|
| Goodwill on Acquisition | 9,852 | 9,852 |
|-------------------------|--------------|--------------|

Goodwill has been reviewed for impairment for the year ending 30 June 2010.

12 Current Liabilities - Trade and other payables

| | | |
|-------------------------------|---------------|---------------|
| Trade payables | 5,183 | 3,876 |
| Accrued expenses | 17,868 | 13,822 |
| Payroll Tax | 208 | 186 |
| Amount owing to Parent Entity | 2,765 | 2,390 |
| | 26,024 | 20,274 |

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

13 Current Liabilities - Income tax equivalent payable

| | 2010 | 2009 |
|-------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Current tax liabilities | 2,874 | 1,658 |

14 Employee Benefits

| Current | | |
|---|--------------|--------------|
| All annual leave and LSL entitlements representing 7+ years of continuous service | | |
| - Short-term employee benefits, that fall within 12 months after the end of the period measured at nominal value | 4,210 | 3,921 |
| - Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value | 3,648 | 3,188 |
| | 7,858 | 7,109 |
| Non-current | | |
| LSL representing less than 7 years of continuous service measured at present value | 1,234 | 1,001 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

15 Current / Non-current Interest-bearing borrowings

| | 2010 | 2009 |
|---|--------|--------|
| | \$'000 | \$'000 |
| Current | | |
| Ultimate parent entity – City of Melbourne | 0 | 47 |
| Non-Current | | |
| Overdraft facility | 824 | 1,554 |
| Bill facility | 1,000 | 7,500 |
| Bill Acceptance and discount facility, secured by a first ranking fixed and floating charge. \$22.1m facility and overdraft. (2009 \$22.1m) | 1,824 | 9,054 |

Terms and conditions

Interest bearing loans and borrowings

Bank Overdraft and Bill Acceptance and Discount Facility

The bank overdraft facility \$0.6m (2009 \$0.6m) and Bill Acceptance and Discount Facilities \$22.1m (2009 \$22.1m) are secured facilities. 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.

16 Non-current Liabilities - Deferred Income tax equivalent liabilities

| | 2010 | 2009 |
|--|--------|--------|
| | \$'000 | \$'000 |
| Provision for deferred income tax equivalent liability | 4,304 | 3,880 |

17 Contributed equity

| | | |
|---|---------|---------|
| Share capital | | |
| 500,000,000 Ordinary shares of \$1 each | 500,000 | 500,000 |
| Issued share capital | | |
| 18,405,629 Ordinary shares of \$1 each | 18,406 | 18,406 |

Movement in share capital

| | 2010 | | 2009 | |
|-------------------------------|-------------------|---------------|-------------------|---------------|
| | Number | \$'000 | Number | \$'000 |
| Fully paid ordinary shares | | | | |
| Balance at start of year | 18,405,629 | 18,406 | 18,405,629 | 18,406 |
| Shares issued | 0 | 0 | 0 | 0 |
| Balance at end of year | 18,405,629 | 18,406 | 18,405,629 | 18,406 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

18 Retained Earnings and Reserves

| | 2010 | 2009 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Retained profits at the beginning of the financial year | 23,907 | 20,484 |
| Net profit attributable to members of the company | 7,133 | 5,789 |
| Total available for appropriation | 31,040 | 26,273 |
| Dividends provided for or paid (a) | (2,730) | (2,366) |
| Retained profits at the end of the financial year | 28,310 | 23,907 |
| Other Reserves | | |
| Revaluation of Land & Buildings | 6,645 | 3,909 |

(a) The Company Board has declared an Interim Dividend of \$2,730,000 which is payable in November. (2009 \$2,366,000)

19 Commitments for expenditure

| Capital expenditure commitments | | |
|---|--------------|--------------|
| Total capital expenditure contracted for at balance date but not recognised as liabilities in the financial report: | | |
| Payable within one year | 3,271 | 3,835 |
| Payable later than one year, not later than five years | 0 | 0 |
| Payable later than five years | 0 | 0 |
| | 3,271 | 3,835 |

| | 2010 | 2009 |
|--|--------|--------|
| | \$'000 | \$'000 |

| Non-cancellable operating leases payable | | |
|--|--------------|--------------|
| Non-cancellable operating lease commitments contracted for but not recognised in the financial report: | | |
| Payable within one year | 1,371 | 1,610 |
| Payable later than one year, not later than five years | 2,819 | 2,698 |
| Payable later than five years | 2,573 | 2,979 |
| | 6,763 | 7,288 |

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

| Non-cancellable operating leases receivable | | |
|---|------------|------------|
| Non-cancellable operating lease receivable contracted for but not recognised in the financial report: | | |
| Receivable within one year | 51 | 50 |
| Receivable later than one year, not later than five years | 152 | 198 |
| Receivable later than five years | 0 | 0 |
| | 202 | 248 |

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

20 Employee benefits

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. One of these funds, the Local Authorities Superannuation fund (the Fund), has two categories of membership, accumulation and defined benefit, each of which is funded differently.

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 2008, Citywide Service Solutions Pty Ltd makes the following contributions:

- 9.25% of members' salaries (same as previous year);
- 4.00% of members' salaries for the City of Melbourne subplan (same as previous year);
- the difference between resignation and retrenchment benefits paid to any retrenched employees, plus contribution tax (same as previous year);

The Fund surplus or deficit (ie the difference between fund assets and liabilities) is calculated differently for funding purposes (ie calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in Citywide Service Solutions Pty Ltd's financial statements. AAS 25 requires that the present value of the defined benefit liability to be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue. The actuarial investigation concluded that although the Net Market Value of Assets was in excess of Accrued Benefits at 31 December 2008, based on the assumptions adopted, there was a shortfall of \$71 million when the funding of future benefits was also considered. However, Citywide Service Solutions Pty Ltd was advised that no additional contributions are required for 30 June 2010. Citywide Service Solutions Pty Ltd has a minimal membership in this fund and it is anticipated that any contribution would not be material. The Actuary has commenced undertaking the next actuarial investigation to ascertain if additional contributions would be required. The Actuarial review will be as at 30 June 2010.

The result of the actuarial review is expected to be finalised during October 2010. Should the review identify a funding shortfall requiring additional contributions, Citywide Service Solutions Pty Ltd will be notified of any amount payable by November 2010 for payment on 1 July 2011. A further actuarial review will be undertaken as at 30 June 2011. Based on the result of this further review, a detailed funding plan will be developed and implemented to achieve the target of fully funding the Fund by 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Accounting Standard Disclosure

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2008 pursuant to the requirements of Australian Accounting Standard AAS25 follows:

| | \$'000 |
|---|------------------|
| | 31-Dec-08 |
| Net Market Value of Assets | 3,630,432 |
| Accrued Benefits | 3,616,422 |
| Difference between Assets and Accrued Benefits | 14,010 |
| Vested Benefits (Minimum sum which must be paid to members when they leave the fund) | 3,561,588 |
| The financial assumptions used to calculate the Accrued Benefits for the defined benefit category of the Fund were: | |
| Net Investment Return | 8.50% p.a. |
| Salary Inflation | 4.25% p.a. |
| Price Inflation | 2.75% p.a. |

| | 2010 | 2009 |
|--|-----------|-----------|
| | \$'000 | \$'000 |
| Employer contributions to complying superannuation funds | 3,451,000 | 3,279,000 |
| Employer contributions payable to complying superannuation funds at reporting date | 308,000 | 292,000 |

21 Contingent liabilities

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

Guarantees issued by the Bank in respect of contracts secured of \$7,610,332 (2009 \$7,547,325).

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

22 Related party information

Controlling entity

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

Directors and Director – Related Entities

The Directors named in the attached Directors report each held office as a director of the Company during the year ended 30 June 2010. Refer to Note 2 for the details of the Directors remuneration during the financial year.

Related party transactions

Transactions with the parent entity during the financial year comprised vehicle rental services, provision of administration services, property rental, contract sales, purchases of raw materials and plant and equipment and in accordance with the Tax Equivalent Policy, the payment of charges (tax equivalents) which includes income tax and payroll tax.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Amounts receivable and payable

Amounts receivable from and payable to the controlling entity are disclosed in Notes 5 and 12 to the financial report.

Intercompany revenue and expenditure

Revenue transactions with the parent entity amounted to \$51,327,074 during the financial year (2009 \$47,151,769).

Expenditure transactions with the parent entity amounted to \$375,000 during the financial year (2009 \$375,000).

Economic dependency

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

23 Cash flow information

Reconciliation of cash and cash equivalents

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

| | 2010 | 2009 |
|---|--------------|----------------|
| | \$'000 | \$'000 |
| Cash on Hand (Refer Note 4) | 15 | 15 |
| Bank (Including overdraft, Refer Note 15) | (824) | (1,554) |
| | (809) | (1,539) |

Non-cash financing and investing activities

The Company has in place an unused credit facility of \$10,000,000 from its parent entity. At 30 June 2010 \$0 (June 2009, \$47,000) had been utilised.

Bill Facility

The company has a secured (1st ranking fixed and floating charge) bill facility with Westpac for \$22,100,000 (2009 \$22,100,000)

Overdraft

The company has a secured (1st ranking fixed and floating charge) overdraft facility with Westpac for \$600,000, (2009 \$600,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

| | 2010 | 2009 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Reconciliation of net cash provided by operating activities to net profit after income tax equivalents | | |
| Net profit after income tax equivalents | 7,133 | 5,789 |
| Net (gain) / loss on disposal of non-current assets | (169) | 298 |
| Depreciation / amortisation of non-current assets | 9,697 | 8,601 |
| Changes in operating assets and liabilities | | |
| Increase / (Decrease) in impairment of goodwill | 0 | 517 |
| Increase / (Decrease) in current tax equivalents liability | 1,216 | 769 |
| (Increase) / Decrease in deferred tax equivalent assets | (893) | (195) |
| Increase / (Decrease) in deferred tax equivalent liabilities | (748) | (87) |
| Increase / (Decrease) in provision for doubtful debts | 55 | (157) |
| (Increase) / Decrease in trade and other debtors | (2,571) | 7,692 |
| (Increase) / Decrease in accrued income | (1,283) | (156) |
| (Increase) / Decrease in prepayments | (154) | (105) |
| (Increase) / Decrease in inventories | (96) | 115 |
| (Increase) / Decrease in amounts owing by parent entity | 2,390 | 941 |
| Increase / (Decrease) in trade creditors | 1,307 | 55 |
| Increase / (Decrease) in accrued expenses | 4,068 | (5,671) |
| Increase / (Decrease) in unearned income | 472 | (710) |
| Increase / (Decrease) in amounts owing to parent entity | 10 | (568) |
| Increase / (Decrease) in employee benefits | 982 | 902 |
| Net cash provided by operating activities | 21,416 | 18,030 |

24 Financial instruments

Credit risk exposures

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

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 15.

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

| | Notes | \$'000 Floating interest rate | \$'000 Non-interest bearing | \$'000 Total |
|--------------------------------|-------|--|-----------------------------------|-----------------|
| 2010 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 4 | 15 | 0 | 15 |
| Trade receivables | 5 | 0 | 23,519 | 23,519 |
| | | 15 | 23,519 | 23,534 |
| Weighted average interest rate | | 3.60% | | |
| Financial liabilities | | | | |
| Trade payables | 12 | 0 | 26,024 | 26,024 |
| Interest bearing borrowings | 15 | 1,824 | 0 | 1,824 |
| | | 1,824 | 26,024 | 27,848 |
| Weighted average interest rate | | 3.83% | | |
| Net financial assets | | (1,809) | (2,505) | (4,314) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

24 Financial instruments

| | Notes | \$'000 Floating interest rate | \$'000 Non-interest bearing | \$'000 Total |
|--------------------------------|-------|--|-----------------------------------|-----------------|
| 2009 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 4 | 15 | 0 | 15 |
| Trade receivables | 5 | 0 | 23,394 | 23,394 |
| | | 15 | 23,394 | 23,409 |
| Weighted average interest rate | | 4.47% | | |
| Financial liabilities | | | | |
| Trade payables | 12 | 0 | 20,274 | 20,274 |
| Interest bearing borrowings | 15 | 9,101 | 0 | 9,101 |
| | | 9,101 | 20,274 | 29,375 |
| Weighted average interest rate | | 4.81% | | |
| Net financial assets | | (9,086) | 3,120 | (5,966) |

Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Company approximates their carrying value.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

| | Notes | 2010 \$'000 Carrying amount | 2010 \$'000 Net fair value | 2009 \$'000 Carrying amount | 2009 \$'000 Net fair value |
|---------------------------------------|-------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| Recorded financial instruments | | | | | |
| Financial assets | | | | | |
| Receivables | | 23,519 | 23,519 | 23,394 | 23,394 |
| Cash assets | | 15 | 15 | 15 | 15 |
| | | 23,534 | 23,534 | 23,409 | 23,409 |
| Financial liabilities | | | | | |
| Payables | | 26,024 | 26,024 | 20,274 | 20,274 |
| Interest Bearing Liabilities | | 1,824 | 1,824 | 9,101 | 9,101 |
| | | 27,848 | 27,848 | 29,375 | 29,375 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Aging of Trade Receivables

| | 2010 | 2009 |
|-----------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current (not yet due) | 20,172 | 20,069 |
| Past due by up to 30 days | 1,711 | 1,315 |
| Past due between 31 and 180 days | 451 | 540 |
| Past due between 181 and 365 days | 40 | 47 |
| Past due by more than 1 year | 0 | 0 |
| | 22,374 | 21,971 |

Interest Rate Sensitivity Analysis

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 \$54,000 and decrease by \$54,000 (2009: increase by \$70,000 and decrease by \$70,000).

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.

Citywide Service Solutions Pty Ltd 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.

| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
|---------------------------------------|------------------|-------------|----------------|-----------------|----------------|
| | 6 months or less | 6-12 months | 1-5 Years | 5 Years or more | Total |
| Year Ended 30 June 2010 | | | | | |
| Liquid financial assets | | | | | |
| Cash and cash equivalents | 15 | 0 | 0 | 0 | 15 |
| Trade and other receivables | 23,519 | 0 | 0 | 0 | 23,519 |
| | 23,534 | 0 | 0 | 0 | 23,534 |
| Financial Liabilities | | | | | |
| Trade and other payables | 26,024 | 0 | 0 | 0 | 26,024 |
| Interest bearing loans and borrowings | 0 | 0 | 1,824 | 0 | 1,824 |
| | 26,024 | 0 | 1,824 | 0 | 27,848 |
| Net Inflow/(Outflow) | (2,490) | 0 | (1,824) | 0 | (4,314) |
| Year Ended 30 June 2009 | | | | | |
| Liquid financial assets | | | | | |
| Cash and cash equivalents | 15 | 0 | 0 | 0 | 15 |
| Trade and other receivables | 23,394 | 0 | 0 | 0 | 23,394 |
| | 23,409 | 0 | 0 | 0 | 23,409 |
| Financial Liabilities | | | | | |
| Trade and other payables | 20,274 | 0 | 0 | 0 | 20,274 |
| Interest bearing loans and borrowings | 0 | 0 | 9,101 | 0 | 9,101 |
| | 20,274 | 0 | 9,101 | 0 | 29,375 |
| Net Inflow/(Outflow) | 3,135 | 0 | (9,101) | 0 | (5,966) |

25 Events occurring after reporting date

There were no material post balance sheet events occurring after the reporting date requiring disclosure in this financial report.

DIRECTORS' DECLARATION

The Directors declare that the financial report

- a complies with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- b gives a true and fair view of the Company's financial position as at 30 June 2010 and its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the Directors opinion:

- a the financial report is in accordance with the Corporations Act 2001; and
- b there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



J L Davies (Chairman)



P S Lowe (Director)

Melbourne, 11 August 2010

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Members of Citywide Service Solutions Pty Ltd

The Financial Report

The accompanying financial report for the year ended 30 June 2010 of Citywide Service Solutions Pty Ltd which comprises statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the Directors declaration has been audited.

The Directors' Responsibility for the Financial Report

The Directors of Citywide Service Solutions Pty Ltd are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the Corporations Act 2001. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the Corporations Act 2001 and Audit Act 1994, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Company Directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Level 24, 28 Collins Street, Melbourne VIC 3000

Telephone 61 3 8621 7000 Facsimile 61 3 8621 7212 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of Citywide Service Solutions Pty Ltd for the year ended 30 June 2010. The Directors of the company are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the company's website.

Independence

The Auditor-General's independence is established by the Constitution Act 1975. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession and the Corporations Act 2001. I confirm that I have given to the Directors of the company a written independence declaration, a copy of which is included in the Directors' Report.

Auditor's Opinion

In my opinion, the financial report of Citywide Service Solutions Pty Ltd is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its financial performance for the year ended on that date, and
- (b) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

MELBOURNE
12 August 2010



D D R Pearson
Auditor-General

AUDITOR-GENERAL'S INDEPENDENCE DECLARATION

To the Directors of Citywide Service Solutions Pty Ltd

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

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

Independence Declaration

As auditor for Citywide Service Solutions Pty Ltd for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of auditor independence requirements of the Corporations Act 2001 in relation to the audit
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

MELBOURNE
12 August 2010



D D R Pearson
Auditor-General



Innovation at work in city gardens.

Designed and developed by Citywide Open Space, the H2Pod drip feeds water to the base of drought affected trees in urban parklands. Comfortable to sit on and blending into the natural landscape, the H2Pod is a simple idea making a big difference.





INNOVATION WITH PURPOSE



Citywide Service Solutions Pty Ltd
ABN 94 066 960 085
Level 1, 150 Jolimont Road, East Melbourne VIC 3002
Phone 03 9261 5000 Email citywide@citywide.com.au