



shaping sustainable landscapes



CITYWIDE

Annual Report
2008



Citywide is a diverse company shaping and maintaining high performance assets. We deliver the full scope of open space, civil infrastructure and environmental services, supported by expert advice, to government and private enterprise. We have a strong reputation for service innovation and the quality of our work. We are a trusted partner in our customers' growth and development.

open space | infrastructure | environmental

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8 consecutive years of record growth

This financial year, Citywide took confident strides forward in our development as Australia's leading civil infrastructure maintenance, open space and environmental services provider.

	2008	2007	2006	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000
Indicators					
Total revenue	\$154,681	\$128,003	\$96,181	\$85,248	\$79,652
Profit from ordinary activities before income tax	\$9,756	\$8,764	\$6,557	\$5,746	\$4,634
Net profit after income tax	\$6,800	\$6,113	\$4,549	\$3,965	\$3,230
Total assets	\$95,753	\$85,113	\$55,195	\$50,534	\$47,135
Shares issues	\$18,406	\$18,406	\$18,406	\$18,406	\$18,406
Total equity	\$42,799	\$38,659	\$31,129	\$28,421	\$26,026
Number of direct employees	780	770	466	445	467
Performance Measures					
Return on sales before tax	6.3%	6.8%	6.8%	6.7%	5.8%
Return on assets after tax	7.1%	7.2%	8.2%	7.8%	6.9%
Earnings per share after tax	36.9 cents	33.2 cents	24.7 cents	21.5 cents	17.5 cents
Return on total equity after tax	15.9%	15.8%	14.6%	14.0%	12.4%
Current ratio	0.90:1	0.87:1	0.96:1	0.94:1	1.02:1
Revenue per employee	\$198,309	\$166,238	\$206,397	\$191,569	\$170,561

Highlights for 2008

- Achieved our goal to be Australia's leading open space services provider
- Grew Company revenue to \$154.7 million, an increase of 21% on fiscal 2007
- Grew revenue from New South Wales operations by 223%
- Retained the City of Melbourne civil infrastructure contract
- Successfully completed the redevelopment of iconic Bondi foreshore
- Launched the most environmentally sensitive asphalt plant in the Southern Hemisphere
- Began production of Greenpave, low emission asphalt
- Successfully restructured our business for growth

Message from the Chairman



Lyn Davies, Chairman Citywide

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

This year, fiscal 2008, has been another record year for our fast growing company. In an increasingly complex and fractured marketplace, Citywide retained its market position as Australia's major provider of open space services to local government while expanding interstate operations and investing in groundbreaking new technology.

On behalf of the Board I thank all our employees for an outstanding performance this year which culminated in another record result for the Company.

Citywide re-won a large number of critical contracts across all business divisions. This was due to the quality of our work and the many ways in which we add value to customer businesses, while being supported by the strong working relationships

our employees hold with customers and communities. Retaining the City of Melbourne civil infrastructure maintenance contract, the largest local government civil maintenance contract in Victoria, was a particularly impressive achievement.

Our aggressive push into New South Wales was rewarded this year with Citywide re-winning the City of Sydney arboriculture contract and, for the first time, winning the Sydney parks contract. We now hold major parks and trees contracts with Australia's two largest capital cities. Another high profile success in New South Wales was the completion of the Bondi

foreshore redevelopment. At Bondi we demonstrated our capacity to deliver a complex and time constrained project with high public interest.

In a strong finish to the financial year, in June we acquired the New South Wales arboriculture company, All Suburbs Tree Services, delivering on our strategy to expand operations through acquisition.

With a healthy balance sheet and a significant number of long term contracts under management, Citywide enters the new financial year in a very strong position. We are well placed to continue implementing our acquisitions strategy, taking our unique, diversified service model to new markets and focus on realising a vision to be a leading national provider in our areas of competency.

Throughout the year, Directors regularly attended operational OH&S meetings, engaging with staff and contributing to the steering committees' work. This experienced input, when added to the achievement of positive independent audit results, demonstrates the great value our business systems add to service delivery in the areas of risk, OH&S and quality control and gives rise to a very strong governance system overall.

In February, Citywide opened the doors of its redeveloped North Melbourne asphalt plant, the most environmentally conscious in the Southern Hemisphere, reducing emissions from the production process by over 30%. With an emissions trading scheme almost certainly in place by 2012, large organisations are looking for ways to reduce their greenhouse gas contributions. In asphalt production and lay, Citywide is now the nation's lowest emissions provider. The Board has led development of a strategy to capitalise on this competitive advantage.

Citywide is unparalleled in its capacity to meet the challenges facing our customers and the communities they serve. Through an impressive level of intellectual property, with programs

to develop new technology, and a diversified service model, Citywide now stands capable of continued growth and development in the years ahead by this integrated solution.

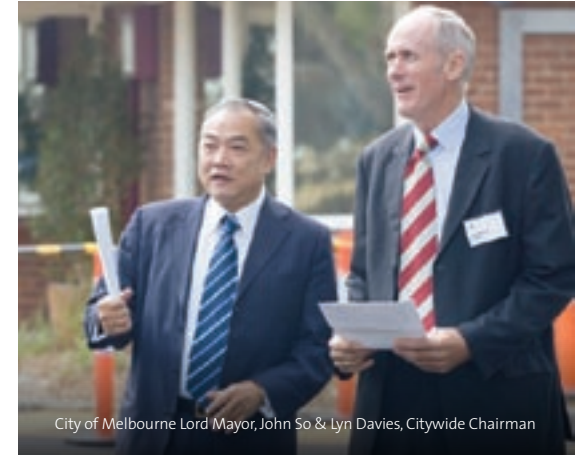
We continue to seek ways to improve our profitability, bedding down the new organisational structure and consolidating our administration. Having achieved our goal to establish a dominant position in the Victorian local government market, we are progressively implementing our strategy to expand interstate operations in both government and private sectors. We must pursue our medium term goal of a national presence if we are to maintain our current rate of growth.

The Directors acknowledge the outstanding performance and leadership given to Citywide by our Managing Director, Kerry Osborne, Executive Team and their senior management team. We congratulate them all on the Company's record result and thank them for their commitment and hard work. As Chairman, I wish to acknowledge the contribution of my fellow Board members who, throughout the year, have matched time spent in the boardroom with time on the ground among service teams. Meeting their commitment to best practice governance, the Directors have also participated in a range of forums and specialised training programs. Their informed counsel, strategic knowledge and experience in areas vital to our business, is ensuring Citywide's ambition translates into continued success.

It is with great pleasure I acknowledge this is Citywide's 8th year of record profits. I congratulate all our employees and record both my appreciation and that of our shareholders for their excellent achievement.



Lyn Davies | Chairman



City of Melbourne Lord Mayor, John So & Lyn Davies, Citywide Chairman

Citywide is unparalleled in its capacity to meet the challenges facing our customers and the communities they serve

Message from the Managing Director



Kerry Osborne, Managing Director Citywide

At the culmination of another record year, I am pleased to report on Citywide's substantial growth and development into an industry leading Australian service provider.

During the year the Company revenue grew to over \$154 million, an increase of 21% on 2007. Most pleasingly, revenue from our fast expanding New South Wales operations tripled, growing by 223%.

In a strong endorsement of our focus on quality, Citywide successfully won or retained over \$42 million in annualised sales revenue representing whole of life contract value of over \$400 million. Overall growth in the number of long term contracts places the Company in a very strong position as we continue our expansion along the eastern seaboard. The City of Sydney open space, City of Melbourne parking meter maintenance and VicRoads routine maintenance contracts were all highly strategic wins. Retention of the City of Melbourne civil infrastructure and City of Sydney

trees contracts reflects the capacity of our management and service delivery teams to deliver high profile, high value contracts in challenging conditions.

Over the past six years, Citywide has invested time and resources exploring the unique dynamics of the New South Wales marketplace. Our determination to succeed brought impressive results this year. In January we completed the Bondi redevelopment, without incident and to the satisfaction of Waverley City Council. The project drew on the knowledge

and skills of both open space and infrastructure teams, demonstrating the benefits of a diverse service model on a project of national significance. Citywide also won a state-wide civil reinstatements contract with national gas utility, Alinta Corporation. We intend to build on our presence with other national utility companies in the coming year.

Successful integration of the acquired Spotless open space business has been followed by a smaller New South Wales acquisition, All Suburbs Tree Services. We will continue to pursue our acquisitions strategy, targeting businesses within our existing areas of competency and those that complement our service offer to increase the Company's scale, scope of services and geographical coverage.

Investment made in Citywide's TRAX asset management and maintenance system has been rewarded with industry recognition and procurement by Victorian and New South Wales customers. TRAX has now been adopted by the cities of Sydney, Melbourne, Stonnington and Port Philip. This year we began auditing in excess of 150,000 street trees at the City of Casey. Managing and mitigating risk is at the forefront of our customers' minds. TRAX is an invaluable whole-of-life asset management system which provides for real time assessment of risk.

To ensure the Company is fully prepared to meet its growth targets, operational divisions were restructured in early 2008. We have realigned operations into areas of core competency: open space management, infrastructure maintenance and environmental services. The new structure is improving efficiency, better matching our services with the needs of customers and optimising deployment of resources. The restructure has meant considerable change for managers across the company; change to which they have willingly adapted. I thank them for their professionalism and commitment over this period.

In this year's Annual Report you will note more detail about the social and environmental programs being undertaken by the Company. The appointment of a dedicated Sustainability

Manager and development of a sustainability strategy is driving systematic review of our operations. Across our business divisions and right along our supply chain we are finding ways to minimise our impact on the environment by reducing carbon emissions and water use.

In February, we opened our redeveloped North Melbourne asphalt plant, the most environmentally conscious in the Southern Hemisphere. The plant produces Greenpave, an advanced low emission asphalt product, in partnership with Shell. Initial marketing has achieved excellent results; at year's end, eight local government councils had trials in various stages of implementation. Citywide's investment in technology will reduce our Company's environmental impact and reflects our belief, supported by industry research, that community demands for low emission technology are shifting the procurement decisions of government and private developers. This is only one of a number of innovative environmental solutions we will be investigating over the coming year.

In challenging times, when industry is subject to rapid change, it is innovation and process improvement that brings value to service agreements. As we enter a new financial year, Australian business and government face rising energy and materials costs, water shortages and issues related to ageing infrastructure and my aim is to bring Citywide into the forefront of innovative solutions to these challenges.

Recruiting skilled employees also continues to be a pervasive issue. Citywide people have the knowledge to support government and business responses to the great challenges of our time and like most companies, the skills shortage has and will cause us to rethink the way we recruit, retain and reward our people. We are facing the challenge by investing in dynamic leadership courses, innovative recruitment techniques and reviewing our remuneration structure.

Citywide's future is in our people and we aim to show that through our policies and practices.

At year's end we launched "Nationwide!" a campaign to prepare our people and our organisation for national expansion. By increasing the size of our business we minimise the impact of change in any one state and we increase our exposure to new markets. Recent success with national corporations highlights the opportunities that exist for Citywide if we can offer a national service.

Our research indicates, of the many aspects of our service valued by customers, it is our impressive knowledge base and the 'can-do' attitude of our people that defines us. As Citywide expands in number and geographic spread, the challenge for management is to continue to motivate and reward our employees.

I feel fortunate to lead an organisation that is respected, not just for the quality of work undertaken, but also for the positive and purposeful attitude we bring to each and every contract we deliver. I look forward to working with all employees over the coming year to continue building Citywide, one of Australia's great business success stories.



Kerry Osborne | Managing Director



Kerry Osborne, Managing Director & Lyn Davies, Chairman Citywide

Our determination to
succeed brought impressive
results this year



Operational Overviews

Restructured for service and growth

During 2007, a review of the Company's organisational structure was undertaken to identify ways in which to improve operational efficiency and customer service. As a result of that review, we have re-engineered our business to boost innovation, improve cost effectiveness and rapidly respond to customer needs.

Citywide now has three operating divisions:

infrastructure	Civil Services, Asphalt Production & Lay, Traffic Management & Events, Parking Meter Management and Drainage Services
open space	Park Services, Tree Services and Turf Management
environmental	Street Cleansing and Waste Management

Key outcomes of the restructure include:

- Centralised administration of finance, risk and human resources functions
- Integration of risk, quality and OH&S systems across the business
- New divisional visual identity (logos and colouring) to define divisions
- Retiring of the previous 'care' nomenclature

Infrastructure Overview

Contract growth and environmental leadership

Growth in capital works on existing contracts combined with new contract success and the re-winning of major contracts under management led Citywide Infrastructure to another successful year.

Following a major effort from Corporate Services and Infrastructure teams, Citywide submitted the winning tender for the City of Melbourne civil infrastructure services contract. Of critical importance to the Company's infrastructure business, the contract provides a very strong platform for our expansion over the coming five years. Citywide was also awarded the City of Melbourne's parking meter maintenance contract. Our knowledge and capacity to respond were central to Melbourne's decision.

Citywide also grew the number of VicRoads contracts we hold. The coming year will see infrastructure engineers focus on cost controls and efficiency gains from state road authority contracts. Other revenue increases were achieved on Bayside capital works and Melbourne Ports contracts, and Citywide Traffic Management & Events continues to expand its operations.

Citywide's New South Wales business experienced consistent growth, delivering the landmark Bondi redevelopment and winning a major reinstatement services contract with Alinta Corporation. Works volumes with the City of Sydney are also improving as we build on existing relationships and establish a reputation for high performance outcomes.

The employment of two additional estimators will underpin growth in commercial and government contracts this coming year.

Highlights

- Re-won the City of Melbourne civil infrastructure services contract, arguably the largest civil maintenance contract in Victoria
- Regained the City of Melbourne parking meter maintenance contract
- Launch of the redeveloped North Melbourne asphalt plant
- Production and marketing of Greenpave asphalt
- Completed the landmark Bondi foreshore (Campbell Parade) project

This year Citywide Infrastructure also made major investments in advanced technology. The Company's North Melbourne asphalt plant was redeveloped and is now the most environmentally sensitive in the Southern Hemisphere. The plant has been engineered to produce Citywide Greenpave, Australia's most advanced low emissions asphalt. There has been significant interest in the plant and the new asphalt product; several local government trials are underway and VicRoads accreditation is under negotiation.

Challenges for the coming financial year include the relocation of Citywide's New South Wales depot, retendering for the Bayside civil contract, winning the City of Sydney civil contract and reviewing our subcontractor model.



Transforming iconic Bondi

Managing Australia's highest profile civil infrastructure project.

The \$3.1 million Bondi redevelopment was always going to attract a lot of attention. In just six months, Citywide transformed Campbell Parade and the Bondi foreshore. Incorporating road paving, stormwater treatment, electrical systems and 10,000 new plants, we created a sustainable landscape that engages and inspires. All while Australia looked on.

Central to Citywide's success was the diverse nature of our business. Capable and well managed, our integrated civil, roads, trees and parks teams worked seamlessly towards a final goal: the most beautiful sunset stroll in Australia.

Open Space Overview

Responsible for Australia's most prized parks, gardens and trees

The 2008 fiscal year saw Citywide firmly establish its position as Australia's leading provider of open space services. Winning the City of Sydney open space and trees contracts assigns responsibility for managing the prominent gardens of Australia's largest capital cities to Citywide.

Citywide employs horticulturalists and arborists who are the best in their fields. Our people have demonstrated an ability to meet the challenges presented by diverse and changing climates while maintaining the design integrity of valuable historical spaces such as Melbourne's world heritage listed Carlton Gardens. Citywide's continuing investment in training and development is extending our competitive advantage.

In late 2007, Citywide's New South Wales tree and park services teams collaborated on the Bondi foreshore redevelopment, including the installation of drought resistant Mexican palms and irrigation systems; another landmark contract with impressive outcomes.

Trees and open space teams are supported with advanced equipment and Citywide's tailored TRAX asset mapping technology. A major TRAX implementation project has ensured the City of Sydney has exact knowledge of asset position and condition. In the coming year TRAX technology will also be used on a detailed tree auditing variation project in the fast growing City of Casey. TRAX is genuinely state of the art technology applied by experts; it's an unparalleled solution for local and state governments.

To gain a foothold in the New South Wales market, Citywide acquired high performing company All Suburbs Tree Services (ASTS) in June 2008. All employees have been retained and integration of the business will progress over the coming year. The ASTS acquisition

Highlights

- Divisional revenue increased by 3.1%
- Re-won the City of Sydney trees contract
- Won the City of Sydney open space (parks and gardens) contract
- Acquired Sydney-based All Suburbs Tree Services

enables us to offer the full suite of Citywide services to an established customer base, expanding our offer to local government and utility companies in New South Wales.

At fiscal year's end, Citywide Open Space has a number of key projects underway or at pre-implementation stage. We are relocating our New South Wales depot and intensifying a recruitment drive to attract experienced people. Tender activity will be high this year with contracts currently under management at the Victorian cities of Bayside, Whittlesea and Melton all coming up for retender. We are confident that our many achievements and the significant investment in people and infrastructure on these important contracts will hold us in good stead.

Citywide Open Space invests in annual innovation and continuous improvement initiatives. This year's projects include the development of more efficient irrigation systems and broadening application of our root trenching machines.



Australia's leading provider
of open space services

Technology, expertise
and knowledge:
leading local
government responses
to climate change.

Citywide's expansion into New South Wales was rewarded this year. We re-won the City of Sydney arboriculture contract and, for the first time, assumed management of Sydney parks. Citywide now holds major parks and trees contracts with Australia's two largest capital cities.

Behind this success lies decades of experience in horticultural and arboricultural practice, supported by industry leading asset management and maintenance: the Citywide TRAX system. Faced with extreme weather events and water shortage, Citywide's experts are delivering for Australian local government.

Environmental Overview

Reshaped for performance and growth

Citywide's waste management and street cleansing service areas now sit in the Environmental division. During the financial year, the reshaped Citywide Environmental division focused on re-winning contracts and extracting value from existing operations.

In a highly competitive marketplace, Citywide re-won the Glen Eira and Yarra street cleansing contracts. Despite changes to specifications placing pressure on margins, re-winning the contracts is evidence of the high quality service we provide and the strong working relationships our people have built with council management.

Citywide Environmental has a highly experienced workforce of vehicle operators. During the year, changes to the Company's portfolio of contracts saw redeployment of employees to other Citywide service teams. Moving rather than losing staff reduced redundancy and labour hire costs while ensuring experienced operators remain with the Company. Citywide also retained three high tech commercial sweepers to support existing service teams during high workload periods and ensure we are well placed to win new work, even on short lead times. Retaining the sweepers also has the added advantage of making access to equipment more difficult and costly for Citywide's competition.

In addition to structural consolidation, Citywide Environmental recently implemented a fleet management plan to improve logistics and fuel efficiency. The division will continue to roll-out the plan over the coming 12 months, optimising deployment of waste and street sweeping vehicles. Another current initiative is the implementation of Management Information Systems/GPS across the commercial waste business. The new system enables real time tracking of vehicles to support route modification and logistical analysis.

Highlights

- Increased efficiencies and reduced costs from improved fleet management
- Re-won Glen Eira and Yarra street cleansing contracts
- Divisional restructure aligned business activities
- Development of paper and cardboard bailing business

For a decade, Citywide has been a leader in the adoption of technology to reduce its environmental impact. This year we will continue to trial alternative fuel sources such as LPG and diesel mixes in waste vehicles.

At the start of the new financial year, the Environmental division is finalising details for delivery of cleaning services at Melbourne's iconic Queen Victoria Market while preparing to re-tender for the major City of Melbourne waste management contract.

Citywide Environmental launched its paper and cardboard bailing business in July. This sees the company offering a sought after product (paper waste) while reducing vehicle use and associated costs. We are also exploring the development of a construction and industry (C&I) recycling service. It has the capacity to create additional income while reducing waste to landfill and transport costs.



Reducing waste, boosting revenue

Adding value to Citywide's recycling business.

A review of Citywide's waste management business identified ways of improving revenue and outcomes for our customers.

In mid 2008, Citywide Environmental launched a new paper and cardboard bailing business. Investment in new machinery and equipment has enabled the packaging of paper waste for manufacturers. It also ends the need for our vehicles to transport waste to processing plants; the customers come to us.

Through process innovation and investment in technology, Citywide can now offer a higher value product while reducing vehicle use and associated costs.

Our Organisation

Well managed, 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 by 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. We shape 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, we deliver services that set benchmarks for best practice. We also invest 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 our customers to achieve higher performance.

The assets we manage are enjoyed by millions of Australians every day. As a result, we remain ever conscious of our place within the community and environment. Citywide's risk division manages the development and supervision of accredited safety, quality and environmental systems. Our people and the environments they work within are protected at all times. The quality of our work is assured.

Sustainability is a company philosophy supported by a strategy plan, integrated with operational systems and social programs. Citywide has a track record of effective environmental management. From water use minimisation in heritage listed gardens to investment in world leading asphalt technology, we are helping our customers meet tough environmental and emissions targets.

Citywide's unique diversified service model, and our commitment to being the leading Australian service provider in our areas of competency, has placed us in an unparalleled position to meet the challenges facing our customers and the communities they serve.

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

Recruiting the best people

Our people are the essential ingredient in the high quality service we provide our customers. Their knowledge, passion and determination to be the best is the driving force in our rapid development as a major Australian physical services company.

The Citywide Graduate Engineer Program gives promising engineers the opportunity to rapidly gain experience in diverse areas of our business. Graduates are assigned significant responsibility and assume key roles on project teams. Study assistance and flexible work arrangements are also available.

Citywide's unique, diverse business provides engineers with the capacity to specialise in an area they are most passionate about upon completion of the program.

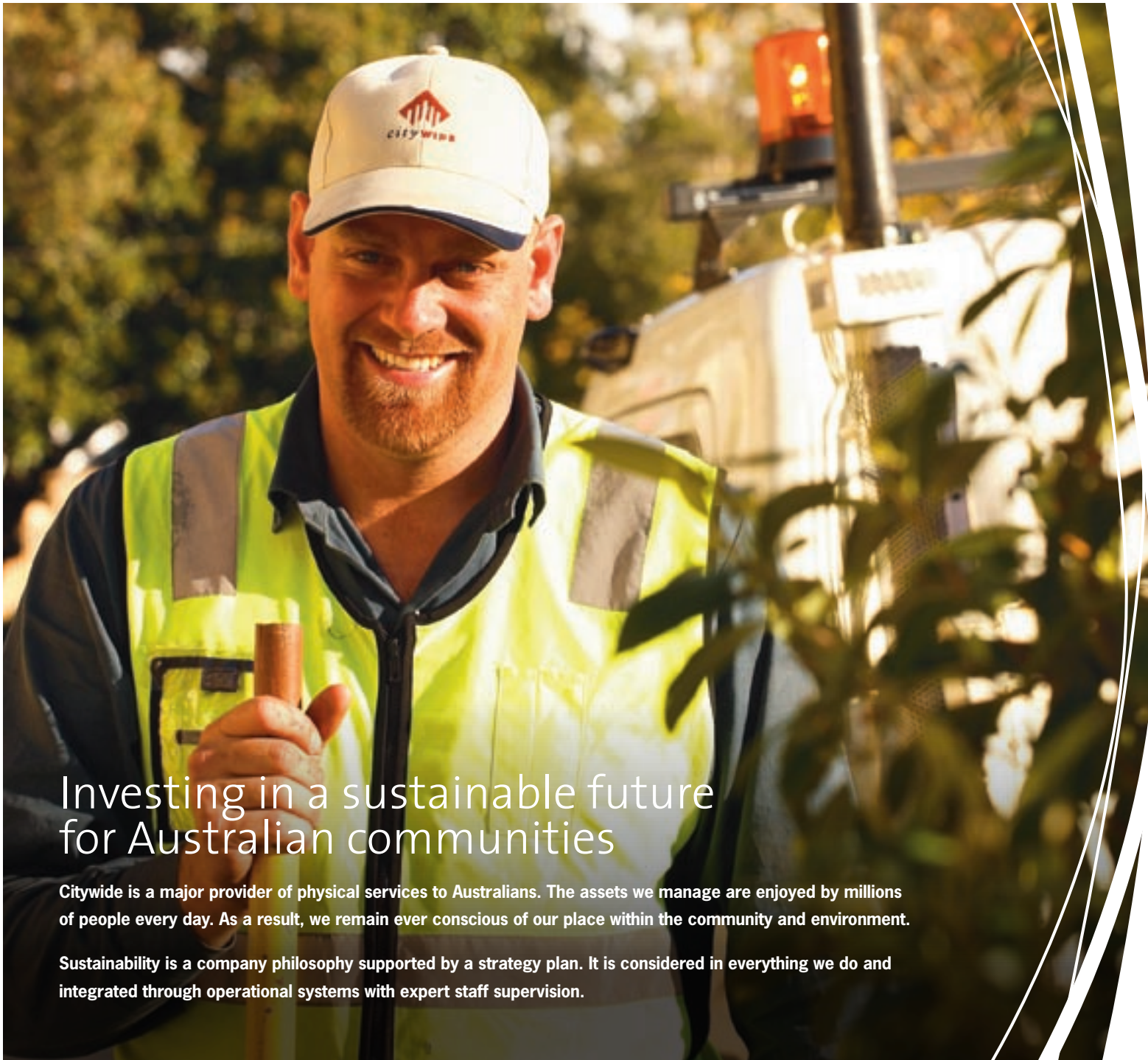
The Graduate Engineer Program provides a rare opportunity to fast track a career. Our graduate engineers step straight into a well paid job offering diverse experience and access to state-of-the-art equipment with mentoring from people who are the best in their fields.

"The unique blend between unconditional support, training and guidance from staff and the freedom to develop as an individual within the Company is what makes Citywide a standout in the industry."

Bobby Hristovski | Graduate Project Engineer



Citywide graduate engineer program



Investing in a sustainable future for Australian communities

Citywide is a major provider of physical services to Australians. The assets we manage are enjoyed by millions of people every day. As a result, we remain ever conscious of our place within the community and environment.

Sustainability is a company philosophy supported by a strategy plan. It is considered in everything we do and integrated through operational systems with expert staff supervision.



CITYWIDE

Sustainability
Report

Our Workplace



Our Approach

Citywide's consistent investment in people has made us the strong company we are today. Our research indicates, of the many aspects of our service valued by customers, it is our impressive knowledge base and the 'can-do' attitude of our people that defines us. The pride Citywide employees take in the work they do and the assets they manage, their commitment to continuing innovation and international best practice, and their positive interaction with the community all represent added value to our customers.

During 2007/08, Citywide experienced a 4% increase in full time equivalent employee numbers to a total of 780 employees as at 30 June 2008. As we expand in number and geographic spread, the challenge for management is to motivate and reward our employees. We work hard to create the best possible working environment for employees, including the development of accredited training and safety programs. A job with Citywide is enjoyable, rewarding and comes with career development opportunities.

Human resource management processes are designed to facilitate continual staff learning and development, improve leadership capacity and encourage consultation and collaboration with employees. Our intended outcomes are: high morale, commitment to staff development, empowerment, a willingness to embrace change, and high productivity.

The Human Resources department is dedicated to supporting the strategic direction of the Company through effective partnership with the business. The Human Resources department provides information, advice and assistance to the business covering Industrial/Employee Relations, OH&S, Recruitment, Labour Turnover, Performance Management & Termination of Employment, Introduction of Change and Diversity Management. We also work to negotiate enterprise agreements and formulate policy that supports the business in achieving its strategic direction.

2008 Employee Satisfaction Survey

In June 2008, a companywide Employee Satisfaction Survey was conducted in which 82% of employees participated. The results of the survey were positive and highlighted the following areas of strength: Customer Focus, Innovation and Organisational Satisfaction.

The Executive and Divisional management team have committed to developing initiatives that address the key areas for improvement as highlighted by the survey results: Reward and Recognition; Strategic Direction and Company Goals, Management Effectiveness and Corporate Communication with the operational business. Initiatives will be incorporated into yearly business plans and reported on next year.

Workplace Targets

Citywide has set the following Workplace Targets for 2008/2009.

Type	Strategies & Programs	Measure	Target	07/08
Training & Development				
	"Talent Management" Program	Improved Management Skills of Leadership Group	N/A	New initiative
	Emerging Leaders Program	Succession Plans for each Business Unit	12 month program to be completed by Sep 2009	New initiative
	Internal Frontline Management Program	Reduction in grievances from employees	30 June 2009	
	Performance Management Training	Improved employee satisfaction with performance management process	N/A	New initiative
OH&S				
Lost Time Injuries		LTI Severity Rate	145	170
		LTI Frequency Rate	8	10
Workers Compensation		Standard Claims Rate	6%	10%
Employee Retention				
	Investigation of Employee Assistance Program		N/A	New initiative
	Continuation of Employee Health Measures	Sunsmart Training Herbicide Surveillance Influenza Vaccinations Hepatitis Vaccinations		
	Competency Framework	Greater control over increment review Identification of skill development areas for future training and development	N/A	New initiative
	Recognition of Service Program	Feedback from attendees	N/A	New initiative

Our Community



Our Approach

Citywide people interact with thousands of community members every working day. They are often called upon to provide advice, help out and deal with emergency situations. The Company's customer service ethos ensures all community members are given the attention they require.

Each year, Citywide supports a number of charitable organisations and community events as well as running public education programs in waste and environmental management. Our social programs support communities in the municipalities within which we work.

Beyond work responsibilities, our employees are also contributors to community life. In sporting clubs, environmental groups, Country Fire Authority (CFA) teams, Rotary clubs and welfare volunteer programs they make a difference. Citywide supports employees with sponsorships and flexible work arrangements.

2008/2009 Community Programs

Community sponsorships

Melbourne City Romp

Citywide was a major sponsor of the 2007 Melbourne City Romp which attracted thousands to Melbourne's CBD in a giant treasure hunt. Citywide managed a checkpoint in Fitzroy Gardens as well as providing cash sponsorship and a 'Backyard Bonanza' prize. All proceeds

from the event go to the Burnet Institute, Australia's leading medical research and public health institute specialising in infectious diseases and cancers.

Family Life Open Garden Day

For 3 years Citywide has been an active supporter of the Family Life Open Garden Day event. Citywide Open Space team members gave informative presentations to Bayside locals on native plants and hot tips for caring for your garden in difficult drought conditions. With all money raised going to Family Life, a not-for-profit community group supporting Bayside families at risk, this popular annual event allows locals to see some beautiful and unique gardens, and learn the practices employed by their owners to keep them looking good.

Uniting Care Community Veggie Patch

In December last year Uniting Care Connections launched a Community Veggie Patch opposite Croydon Civic Square in the City of Maroondah. Citywide's parks team transformed the neglected garden into a veggie grower's paradise, contributing knowledge, expertise and many hours of physical work. A major sponsor, Citywide also sponsored the project with plants and materials.

The Veggie Patch promotes healthy eating and addresses challenging issues around social isolation in the local community. The Veggie Patch breaks down social barriers for Connections' clients.

Sacred Heart Mission

Founded in 1982, St Kilda's Sacred Heart Mission offers support to a wide variety of people who find themselves on the fringes of mainstream society, including meals, crisis support, health and personal care, and employment training. What began with the simple act of sharing a meal with a homeless man has grown into one of the most well known agencies in Melbourne.

As well as making financial contributions to the Mission, a number of Citywide employees donated their time throughout the year to lend a much needed hand in the Mission's dining hall, which last year served 137,099 meals to disadvantaged families across Melbourne.

Community training and education programs

Friends of Bayside

Every year the Citywide team at the Bayside Community Nursery hold a number of training sessions for volunteers and friends' groups in the local area. Ranging in length from an hour to a full day, they cover everything from garden design to studies of Australian Natives, with past trips including a visit to the Royal Melbourne Zoo, Bayside Park and the Cranbourne Gardens. One of the more interesting sessions this year was held at Ecolink in Bacchus Marsh and taught the volunteers the art of plant micro-propagation (tissue culture).

National Tree Planting Day

In late July last year, the people of Bayside joined Citywide's expert horticulturalists at Sandringham Harbour for National Tree Planting Day. The annual event sees community members return natural flora and fauna to the foreshore dunes. Each year, with the help of around 70 volunteers, Citywide bushland and nursery teams plant an average of 2000 indigenous seedlings. It's a great way for local community members to learn more about gardening and natural heritage while meeting like-minded people.

Waste Education

Citywide's Sustainability Manager provided Waste Education Consultancy services to the Cities of Melbourne and Manningham under our Waste Management Service Contracts.

The annual Waste Education Strategy developed for the City of Melbourne included an ongoing focus on improving recycling rates in multi-level residential apartments. In partnership with Melbourne Inner City Management (MICM), we reviewed the effectiveness of recycling services and produced new colourful recycling stickers and signage with multi-lingual information. A survey of tenants' recycling practices is planned for the next phase of the project to assist in further improvements to the service. Two more schools were provided with Waste Wise Schools certification during the year namely Carlton Primary School and University High School.

Donations

During the 2007/2008 year the following organisations were supported by Citywide:

- Paraquid Victoria
- SES Emergency Services
- Wheelchair Sports Victoria
- Australian College of Ambulance Professionals
- Mental Health Music Network
- Sacred Heart Mission
- The Burnet Institute
- The Shrine of Remembrance
- Run for the Kids
- Family Life
- Hawthorn Relay for Life
- Uniting Care Helping Hand



Our social programs
support communities in the
municipalities within
which we work

Our Environment



Lyn Davies, Chairman, Peter Callipari, Plant Manager & Kerry Osborne, Managing Director

Our Approach

Environmental sustainability is an important driver for Citywide's business strategy and is a core value of the organisation. With the advent of climate change and the resulting water scarcity, drought and potential impacts on urban infrastructure, Citywide plays a critical role in the risk management approaches required for mitigation and adaptation in partnership with our key stakeholders.

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.

Citywide's Environmental Sustainability Policy has been developed with a long term view: meeting the needs of the present without compromising the needs of future generations. Our goal is to establish a culture of continuous environmental improvement across all areas of the Company. To achieve this goal we have established an Environmental Management System (EMS) consistent with ISO 14001 to prevent pollution, minimise the potential for adverse environmental impacts and explore improved environmental options.

Environmental Innovations (Fiscal 2008)

ECOCHAMP

Citywide launched the ECOCHAMP initiative to enable and reward suggestions for environmental improvements to be implemented across the business. Many of the operational ideas listed have been implemented and others will form the basis of the rollout of the program in 2008/2009.

North Melbourne Asphalt Plant

In February 2008, Citywide opened the doors of its redeveloped North Melbourne asphalt plant, the most environmentally sensitive asphalt production facility in the Southern Hemisphere. The new plant is designed to achieve gas and electricity consumption savings of over 30% and also reduces noise, dust and odour. It produces standard mix asphalt as well as recycled (RAP) and Citywide Greenpave asphalt.

Greenpave

A producer of asphalt and provider of road maintenance services, Citywide investigated energy use and the level of emissions produced along its supply chain with the aim of reducing its carbon footprint and that of its customers. In 2007 Citywide partnered with Shell to produce Australia's first warm mix asphalt, Citywide Greenpave, which achieves 30% reduction in fume emissions, 30% reduction in greenhouse gases, 55% reduction in fine dust and energy savings of up to 30%.

Environmental Sustainability Targets

Type	Strategies & Programs	Measure	Target	07/08
Energy Reduction	<ul style="list-style-type: none"> • Energy audits of major use sites and depots • “Turn it Off” Energy Awareness Campaign 	<ul style="list-style-type: none"> • Baseline data collected • Campaign conducted 	2008/2009	
Emissions Reduction	<ul style="list-style-type: none"> • Greenhouse emissions analysis project • North Melbourne asphalt plant • Greenpave market development strategy 	<ul style="list-style-type: none"> • Carbon Footprint produced 	2008/2009	
Water Use Reduction	<ul style="list-style-type: none"> • Rainwater harvesting from depots’ roofs - installation of water tanks at Green St & Dynon Rd • Installation of waterless urinals at all depots • Investigation of recycling of truck wash water at Green St & Dynon Rd 	<ul style="list-style-type: none"> • Water Management Plan developed 	2008/2009	
Employee Innovation	<ul style="list-style-type: none"> • ECOCHAMP environmental suggestions and incentive program 	<ul style="list-style-type: none"> • Campaign conducted across all sites 	2008/2009	Campaign conducted across all EMS sites



Safer, greener roads: investing in technology to minimise environmental impact.

With an emissions trading scheme almost certainly in place by 2012, our customers are looking for ways to reduce greenhouse gases and meet tough zero net emissions targets. In February 2008, Citywide responded.

Our North Melbourne asphalt plant is the most environmentally conscious in the Southern Hemisphere. It produces advanced Greenpave, a safer and greener low emission asphalt product currently being trialled by 8 local governments. In asphalt production and lay, we are now the nation's lowest emissions provider.



Greenpave advanced, low emission asphalt

Executive Profiles



John Collins

Chief Financial Officer

John joined Citywide in July 2005 as Chief Financial Officer. He has extensive experience at CFO level within large multinational organisations, with prior roles including CFO of ASX listed companies Nova Health Ltd and IAMA Ltd; acting CEO of Hospital Supplies of Australia and Finance Manager of Davids Limited (distribution and retail) and Composite Buyers.



Jim Dunstan

Chief Operating Officer

Jim 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. He is a member of the AICD.



Paul Gilmore

**Executive Group Manager
Marketing, Sales & Commercial**

Paul joined Citywide in 2001 as Group Manager Marketing & Sales and was appointed Executive Group Manager Marketing, Sales & Commercial in June 2008. He has implemented companywide CRM, corporate services, corporate affairs, sales management programs and business growth. Prior to joining Citywide Paul held senior management roles with Boral, Otis Elevators and Spotless. He is a member of the AICD.



Craig Nisbet

Group Manager Risk & Compliance

Craig joined Citywide as Group Manager Risk & Compliance in June 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.



Angelica Georgaklis

Group Manager Human Resources

Angelica joined Citywide in 2005 as Senior HR Advisor and was appointed Group Manager Human Resources in February 2008. Prior to joining Citywide, Angelica worked as an Employee/Industrial Relations practitioner within both corporate and union environments.

Director Profiles

J L (Lyn) Davies

Chairman



Lyn Davies joined Citywide on 3 March 1995 as Chairman. He is a member of the Company's Audit and Risk Management and Remuneration Committees. He is 64 years of age. His qualifications are a Diploma of Agriculture and an Advanced Diploma from the Australian Institute of Company Directors.

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

Mr Davies is also Chairman of Service Stream Ltd, Star Services International Pty Ltd and is a Director of Mackay Consolidated Industries Pty Limited and of ParaQuad Victoria.

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

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

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 Management Committee and a member of the Finance and Operations Committee of the Company. He is 55 years of age and holds a Bachelor of Commerce and a Master of Business Administration from the University of Melbourne.

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

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

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

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 and Chairman of the Remuneration Committee. He is 65 years of age. His qualifications include a Degree in Public Administration.

Mr McGuinness has retired as Managing Partner – International, Minter Ellison Lawyers.

He was previously the Partner in Charge of Arthur Andersen and Co Consulting practice in Australia (now Accenture), owner/operator



A H Evans

Director



of a large primary production property combined with ownership of his own management/strategic consultancy, Managing Director and Chief Executive Officer of the Australian National Line, Chairman of Safetrac Pty Ltd and Deputy Chairman of SPC Ltd. Mr McGuinness has held numerous other Directorships in listed and unlisted companies.

A strategic consultant to a number of companies, his other responsibilities include Chairman of WOLECO Amenities (Singapore), Director of AED Oil Pty Ltd. and advisory Board member for CB Group of Companies.

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 is 62 years of age and holds a B.Ec/LLB from the University of Canberra and is a Chartered Engineer.

Mr Evans is President of the NRMA Board. He was formerly CEO of Medicines Australia and has also held senior executive positions in federal and state governments including Head of the Office of Regional Development, Executive General Manager of AusIndustry and Principal Advisor to the Federal Treasurer.

Other responsibilities include President of the Australian Automobile Association; Managing Director of Strategic Consulting Services Pty Ltd, Chairman of Kingmill Pty Ltd (t/a Thrifty Australia), A1GP Australia Pty Ltd, Kistler Woomera and Spaceport Woomera. He is also a Director of Adventure World Travel and Adventure World Travel (NZ). Mr Evans sits on the Strategic Advisory Board of the John Curtin School of Medical Research and is a member of the New South Wales Government's Road Freight Advisory Council.



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 51 years of age.

Mr Osborne is a member of both the CEO Institute and a Fellow of the Australian Institute of Company Directors. Mr Osborne is also a member of the Planning & Development Committee for the Shrine of Remembrance in Melbourne and Vice-Chair of the New Zealand Victoria Business Group.

He 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.

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
- 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 \$9,756,000 (2007 \$8,764,000).

The Company's net profit for the year was \$6,800,000 (2007 \$6,113,000) after deducting income tax equivalents of \$2,956,000 (2007 \$2,651,000).

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

Dividends

The Directors of the Company have declared a dividend of 14.45 cents (2007 13.54 cents) per Ordinary Share for the year ended 30 June 2008.

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

	2008 \$'000	2007 \$'000
Interim dividend	-	-
Final dividend of 14.45 cents (2007 13.54 cents) per fully paid Ordinary Share	2,660	2,492
TOTAL	2,660	2,492

Review and results of operations

The Company's revenue from ordinary activities for the year was \$154,681,000 (2007 \$128,003,000). 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' benefits

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

Corporate governance

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

In keeping with this responsibility the Company, in consultation with its shareholder, has established a Code of Governance Practices to ensure the Board is well equipped to discharge its responsibilities. This code covers amongst other things the function,

composition, nomination, performance and remuneration processes of Directors together with the reporting obligations of the Company and requires the Chairman to review the individual performance of each of the Directors.

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

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

As part of this process the Board has three committees, Finance and Operations, Remuneration, and Audit and Risk Management. These committees have their own written charter setting out the role, the responsibilities and the manner in which the committee is to operate. Each is comprised entirely of non-executive Directors who provide support to the full Board by giving a professional and skilled focus in each of the three areas. All matters determined by committees are submitted to the full Board as recommendations for Board decision. The 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 Management Committee. The Group Manager Risk is an ex-officio member of the Audit and Risk Management Committee.

Directors' Report

Corporate governance (cont)

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

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

Under Citywide governance protocols the independent external auditor does not provide any other services to the Company. In addition to the statutory audit, the Company also has a

comprehensive internal audit programme, which it out-sources, and an external safety and quality audit regime.

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

Rounding

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

Directors' meetings

The number of Directors' meetings and meetings of committees of Directors held in the period each Director held office during the financial year ended 30 June 2008 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	12	12	3	3	2	2	-	-
D A Eagle	4	4	-	-	-	-	-	-
G E McGuiness	12	11	3	2	2	2	5	5
P S Lowe	12	11	3	3	-	-	5	5
A H Evans	12	10	-	-	-	-	5	4
K F Osborne	12	12	3	3	-	-	5	5

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

Indemnification and insurance of Officers and Directors

During the financial year the Company continued with previously disclosed agreements to indemnify all Directors of the Company 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.

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



G E McGuinness | Director



P S Lowe | Director
Melbourne, 4 August 2008

Income Statement for the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Income from continuing operations			
Services		154,681	128,003
Cost of sales		(19,135)	(15,118)
Gross profit		135,546	112,885
Other income		59	146
Expenses from continuing operations			
Employee benefits expenses		48,153	40,941
Contractor costs		44,843	35,994
Fleet costs		16,583	14,351
Finance costs		748	390
Other expenses		15,609	12,584
Expenses from continuing operations		125,936	104,260
Net gain / (loss) on disposal of non-current assets		87	(7)
Profit before income tax equivalents	2	9,756	8,764
Income tax equivalents expense	1 & 3	2,956	2,651
Profit for the year		6,800	6,113

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

Balance Sheet as at 30 June 2008

	Notes	2008 \$'000	2007 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	17	3,427
Trade and other receivables	5	29,767	20,704
Inventories	6	497	462
Prepayments	7	333	307
Other current assets	8	1,301	3,286
Total current assets		31,915	28,186
Non-current Assets			
Property, plant and equipment	9	51,809	44,889
Deferred income tax equivalent assets	10	2,798	2,807
Intangible assets	11	9,231	9,231
Total non-current assets		63,838	56,927
TOTAL ASSETS		95,753	85,113

	Notes	2008 \$'000	2007 \$'000
LIABILITIES			
Current Liabilities			
Trade and other payables	12	26,751	22,763
Current tax liabilities	13	889	1,677
Provisions	14	6,318	5,880
Interest-bearing loans and borrowings	15	111	83
Unearned income	1	1,507	2,096
Total current liabilities		35,576	32,499
Non-current Liabilities			
Deferred income tax equivalent liabilities	16	3,967	3,691
Provisions	14	890	727
Interest-bearing loans and borrowings	15	12,521	9,537
Total non-current liabilities		17,378	13,955
TOTAL LIABILITIES		52,954	46,454
NET ASSETS		42,799	38,659
EQUITY			
Contributed equity	17	18,406	18,406
Retained profit	18	20,484	16,344
Reserves	18	3,909	3,909
TOTAL EQUITY		42,799	38,659

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2008

	\$'000	\$'000	\$'000	\$'000
	Issued capital	Retained earnings	Asset revenue reserve	Total
BALANCE AT 1 JULY 2006	18,406	12,723	0	31,129
Profit for the year	0	6,113	0	6,113
Total recognised income and expenses for the year		6,113		6,113
Equity dividends	0	(2,492)	0	(2,492)
Revaluation of land and buildings to fair value	0	0	3,909	3,909
BALANCE AT 30 JUNE 2007	18,406	16,344	3,909	38,659
Profit for the year	0	6,800	0	6,800
Total recognised income and expenses for the year		6,800		6,800
Equity dividends	0	(2,660)	0	(2,660)
Revaluation of land and buildings to fair value				0
BALANCE AT 30 JUNE 2008	18,406	20,484	3,909	42,799

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

Cash Flow Statement for the year ended 30 June 2008

	Notes	2008 \$'000 Inflows/ (Outflows)	2007 \$'000 Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers (Inclusive of GST)		151,790	130,482
Payments to suppliers (Inclusive of GST)		(95,214)	(81,971)
Payments to employees		(42,467)	(32,702)
Interest paid		(748)	(391)
Interest received		59	146
Income tax equivalents paid		(3,491)	(1,109)
Net cash provided by operating activities	23	9,929	14,455
Cash flows from investing activities			
Acquisitions of business		0	(8,714)
Proceeds from sale of property, plant and equipment		892	491
Purchase of property, plant and equipment		(14,751)	(14,322)
Net cash flows used in investing activities		(13,859)	(22,545)

	Notes	2008 \$'000 Inflows/ (Outflows)	2007 \$'000 Inflows/ (Outflows)
Cash flows from financing activities			
Proceeds from Borrowings		1,200	9,400
Repayment of Borrowings		(61)	(77)
Dividends paid to Company Shareholders		(2,492)	(1,841)
Net cash flows from/(used in) financing activities		(1,353)	7,482
Net (decrease) increase in cash and cash equivalents		(5,283)	(608)
Cash and cash equivalents at beginning of year		3,427	4,035
Cash and cash equivalents at end of year	23	(1,856)	3,427

The above cashflow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 30 June 2008

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, Urgent Issues Group Consensus Views 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 cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

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

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

Inventories

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

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 income statement.

Notes to the Financial Statements for the year ended 30 June 2008

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 Income Statement.

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 2008 and no impairment loss is to be recognised.

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.

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 balance sheet.

Notes to the Financial Statements for the year ended 30 June 2008

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 Company 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.

Superannuation

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

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

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

Tax equivalent regime

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

The Company is subject to paying charges (tax equivalents) to the City of Melbourne 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.

Notes to the Financial Statements for the year ended 30 June 2008

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 Balance Sheet.

Cash flows are included in the Cash Flow Statement 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 balance sheet comprise cash at bank and in hand.

For the purpose of the Cash Flow Statement, 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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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.

Comparative figures

Comparative figures have been adjusted in the current year to reflect GST on accruals.

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 2008

2008 2007
\$'000 \$'000

2. Profit from continuing operations

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

Operating revenue		
Profit on sale of non-current assets:		
Property, plant & equipment	216	76
Expenses		
Depreciation:		
Buildings	194	177
Plant & equipment	1,747	2,055
Motor vehicles	4,997	4,025
Leasehold improvements	105	90
Provision for:		
Employee benefits	3,833	3,013
Doubtful debts – Trade debtors	190	32
Bad debts	67	(2)
Contributions to employee superannuation funds	2,828	2,414
Rental expense on operating leases	3,020	2,936
Rental expense on licence agreements	223	185
Loss on sale of non-current assets:		
Property, plant & equipment	129	82
Employee separation costs	103	382

2008 2007
\$'000 \$'000

b) Directors' remuneration

Income received or due and receivable by Directors of the Company from the Company.	862	786
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The number of Directors of the Company included in these income figures are shown below in their relevant income bands:

Income of	Number	Number
\$20,000 to \$29,999	0	1
\$60,000 to \$69,999	1	0
\$70,000 to \$79,999	0	1
\$80,000 to \$89,999	2	2
\$100,000 to \$109,999	1	1
\$415,000 to \$424,999	0	1
\$515,000 to \$524,999	1	0
	5	6

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

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

c) Auditors' remuneration

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

Auditing the financial report	55	50
Amounts received, or due and receivable by the internal auditors.	137	101

Notes to the Financial Statements for the year ended 30 June 2008

	2008	2007
	\$'000	\$'000
3. Income tax equivalents		
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% (2007 30%)	(2,903)	(2,606)
Increase tax equivalents payable due to:		
Non deductible expenses	(53)	(45)
Income tax equivalents attributed to operating profit	(2,956)	(2,651)
Income tax equivalents attributable to operating profit comprise:		
Current tax provision	(2,671)	(2,787)
Deferred income tax liability	(276)	(297)
Deferred income tax asset	(9)	433
	(2,956)	(2,651)

4. Current Assets - Cash and cash equivalents

Cash at bank and on hand	17	3,427
	17	3,427

Cash at bank are bearing floating interest rates between 5.99% and 7.36% (2007 5.53% and 6.01%)

	2008	2007
	\$'000	\$'000
5. Current Assets - Trade and other receivables		
Trade receivables	17,436	13,511
Less: Provision for impairment of receivables	(376)	(186)
	17,060	13,325
Amounts owing from parent entity	10,401	7,325
Other debtors	2,306	54
Current tax asset	0	0
	29,767	20,704

6. Current Assets - Inventories

Stores and raw materials (at cost)	352	314
Finished goods (at cost)	145	148
	497	462

7. Current Assets - Prepayments

Prepayments	333	307
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8. Current Assets - Other

Accrued income – Unbilled services	1,301	3,286
	1,301	3,286

Notes to the Financial Statements for the year ended 30 June 2008

	2008	2007		2008	2007
	\$'000	\$'000		\$'000	\$'000
9. Non-current Assets - Property, plant and equipment					
Land at Valuation (2007)	12,196	6,611	Plant and equipment (at cost)	22,052	15,162
Revaluation	0	5,585	Less Accumulated depreciation	(11,133)	(9,479)
	12,196	12,196		10,919	5,683
Buildings (at cost)	3,390	3,164	Motor vehicles (at cost)	44,813	38,187
Less Accumulated depreciation	(846)	(655)	Less Accumulated depreciation	(19,130)	(15,178)
	2,544	2,509		25,683	23,009
Leasehold improvements (at cost)	900	779	Work in progress	151	1,193
Less Accumulated depreciation	(584)	(480)			
	316	299	Total property, plant and equipment	51,809	44,889

	Land	Buildings	Leasehold improvements	Plant and equipment	Motor vehicles	Work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2008							
Carrying value at start of year	12,196	2,509	300	5,682	23,009	1,193	44,889
Asset revaluation	0	0	0	0	0	0	0
Additions	0	230	121	7,023	8,420	0	15,794
Acquisitions	0	0	0	0	0	0	0
Disposals / transfers	0	(2)	0	(38)	(749)	(1,042)	(1,831)
Depreciation	0	(193)	(105)	(1,748)	(4,997)	0	(7,043)
Carrying value at year end	12,196	2,544	316	10,919	25,683	151	51,809

Notes to the Financial Statements for the year ended 30 June 2008

	2008	2007
	\$'000	\$'000
10. Non-current Assets – Deferred income tax equivalent assets		
Deferred income tax equivalent asset	2,798	2,807

11. Non-current Assets – Intangible assets

Goodwill	517	517
Goodwill on Acquisition	8,714	8,714
	9,231	9,231

On 1 December 2006 the Company acquired a trees, street cleaning and open space business for a total consideration of \$11,356,000.

12. Current Liabilities – Trade and other payables

Trade payables	3,821	4,487
Accrued expenses	19,497	15,481
Payroll tax	181	245
Amount owing to Parent Entity	3,252	2,550
	26,751	22,763

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.

	2008	2007
	\$'000	\$'000
13. Current Liabilities – Income tax equivalent payable		
Current tax liabilities	889	1,677

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	3,832	3,721
- Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value	2,486	2,159
	6,318	5,880
Non-current		
LSL representing less than 7 years of continuous service measured at present value	890	727

Notes to the Financial Statements for the year ended 30 June 2008

	2008	2007
	\$'000	\$'000
15. Current / Non-current Interest-bearing borrowings		
Current		
Ultimate parent entity – City of Melbourne	111	83
Non-Current		
Ultimate parent entity – City of Melbourne	47	137
Bill Acceptance and discount facility unsecured \$22.1m facility and overdraft (2007 \$14.6m).	12,474	9,400
	12,521	9,537

Terms and conditions

Interest bearing loans and borrowings

Bank Overdraft and Bill Acceptance and Discount Facility

The Bank Overdraft \$0.6m (2007 \$0.6m) and Bill Acceptance and Discount Facilities \$22.1m (2007 \$14.4m) are unsecured facilities. 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 1 December 2009.

16. Non-current Liabilities - Deferred Income tax

Provision for deferred income tax equivalent liability	3,967	3,691
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	2008	2007
	\$'000	\$'000
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		

	2008		2007	
	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				
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 2008

	2008	2007
	\$'000	\$'000
18. Retained Earnings and Reserves		
Retained profits at the beginning of the financial year	16,344	12,723
Net profit attributable to members of the company	6,800	6,113
Total available for appropriation	23,144	18,836
Dividends provided for or paid	(2,660)	(2,492)
Retained profits at the end of the financial year	20,484	16,344
Other Reserves		
Revaluation of Land & Buildings	3,909	3,909

18A. Dividends provided for or paid

The Company Board have declared a Dividend of \$2,660,000 (2007 \$2,492,000)

	2008	2007
	\$'000	\$'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	2,250	4,486
Payable later than one year, not later than five years	0	0
Payable later than five years	0	0
	2,250	4,486
Non-cancellable operating leases		
Non-cancellable operating lease commitments contracted for but not recognised in the financial report:		
Payable within one year	1,370	1,581
Payable later than one year, not later than five years	1,106	2,248
Payable later than five years	0	0
	2,475	3,829

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

Notes to the Financial Statements for the year ended 30 June 2008

20. Employee benefits

Superannuation

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

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

The City of Melbourne subplan comprises members of the former City of Melbourne Superannuation Fund. The City of Melbourne Superannuation Fund was closed to new members on 23 December 1993 and on 31 October 1995 all members of this Fund were transferred to the Local Authorities Superannuation Fund. The City of Melbourne subplan is a defined benefits superannuation plan and contributions are determined by the Fund actuary. The employer rate is currently 4.0% (2007 4.0%). In addition, employees make member contributions to the subplan. As such, assets accumulate in this subplan to meet members' benefits as they accrue. A full actuarial assessment of the subplan was undertaken by the LAS actuary, G Harslett FIA, FIAA, of Towers Perrin, as at 30 June 2006 on the basis that the liability for accrued benefits was determined by reference to expected future salary levels and by application of a market based risk adjusted discount rate and relevant actuarial assumptions. There was no unfunded liability of the City of Melbourne subplan as at 30 June 2008.

Details of Citywide Service Solutions Pty Ltd's share of the accrued benefits, estimated surplus, plan assets and vested benefits of the City of Melbourne subplan at 30 June 2008 have not been advised by Local Authorities Super Pty Ltd (Fund Trustee) to the Directors of Citywide Service Solutions Pty Ltd. This information is therefore not disclosed.

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

Citywide Service Solutions Pty Ltd makes contributions to the Defined Benefits Scheme subplan in accordance with the rates determined by the Trustee. The rate is currently 9.25% (2007 9.25%). In addition, employees make member contributions to the subplan. As such, assets accumulate in this subplan to meet members' benefits as they accrue. A full actuarial assessment of the subplan was undertaken by the LAS actuary, G Harslett FIA, FIAA, of Towers Perrin, as at 30 June 2006. The Fund's liability for accrued benefits was determined by reference to expected future salary levels and by application of a market-based risk-adjusted discount rate and relevant actuarial assumptions. Directors have been advised that Citywide do not have an outstanding unfunded liability at that date.

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

The amount of superannuation contributions paid by Citywide Service Solutions Pty Ltd during the year was \$2,828,000 (2007 \$2,414,000).

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 \$7,270,411 (2007 \$5,674,446).

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.

Notes to the Financial Statements for the year ended 30 June 2008

22. Related party information

Controlling entity

The immediate parent entity and ultimate parent entity is the City of Melbourne (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 2008.

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.

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

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

Amounts receivable and payable

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

Intercompany revenue and expenditure

Revenue transactions with the parent entity amounted to \$44,387,580 during the financial year (2007 \$40,435,790).

Expenditure transactions with the parent entity amounted to \$375,000 during the financial year (2007 \$472,044).

Economic dependency

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

Notes to the Financial Statements for the year ended 30 June 2008

2008 2007
\$'000 \$'000

23. Cash flow information

Reconciliation of cash		
Cash assets at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:		
Cash (including overdraft)	(1,856)	3,427
	(1,856)	3,427
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 2008 \$158,000 (June 2007, \$220,000) had been utilised.		
Bill Facility		
The company has an unsecured bill facility with Westpac for \$22,100,000 (2007 \$14,550,000)		
Overdraft		
The company has an unsecured overdraft facility with Westpac for \$600,000, (2007 \$600,000).		

2008 2007
\$'000 \$'000

Reconciliation of net cash provided by operating activities to net profit after income tax equivalents		
Net profit after income tax equivalents	6,800	6,113
Net (gain) / loss on disposal of non-current assets	(104)	7
Depreciation / amortisation of non-current assets	7,043	6,347
Changes in operating assets and liabilities		
Increase / (Decrease) in current tax equivalents liability	(788)	1,770
(Increase) / Decrease in deferred tax equivalent assets	9	(744)
Increase / (Decrease) in deferred tax equivalent liabilities	276	297
Increase / (Decrease) in provision for doubtful debts	190	32
(Increase) / Decrease in trade and other debtors	(6,478)	(5,712)
(Increase) / Decrease in accrued income	1,619	(1,439)
(Increase) / Decrease in prepayments	(26)	509
(Increase) / Decrease in inventories	(36)	(89)
(Increase) / Decrease in amounts owing by parent entity	(3,076)	(1,400)
Increase / (Decrease) in trade creditors	(666)	(227)
Increase / (Decrease) in accrued expenses	4,619	7,266
Increase / (Decrease) in unearned income	(588)	77
Increase / (Decrease) in amounts owing to parent entity	534	(370)
Increase / (Decrease) in employee benefits	601	2,018
Net cash provided by operating activities	9,929	14,455

Notes to the Financial Statements for the year ended 30 June 2008

24. Segment information

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

	\$'000	\$'000	\$'000	\$'000
	Infrastructure Services	Environmental Services	Unallocated	Total
2008				
Total revenue	85,234	85,597	45	170,876
less Internals	(13,857)	(2,264)	(15)	(16,136)
External revenue	71,377	83,333	30	154,740
Profit from ordinary activities before tax	6,870	11,346	(8,460)	9,756
Income tax equivalents	2,061	3,404	(2,509)	2,956
Net profit	4,809	7,942	(5,951)	6,800
Segment assets and liabilities				
Total assets	31,367	43,904	20,482	95,753
Acquisition of segment assets during the period	7,767	6,993	1,034	15,794
Non cash items				
Depreciation and amortisation of assets	1,090	2,122	3,831	7,043

	\$'000	\$'000	\$'000	\$'000
	Infrastructure Services	Environmental Services	Unallocated	Total
2007				
Total revenue	70,540	70,287	178	141,005
less Internals	(11,158)	(1,679)	(19)	(12,856)
External revenue	59,382	68,608	159	128,149
Profit from ordinary activities before tax	6,901	8,205	(6,342)	8,764
Income tax equivalents	2,070	2,462	(1,881)	2,651
Net profit	4,831	5,744	(4,461)	6,113
Segment assets and liabilities				
Total assets	23,578	24,973	36,562	85,113
Acquisition of segment assets during the period	2,996	10,038	1,288	14,322
Non cash items				
Depreciation and amortisation of assets	1,960	3,732	655	6,347

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

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

Products and services within each business segment

The principal products and services of the divisions are as follows:

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

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

Notes to the Financial Statements for the year ended 30 June 2008

25. Financial instruments

Foreign currency hedging

Derivative financial instruments are used by the Company in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates.

Forward currency contracts - held for trading

Forward exchange contract was entered into for the purpose of importing components for a major capital enhancement.

The Company has the following contract outstanding at balance date:

	2008	2007
	\$'000	\$'000
Buy Euro \$ / Sell Australian \$	0	1,198

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 we use 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	\$'000	\$'000
		Floating interest rate	Non-interest bearing	Total
2008				
Financial assets				
Cash and cash equivalents	4	17	0	17
Trade receivables	5	0	29,767	29,767
		17	29,767	29,784
Weighted average interest rate		6.68%		
Financial liabilities				
Trade payables	12	0	26,751	26,751
Interest bearing borrowings	15	12,632	0	12,632
		12,632	26,751	39,383
Weighted average interest rate		7.12%		
Net financial assets		(12,615)	3,016	(9,599)
2007				
Financial assets				
Cash and cash equivalents	4	3,427	0	3,427
Trade receivables	5	0	20,704	20,704
		3,427	20,704	24,131
Weighted average interest rate		5.77%		
Financial liabilities				
Trade payables	12	0	22,763	22,763
Interest bearing borrowings	15	9,620	0	9,620
		9,620	22,763	32,383
Weighted average interest rate		6.46%		
Net financial assets		(6,193)	(2,059)	(8,252)

Notes to the Financial Statements for the year ended 30 June 2008

Net fair value of financial assets and liabilities

Derivative financial instruments are used by the Company in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates.

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:

	2008		2007	
	\$'000	\$'000	\$'000	\$'000
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
Recorded financial instruments				
Financial assets				
Receivables	29,767	29,767	20,704	20,704
Cash assets	17	17	3,427	3,427
	29,784	29,784	24,131	24,131
Financial liabilities				
Payables	26,751	26,751	22,763	22,763
Interest Bearing Liabilities	12,632	12,632	9,620	9,620
	39,383	39,383	32,383	32,383

	2008	2007
	\$'000	\$'000

Aging of Trade & Other Receivables		
Current (not yet due)	24,558	18,157
Past due by up to 30 days	1,993	1,193
Past due between 31 and 180 days	1,076	1,407
Past due between 181 and 365 days	210	79
Past due by more than 1 year	0	0
	27,837	20,836

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 \$53 thousand and decrease by \$53 thousand (2007: increase by \$30 thousand and decrease by \$30 thousand).

This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

26. Events occurring after balance date

The Company had entered into a conditional contract for the purchase of the All Suburbs Tree Services business. Completion was contingent, amongst other matters, upon the majority of contracts that comprise the tree services business being assigned to Citywide. Completion has occurred in July 2008.

Directors' Declaration

The Directors declare that the financial report set out on pages 36 to 55

- 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 2008 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.



G E McGuinness | Director



P S Lowe | Director
Melbourne, 4 August 2008

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 2006 of CityWide Service Solutions Pty Ltd which comprises income statement, balance sheet, statement of changes in equity, cashflow statement, 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 the 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 judgement, 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 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 obtained is sufficient and appropriate to provide a basis for my audit opinion.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial statements published in both the annual report and on the website of CityWide Service Solutions Pty Ltd for the year ended 30 June 2006. The Directors of the company are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. 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 web site.

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the Constitution Act 1975. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. 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 2006 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
4 August 2006


D D R Pearson
Auditor-General





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CITYWIDE

shaping sustainable landscapes

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