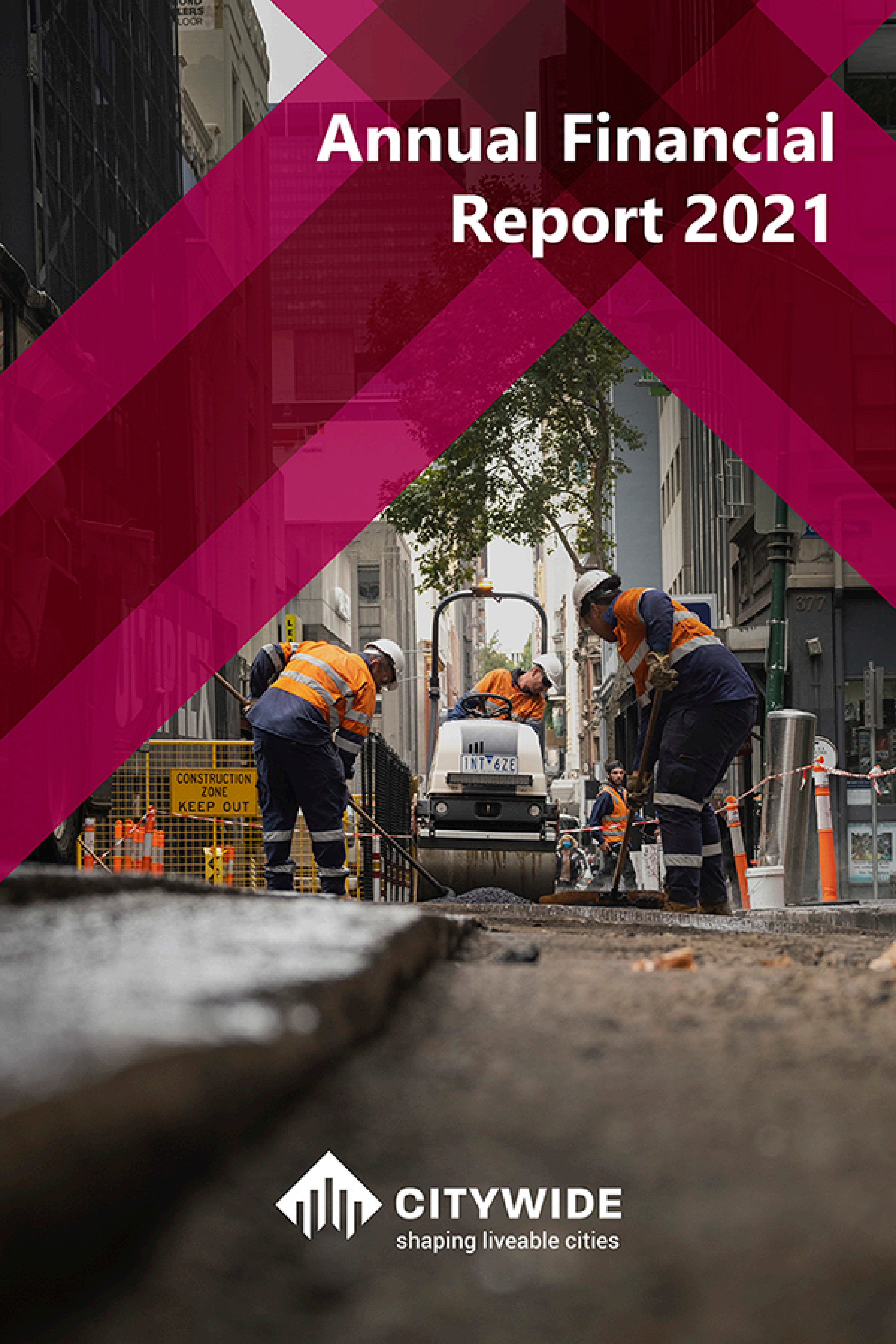
# Annual Financial Report 2021




CITYWIDE
shaping liveable cities

## Citywide Service Solutions Pty Ltd
## ABN: 94 066 960 085

# Directors' report for the year ended 30th June 2021

**Directors**

The Directors of Citywide Service Solutions Pty Ltd (the Company) for the whole of the financial year, and up to the date of this report, (unless otherwise indicated) are:

- John Brumby (Chairman);
- Paul Hardy;
- Peter Lamell;
- Andrea Waters;
- Prue Willsford;
- Janice Van Reyk (up to 5th October 2020); and
- John Grouios (since 1st August 2020).

**Principal activities of the company**

The principal continuing activities of the Company and its subsidiaries (collectively 'the Group') during the year were to meet the service needs of customers from local governments, other governments, and private and public sector corporations by providing a comprehensive range of quality physical services.

During FY2021, Citywide expanded its service offering and market presence by way of the acquisition of two businesses, which provide commercial services to the Utilities and Energy Sector.

**Trading results**

The Group's profit from ordinary activities, before income tax equivalents ("PBT"), for the year was $6,114,000 (FY2020: $225,000).

The Group reported $4,119,000 Net Profit after tax ("NPAT") for the year (FY2020: $1,213,000 loss), after deducting income tax equivalents of $1,995,000 (FY2020: $1,438,000).

Revenue from ordinary activities increased by $51,071,000 (20.5%) to $300,746,000 (FY2020: $249,675,000) primarily due to business acquisitions.

The Group's Total Operating Expenses were $294,632,000, 18.1% higher than prior year (FY2020: $249,450,000).

**Balance Sheet**

The Group's balance sheet remains sound. The Group's Net Cash/(Debt) position decreased to ($4,648,000) (FY2020: +$9,860,000) whilst 53% of debt facilities (totaling $38,700,000) were available. The majority of this reduction related to acquisitions completed during the year.

COVID-19 cash flow modelling and operational monitoring has been, and will continue to be, conducted for changes in circumstances to ensure decisions are aligned to changes in the cash-generating capacity of the Group. Currently, the Group is trading, and expected to remain trading favorably.

**Dividends**

The Directors of the Company have declared a dividend of 22.8 cents (FY2020: 10.9 cents) per Ordinary Share for the year ended 30th June 2021.

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

| | 2021 | 2020 |
|---|---|---|
| | $ | $ |
| Dividend of 22.8 cents (FY2020: 10.9 cents) per fully paid Ordinary Share. | 4,200,000 | 2,000,000 |

The Dividend declared will be paid on or about 31st October 2021 after due consideration of current and forecast liquidity, budgeted cash flows, sources of cash and other financial risks.

**Review and Results of Operations**

The Group's trading result (PBT) totalling $6,114,000 exceeded Budget. The PBT result was achieved despite specific circumstances detailed below including: COVID-19 restrictions, and investments in growth and transformation.

***COVID-19***

Since March 2020, the Group has actively managed the resulting commercial, operational and reputational risks associated with COVID-19 by comprehensive planning, utilization of our systems, and proactively engaging with customers. Effective oversight included routine formal leadership meetings (at times daily in frequency) through to operational Toolbox meetings, and proved effective in the ongoing management of changing circumstances. Furthermore, COVID-19 plans were, and remain, comprehensive and embedded to ensure the Group's operating rhythm is consistent across the business. The majority of Corporate Support Function roles have been working remotely when required since April 2020.

From a financial perspective, the gross quantifiable adverse impact on the Group's PBT in FY2021 arising from COVID-19 is estimated at between $1,500,000 and $1,750,000. In addition, there was a degree of unquantifiable inefficiencies (such as social distancing and additional COVID-19 protocols).

Working for Victoria contract engagement results were varied, realizing $11,665,000 in Revenue and a moderate PBT loss of $185,000 in FY2021 (FY2020: $10,539,000 in Revenue and $1,264,000 in PBT).

***Growth and Transformation***

The Group's direct investment in Growth, consistent with our transformation strategy, continued in FY2021 in respect of two business acquisitions in the Energy and Utilities sector, as well as ongoing investment in the Group's digital transformation.

Acquisition of the Gordon McKay and Ultegra businesses represent the foundation investments of Citywide Utilities and the provision of electrical contracting. The acquisitions will provide a step-change in the Revenue and PBT profile. Revenue Growth in this sector is likely to surpass the moderate Municipal division annual growth rate.

The Group, via its Citywide Asphalt (AUS) Group joint venture, doubled the Asphalt plant footprint from one plant co-located in North Melbourne to an additional site in Laverton, and despite COVID-19 restrictions impacts, sold 330,000 tonnes of Asphalt (FY2020: 232,000), with Revenue increasing 46% in FY2021. This investment represents strong recycling potential in conjunction with Citywide's waste strategy.

The Citywide Asphalt (AUS) Group has emerged as an industry leader in terms of incorporating higher recycled product in its asphalt mixes noting the use of crumb rubber (tyres), plastic and recycled asphalt in particular. Further efforts to expand into 'glass to sand' recycling conversion continued during FY2021, including the operation of a glass recycling pilot plant. Approximately 70% of asphalt volumes sold by the Asphalt Group in FY2021 contained recycled product.

The significant pipeline of large infrastructure projects in Victoria is expected to result in robust demand on a multi-year basis for asphalt and we believe that the Joint Venture (Citywide Asphalt (AUS) Group) is well positioned (geographically and operationally) to meet this growing market demand.

During the year, Citywide made significant progress in its Digital Transformation journey by implementing the Vehicle Telematics and Procure to Pay applications. These applications complement other applications recently implemented including time and attendance, and in field safety applications. Additionally, in field implementation commenced with respect to Citywide's work scheduling and asset management system. Collectively, these systems represent significant opportunity to systematise work patterns and controls.

***Other matters***

Generally, COVID-19 impacts affected Gross Margin percentage. The impact was predominantly in Civil Infrastructure, Local Government Authority Capital Works, as well as in the Working for Victoria scheme projects.

The restructuring of the NSW business and Corporate functions was completed successfully in FY2021.

**Significant Changes in the State of Affairs**

Other than the above (and specifically in relation to the acquisition of businesses), in the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year.

**Likely Developments in the State of Affairs**

Each year, Citywide undertakes a detailed Business Planning process, preceded by a Strategic Review (in the context of annually reviewing progress to achieving Citywide's Vision 2025).

The Strategic Pillars for the Citywide Group critical to achieving our strategy remain: **Culture & People; Growth and Transformation; Sustainability and Innovation; Partnering and Alliances;** and **Technology and Systems of Work.**

A continuing strong focus on Safety, and improving our Safety Culture, continues to be a critical focus, and something that underpins the company's operations, and is considered part of our culture.

The Group is continuously investigating opportunities to expand and grow its business, noting the successful establishment of the Citywide Utilities and Energy business unit. The Group has an effective strategic planning process that underpins the Strategy, which defines our areas of focus for future growth of the Group, supported by a strong Balance Sheet. The Group has a watching brief on market opportunities and will continue to explore complementary investments in line with Citywide's Vision 2025.

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

**Directors' Benefits**

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

**Corporate Governance**

The Board recognises and embraces the need for the highest standards of corporate behaviour and accountability in order to fulfil its responsibilities to the Group's stakeholders, who include its Owner, customers, suppliers, employees, the communities in which we operate, and the environment where we operate.

The Board's responsibilities include: determining and reviewing the Group's strategic direction and operational policies, establishing targets for Management then monitoring the achievement of these targets, reviewing and approving the Group's annual Business Plan, monitoring and rewarding the Chief Executive Officer, approving the appointment and remuneration of Executives, approving significant business transactions, monitoring risk exposures and risk management systems, including those relating to Occupational Health and Safety, and monitoring appropriate reporting to the Owner. The Group also operates in accordance with Governance Protocols established by the Owner, which covers, amongst other things, the function, composition, nomination, performance and remuneration processes of Directors, together with the reporting obligations of the Group and Board performance.

The Board consisted of six Directors throughout the financial year, except for the period from 1st August 2020 to 5th October 2020, when there was a seventh Director during a transition between outgoing and incoming Directors. All of the Directors are independent non-executive Directors, including the Chairman. The Directors bring a balance of skills, experience and diversity to assist the Group to meet its strategic objectives. Non-executive Directors meet periodically, in line with good governance, without the Chief Executive Officer or other Management present. In accordance with the Company's Constitution, one third of the Directors must retire each year, although if eligible, may offer themselves for re-election.

The Board is involved in setting the strategic direction of the Group, as well as reviewing the current performance on a regular basis, with the overall aim of achieving growth in the performance of the Group.

As part of this process, the Board has a number of Committees, with current Committees comprising: Remuneration & Nominations; Audit and Finance; Safety, Risk and Sustainability; and Business Growth. In addition to these Committees, an informal Board Forum was constituted during the year to ensure appropriate oversight was given to the company's digital transformation. Each Committee have their own charter setting out the role, responsibilities, and the manner in which the Committee is to operate. Each is comprised entirely of non-executive Directors who provide support to the full Board by giving a professional and experienced focus in each of the above areas. All matters considered by Committees are reported to the full Board and, where appropriate, recommendations are put to the full Board for decision. The Chief Executive Officer is an *ex officio* attendee of all Board Committees. Other Executive representatives, and the Group Risk and Audit Manager, regularly attend Board Committee meetings.

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

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

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

**Rounding**

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under Instrument 2016/191. The Company (and the Group) is an entity to which the Class Order applies.

**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 30th June 2021, and the number of meetings attended by each Director, are set out below:

| | *Board of Directors* | | *Audit & Finance Committee* | | *Remuneration & Nomination Committee* | | *Safety, Risk & Sustainability* | | *Business Growth Committee* | | *Digital Reference Group* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *No.* | *No.* | *No.* | *No.* | *No.* | *No.* | *No.* | *No.* | *No.* | *No.* | *No.* | *No.* |
| *Director* | *Held* | *Attended* | *Held* | *Attended* | *Held* | *Attended* | *Held* | *Attended* | *Held* | *Attended* | *Held* | *Attended* |
| J Brumby | 10 | 10 | | | 3 | 3 | 3 | 3 | | | 2 | 2 |
| J van Reyk | 4 | 4 | 2 | 2 | | | 0 | 0 | | | 0 | 0 |
| A Waters | 10 | 10 | 5 | 5 | | | | | 5 | 5 | 2 | 1 |
| P Willsford | 10 | 10 | 5 | 5 | 3 | 3 | | | | | 2 | 2 |
| P Hardy | 10 | 10 | | | | | 3 | 3 | 5 | 5 | 2 | 1 |
| P Lamell | 10 | 10 | | | 3 | 3 | 3 | 3 | 5 | 5 | 2 | 2 |
| J Grouios | 9 | 9 | 5 | 5 (2 as an Observer) | | | | | 4 | 4 | 2 | 2 |

Janice van Reyk's term as a Director expired on 5th October 2020
J Grouios was appointed as a Director on 1st August 2020

**Indemnification and Insurance of Officers and Directors**

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

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

The Directors and Officers liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company or a related body corporate) incurred in their position as Director or Executive Officer unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

**Events Occurring After Reporting Date**

Recent COVID-19 restrictions implemented in Greater Melbourne in Victoria, and Greater Sydney in NSW, are likely to impact productivity and output across the Group for an unknown period, although Management's analysis conducted to date suggests that any impact is unlikely to be material.

The Group paid down $12.0m in Borrowings in July and as a consequence has classified $12.0m in Borrowings as a Current Liability.

There were no matters or circumstances not mentioned within this Report, which have arisen between 30th June 2021 and the date of this report that have significantly affected, or may significantly affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial periods.

**Auditor's independence declaration**

The auditor's independence declaration is included as an attachment at the end of this report.

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

***J Brumby (Chairman)***

***A Waters (Director)***
***30 August 2021***

# Consolidated Financial Statements for
# Citywide Service Solutions Pty Ltd ACN 066 960 085
# for the year ended 30 June 2021

# Citywide Service Solutions Pty Ltd
# Financial Report 2020 - 2021

**How this report is structured**

Citywide Service Solutions Pty Ltd and its Controlled Entities (the Group) has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2021 in the following structure to provide users with information about the Group's stewardship of resources entrusted to it.

**Consolidated Financial Statements**



**Notes to the Consolidated Financial Statements**

Citywide Service Solutions Pty Ltd
Financial Report 2020 - 2021

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Revenue from operations** | | | |
| Revenue from customers | 2.1 | **300,050** | 249,653 |
| Other income | 2.2 | **696** | 22 |
| **Total revenue from operations** | | **300,746** | 249,675 |
| **Expenses from operations** | | | |
| Employee benefits | 3.1 | **118,412** | 83,919 |
| Contractor costs | 3.2 | **67,168** | 71,214 |
| Materials and services | 3.3 | **71,002** | 58,051 |
| Depreciation | 4.1 | **12,630** | 11,660 |
| Impairment - Intangible assets | | **-** | 4,543 |
| Amortisation - Intangible assets | 4.3, 6.6 | **903** | 249 |
| Amortisation - Right-of-use assets | 4.4 | **4,144** | 3,875 |
| Finance costs - Leases | 5.5 | **387** | 389 |
| Other expenses | 3.4 | **19,986** | 15,550 |
| **Total expenses from operations** | | **294,632** | 249,450 |
| **Profit before income tax equivalents** | | **6,114** | 225 |
| Income tax equivalents expense | 7.1 | **1,995** | 1,438 |
| **Profit / (loss) after income tax equivalents** | | **4,119** | (1,213) |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Gain on revaluation of property, net of tax | 6.1 | **-** | 7,591 |
| **Other comprehensive income for the year, net of tax** | | **-** | 7,591 |
| **Total comprehensive income for the year** | | **4,119** | 6,378 |

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

Citywide Service Solutions Pty Ltd
Financial Report 2020 - 2021

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 30 JUNE 2021**

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4.2 | **13,552** | 9,860 |
| Trade and other receivables | 5.1 | **55,737** | 33,160 |
| Other assets | 5.2 | **7,737** | 8,224 |
| **Total current assets** | | **77,026** | 51,244 |
| **Non-current assets** | | | |
| Property, plant and equipment | 4.1 | **116,859** | 117,318 |
| Right-of-use assets | 4.4 | **18,064** | 17,992 |
| Deferred tax assets | 7.2 | **10,133** | 9,298 |
| Intangible assets | 4.3, 6.6 | **33,744** | 20,290 |
| **Total non-current assets** | | **178,800** | 164,898 |
| **TOTAL ASSETS** | | **255,826** | 216,142 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 5.3 | **52,698** | 42,634 |
| Contract liability | 5.4 | **4,078** | 2,504 |
| Employee provisions | 3.1 | **14,218** | 10,550 |
| Lease liability | 5.5 | **3,711** | 3,452 |
| Current tax liabilities | | **2,951** | 586 |
| Dividends payable | 6.5 | **4,200** | 2,000 |
| Loans and borrowings | 5.6 | **12,000** | - |
| Other provisions | | **564** | 1,141 |
| **Total current liabilities** | | **94,420** | 62,867 |
| **Non-current liabilities** | | | |
| Trade and other payables | 5.3 | **1,435** | - |
| Employee provisions | 3.1 | **816** | 1,019 |
| Lease liability | 5.5 | **13,739** | 13,757 |
| Loans and borrowings | 5.6 | **6,200** | - |
| Deferred tax liabilities | 7.2 | **21,952** | 21,154 |
| **Total non-current liabilities** | | **44,142** | 35,930 |
| **TOTAL LIABILITIES** | | **138,562** | 98,797 |
| **NET ASSETS** | | **117,264** | 117,345 |
| **EQUITY** | | | |
| Contributed equity | 6.1 | **18,406** | 18,406 |
| Retained earnings | 6.1 | **62,086** | 62,167 |
| Asset revaluation reserve | 6.1 | **36,772** | 36,772 |
| **TOTAL EQUITY** | | **117,264** | 117,345 |

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 30 JUNE 2021**

| | Contributed equity $'000 | Retained earnings $'000 | Asset revaluation $'000 | Total $'000 |
|---|---|---|---|---|
| **Balance at 1 July 2019** | 18,406 | 65,380 | 29,181 | **112,967** |
| **Loss after income tax equivalents** | - | (1,213) | - | **(1,213)** |
| **Other comprehensive income for the year, net of tax** | - | - | 7,591 | **7,591** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Dividends provided | - | (2,000) | - | **(2,000)** |
| **Balance at 30 June 2020** | **18,406** | **62,167** | **36,772** | **117,345** |
| **Profit after income tax equivalents** | **-** | **4,119** | **-** | **4,119** |
| **Other comprehensive income for the year, net of tax** | **-** | **-** | **-** | **-** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Dividends provided | **-** | **(4,200)** | **-** | **(4,200)** |
| **Balance at 30 June 2021** | **18,406** | **62,086** | **36,772** | **117,264** |

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 30 JUNE 2021**

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | **277,147** | 249,578 |
| Payments to suppliers and employees (inclusive of GST) | | **(261,042)** | (220,079) |
| Interest received | | **49** | 41 |
| Interest paid | 3.4 | **(207)** | (203) |
| Income tax equivalents paid | | **(587)** | (354) |
| **Net cash provided by operating activities** | 4.2 | **15,360** | 28,983 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | **1,090** | 1,058 |
| Purchase of property, plant and equipment | | **(9,470)** | (20,575) |
| Payment to new business vendors as part of acquisition | | **(15,235)** | - |
| **Net cash flows used in investing activities** | | **(23,615)** | (19,517) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **29,200** | 15,000 |
| Repayment of borrowings | | **(11,000)** | (15,000) |
| Repayment of lease liabilities | 5.5 | **(3,866)** | (4,139) |
| Interest paid - lease liability | 5.5 | **(387)** | (389) |
| Dividends paid | | **(2,000)** | (3,200) |
| **Net cash flows used in financing activities** | | **11,947** | (7,728) |
| **Net increase in cash and cash equivalents** | | **3,692** | 1,738 |
| Cash and cash equivalents at beginning of year | | **9,860** | 8,122 |
| **Cash and cash equivalents at end of year** | 4.2 | **13,552** | 9,860 |

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

## 1: ABOUT THIS REPORT

The financial statements comprise the Consolidated Financial Statements of Citywide Service Solutions Pty Ltd and its subsidiaries. Citywide Service Solutions Pty Ltd (the "Company" or "Parent entity") and its subsidiaries are referred to in this financial report as the "Group" or "Consolidated entity".

The Company is a proprietary company incorporated under the *Corporations Act 2001*, and is domiciled in Australia. The Company's registered office and principal place of business is 294 Arden Street, North Melbourne VIC 3051.

The Group's principal activities are to meet the service needs of local government, other government and private and public sector corporations and the community by providing a comprehensive range of physical services and quality Asphalt products.

### 1.1: Basis of preparation

These Consolidated Financial Statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. Compliance with Australian Accounting Standards ensures that the financial statements comply with International Financial Reporting Standards issued by the International Accounting Standards Board. The Company is a for-profit entity for the purpose of preparing the financial statements.

The Consolidated Financial Statements have been prepared on an accruals basis and are based on historical costs and therefore do not reflect changes in the purchasing power of money or current valuations of non-monetary assets, except where indicated. Certain non-current assets are measured at revalued amounts or fair values, as discussed in relevant sections of the notes.

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

The principal accounting policies adopted in the preparation of the financial statements are included in sections where the related financial statement line item is disclosed. These policies have been consistently applied to all years presented, unless otherwise stated.

### 1.1.1 Going concern basis of accounting

The Consolidated entity has a net current liability position of $17.4 million as at 30 June 2021. In FY20, the net current liability position was $11.6 million. Excluding debt associated with the acquisition of three businesses during the year classified as ‘Current’, results in the net current liability of $5.4m – a material improvement on FY20.

Consistent with prior years, the ability of the Consolidated entity to continue as a going concern is dependent on a number of factors inclusive of the primary consideration of the ongoing, profitable trading of the business and the continuation and availability of the bank borrowing facility. The 3-year Bank facility is set to expire on 27 July 2022 and is expected to be renewed as it has been previously. This assumption is supported by preliminary discussions with the Groups financiers, the existing level of headroom within loan covenants and the Consolidated entity’s previous success in renewing its facilities

Furthermore, the Directors have considered projected cash flow information for twelve months from the date of approval of these financial statements. These forecasts indicate that barring any unforeseen circumstances, the Consolidated entity is expected to continue operating well within available bank facilities and generate positive cashflows from operations.

The Directors have a reasonable expectation that Consolidated entity has adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the financial report of the Consolidated entity at 30 June 2021.

.

## 1.2: Impact of COVID-19

On 16 March 2020 a state of emergency was declared in Victoria due to the global pandemic COVID-19 virus. While the impacts of the pandemic have abated somewhat through the 2020-21 financial year, Citywide Service Solutions Pty Ltd has noted the following significant impacts on its financial performance:

- Additional revenue - the Group has received $11.7m (2020: $10.9m) through work undertaken in providing cleaning and sanitisation work and greening the city for the Working for Victoria Program during the financial year.

- Revenue reductions – the Group has incurred a reduction of $4.5m for the 2020-21 year. The major areas affected are:
  - LGA Capital Works ($2.1m) lower revenue resulting from market pricing of projects which was near breakeven due to unsustainable, and uncommercial pricing from competitors;
  - Asphalt JV ($2.1m) lower revenue resulting from plant shutdowns due to COVID-19 restrictions; and
  - Commercial Waste ($0.3m) due to the lockdowns where customers have changed service frequency which is detrimental to margin.

- Additional costs – the Group has incurred $11.8m in costs related to completing works for the Working for Victoria Program.

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

## 1.3: Critical accounting judgments and estimates

In application of the Groups' accounting policies, the Group is required to make judgements, estimates and assumptions on the financial statements based on historical assumptions, experience and other factors that are considered to be relevant. Information about critical assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are discussed in the following notes:

| Accounting estimates and judgements | Note |
|---|---|
| Revenue recognition | 2.1 |
| Long-term employee benefits | 3.1.2 |
| Depreciation methods, useful lives and residual values of property, plant and equipment | 4.1 |
| Impairment of assets and amortisation policy | 4.3 & 6.6 |
| Right-of-use assets | 4.4 |
| Recovery of deferred tax assets | 7.2 |
| Fair value assets and liabilities | 8.2 |

## 2: OUR REVENUE

### Introduction to this section

Citywide Service Solutions Pty Ltd offers a diverse range of services that enhance community assets and help shape liveable cities. Services rendered include infrastructure, waste management, open space, electrical services and goods sold relating to the manufacture of Asphalt products predominantly for State Government, Local Government Authority and private enterprise. Our services reach stretches along the eastern seaboard of Australia, from Queensland to Tasmania.

### Structure

2.1: Revenue from customers
2.2: Other income

### 2.1: Revenue from customers

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

| | **2021** | 2020 |
|---|---|---|
| | **$'000** | $'000 |
| Rendering of services | **279,485** | 235,604 |
| Sale of goods | **20,565** | 14,049 |
| | **300,050** | 249,653 |
| **Disaggregation of revenue** | | |
| *Type of service* | | |
| Infrastructure | **73,516** | 63,817 |
| Waste management | **51,234** | 52,074 |
| Open space | **94,227** | 103,824 |
| Utilities | **44,892** | - |
| Other | **15,616** | 15,889 |
| | **279,485** | 235,604 |
| *Type of goods* | | |
| Asphalt | **20,565** | 14,049 |
| | **20,565** | 14,049 |
| *Geographical region* | | |
| VIC | **258,197** | 227,322 |
| NSW | **21,483** | 8,270 |
| QLD | **9,542** | 8,915 |
| ACT | **4,506** | 5,146 |
| TAS | **6,322** | - |
| | **300,050** | 249,653 |
| *Type of contract* | | |
| Contract Revenue | **184,548** | 160,995 |
| Non-Contract Revenue | **115,502** | 88,658 |
| | **300,050** | 249,653 |
| Contract liabilities (deferred revenue) | **4,078** | 2,504 |

The Group converted the remaining $2.5m in prior year contract liabilities (income paid in advance) during the 2021 financial period.

**Remaining performance obligations**

| | FY2022 $'000 | FY2023 to FY2026 $'000 | >FY2026 $'000 |
|---|---|---|---|
| Expected contract revenue from existing contracts | 180,607 | 313,152 | 64,941 |

### Recognition and measurement

Rendering of services refers to income from service contracts and is recognised over time as the services are provided. The Group determines its progress in satisfying these related performance obligations with reference to the proportion of costs incurred to date compared to the estimated total costs of the contract. Administrative overheads are not included in the costs of the contract.

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

Contract liabilities include income paid in advance where no performance obligation is met.

**Critical accounting estimates and judgement**

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

## 2.2: Other income

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Gain/(loss) on disposal of property, plant and equipment, net of costs | **647** | (19) |
| Interest received | **49** | 41 |
| | **696** | 22 |

The gain on disposal of property, plant and equipment is a result from normal operating activities.

### Recognition and measurement

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

# 3: THE COST OF OUR OPERATIONS

## Introduction to this section

For the Group to deliver its services to its highest standards a diverse and skilled workforce is essential as well as strong commercial relationships with vendors and contractors within the supply chain.

## Structure

3.1: Employee benefits and employee provisions
3.2: Contractor costs
3.3: Materials and services
3.4: Other expenses

## 3.1: Employee benefits and employee provisions

| **3.1.1 Employee benefits expenses** | **2021** | 2020 |
|---|---|---|
| | **$'000** | $'000 |
| Employee benefits | **118,412** | 83,919 |
| | **118,412** | 83,919 |

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

### Recognition and measurement

Short-term employee benefits are expensed as the related service is provided.

**Superannuation**
**Accumulation funds**
Citywide Service Solutions Pty Ltd makes employer superannuation contributions for its employees to complying accumulation superannuation funds. The accumulation funds, (including the Local Authorities Superannuation fund's accumulation category, Vision Super Saver), receive employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9.50% required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of each individual fund.

**Defined contribution plan**
A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as employee benefits expenses in profit or loss in the periods which services are rendered by employees.

**Defined benefits plan**
The Company participates in a multi-employer defined benefits plan for which sufficient information is not available to use defined benefits accounting. As such, it accounts for contributions to those plans as if they were defined contributions plans rather than defined benefits plan accounting as allowed under AASB 119 Employee Benefits.

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

Citywide Service Solutions Pty Ltd makes employer contributions to the defined benefits category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. The most recent full actuarial investigation conducted by the Fund's Actuary is at 30 June 2020 with the Group making the following contributions, in line with the City of Melbourne:

- 13% of salaries for active defined benefit members; and
- top-up payments for exiting members equal to the benefit payment less the vested benefit adjusted for the vested benefit index (VBI), where the VBI is less than 100%. At 30 June 2021, the Fund's Actuary estimated the VBI to be 144.7%.

| | **2021** | 2020 |
|---|---|---|
| | **$'000** | $'000 |
| Employer contributions to complying superannuation funds | **7,416** | 5,983 |
| Employer contributions payable to complying superannuation funds at reporting date | **844** | 628 |

| **3.1.2 Employee benefits provisions** | **2021** | 2020 |
|---|---|---|
| | **$'000** | $'000 |
| **Current expected to be settled within 12 months** | | |
| Annual leave | **9,286** | 5,382 |
| Long service leave | **392** | 1,103 |
| | **9,678** | 6,485 |
| **Current expected to be settled after 12 months** | | |
| Annual leave | **-** | - |
| Long service leave | **4,540** | 4,065 |
| | **4,540** | 4,065 |
| **Total current balance** | **14,218** | 10,550 |
| **Non-current** | | |
| Long service leave | **816** | 1,019 |
| | **816** | 1,019 |

### Recognition and measurement

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and other employee benefits when it is probable that settlement will be required and they are capable of being measured reliably through the below method:

- Short-term employee benefits - measured at their nominal values using the remuneration rate expected to apply at the time of settlement plus related on costs in respect of employees' services up to reporting date.
- Long-term employee benefits - measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Re-measurements are recognised in profit or loss in the period in which they arise.

### Critical accounting estimates and judgement

For long-term employee benefits, the calculation of the present value of the estimated future cash outflows requires the following key assumptions:

| | **2021** | 2020 |
|---|---|---|
| Discount Rate | **(0.02%) - 1.5%** | 0.2% - 0.9% |
| Inflation Rate | **2.4%** | 4.3% |
| Settlement Period | **7 years** | 7 years |

## 3.2: Contractor costs

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Civil services | **33,263** | 38,853 |
| Open space services | **18,350** | 16,314 |
| Environmental services | **8,917** | 14,735 |
| Utilities services | **6,334** | - |
| Other services | **304** | 1,312 |
| | **67,168** | 71,214 |

### Recognition and measurement

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

## 3.3: Materials and services

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Raw materials and consumables used | **46,436** | 30,418 |
| Fleet costs | **13,148** | 14,014 |
| Waste tipping | **11,418** | 13,619 |
| | **71,002** | 58,051 |

### Recognition and measurement

Raw materials and consumables used relate to inventories that were consumed as part of services provided and are recognised as an expense during the period when consumed. Costs associated with fleet and waste tipping services are recognised when the services have been received.

## 3.4: Other expenses

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Occupancy costs | **3,966** | 2,837 |
| Finance costs: Interest charges paid | **207** | 203 |
| Auditors' remuneration: | | |
| Audit of financial statements | **110** | 90 |
| Internal audit services | **224** | 188 |
| Consultancy | **1,899** | 2,023 |
| IT maintenance & subscriptions | **2,155** | 2,514 |
| Insurance | **2,465** | 1,110 |
| Legal costs | **791** | 626 |
| Equipment repair & maintenance | **1,386** | 1,185 |
| Equipment hire | **1,897** | 831 |
| Training | **643** | 546 |
| Other expenses | **4,243** | 3,397 |
| | **19,986** | 15,550 |

### Recognition and measurement

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

# 4: ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS

## Introduction to this section

The Group assets are used to deliver services to the community. To stay competitive, the Group balances the optimum mix in Working Capital with its Fleet/Plant & Equipment.

## Structure

4.1: Property, plant and equipment
4.2: Cash and cash equivalents
4.3: Intangible assets - software
4.4: Right-of-use assets

## 4.1: Property, plant and equipment

| | Land | Buildings | Leasehold improvements | Plant and equipment | Motor vehicles | Work in progress | Total |
|---|---|---|---|---|---|---|---|
| **Critical accounting estimates and judgement** | | | | | | | |
| Depreciation policy | Not applicable | Portables: 5-10 years Other: 40 years | Various[1] | 1-15 years | 3-10 years | Not applicable | |
| **2021** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Cost** | | | | | | | |
| Opening balance | 56,900 | 4,869 | 5,596 | 43,631 | 83,972 | 3,577 | **198,545** |
| Additions | - | 153 | 564 | 1,168 | 4,677 | 2,908 | **9,470** |
| Business acquisition | - | 52 | - | 513 | 2,579 | - | **3,144** |
| Disposals | - | - | (3) | (958) | (4,437) | - | **(5,398)** |
| Revaluation | - | - | - | - | - | - | **-** |
| **Closing balance** | **56,900** | **5,074** | **6,157** | **44,354** | **86,791** | **6,485** | **205,761** |
| **Accumulated depreciation and impairment** | | | | | | | |
| Opening balance | - | (2,247) | (2,712) | (28,646) | (47,622) | - | **(81,227)** |
| Depreciation | - | (312) | (584) | (3,624) | (8,110) | - | **(12,630)** |
| Disposals | - | - | 3 | 816 | 4,136 | - | **4,955** |
| Impairment loss | - | - | - | - | - | - | **-** |
| **Closing balance** | **-** | **(2,559)** | **(3,293)** | **(31,454)** | **(51,596)** | **-** | **(88,902)** |
| **Carrying value 30 June 2021** | **56,900** | **2,515** | **2,864** | **12,900** | **35,195** | **6,485** | **116,859** |
| **2020** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Cost** | | | | | | | |
| Opening balance | 46,056 | 4,634 | 5,047 | 37,710 | 81,768 | 1,606 | 176,821 |
| Additions | - | 284 | 553 | 6,805 | 10,685 | 1,971 | 20,298 |
| Disposals | - | (49) | (4) | (884) | (8,481) | - | (9,418) |
| Revaluation | 10,844 | - | - | - | - | - | 10,844 |
| **Closing balance** | **56,900** | **4,869** | **5,596** | **43,631** | **83,972** | **3,577** | **198,545** |
| **Accumulated depreciation and impairment** | | | | | | | |
| Opening balance | - | (2,094) | (2,204) | (26,192) | (48,011) | - | (78,501) |
| Depreciation | - | (185) | (505) | (3,265) | (7,705) | - | (11,660) |
| Disposals | - | 32 | (3) | 811 | 8,094 | - | 8,934 |
| **Closing balance** | **-** | **(2,247)** | **(2,712)** | **(28,646)** | **(47,622)** | **-** | **(81,227)** |
| **Carrying value 30 June 2020** | **56,900** | **2,622** | **2,884** | **14,985** | **36,350** | **3,577** | **117,318** |

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

### Recognition and measurement

**Buildings, plant and equipment and motor vehicles**

Buildings, plant and equipment and motor vehicles are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item and subsequent costs incurred to replace parts that are eligible for capitalisation. When each major inspection is performed, its cost is recognised on the carrying amount of the plant and equipment as a replacement only if eligible for capitalisation. All other repairs and maintenance costs are recognised in the statement of profit or loss and other comprehensive income as incurred. Depreciation is calculated on a straight-line basis and recognised to write off the cost of assets over their useful lives.

**Land**

The revalued land is located in Australia and is stated at fair value based on periodic but at least triennial valuations by external independent valuers. Fair value of land was determined using the direct sales comparison approach (on a rate per square meter of land area basis) that reflects recent transaction prices for similar properties. Sales evidence utilised by the valuer comprise improvements, and to ensure a consistent analytical methodology, deductions for demolition improvements were not considered.

The most recent revaluation was completed on 28 June 2021 and performed by Charter Keck Cramer, a licenced estate agent and an accredited independent valuer who has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The highest and best use of the freehold land is redevelopment.

The fair value of land is categorised as Level 2 within the fair value hierarchy (refer to Note 8.2) and the fair value of land is $56,900,000 (2020: $56,900,000). The historical cost of land is $5,741,000.

The land valuation has remained consistent with the 2020 valuation due to significant market uncertainties including:

- COVID-19 is impacting the market;
- Development site sales activity has been limited to virtually non-existent within the North Melbourne precinct over the last 12 months;
- There is a level of uncertainty which currently exists in the precinct due to future planning conditions. This relates to the structure plan which is yet to be finalised coupled with the uncertainty of future developer contributions with any proposed redevelopment; and
- The Victorian Government has introduced a “Windfall Tax” but the detail about how this will operate is yet to be finalised.

For details relating to the revaluation of land reserve recorded within equity refer to Note 6.1.

**De-recognition of property, plant and equipment**

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

**Critical accounting estimates and judgement**

Depreciation methods, estimated residual values and useful lives are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

## 4.2: Cash and cash equivalents

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Cash and cash equivalents | **13,552** | 9,860 |
| | **13,552** | 9,860 |

Cash at bank attracts interest rates of 2021: 0 – 0.25% (2020: 0 - 1.5%).

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

**Bank overdraft and bank loan facility**
The bank overdraft facility of $2.5m (2020: $2.5m) and bank loan facility of $36.2m (2020: $36.2m) are secured facilities with a 1st ranking fixed and floating charge over the net assets of the Group. There were $18.2m bank loans drawn at 30 June 2021 (2020: $0). Subject to the continuance of satisfactory covenants achievement, the bank facilities may be drawn at any time. The bank facilities may be terminated by the bank if the Group defaults under the loan agreement. The facilities expire on 27 July 2022.

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Reconciliation of net cash provided by operating activities to net profit after income tax equivalents** | | |
| Net profit (loss) after income tax equivalents | **4,119** | (1,213) |
| Non-cash items in operating profit: | | |
| - Net (gain) / loss on disposal of non-current assets | **(647)** | 19 |
| - Depreciation / amortisation of non-current assets | **17,677** | 15,784 |
| - Impairment of goodwill / goodwill adjustment | **-** | 4,543 |
| - Provision for doubtful debts | **(193)** | (200) |
| Changes in operating assets and liabilities: | | |
| - (Increase)/decrease in prepayments, trade and other receivables | **(13,783)** | (4,219) |
| - (Increase)/decrease in amounts owing by ultimate parent entity | **(7,216)** | 3,665 |
| - (Increase)/decrease in inventories | **(898)** | (133) |
| - (Increase)/decrease in deferred tax equivalent assets | **(37)** | 656 |
| - Increase/(decrease) in trade and other payables | **8,934** | 9,623 |
| - Increase/(decrease) in employee entitlements | **3,465** | 345 |
| - Increase/(decrease) in current tax equivalent liabilities | **2,365** | 428 |
| - Increase/(decrease) in other liabilities | **1,574** | (315) |
| **Net cash provided by operating activities** | **15,360** | 28,983 |

## 4.3: Intangible assets - software

| | Software |
|---|---|
| **Critical accounting estimates and judgement** | |
| Amortisation policy | 3-5 years |
| | |
| **2021** | **$'000** |
| **Cost** | |
| Opening balance | 1,497 |
| Additions from software development | - |
| Disposals | - |
| **Closing balance** | **1,497** |
| **Accumulated amortisation and impairment** | |
| Opening balance | (308) |
| Amortisation | (426) |
| Impairment | - |
| **Closing balance** | **(734)** |
| **Carrying value 30 June 2021** | **763** |
| | |
| **2020** | **$'000** |
| **Cost** | |
| Opening balance | 2,247 |
| Additions from software development | 179 |
| Disposals | (929) |
| **Closing balance** | **1,497** |
| **Accumulated amortisation and impairment** | |
| Opening balance | (246) |
| Amortisation | (249) |
| Impairment | 187 |
| **Closing balance** | **(308)** |
| **Carrying value 30 June 2020** | **1,189** |

The Group's intangible assets comprise software, goodwill and customer relationship assets. For goodwill and customer relationship assets refer to Note 6.6.

### Recognition and measurement

**Software research and development**

Expenditure on research activities is recognised in the profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

**Impairment and de-recognition**

For information relating to impairment testing and de-recognition of intangible assets refer to Note 6.6.

**Critical accounting estimates and judgement**

To determine whether intangible assets are impaired requires an estimation of an intangible asset's recoverable amount. Judgement is also required to determine whether a project has progressed from the research to the development phase.

## 4.4: Right-of-use assets

The Group leases many assets including building and vehicles. Information about leases for which the Group is a lessee is presented below.

| | Buildings | | Motor vehicles | | Total net carrying amount | |
|---|---|---|---|---|---|---|
| **$'000** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| **Opening Balance** | **14,662** | **-** | **3,330** | **-** | **17,992** | **-** |
| Additions | 2,703 | 17,004 | 232 | 4,905 | 2,935 | 21,909 |
| Lease modification | 2,018 | (42) | (97) | | 1,921 | (42) |
| Leases terminated | (430) | - | (210) | - | (640) | - |
| Impairment | - | - | - | - | - | - |
| Amortisation | (2,724) | (2,300) | (1,420) | (1,575) | (4,144) | (3,875) |
| **Closing Balance** | **16,229** | **14,662** | **1,835** | **3,330** | **18,064** | **17,992** |
| | | | | | | |
| **Total as at 30 June represented by** | | | | | | |
| Gross book value | 20,720 | 16,962 | 4,519 | 4,905 | 22,208 | 21,867 |
| Accumulated amortisation and impairment | (4,491) | (2,300) | (2,684) | (1,575) | (4,144) | (3,875) |
| **Total as at 30 June** | **16,229** | **14,662** | **1,835** | **3,330** | **18,064** | **17,992** |

**Critical accounting estimates and judgement**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end date of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on the Statement of Financial Position.

| Right-of-use asset | No of assets leased | Range of remaining term | No of leases with renewal options | No of leases with termination options |
|---|---|---|---|---|
| Buildings | 26 | 5-10 years | 5 | 0 |
| Motor vehicles | 300 | 5 years | 0 | 0 |

## 5: OTHER ASSETS AND LIABILITIES

### Introduction to this section

This section includes other assets and liabilities that are working capital related and employed by the Group to support its day-to-day operating activities.

### Structure

5.1: Trade and other receivables
5.2: Other assets
5.3: Trade and other payables
5.4: Contract liabilities
5.5: Lease liabilities
5.6: Loans and borrowings

### 5.1: Trade and other receivables

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Trade receivables | **39,114** | 21,493 |
| Less: Allowance for impairment of receivables | **(240)** | (433) |
| | **38,874** | 21,060 |
| Amounts owing from ultimate parent entity | **16,609** | 9,393 |
| Other debtors | **254** | 2,707 |
| | **55,737** | 33,160 |

#### Classification of financial assets

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale.

#### Recognition and measurement

Receivables are recognised at the amounts due for settlement and are usually collected within 30 days of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is evidence that the Group may not be able to collect the debt.

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| **Movement in allowance for impairment** | | |
| **Opening balance** | **(433)** | (633) |
| Amounts written-off | **17** | 8 |
| Amounts recovered and reversed | **176** | 192 |
| **Closing Balance** | **(240)** | (433) |

#### Impaired trade and other receivables

The Group has recognised $176,000 gain (gain in 2020: $192,000) in the Statement of Profit or Loss and Other Comprehensive Income in respect of bad and doubtful trade receivables.

## 5.2: Other assets

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| **Current** | | |
| Accrued income – Unbilled services | **4,093** | 6,046 |
| Prepayments | **2,069** | 1,257 |
| Inventories | **1,546** | 648 |
| Other current assets | **29** | 273 |
| | **7,737** | 8,224 |

### Recognition and measurement

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

**Accrued income**

Accrued income relates to services for which revenue has been recognised during the period but the services have not yet been billed to the customer at the end of the reporting period. Accrued income is recognised at the time the service is provided.

**Prepayments**

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

**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 reporting date using the weighted average cost method. The cost of purchase comprises the purchase price including taxes (other than those subsequently recoverable by the entity from the taxing authorities) transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

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

## 5.3: Trade and other payables

| | **2021** | 2020 |
|---|---|---|
| | **$'000** | $'000 |
| **Current** | | |
| Trade and other payables | **49,616** | 42,606 |
| Contingent consideration for acquisitions | **3,036** | - |
| Amount owing to ultimate parent entity | **43** | - |
| Security Deposits | **3** | 28 |
| | **52,698** | 42,634 |
| **Non-Current** | | |
| Contingent consideration for acquisitions | **1,435** | - |
| | **1,435** | - |

### Trade and other payables

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

### Contingent consideration for acquisitions

As part of the acquisitions of the Gordon McKay, Frontline Electrical and Ultegra businesses, the Group recognised a liability for contingent consideration which will be paid if certain earnings targets are met and key employees and customers are retained by the acquired entity (refer to Note 6.4). This contingent consideration was therefore taken into account in determining the amount of goodwill on acquisition.

## 5.4: Contract liabilities

| | **2021** | 2020 |
|---|---|---|
| | **$'000** | $'000 |
| Deferred revenue | **4,078** | 2,504 |
| | **4,078** | 2,504 |

### Deferred revenue

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

## 5.5: Lease liabilities

The Group has leases for Buildings and Motor Vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease agreement that falls under AASB 16 *Leases* is reflected on the Statement of Financial Position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 4.4).

Each lease agreement generally imposes a restriction that the right-of-use asset can only be used by the Group, unless there is a contractual right for the Group to sublet the asset to another party. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses a discount rate of 3% (2020: 3%).

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**Lease payments not recognised as a liability**
The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets considered under $10,000. Payments made under such leases are expensed on a straight-line basis.

The undiscounted contractual cash flows below do not include lease payments under renewal/extension options that the Group is reasonably certain to exercise.  The payments under these renewal/extension options are included in lease liabilities recognised in the Statement of Financial Position.

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income** | | |
| Interest on lease liabilities | **387** | 389 |
| Expenses relating to short-term leases | **96** | 263 |
| | **483** | 652 |
| **Maturity analysis - undiscounted contractual cash flows** | | |
| Less than one year | **4,261** | 4,140 |
| One to five years | **10,642** | 9,851 |
| More than five years | **8,441** | 9,507 |
| Total undiscounted contractual cash flows | **23,344** | 23,498 |
| **Lease liabilities recognised in the Statement of Financial Position** | | |
| Current | **3,711** | 3,452 |
| Non-current | **13,739** | 13,757 |
| | **17,450** | 17,209 |
| **Amounts recognised in Statement of Cash Flows** | | |
| Total cash outflow for leases | **(4,253)** | (4,528) |
| Represented by: | | |
| Repayment of lease liability | **(3,866)** | (4,139) |
| Interest on lease liability | **(387)** | (389) |

## 5.6: Loans and borrowings

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Current** | | |
| Secured bank loan | **12,000** | - |
| | **12,000** | - |
| **Non-Current** | | |
| Secured bank loan | **6,200** | - |
| | **6,200** | - |

The Group paid down $12.0m in Borrowings in July and as a consequence has classified $12.0m in Borrowings as a Current Liability.

# 6: OUR CAPITAL STRUCTURE

## Introduction to this section

This section provides information on the capital structure and financing activities of the Group.

## Structure

6.1: Equity and reserves
6.2: Parent entity information
6.3: Subsidiaries and joint operations
6.4: Acquisitions
6.5: Dividends
6.6: Intangible assets – other

## 6.1: Equity and reserves

| | **2021** | 2020 |
|---|---|---|
| **Contributed equity** | **$'000** | $'000 |
| Ordinary shares - fully paid | **18,406** | 18,406 |

**Movement in ordinary share capital**

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **No.** | **$'000** | No. | $'000 |
| Balance at start of year | **18,405,629** | **18,406** | 18,405,629 | 18,406 |
| Shares issued | **-** | **-** | - | - |
| **Balance at end of year** | **18,405,629** | **18,406** | 18,405,629 | 18,406 |

### Recognition and measurement

**Ordinary shares**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

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

The Group seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The weighted average interest expense on interest bearing borrowings during the period was 1.37% (2020: 1.99%). The Group's net debt (total borrowings less cash and cash equivalents) to total equity was 0.04. The Group did not have any net debt in 2020. There were no changes in the Group's approach to capital management during the year.

| Retained earnings and reserves | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Retained profits at the beginning of the financial year | **62,167** | 65,380 |
| Net profit attributable to members of the company | **4,119** | (1,213) |
| **Total available for appropriation** | **66,286** | 64,167 |
| Dividends provided for or paid (Note 6.5) | **(4,200)** | (2,000) |
| **Retained profits at the end of the financial year** | **62,086** | 62,167 |
| Earnings per share for profit attributable to the ordinary equity owners of the Company | **22.4** | (6.6) |
| **Reserves** | | |
| Opening Balance | **36,772** | 29,181 |
| Movement | **-** | 7,591 |
| **Closing Balance** | **36,772** | 36,772 |

A revaluation of land held by the Group was conducted by independent valuers on 28 June 2021. There was no change in the asset revaluation reserve of at 30 June 2021 (2020: $7.6m).

### Recognition and measurement

The asset revaluation reserve records the revaluation of the Group's land which is carried at fair value. Any revaluation increase arising on the revaluation of land is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued land, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings.

## 6.2: Parent entity information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except for investments in subsidiaries, associates and joint venture entities which are accounted for at cost in the financial statements of the parent entity.

### a) Summary financial information

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

| | **2021** | 2020 |
|---|---|---|
| | **$'000** | $'000 |
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| Net loss for the year | **(3,073)** | (3,856) |
| Other comprehensive income | **-** | 7,591 |
| **Total comprehensive income** | **(3,073)** | 3,735 |
| **Statement of Financial Position** | | |
| **ASSETS** | | |
| Current assets | **60,383** | 67,207 |
| Non-Current assets | **176,288** | 133,407 |
| **Total Assets** | **236,671** | 200,614 |
| **LIABILITIES** | | |
| Current liabilities | **71,487** | 56,793 |
| Non-Current liabilities | **53,633** | 29,197 |
| **Total Liabilities** | **125,120** | 85,990 |
| **EQUITY** | | |
| Contributed equity | **18,406** | 18,406 |
| Retained profit | **56,373** | 59,446 |
| Asset revaluation reserve | **36,772** | 36,772 |
| **Total Equity** | **111,551** | 114,624 |

### b) Guarantees

Refer to Note 8.3 for Guarantees issued by the Bank in respect of contracts secured relating to the Company. All Guarantees stated in Note 8.3 relate to the Company.

### c) Capital expenditure commitments

Refer to Note 9.3 for capital expenditure contracted for at the balance sheet date but not recognised as liabilities in the financial report. All capital expenditure commitments stated in Note 9.3 relate to the Company.

## 6.3: Subsidiaries and joint operations

### Principals of consolidation

The Consolidated Financial Statements incorporate the assets, liabilities and results of the Company and the entities controlled by the Company (its subsidiaries) and joint operations.

Control is achieved where the Company a) has power over the investee; b) is exposed, or has rights, to variable returns from its involvement with the investee; and c) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

### Recognition and measurement

**Subsidiaries and Joint Operations**

The consolidated financial statements of the Group include:

| Name of Subsidiary/Joint Operation | Principal activity | Date of Acquisition | Country of incorporation | % Equity interest 30/06/2021 | % Equity interest 30/06/2020 |
|---|---|---|---|---|---|
| Sterling Group Services Pty Ltd | Open Space Management | 1 January 2011 | Australia | 100% | 100% |
| A.W.D. Earthmoving Pty Ltd | Infrastructure | 31 May 2012 | Australia | 100% | 100% |
| Technigro Australia Pty Ltd | Holding Company | 1 October 2013 | Australia | 100% | 100% |
| Technigro Pty Ltd | Open Space Management | 1 October 2013 | Australia | 100% | 100% |
| Citywide Utilities Pty Ltd | Utilities | 29 June 2020 | Australia | 100% | 100% |
| Citywide Asphalt Group (Aus) Pty Ltd | Asphalt Manufacturing | 15 January 2016 | Australia | 50% | 50% |

**Citywide Utilities Pty Ltd**

Citywide Utilities Pty Ltd was established in 2020 for the purpose of driving growth in the Energy and Utilities sector.

**Joint Operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses in accordance with the AASB's applicable to the particular assets, liabilities, revenue and expenses. These have been incorporated in the financial statements under the appropriate headings.

When the Group transacts with a joint operation in which Citywide Service Solutions Pty Ltd is a joint operator (such as a sale or contribution of assets), any gains or losses are recognised in the financial statements only to the extent of the other party's interests.

**Citywide Asphalt Group (Aus) Pty Ltd**
Previously known as Citywide North Melbourne Asphalt Pty Ltd, the corporate nominee changed its name to Citywide Asphalt Group (Aus) Pty Ltd in January 2020.

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

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

**Guarantee provided to Fulton Hogan Industries Pty Ltd**
As part of the joint arrangement, the Group has provided a guarantee up to a maximum of $7,000,000 in the event the Asphalt joint operation ceases its operations and is permanently closed within 7 years of its commencement on 15th January 2016. Due to changes in law or issue of notices, making of order or direction given by a Government Agency since the commencement date, Fulton Hogan has a right to claim for compensation from the Group. The liability payable on the closure date will be reduced on a straight line basis by the number of months the Asphalt joint operation has operated since the commencement date. As at 30 June 2021, management is of the view the Asphalt joint operation will continue its operation and liability for compensation to Fulton Hogan is unlikely. As a result, no liability has been recognised. If compensation was made at 30 June 2021, an amount of $1,500,000 would be payable.

## 6.4: Acquisitions

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

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

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

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

If the acquisitions occurred on 1 July 2020, management estimates that consolidated revenue would have been $352,763,116 and consolidated profit (before tax) for the year would have been $10,221,876. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisitions had occurred on 1 July, 2020.

**Acquisition-related costs**
The company incurred acquisition-related costs of $515,000 on legal fees and due diligence costs. These costs have been included in 'Other expenses'.

**Gordon McKay (GMK)**

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

| | 2021 $'000 |
|---|---|
| **Consideration** | |
| Cash and cash equivalents | **6,517** |
| Contingent consideration | **779** |
| **Total consideration** | **7,296** |

**Contingent consideration**

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

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

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

**Measurement of fair values**

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

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

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill arising from the acquisition has been recognised as follows.

| | 2021 $'000 |
|---|---|
| **Goodwill** | |
| Consideration transferred | **7,296** |
| Fair value of identifiable net assets | **(3,513)** |
| **Goodwill** | **3,782** |

**Goodwill**

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

**Frontline Electrical**

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

| | 2021<br>$'000 |
|---|---|
| **Consideration** | |
| Cash and cash equivalents | **3,214** |
| Contingent consideration | **453** |
| **Total consideration** | **3,667** |

**Contingent consideration**

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

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

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

**Measurement of fair values**

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

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

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill arising from the acquisition has been recognised as follows.

| | 2021<br>$'000 |
|---|---|
| **Goodwill** | |
| Consideration transferred | **3,667** |
| Fair value of identifiable net assets | **(967)** |
| **Goodwill** | **2,700** |

**Goodwill**

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

**Ultegra**

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

| | 2021 |
|---|---|
| | $'000 |
| **Consideration** | |
| Cash and cash equivalents | **5,504** |
| Contingent consideration | **3,239** |
| **Total consideration** | **8,743** |

**Contingent consideration**

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

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

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

**Measurement of fair values**

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

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

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill arising from the acquisition has been recognised as follows.

| | 2021 |
|---|---|
| | $'000 |
| **Goodwill** | |
| Consideration transferred | **8,743** |
| Fair value of identifiable net assets | **(3,935)** |
| **Goodwill** | **4,808** |

**Goodwill**

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

## 6.5: Dividends

| | 2021 | 2020 |
|---|---|---|
| **Movement in dividend payable provision** | **$'000** | $'000 |
| Balance at beginning of year | **2,000** | 3,200 |
| Additional provisions raised during the year | **4,200** | 2,000 |
| Amounts paid during the year | **(2,000)** | (3,200) |
| **Balance at end of year** | **4,200** | 2,000 |

The Board has declared a dividend of $4,200,000 (2020: $2,000,000), payable in October 2021.

### Recognition and measurement

Provision is made for the amount of any dividend determined, being appropriately authorised on or before the end of the financial year but not distributed by the year end date.

## 6.6: Intangible assets – other

| | Goodwill on acquisitions | Customer relationships | Total |
|---|---|---|---|
| **Critical accounting estimates and judgement** | | | |
| Amortisation policy | Not applicable | 5 years | |
| **2021** | **$'000** | **$'000** | **$'000** |
| **Cost** | | | |
| Opening balance | 28,440 | 1,500 | **29,940** |
| Additions | 11,290 | 3,067 | **14,357** |
| Disposals | - | - | **-** |
| **Closing balance** | **39,730** | **4,567** | **44,297** |
| **Accumulated amortisation and impairment** | | | |
| Opening balance | (9,339) | (1,500) | **(10,839)** |
| Amortisation | - | (477) | **(477)** |
| Impairment | - | - | **-** |
| **Closing balance** | **(9,339)** | **(1,977)** | **(11,316)** |
| **Carrying value at 30 June 2021** | **30,391** | **2,590** | **32,981** |
| **2020** | **$'000** | **$'000** | **$'000** |
| **Cost** | | | |
| Opening balance | 28,342 | 1,500 | **29,842** |
| Additions | 98 | - | **98** |
| Disposals | - | - | **-** |
| **Closing balance** | **28,440** | **1,500** | **29,940** |
| **Accumulated amortisation and impairment** | | | |
| Opening balance | (4,796) | (1,500) | **(6,296)** |
| Amortisation | - | - | **-** |
| Impairment | (4,543) | - | **(4,543)** |
| **Closing balance** | **(9,339)** | **(1,500)** | **(10,839)** |
| **Carrying value at 30 June 2020** | **19,101** | **-** | **19,101** |

### Recognition and measurement

**Goodwill**

Goodwill acquired in a business combination is measured at cost as established at the date of the business combination and subsequently measured at cost less any accumulated impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

**Customer relationship assets**

Customer relationships acquired as part of a business combination are recognised separately from goodwill and carried at fair value at the date of acquisition less accumulated amortisation and any accumulated impairment losses. Any deferred tax liabilities related to customer relationships are calculated and recorded as a part of goodwill. Customer relationships are amortised on a straight-line basis over their useful economic life.

**Impairment of assets**

The Group tests assets to ensure that they are not carried above their recoverable amounts:

- annually, or more frequently if events or changes in circumstances indicate that the assets may be impaired, for goodwill and intangible assets that have an indefinite useful life; and
- for all other assets whenever an indication of impairment may exist.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units or CGUs).

The recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and fair value in use, is compared to the asset's carrying value. The excess of the asset's carrying value over its recoverable amount is expensed to other comprehensive income.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU). A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Allocation of goodwill to CGUs

For the purposes of the annual impairment testing, goodwill is allocated to the consolidated entity's operating divisions. The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

| | **2021**<br>**$'000** | 2020<br>$'000 |
|---|---|---|
| **Current** | | |
| Victoria operations | **9,588** | 9,588 |
| NSW/ACT operations | **3,325** | 3,325 |
| Technigro | **6,188** | 6,188 |
| Gordon McKay | **3,782** | - |
| Frontline Electrical | **2,700** | - |
| Ultegra | **4,808** | - |
| | **30,391** | 19,101 |

The recoverable amount of each CGU has been determined based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

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

**Key assumptions used in the discounted cash flow projections**

Future cash flows have been based on the financial year 2022 budget and overlaid with appropriate discount and growth rates. The discount and growth rate assumptions are as follows:

| | **2021** | **2020** |
|---|---|---|
| Discount rate (WACC) | 5.80% | 9.00% |
| Growth rate | 2.20% | 2.20% |

The discount rate used is a post-tax measure based on the company's weighted average cost of capital (WACC). The WACC has been determined in conjunction with professional valuation advice received from an independent consulting firm.

Each CGU has five years of cash flows included in its discounted cash flow models and a terminal growth rate thereafter. The discounted cash flow models the first year cash flow which is based on the financial year 2022 budget. For the purposes of calculating a terminal value after 5 years’ management has estimated a long term growth rate based on past experience and expectations for the future.

### Derecognition of intangible assets

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is de-recognised.

**Critical accounting estimates and judgement**

***Estimation of recoverable amount***

The recoverable amounts of CGUs have been determined based on value in use calculations using discounted cash flow projections based on the budget approved by the Board for the next financial year and management's forecasts covering a five-year period. These calculations require the use of assumptions as outlined above.

***Fair value calculation***

The fair value of customer relationships acquired is calculated considering the estimated future recurring revenues from existing customers in the acquired operations at the date of the acquisition. The calculation involves the development of expected cash flows discounted at an appropriate discount rate. Projecting the expected cash flows involves estimating the likelihood of existing customers extending and renewing long-term contracts based on historical observations. The estimated useful life for amortisation is determined based on that assessment.

## 7: TAXATION

### Introduction to this section

This section outlines Income Tax equivalents attributed from operating activities along with any deferred tax assets or liabilities.

### Structure

7.1: Income tax
7.2: Deferred tax

### 7.1: Income tax

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

| | **2021 $'000** | 2020 $'000 |
|---|---|---|
| Prima facie income tax equivalents on the profit from continuing operations at 30% (2020: 30%) | **1,834** | 68 |
| Increase tax equivalents payable due to: | | |
| Non deductible expenses | **161** | 1,370 |
| Income tax equivalents attributed to operating profit | **1,995** | 1,438 |
| | | |
| Income tax equivalents attributable to operating profit comprise: | | |
| Current tax provision | **2,951** | 786 |
| Deferred income tax liability | **924** | 5,529 |
| Deferred income tax asset | **(1,880)** | (4,877) |
| | **1,995** | 1,438 |

#### Recognition and measurement

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

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

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

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

## 7.2: Deferred tax

| 2021 $'000 | Balance at 1 July | Charge to Income Statement | Charged to Asset Revaluation | Current Year Recognition | Balance at 30 June | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|---|
| Employee benefits | **3,489** | 958 | - | - | **4,447** | **4,447** | **-** |
| Accruals | **246** | 610 | - | - | **856** | **856** | **-** |
| Other | **286** | (60) | - | - | **226** | **226** | **-** |
| Depreciation | **114** | (1,030) | - | - | **(916)** | **(916)** | **-** |
| Revaluation of land | **(15,757)** | - | - | - | **(15,757)** | **-** | **(15,757)** |
| Customer relationships | **-** | 143 | - | (920) | **(777)** | **-** | **(777)** |
| Right-of-use asset | **(5,397)** | (21) | - | - | **(5,418)** | **-** | **(5,418)** |
| Lease liability | **5,163** | 357 | - | - | **5,520** | **5,520** | **-** |
| **Tax assets / liabilities** | **(11,855)** | **957** | **-** | **(920)** | **(11,819)** | **10,133** | **(21,952)** |

| 2020 $'000 | Balance at 1 July | Charge to Income Statement | Charged to Asset Revaluation | Current Year Recognition | Balance at 30 June | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|---|
| Employee benefits | 3,391 | 98 | - | - | 3,489 | 3,489 | - |
| Accruals | 612 | (366) | - | - | 246 | 246 | - |
| Other | 305 | (19) | - | - | 286 | 286 | - |
| Depreciation | 248 | (134) | - | - | 114 | 114 | - |
| Revaluation of land | (12,506) | - | (3,251) | - | (15,757) | - | (15,757) |
| Customer relationships | | | - | - | - | - | - |
| Right-of-use asset | | | | (5,397) | (5,397) | | (5,397) |
| Lease liability | | | - | 5,163 | 5,163 | 5,163 | |
| **Tax assets / liabilities** | (7,950) | (421) | (3,251) | (234) | (11,855) | 9,298 | (21,154) |

### Recognition and measurement

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used in the computation of taxable profit. Deferred tax is measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised based on laws that have been enacted or substantively enacted at reporting date.

### Critical accounting estimates and judgement

Deferred tax assets are recognised for all deductible temporary differences only to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 8: MANAGING RISK AND UNCERTAINTY

### Introduction to this section

The Group is exposed to risk from its activities and outside factors. This section sets out financial instruments specific information, including exposures to financial risks, as well as those items that are contingent in nature or require a higher level of judgement.

### Structure

8.1: Financial instruments
8.2: Fair value – financial assets and liabilities
8.3: Contingencies

## 8.1: Financial instruments

**Objectives and policies**

The Group's principal financial instruments comprise cash assets, receivables, payables and security deposits. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in the sections where the related financial statement line item is disclosed. Risk management is carried out by senior management under policies approved by the Group. These policies include identification and analysis of the risk exposure to the Group and appropriate procedures, controls and risk minimisation.

**Market Risk**

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The Group's exposures to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

**Credit risk**

The credit risk on financial assets of the Group, is generally the carrying amount net of any provisions for doubtful debts. Debtors risk is managed by ongoing following up on debts as they fall due.

**Interest rate risk**

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability as at 30 June 2021 is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Group intends to hold fixed rate assets and liabilities to maturity.

| | Note | Floating interest rate | Non-interest bearing | Total |
|---|---|---|---|---|
| | | $'000 | $'000 | $'000 |
| **2021** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 4.2 | 13,552 | - | 13,552 |
| Trade and other receivables | 5.1 | - | 55,737 | 55,737 |
| | | **13,552** | **55,737** | **69,289** |
| Weighted average interest rate | | 0.10% | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 5.3 | - | 54,130 | 54,130 |
| Security deposits | 5.3 | - | 3 | 3 |
| Loans and borrowings | 5.6 | 18,200 | - | 18,200 |
| | | **18,200** | **54,133** | **72,333** |
| Weighted average interest rate | | 1.37% | | |
| **Net financial (liabilities) / assets** | | **(4,648)** | **1,604** | **(3,044)** |

| | Note | Floating interest rate | Non-interest bearing | Total |
|---|---|---|---|---|
| | | $'000 | $'000 | $'000 |
| **2020** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 4.2 | 9,860 | - | 9,860 |
| Trade and other receivables | 5.1 | - | 33,160 | 33,160 |
| | | **9,860** | **33,160** | **43,020** |
| Weighted average interest rate | | 0.25% | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 5.3 | - | 42,606 | 42,606 |
| Security deposits | 5.3 | - | 28 | 28 |
| Loans and borrowings | 5.6 | - | - | - |
| | | **-** | **42,634** | **42,634** |
| Weighted average interest rate | | 1.99% | | |
| **Net financial (liabilities) / assets** | | **9,860** | **(9,474)** | **386** |

| | 2021 | 2020 |
|---|---|---|
| | $'000 | $'000 |
| **Ageing of Trade Receivables** | | |
| Current (not yet due) | **40,273** | 30,990 |
| Past due by up to 30 days | **7,284** | 1,570 |
| Past due between 31 and 180 days | **7,973** | 488 |
| Past due between 181 and 365 days | **207** | 112 |
| | **55,737** | 33,160 |

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group has a bank loan facility that it uses to cover working capital requirements as needed (available funds at 30 June 2021 were $20.5m).

**8.1 Financial instruments - Liquidity risk**

**Year ended 30 June 2021**

| Contractual maturities | 6 months or less $'000 | 6 - 12 months $'000 | 1 - 5 years $'000 | 5 Years or more $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Liquid financial assets** | | | | | |
| Cash and cash equivalents | 13,552 | - | - | - | **13,552** |
| Trade and other receivables | 55,530 | 207 | - | - | **55,737** |
| | **69,082** | **207** | **-** | **-** | **69,289** |
| **Financial liabilities** | | | | | |
| Trade and other payables | 52,695 | - | 1,435 | - | **54,130** |
| Security deposits | 3 | - | - | - | **3** |
| Loans and borrowings | 12,000 | - | 6,200 | - | **18,200** |
| | **64,698** | **-** | **7,635** | **-** | **72,333** |
| **Net inflow/(outflow)** | **4,384** | **207** | **(7,635)** | **-** | **(3,044)** |

**Year ended 30 June 2020**

| Contractual maturities | 6 months or less $'000 | 6 - 12 months $'000 | 1 - 5 years $'000 | 5 Years or more $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Liquid financial assets** | | | | | |
| Cash and cash equivalents | 9,860 | - | - | - | **9,860** |
| Trade and other receivables | 33,048 | 112 | - | - | **33,160** |
| | **42,908** | **112** | **-** | **-** | **43,020** |
| **Financial liabilities** | | | | | |
| Trade and other payables | 42,606 | - | - | - | **42,606** |
| Security deposits | 28 | - | - | - | **28** |
| Loans and borrowings | - | - | - | - | **-** |
| | **42,634** | **-** | **-** | **-** | **42,634** |
| **Net inflow/(outflow)** | **274** | **112** | **-** | **-** | **386** |

## Recognition and measurement

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

**Interest rate sensitivity analysis**

Taking into account past performance, future expectations, economic forecasts and management's knowledge and experience in the financial markets, the Group believes that a movement of 25 basis points higher or lower is reasonably possible

At Reporting date, if interest rates had been 25 basis points higher or lower and all other variables were held constant, the Group's net profit would decrease by $38,000 and increase by $38,000 respectively (2020: decrease by $19,000 and increase by $19,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

## 8.2: Fair value – financial assets and liabilities

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values are included in the relevant note.

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- carrying amount and the fair value (which would be the same for those assets measured at fair value)
- which level of the fair value hierarchy was used to determine the fair value

Where the fair value of the financial instruments is different from the carrying amounts, the following information has been included to disclose the difference.

**Fair value of financial instruments measured at amortised cost**
The Group considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

Citywide's contractual financial assets and liabilities are measured at amortised cost; none of the classes of financial assets and liabilities are readily traded on organised markets in standardised form.

| | Carrying amount | Fair value | Carrying amount | Fair value |
|---|---|---|---|---|
| | 2021 | 2021 | 2020 | 2020 |
| **Financial assets** | | | | |
| Cash and cash equivalents | 13,552 | 13,552 | 9,860 | 9,860 |
| Trade and other receivables | 55,737 | 55,737 | 33,160 | 33,160 |
| | **69,289** | **69,289** | **43,020** | **43,020** |
| **Financial liabilities** | | | | |
| Trade and other payables | 54,130 | 54,130 | 42,606 | 42,606 |
| Security deposits | 3 | 3 | 28 | 28 |
| Loans and borrowings | 18,200 | 18,200 | - | - |
| Dividend payable | 4,200 | 4,200 | 2,000 | 2,000 |
| | **76,533** | **76,533** | **44,634** | **44,634** |

**Fair value determination of non-financial physical assets**

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

| | Carrying amount as at 30 June 2020 | Fair value measurement at end of reporting period using | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| Land at fair value | 56,900 | - | 56,900 | - |
| | **56,900** | **-** | **56,900** | **-** |

There have been no transfers between levels during the period.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate fair value.

**Land** is valued using the market approach, whereby assets are compared to recent comparable sales of comparable assets that are considered to have a nominal value.

## 8.3: Contingencies

**Contingent liabilities**
Guarantees issued by the Bank in respect of contracts secured of $14,853,396 (2020: $13,393,261).

As part of the acquisitions of the Gordon McKay, Frontline Electrical and Ultegra businesses, the Group recognised a liability for contingent consideration which will be paid if certain earnings targets are met and key employees and customers are retained by the acquired entity (refer to Note 6.4). This contingent consideration was therefore taken into account in determining the amount of goodwill on acquisition.

**Recognition and measurement**
Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable, respectively.

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

## 9: OTHER DISCLOSURES

### Introduction to this section

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

### Structure

9.1: Key management personnel compensation
9.2: Related party information
9.3: Commitments
9.4: Events after reporting date
9.5: New accounting standards and interpretations

### 9.1: Key management personnel compensation

Details of persons holding executive positions or other Key Management Personnel positions are:

| Position | Name | Comments |
|---|---|---|
| Chairman | John Brumby | |
| Director | Janice van Reyk | Retired effective 5 October, 2020 |
| Director | Andrea Waters | |
| Director | Prue Willsford | |
| Director | Paul Hardy | |
| Director | Peter Lamell | |
| Director | John Grouios | Appointed on 1 August, 2020 |
| Chief Executive Officer | Chris Campbell | |
| Chief Financial Officer | Paul Hudson | |
| Executive Operations | Duncan Reid | |
| Executive General Manager – Energy and Utilities | Mario Bavaro | Appointed on 1 July, 2020 |
| General Counsel and Company Secretary | Heidi Mitchell | |
| Executive People and Culture | Angelica Georgaklis | Employed on a part time basis |

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

| | **2021** | 2020 |
|---|---|---|
| \$0 - \$79,999 | **2** | - |
| \$80,000 - \$89,000 | **1** | 1 |
| \$90,000 - \$99,999 | **3** | 4 |
| \$100,000 - \$149,999 | **1** | 1 |
| \$200,000 - \$249,999 | **1** | - |
| \$250,000 - \$299,999 | **1** | 1 |
| \$300,000 - \$349,999 | **3** | 1 |
| \$350,000 - \$399,999 | **-** | 1 |
| \$400,000 - \$449,000 | **-** | 1 |
| \$450,000 - \$499,999 | **-** | - |
| \$500,000 - \$599,999 | **1** | - |
| \$600,000 - \$699,999 | **-** | - |
| \$700,000 - \$799,999 | **-** | 1 |
| | **13** | 11 |

| | | |
|---|---|---|
| | **$'000** | $'000 |
| Total remuneration for the financial year included above | **2,658** | 2,736 |

**Key management personnel compensation comprised the following:**

| | **2021** | 2020 |
|---|---|---|
| | **$'000** | $'000 |
| Short-term employee benefits | **2,423** | 2,531 |
| Post-employment benefits | **188** | 166 |
| Other long-term benefits | **47** | 39 |
| | **2,658** | 2,736 |

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

**Other KMP transactions**

For details of other transactions with KMP, refer to Note 9.2 Related party information.

## 9.2: Related party information

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

**Key management personnel**
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, including any director (whether executive or otherwise) of the Company is considered key management personnel. Refer to Note 9.1 for the details of the Key management personnel remuneration during the financial year.

**Transactions with the ultimate parent entity**
Transactions with the ultimate parent entity during the financial year were based on a contract for the provision of services comprising vehicle rental, provision of administration services, property rental, contract sales, purchases of raw materials and plant and equipment, and in accordance with the Tax Equivalent Policy, the payment of charges (tax equivalents), which includes income tax and payroll tax. All transactions were made on commercial terms and conditions and at market rates.

Revenue transactions with the ultimate parent entity amounted to $79,089,420 (2020: $57,714,183) during the financial year. The amount owing at reporting date is detailed in Note 5.1.

Expenditure transactions with the ultimate parent entity amounted to $473,332 (2020: $464,059) during the financial year. The amount owing at reporting date is detailed in Note 5.3.

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

**Transactions with subsidiaries**
Transactions with subsidiaries during the financial year were based on the provision of services comprising contract sales. All transactions were made on commercial terms and conditions and at market rates.

Transactions with subsidiaries during the financial year were as follows:

| | **2021** | 2020 |
|---|---|---|
| | **$'000** | $'000 |
| **Name of subsidiary** | | |
| Sterling Group Services Pty Ltd | **-** | - |
| A.W.D Earthmoving Pty Ltd | **-** | - |
| Technigro Australia Pty Ltd | **-** | - |
| Technigro Pty Ltd | **-** | - |
| Citywide Utilities Pty Ltd | **59** | - |
| | **59** | - |

**Transactions with other related parties**
The Group provided services to The Queen Victoria Market amounting to $0 (2020: $8,093), which is also owned by the Melbourne City Council. Transactions occurred on commercial arm's length terms.

Ms Janice van Reyk, a former director of the Group, is a trustee on the Melbourne & Olympic Parks Trust. At various stages throughout the year, the Group provided services to the Trust in the form of traffic management for event days at AAMI Park. During FY2021 period the Trust paid $5,609 to the Group ($17,559 in FY2020) for traffic management services provided to the Trust. She is also a director of Tennis Australia. During FY2021 period the Group provided services to Tennis Australia in the form of traffic management for the Australian Open event, for which Tennis Australia paid $307,698 to the Group ($202,378 in FY2020).

Mr Peter Lamell, a director of the Group, is a director of National Trust of Australia (Victoria). At various stages throughout the year, the Group provided services to the National Trust of Australia (Victoria) in the form of Commercial Waste services. During FY2021 period the National Trust of Australia (Victoria) paid $1,933 to the Group ($1,100 in FY2020) for these services.

Transactions between the Group and Citywide Asphalt Group (Aus) Pty Ltd were to the value of $4,080,000, of which $3,545,000 relates to the purchase of asphalt and $535,000 relates to Occupancy Cost on-charges. $330,000 is still unpaid at 30 June 2021. Payment terms between the two entities are 45 days from invoice date.

## 9.3: Commitments

| | **2021** | 2020 |
|---|---|---|
| | **$'000** | $'000 |
| **Capital expenditure commitments** | | |
| Capital expenditure planned at the reporting date but not recognised as liabilities in the financial report: | | |
| - Payable within one year | **15** | 3,175 |

The Group has entered into non-cancellable leases in respect to administrative premises and various items of plant and fleet. Prior year operating lease commitments have been recorded on the balance sheet as lease liabilities at 30 June 2021, refer to section 5.5.

## 9.4: Events after reporting date

Recent COVID-19 restrictions implemented in Greater Melbourne in Victoria, and Greater Sydney in NSW, are likely to impact productivity and output across the Group for an unknown period, although Management's analysis conducted to date suggests that any impact is unlikely to be material.

The Group paid down $12.0m in Borrowings in July and as a consequence has classified $12.0m in Borrowings as a Current Liability as detailed in Note 5.6.

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

## 9.5: New accounting standards and interpretations

At the date of this financial report the following standards and interpretations which are applicable to the Group, have been issued but are not yet effective. The Group has not adopted and does not intend to adopt these standards early.

A discussion of their future requirements and their impact on the Group is as follows:

| Standard / Interpretation [i] | Summary | Applicable for annual reporting periods beginning on | Impact on Citywide's financial statements |
|---|---|---|---|
| AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as current or Non-current | AASB 2020-1 makes amendments to AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.<br>A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for the liability for at least 12 months after the reporting period. The AASB recently issued amendments at AASB 101 to clarify the requirements for classifying liabilities as current. | 1 Jan 2022 | The assessment has indicated that there will be no significant impact. |
| AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments | AASB 2020-3 amends the following Australian Accounting Standards:<br>- AASB 1 First-time Adoption of Australian Accounting<br>Standards (July 2015);<br>- AASB 3 Business Combinations (August 2015);<br>- AASB 9 Financial Instruments (December 2014);<br>- AASB 116 Property, Plant and Equipment (August 2015);<br>- AASB 137 Provisions, Contingent Liabilities and Contingent Assets (August 2015); and<br>- AASB 141 Agriculture (August 2015). | 1 Jan 2022 | The assessment has indicated that there will be no significant impact. |

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2020-21 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on the Group's reporting.

- *AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*

Citywide Service Solutions Pty Ltd
DIRECTORS DECLARATION

In the Director's opinion:

a. The financial statements are in accordance with the Corporations Act 2001, including:

   i. Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   ii. Giving a true and fair view of the Group's consolidated financial position as at 30 June 2021 and of its performance for the financial year ended on that date.

b. The financial statements also comply with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in the relevant notes; and

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

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

**J Brumby**
**(Chairman)**

**A Waters**
**(Director)**

**30/08/2021**

# Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

### *To the Directors of CityWide Service Solutions Pty Ltd*

**Opinion**

I have audited the consolidated financial report of CityWide Service Solutions Pty Ltd (the company) and its controlled entities (together the consolidated entity), which comprises the:

- consolidated statement of financial position as at 30 June 2021
- consolidated statement of profit and loss and other comprehensive income for the year then ended
- consolidated statement of changes in equity for the year then ended
- consolidated statement of cashflows for the year then ended
- notes to the financial statements, including significant accounting policies
- directors' declaration.

In my opinion the financial report is in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2021 and of their financial performance and cash flows for the year then ended
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Opinion**

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the company and the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

| | |
|---|---|
| **Directors' responsibilities for the financial report** | The Directors of the company are responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the Directors determines is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.<br><br>In preparing the financial report, the Directors are responsible for assessing the company and the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so. |
| **Auditor's responsibilities for the audit of the financial report** | As required by the Audit Act 1994, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.<br><br>As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:<br><br>• identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control<br>• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and the consolidated entity's internal control<br>• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors<br>• conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company and the consolidated entity to cease to continue as a going concern. |

| | |
|---|---|
| | • evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation<br>• obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the company and the consolidated entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the company and the consolidated entity. I remain solely responsible for my audit opinion. |
| **Auditor's responsibilities for the audit of the financial report (continued)** | I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.<br><br>I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards |

MELBOURNE
14 September 2021

Sanchu Chummar
*as delegate for the Auditor-General of Victoria*

# Auditor-General's Independence Declaration

**To the Directors, CityWide Service Solutions Pty Ltd**

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

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

## *Independence Declaration*

As auditor for CityWide Service Solutions Pty Ltd for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

MELBOURNE
14 September 2021

Sanchu Chummar
*as delegate for the Auditor-General of Victoria*