delivering

sustainable outcomes for communities

city WIDE

Annual Report 2007

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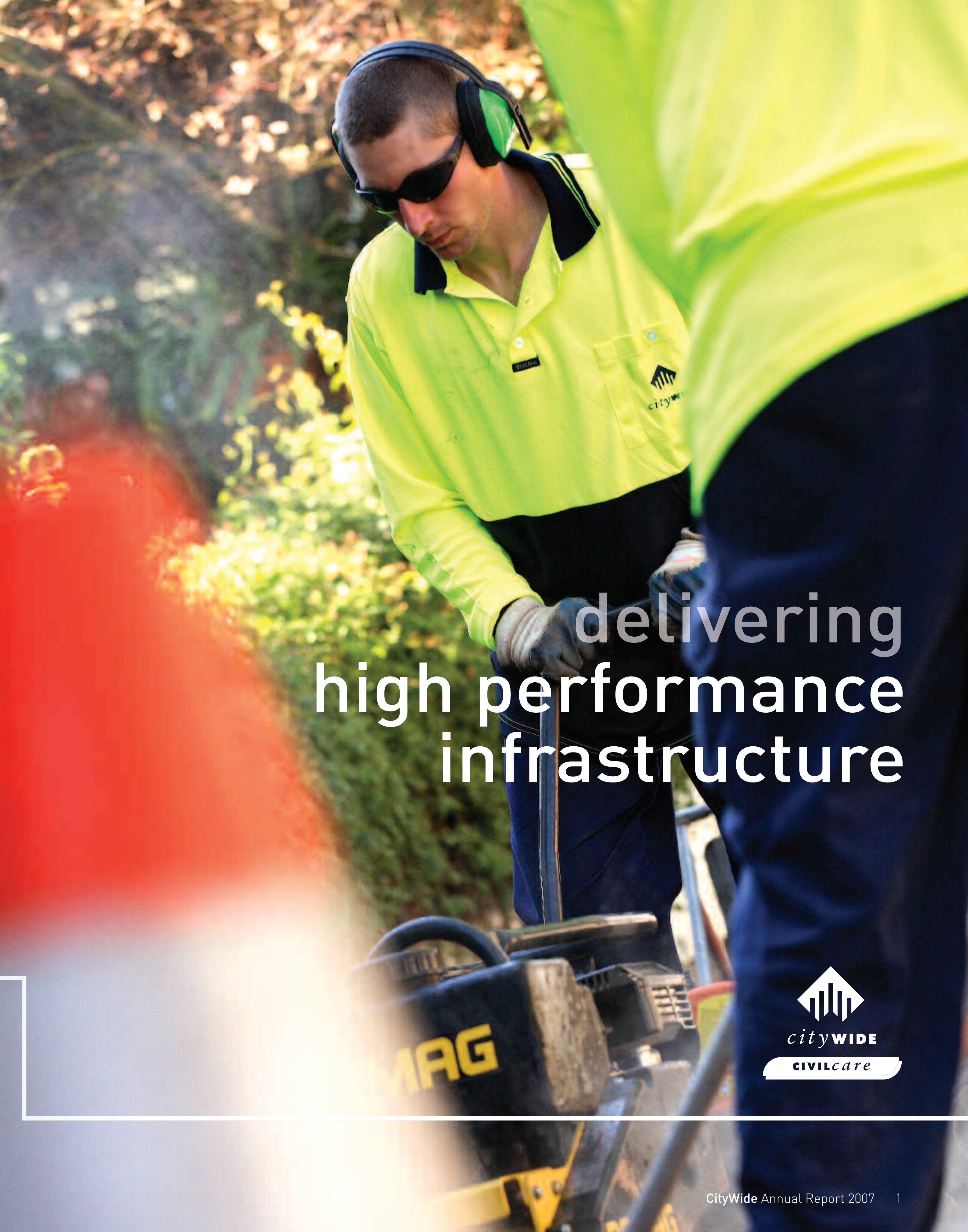

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Indicators & Performance Measures

Indicators	2007	2006	2005	2004	2003
Total Revenue ('000)	$128,003	$96,181	$85,248	$79,652	$72,500
Profit from ordinary activities before income tax ('000)	$8,764	$6,557	$5,746	$4,634	$3,574
Net profit after income tax ('000)	$6,113	$4,549	$3,965	$3,230	$2,458
Total assets ('000)	$84,445	$55,195	$50,534	$47,135	$44,977
Shares issues ('000)	$18,406	$18,406	$18,406	$18,406	$18,406
Total equity ('000)	$38,659	$31,129	$28,421	$26,026	$24,039
Number of direct employees	770	466	445	467	478

Performance Measures	2007	2006	2005	2004	2003
Return on sales before tax	6.8%	6.8%	6.7%	5.8%	4.9%
Return on assets after tax*	7.2%	8.2%	7.8%	6.9%	5.5%
Earnings per share after tax	33.2 cents	24.7 cents	21.5 cents	17.5 cents	13.4 cents
Return on total equity after tax	15.8%	14.6%	14.0%	12.4%	10.2%
Current ratio	0.86:1	0.96:1	0.94:1	1.02:1	1.3:1
Revenue per employee	$166,238	$206,397	$191,569	$170,561	$151,674

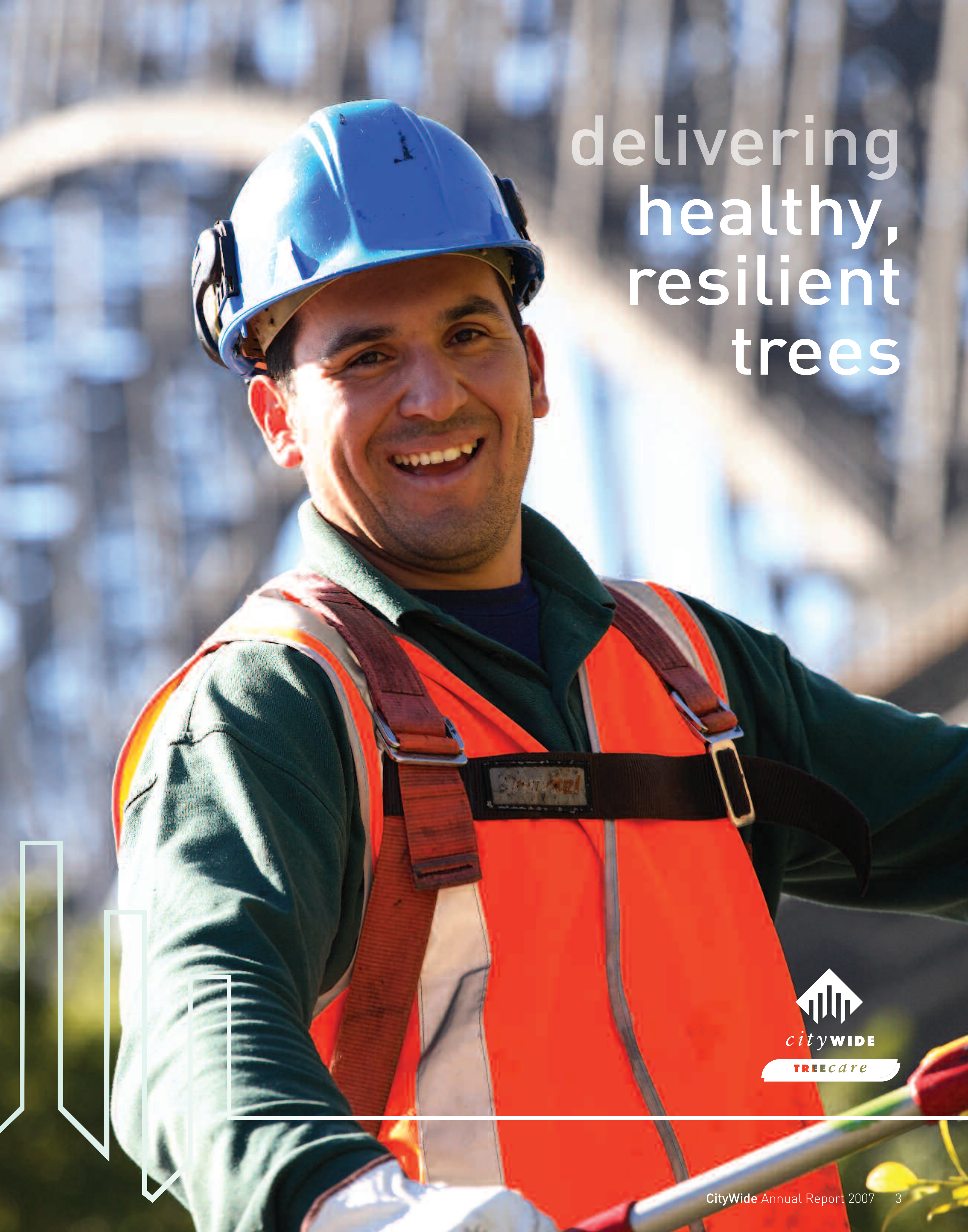
**Includes 7 months earnings from acquistion*

Executive Team

Back L to R: John Collins (Chief Financial Officer), Jim Dunstan (General Manager Operations)

Front L to R: Paul Gilmore (Group Manager Sales and Marketing), Kerry Osborne (Managing Director), Craig Nisbet (Group Manager Risk).

delivering healthy, resilient trees



The Year in Review

An outstanding year marked by success and positive change.

In a year of great success across the business, we produced the Company's best financial performance since its inception in 1995. We have also experienced positive change through the acquisition and effective integration of the Spotless open space business.

A major accomplishment, the Spotless acquisition has complemented our existing operations in a core area of the business. Adding a number of significant contracts to our already impressive open space and street sweeping operations, CityWide can now confidently claim to be Australia's leading open space provider.

Augmented by further contract wins, the acquisition has increased CityWide's workforce by more than 35% per cent to 770 people in 2007. Over the last six months a focus on communication has driven the smooth integration of acquired contracts. The integrated business is now flourishing under the CityWide banner.

In addition to growth by acquisition, the Company has continued to expand both organically and through tender success while retaining a number of major contracts. Through the 2006/07 year our asphalt facilities at both North Melbourne and Campbellfield produced greater quantities of high quality product for the Victorian market. Campbellfield in particular, has secured asphalt supply and lay contracts with major developers in the northern Melbourne region. The current rebuild of North Melbourne into one of the world's most modern asphalt facilities (incorporating cutting edge pollution control, noise reduction and dust extraction technologies) will add the ability to make high quality recycled mix and other environmentally friendly products.

New contracts have been secured in strategic areas. We serve a new community in Casey, providing us with a firm foothold in Melbourne's northern growth corridor. In addition to other Victorian contract wins we have strengthened our presence in NSW. Soon after establishing Sydney operations at a new depot, we won an important civil reinstatement contract in Randwick and more recently the high profile redevelopment at iconic Bondi foreshore.

Significantly extending our reach, CityWide's Infrastructure Division successfully tendered for VicRoads rural and urban road maintenance contracts. With new long term contracts, we now have a robust position in state road works. This has been supported by wins in state civil construction projects, vastly improving our reach and therefore visibility across Victoria.

With new frontiers came new challenges. The move into the regions placed our people into situations never before experienced by the Company. From supporting fire-fighting efforts through the summer, to snow clearing as the coldest winter in many years froze alpine areas. As always CityWide personnel adapted and excelled throughout these challenges.

Contract retention is crucial to building a sustainable business when demonstrating the strong relationships we hold and the quality of our service delivery. CityWide has retained a number of key contracts in the cities of Melbourne (street sweeping), Kingston (open space), Manningham (waste) and Stonnington (trees) as well as Yarra Trams (tram track sweeping in Melbourne). We have been recognised as partners in the growth of these Companies and their surrounding communities.

Change has also occurred at both Board and Management level. The commencement of a new Director, Mr Alan Evans, brings greater experience in the New South Wales market. Also the appointment of Craig Nisbet as Group Manager Risk will ensure our safety, quality and risk systems keep step with our growth and become fully integrated into our systems and work ethic. 2006/07 also saw the departure of Mr Mark Mackay. Mark was General Manager Infrastructure Services for over four years and led the division through a period of consolidation and growth.

The year ahead will bring significant challenges with a number of major contracts up for re-tender in the early part of 2008 but we are confident, regardless of the outcome, that our tendering team will rise to the challenge.

The new CityWide brand refurbishment roll out is about to begin. In addition, the adoption of committed values linked to key performance indicators will see a greater emphasis placed on individual performance and reward.

J L Davies - Chairman

K F Osborne - Managing Director

This will be an exciting time for the Company as we reshape our public face and internal culture to keep pace with our competitors and to match our growth and ambition.

More than ever before, 2006/07 demonstrated the unity and determination of CityWide's workforce. Despite the pressures of rapid growth and competition, employees have backed a collective agreement that will form the basis of our development for the next three years. We wish to thank all employees for the commitment shown to CityWide by this new agreement.

We can now all get on with the job of making CityWide Australia's most successful physical services company.

Shareholder Value and Profitable Growth

Revenue in the current year has grown to $128 million from $96 million in the previous year. This has translated to a profit after tax of $6.1 million an improvement over the previous year of $1.56 million. The dividend has also increased from $1.84 million in 2006 to $2.49 million in the current year. Return on sales has remained consistent at 6.8% and equity has grown by 1.2% to 15.8 percent. Earnings per share have grown from 24.7 cents in 2006 to 33.2 cents in 2007 an increase of 34 percent over the previous year.

Environmental Division

The Environmental Division completed an outstanding year with revenues increasing across all service areas. A particular highlight was Envirocare's strong performance in the re-winning of the Manningham Waste contract. In addition to our government business, both the commercial and front lift waste businesses enjoyed steady growth through the year.

CityWide's Urbancare street sweeping operations had another excellent year, particularly in the commercial sector with steady work stemming from Australia's largest road development, EastLink. The retention of the City of Melbourne street sweeping contract is a credit to our team which has consistently adapted its delivery to the rapidly changing municipality. Urbancare also successfully assumed control of former Spotless contracts at Glen Eira, Bayside and Whitehorse as well as re-winning Yarra Trams. Planned investment in street cleaning operations will continue to make it a growth area in the year to come.

The recent addition of the root barrier business to our Treecare operations has supported strong growth throughout the year and expansion of our customer base into this specialised market. Treecare also secured a strategic contract with the City of Casey which gives the company a firm foothold in a new municipality and an area of Melbourne experiencing high population growth. Parkcare displayed experience, innovation and expertise in managing the impacts of Melbourne's continuing drought. Knowledge and asset management expertise continues to be a major point of differentiation for CityWide. The company's horticulture and arboriculture teams are without doubt among Australia's finest, adding value to every contract and benefiting both our customers and the communities in which they serve.

Other important contract wins for the division included Stonnington open space and Boroondara trees.

Charged with the management of responsibility of maintaining Melbourne's iconic trees, parks and gardens, CityWide has again proved equal to the task. CityWide continues the challenging and important contract responsibility of providing grounds and garden maintenance to Victoria's historic Government House.

In NSW, our Living Colour, tree planting and computerised asset management (TRAX) programs are building a strong reputation for CityWide in the greater Sydney marketplace. The growth of our infrastructure operations in NSW is also expected to support expansion of our Sydney based open space operations through 2008.

Infrastructure Division

Our civil operations produced a strong result through the year driven by both municipal and non-municipal maintenance operations, and the awarding of a number of short and long term VicRoads contracts. With our Civilcare and Roadcare teams building considerable experience on state contracts, we expect to see further expansion into urban and rural road maintenance during the coming year.

CityWide's asphalt operations produced an excellent turnaround in performance with strong sales from both the North Melbourne and Campbellfield plants. A marked increase in subdivision and construction projects across Melbourne supported improved sales and positively impacted the Company's asphalt laying operations. CityWide's Campbellfield plant has secured asphalt supply and lay contracts with major developers in the northern Melbourne region and the increase in state road authority work is expected to result in greater asphalt production in 2007/08.

CityWide's North Melbourne plant is currently undergoing a major rebuild to create one of Australia's most modern asphalt facilities. The rebuild will add significant additional volume to compliment the recycled asphalt mixes and other innovative paving products. As 2007/08 unfolds we will intensify the marketing of this exciting new plant.

The Year in Review continued

CityWide Traffic & Events leveraged the reputation gained from successful delivery of Commonwealth Games contracts to produce another strong year. Traffic & Events continues to seek profitable additions to the annual series of events currently under management.

Driving our national expansion, CityWide's NSW civil operations have enjoyed steady growth throughout 2006/07 culminating in a major project win with the City of Waverley to redevelop the Bondi Beach streetscape. The project has the potential to accelerate our entry into NSW. Marketing and business development initiatives will continue to build awareness of the CityWide brand in and around the Sydney Metropolitan area.

Safety and Risk Management

A companywide focus on building a strong safety culture has resulted in safety being firmly embedded in the minds and actions of our employees. The results can best be seen in the success we have had in reducing the company lost time injury rate (LTIFR). This year we have seen the LTIFR index reduce significantly. This is an excellent outcome that has received external acclaim and has been celebrated internally.

With the addition of acquisitions and new tender businesses each year it is incumbent upon the Company to continually re-emphasise and maintain a strong focus on a culture of safety. During 2007/08 the focus will be on further reducing lost time injuries, near misses and medically treatable injuries but also improving our return to work performance. A safe vehicle driver incentive and driver training schemes are currently being developed and will be implemented.

CityWide is continuing to identify and develop on-site technical, leadership and educational training programs. Our investment in training reflects the company's respect for safety knowledge and best practice processes.

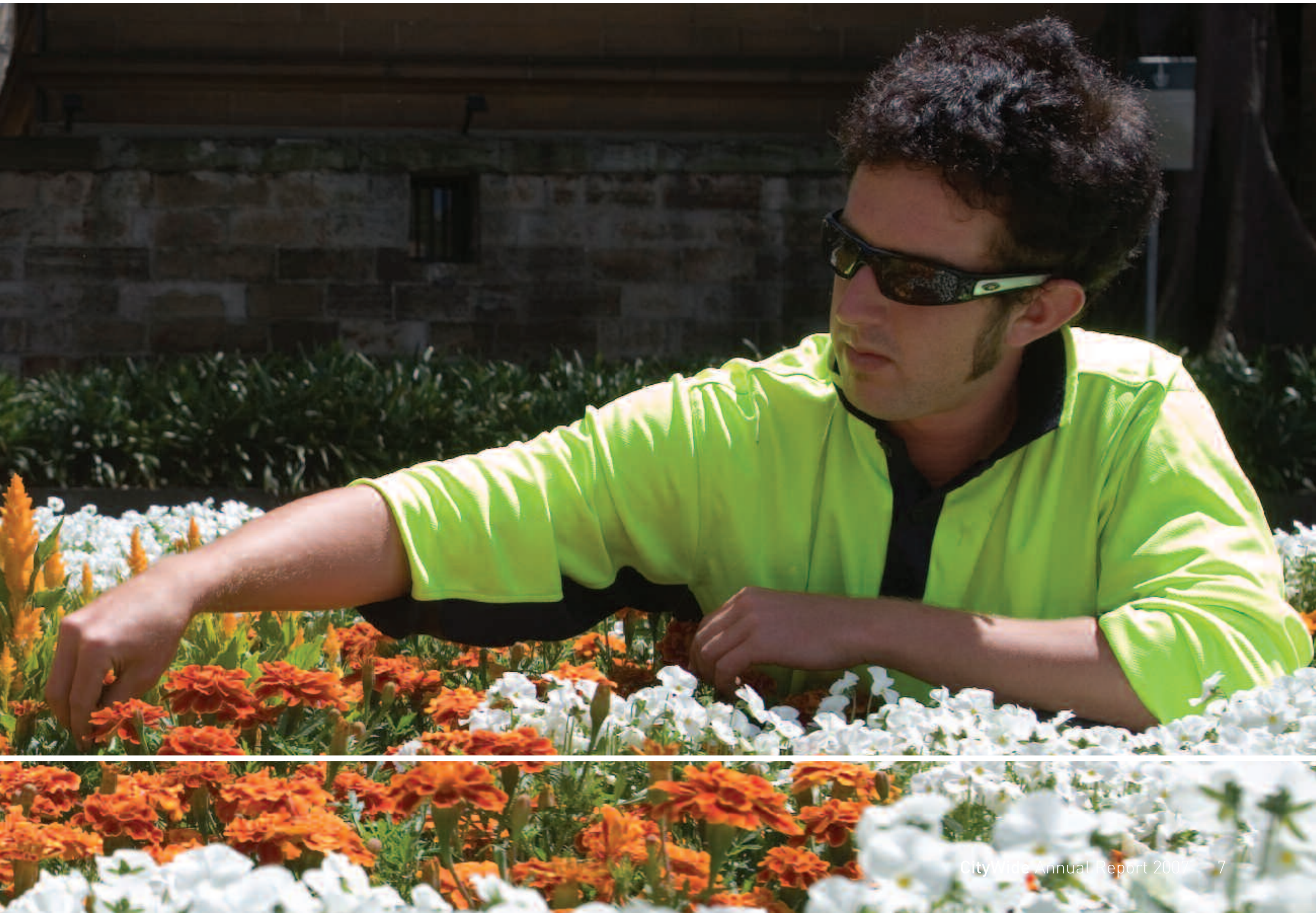
CityWide is well accredited under a number of national and international schemes. With the recruitment of a new Group Manager Risk we will drive the integration of our OH&S, Risk and Environmental management systems in the coming year.

Environmental Sustainability

Building environmental sustainability into our Company's operations is extremely important to CityWide's future. All our Government customers and many in the private sector are demanding sustainable service delivery. Our stakeholders, the communities in which we operate, also expect us to find ways of minimising our impact on the environment. While the debate over climate change continues, most Australians along with CityWide have made up their minds to reduce our emissions.

CityWide's depth of knowledge and expertise, compounded by our skill in managing the effects of dry weather, has combined to place us at the front of sustainable asset management in Australia. We must leverage from this position, developing our capacity to offer specialised services and advice. Our knowledge of, and expertise in implementing sustainable approaches, is our competitive advantage and contributes directly to the retention of tenders with progressive governments.

Our own operations must continue to be environmentally responsible. During 2006/07 CityWide implemented ISO 14001 certified Environmental Management System across an increased number of contracts. As our contract based environmental management plans are rolled out, we are improving our capacity to identify ways of reducing energy use, water use, and waste production. Energy and water use reduction initiatives are not only minimising our environmental impact, they are reducing costs incurred by the business.



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The Year in Review continued

Directing all our operations is the CityWide Environmental Sustainability Policy which sets goals and reporting cycles, and ensures consistency. An active policy, it guides early identification of issues and potential consequences as well as development of mitigation strategies. Our aim is to establish a culture of continuous environmental improvement and set new industry benchmarks for environmentally sustainable service delivery.

CityWide's Safety, Quality and Environment (SQE) Committees are reinforcing the importance of innovation at all levels in the company. During the year the CityWide EcoChampion Awards were launched to coincide with World Environment Day. The awards program will drive innovation in sustainability among all employees. We also had a number of other good outcomes including the development of new water wise practices resulting in the installation of rainwater tanks at several of our sites.

CityWide has continued to pioneer environmental initiatives in alternate fuels, including the trialling of a compressed air powered vehicle in a parks application and continued investment in mechanical sweeping equipment. The new environmentally efficient sweepers provide noise, emission and water reductions. CityWide, working with green organic recyclers, are processing green waste and using the recycled products as soil and mulch alternatives.

In the new year we will be trialling biodiesel use in waste vehicles and along with the redeveloped North Melbourne asphalt plant, will see us out perform all other suppliers in Victoria with respect to environmental production techniques. These successful initiatives highlight that CityWide views environmental management as much more than compliance with industry accreditations; we are engendering a commitment to finding improvements in every area of our business.

People

Building a high performing business rests upon our ability to create a performance focused culture among our diverse workforce. By applying performance management systems and offering training, we have been very successful at reshaping the mindset of employees from that of a government organisation into a competitive private business. But we still have some way to go.

This year our strategic plan contains new vision and values that connect all employees with the core goals of the business. We will also perform an employee satisfaction survey to identify issues and develop a well informed motivational strategy. The objective is to show all employees how they are individually responsible for CityWide's success and will share in the rewards of that success.

Two factors will bring support development of a united workforce this year: the rollout of new company branding and the implementation of our recently finalised collective agreement. The new branding will bring consistency to our message, support development of a strong company personality and engender pride in employees for the enterprise they are helping to build. The negotiation of a fair yet competitive agreement has given all CityWide employees the confidence that their contribution is respected.

As CityWide expands nationally, we enter the next phase of our growth with unity, a strong identity and confidence.

We have said it previously; however the fact is that CityWide's most valuable assets are its people. As a Board we extend our appreciation to them all on an outstanding year's work. We also thank Mr Kerry Osborne our Managing Director and his Management team for their excellent leadership and congratulate them on the Company's record result.

As Chairman of CityWide I congratulate my fellow Directors Messrs David Eagle, Barry McGuiness, Peter Lowe and Alan Evans and Mr Kerry Osborne our Managing Director for their personal contributions and their commitment to CityWide's success. I acknowledge that this is CityWide's seventh straight year of record performance and record my appreciation and that of our shareholders on this outstanding result.

Retiring Director - David Eagle

David Eagle has been a Director since the formation of CityWide in April 1995. His contribution to the direction, growth and leadership of CityWide through his 12 years as a Director has been exceptional. He has been an outstanding Director, Committee Chairman and senior management mentor, who has significantly contributed to the success of CityWide. David Eagle is retiring at this year's Annual General Meeting and on behalf of the Shareholders, his fellow Board members and all staff I sincerely thank him for his most significant contribution.

JL Davies (Chairman)
Melbourne, 10 August 2007

K F Osborne (Managing Director)

Directors' Profiles

J L (Lyn) Davies - Chairman

Lyn Davies joined CityWide on 3 March 1995 as Chairman. He is a member of the Company's Audit and Risk Management Committee and of the Remuneration Committee of the Company. He is 62 years of age. His qualifications are a Diploma of Agriculture and an advanced Diploma from the Australian Institute of Company Directors.

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

Mr Davies is Chairman of Service Stream Ltd and is a Director of Mackay Consolidated Industries Pty Limited and of ParaQuad Victoria.

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

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

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

P S Lowe - Director

Peter Lowe was appointed to the Board of CityWide on 23 January 2006 and is Chairman of the Audit and Risk Management Committee and a member of the Finance and Operations Committee of the Company. He is 54 years of age and holds a Bachelor of Commerce and a Master of Business Administration from the University of Melbourne.

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

J L Davies K F Osborne D A Eagle P S Lowe G E McGuiness A H Evans

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

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

D A Eagle - Director

David Eagle was appointed to the Board of CityWide on 3 March 1995 and is Chairman of the Remuneration Committee and a member of the Finance and Operations Committee of the Company. He is 65 years of age. His qualifications include a Bachelor of Commerce and a Master of Business Administration from the University of Melbourne.

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

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

G E (Barry) McGuiness - Director

Barry McGuiness was appointed to the Board of CityWide on 20 November 1996 and is a member of the Audit and Risk Management Committee and Chairman of the Finance and Operations Committee of the Company. He is 64 years of age. His qualifications include a Degree in Public Administration.

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

Other responsibilities include Chairman of Safetrac Pty Ltd and WOLECO Amenities and a Director of AED Oil Pty Ltd. Mr McGuiness is also a strategic consultant for a significant number of companies.

A H Evans - Director

Alan Evans was appointed to the Board of CityWide on 1 March 2007 and is a member of the Finance & Operations Committee and the Remuneration Committee. He is 61 years of age and holds a B.Ec/LLB from the University of Canberra and is a Chartered Engineer.

Mr Evans holds the position of President of the NRMA Board and is the Chairman of the Governance, Compensation and Nomination Committee.

He was formerly CEO of Medicines Australia and has also held senior executive positions in federal and state governments including as Head of the Office of Regional Development, Executive General Manager of AusIndustry and Principal Adviser to the Federal Treasurer.

Other responsibilities include President of the Australian Automobile Association; Managing Director of Strategic Consulting Services Pty Ltd; Chairman of Kingmill Pty Ltd (t/a Thrifty Australia); A1GP Australia Pty Ltd; Kistler Woomera and Spaceport Woomera. He is also a Director of Adventure World Travel and Adventure World Travel (NZ). Mr Evans sits on the Strategic Advisory Board of the John Curtin School of Medical Research and is a member of the NSW Government's E10 Taskforce.

K F Osborne - Managing Director

Kerry Osborne joined CityWide Service Solutions as CEO on 1 January 2001 and was then appointed Managing Director of CityWide on 20 December 2002. He is 50 years of age.

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

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

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

Directors' Report

Directors

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

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

From March 2007

- Alan H Evans

Principal activities of the Company

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

Trading results

The Company's profit from ordinary activities before income tax equivalents for the year was $8,764,000 (2006 $6,557,000).

The Company's net profit for the year was $6,113,000 (2006 $4,549,000) after deducting income tax equivalents of $2,651,000 (2006 $2,008,000).

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

Dividends

The Directors of the Company have declared a dividend of 13.54 cents (2006 10.00 cents) per Ordinary Share for the year ended 30 June 2007.

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

	2007 $	2006 $
Interim dividend	-	-
Final Dividend of 13.54 cents (2006 10.00 cents) per fully paid Ordinary Share	2,492,000	1,841,000
	2,492,000	**1,841,000**

Review and results of operations

The Company's revenue from ordinary activities for the year was $128,003,000 (2006 $96,181,000). A review of the operations and results of the Company are set out elsewhere in this annual report.

Significant changes in the state of affairs

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

Likely developments in the state of affairs

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

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

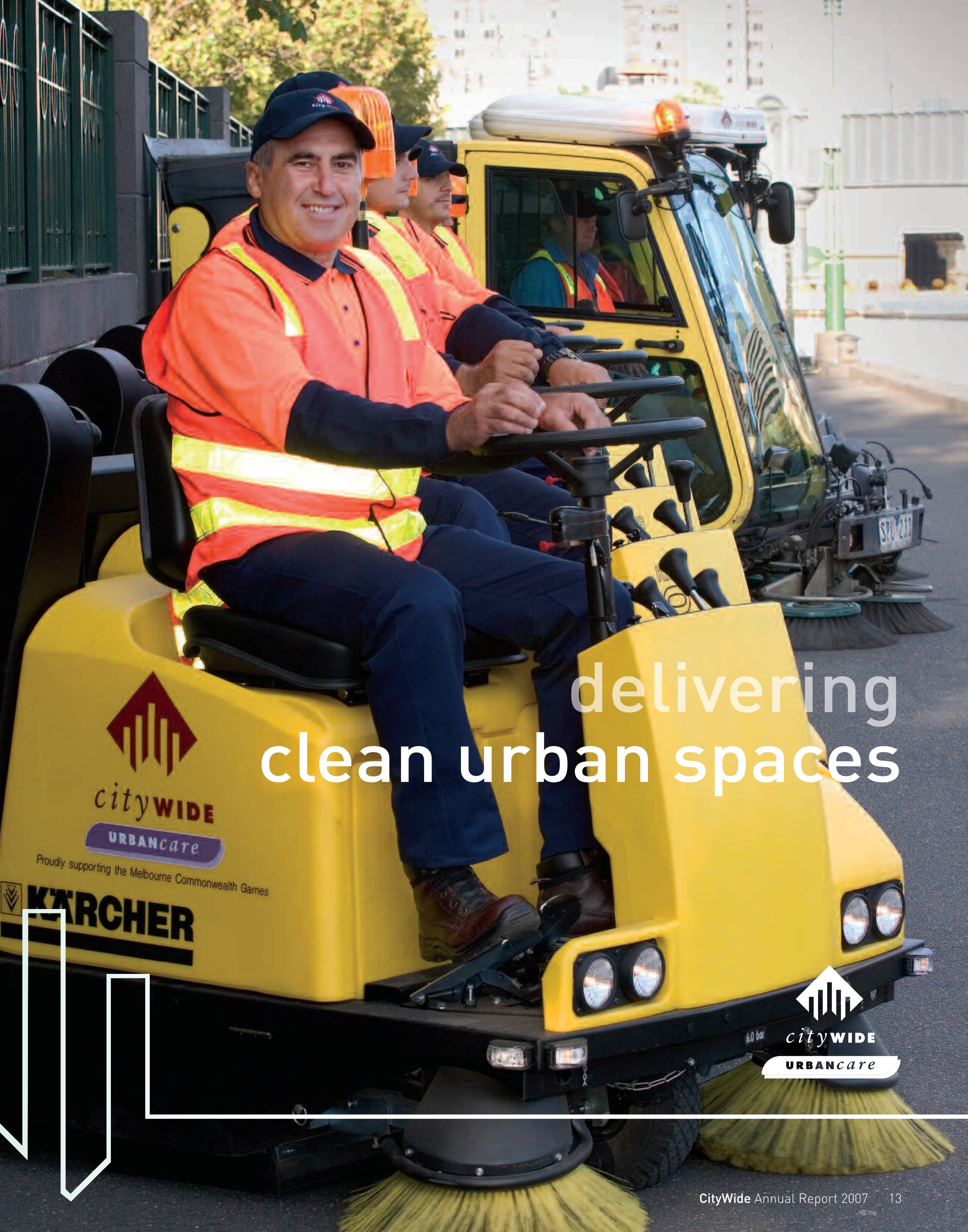
Directors' benefits

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

Corporate governance

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

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



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delivering sustainable waste solutions

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

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

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

The Board has agreed policies and procedures in the event that actual or potential conflicts arise between the interests of a Director and those of the Company. Generally this means that the Director will disclose their interest and, if appropriate, will not take part in, and may in some instances absent themselves during, any discussions and not vote on that matter. Directors and Board Committee members have the right in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, subject to the prior approval of the Chairman of the Board, which will not be unreasonably withheld. Any information so obtained must be shared with all Directors if appropriate.

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

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

Directors' Report continued

Directors' meetings

The number of Directors' meetings, meetings of committees of Directors held in the period each Director held office during the financial year ended 30 June 2007; and the number of meetings attended by each Director are set out below:

	Board of Directors		Audit & Risk Management Committee		Remuneration Committee		Finance & Operations Committee	
Director	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
J L Davies	13	13	4	4	4	4	-	-
D A Eagle	13	12	-	-	4	4	3	3
G E McGuiness	13	13	4	4	4	4	3	3
P S Lowe	13	13	4	4	-	-	3	3
A H Evans*	4	4	-	-	2	2	2	2
K F Osborne	13	13	-	-	-	-	-	-

In addition to these, a significant number of informal meetings are held between Directors and senior management as required.
**Mr Evans was appointed on 1 March 2007*

Rounding

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

Indemnification and insurance of Officers and Directors

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

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

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

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

JL Davies (Chairman)
Melbourne, 10 August 2007

P S Lowe (Director)

delivering responsive meter management

Financial Statements

Income Statement

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 $'000	2006 $'000
Income from continuing operations			
Services		128,003	96,181
Cost of sales		(15,118)	(11,191)
Gross profit		**112,885**	**84,990**
Other Income		146	73
Expenses from continuing operations			
Employee benefits expenses		40,941	29,552
Contractor costs		35,994	28,604
Fleet costs		14,351	11,391
Finance costs		390	27
Other expenses		12,584	9,032
Expenses from continuing operations		**104,260**	**78,606**
Net gain / (loss) on disposal of non-current assets		(7)	100
Profit before income tax equivalents	**2**	**8,764**	**6,557**
Income tax equivalents expense	1 & 3	2,651	2,008
Profit for the year		**6,113**	**4,549**

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

Balance Sheet

AS AT 30 JUNE 2007

	Notes	2007 $'000	2006 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	3,427	4,035
Trade and other receivables	5	20,704	14,123
Inventories	6	462	373
Prepayments	7	307	816
Other Current Assets	8	2,618	1,441
Total Current Assets		**27,518**	**20,788**
Non-current Assets			
Property, plant and equipment	9	44,889	31,827
Deferred income tax equivalent assets	10	2,807	2,063
Intangible assets	11	9,231	517
Total Non-current Assets		**56,927**	**34,407**
TOTAL ASSETS		**84,445**	**55,195**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	22,095	15,445
Current tax liabilities	13	1,677	0
Provisions	14	5,880	4,110
Interest-bearing loans and borrowings	15	83	97
Unearned income	1	2,096	2,019
Total Current Liabilities		**31,831**	**21,671**
Non-current Liabilities			
Deferred Income tax equivalent liabilities	16	3,691	1,719
Provisions	14	727	478
Interest-bearing loans and borrowings	15	9,537	198
Total Non-current Liabilities		**13,955**	**2,395**
TOTAL LIABILITIES		**45,786**	**24,066**
NET ASSETS		**38,659**	**31,129**
EQUITY			
Contributed equity	17	18,406	18,406
Retained earnings	18	16,344	12,723
Reserves	18	3,909	0
TOTAL EQUITY		**38,659**	**31,129**

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2007

	Issued capital $'000	Retained earnings $'000	Asset Revaluation reserve $'000	Total $'000
Balance at 1 July 2005	**18,406**	**10,015**		**28,421**
Profit for the year	0	4,549		4,549
Total recognised income and expenses for the year		**4,549**		**4,549**
Equity dividends	0	(1,841)		(1,841)
Balance at 30 June 2006	**18,406**	**12,723**	**0**	**31,129**
Profit for the year	0	6,113		6,113
Total recognised income and expenses for the year		**6,113**		**6,113**
Equity dividends	0	(2,492)		(2,492)
Revaluation of land and buildings to fair value			3,909	3,909
Balance at 30 June 2007	**18,406**	**16,344**	**3,909**	**38,659**

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

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 $'000 Inflows/ (Outflows)	2006 $'000 Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers (Inclusive of GST)		130,482	103,724
Payments to suppliers (Inclusive of GST)		(81,971)	(64,904)
Payments to employees		(32,702)	(25,499)
Interest Paid		(391)	(27)
Interest Received		146	73
Income tax equivalents paid		(1,109)	(2,917)
Net cash provided by operating activities	**23**	**14,455**	**10,450**
Cash flows from investing activities			
Acquisition of business		(8,714)	0
Proceeds from sale of property, plant and equipment		491	667
Purchase of property, plant and equipment		(14,322)	(7,975)
Net cash flows used in investing activities		**(22,545)**	**(7,308)**
Cash flows from financing activities			
Proceeds from Borrowings		9,400	0
Repayment of Borrowings		(77)	(71)
Dividends paid to Company Shareholders		(1,841)	(1,570)
Net cash flows from/(used in) financing activities		**7,482**	**(1,641)**
Net (decrease) increase in cash and cash equivalents		**(608)**	**1,501**
Cash and cash equivalents at beginning of year		4,035	2,534
Cash and cash equivalents at end of year	**23**	**3,427**	**4,035**

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

Notes to the Financial Statements

AS AT 30 JUNE 2007

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

1 Summary of significant accounting policies

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Compliance with IFRS

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

Revenue recognition

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

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

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

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

Inventories

Stores and raw materials are stated at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at balance date using the weighted average cost method. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

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

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

Recoverable amount of non-current assets

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

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

Acquisition of assets

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

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

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the fair value of the Company's interest in the net identifiable assets of the acquired entity at the date of acquisition. Goodwill is recognised as an intangible asset.

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

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

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

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

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

Goodwill has been reviewed for impairment for the year ending 30 June 07 and no impairment loss is to be recognised.

Property, plant & equipment

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

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

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

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

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Notes to the Financial Statements

AS AT 30 JUNE 2007

Revaluations of land and buildings
Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet.

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

Leasehold improvements

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

Maintenance and repairs

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

Trade receivables

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

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

Trade and other payables

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

Employee Benefits

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

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

Superannuation

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

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

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

Tax equivalent regime

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

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

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

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

Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

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

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand.

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

Interest bearing borrowings

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

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

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs
Borrowing costs are recognised as an expense when incurred.

Leased assets

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

Comparative figures

Comparative figures have not been adjusted in the current year.

Rounding of accounts

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

Notes to the Financial Statements

AS AT 30 JUNE 2007

	2007 $'000	2006 $'000
2 Profit from continuing operations		
a) Operating profit before income tax equivalents has been determined after:		
Operating revenue		
Profit on sale of non-current assets:		
Property, plant & equipment	76	275
Expenses		
Depreciation:		
Buildings	177	136
Plant & equipment	2,055	1,661
Motor vehicles	4,025	2,792
Leasehold improvements	90	107
Provision for:		
Employee benefits	3,013	2,310
Doubtful debts – Trade debtors	32	(11)
Bad debts	(2)	32
Contributions to employee superannuation funds	2,414	1,767
Rental expense on operating leases	2,936	1,774
Rental expense on licence agreements	185	144
Loss on sale of non-current assets:		
Property, plant & equipment	82	175
Employee separation costs	382	402

	2007 $'000	2006 $'000
b) Directors' remuneration		
Income received or due and receivable by Directors of the Company from the Company	786	626
The number of Directors of the Company included in these income figures are shown below in their relevant income bands:		
Income of	**Number**	**Number**
$20,000 to $29,999	1	1
$60,000 to $69,999		2
$70,000 to $79,999	1	
$80,000 to $89,999	2	
$90,000 to $99,999		1
$100,000 to $109,999	1	
$415,000 to $424,999	1	1
	6	**5**
No retirement benefits were paid on behalf of Directors during the current financial year or in the prior year. Directors' fees are reviewed annually using independent surveys to ensure that they are in line with current business standards.		
c) Auditors' remuneration		
Amounts received, or due and receivable by the external auditors for:		
Auditing the financial report	50	31
Other services	0	0
Amounts received, or due and receivable by the internal auditors.	101	63

Notes to the Financial Statements

AS AT 30 JUNE 2007

	2007 $'000	2006 $'000
3 Income tax equivalents		
The Income tax equivalents on the profit from continuing operations differ from the amount of prima facie payable on that profit as follows:		
Prima facie income tax equivalents on the profit from continuing operations at 30% (2006 30%)	(2,606)	(1,967)
Increase tax equivalents payable due to:		
Non deductible expenses	(45)	(41)
Income tax equivalents attributed to operating profit	**(2,651)**	**(2,008)**
Income tax equivalents attributable to operating profit comprise:		
Current tax provision	(2,787)	(1,759)
Deferred income tax liability	(297)	(439)
Deferred income tax asset	433	190
	(2,651)	**(2,008)**
4 Current Assets - Cash and cash equivalents		
Cash at bank and on hand	**3,427**	**4,035**
Cash at bank are bearing floating interest rates between 5.53% and 6.01% (2006 5.22% and 5.51%)		
5 Current Assets - Trade and other receivables		
Trade receivables	13,511	8,080
Less: Provision for impairment of receivables	(186)	(154)
	13,325	**7,926**
Amounts owing from parent entity	7,325	5,925
Other debtors	54	179
Current Tax asset	0	93
	20,704	**14,123**
6 Current Assets - Inventories		
Stores and raw materials (at cost)	314	218
Finished goods (at cost)	148	155
	462	**373**
7 Current Assets - Prepayments		
Prepayments	**307**	**816**
8 Current Assets - Other		
Accrued income – Unbilled services	**2,618**	**1,441**

	2007 $'000	2006 $'000
9 Non-current Assets - Property, plant and equipment		
Land (at cost)	6,611	6,611
Revaluation	5,585	0
	12,196	**6,611**
Buildings (at cost)	3,164	3,015
Less Accumulated depreciation	(655)	(478)
	2,509	**2,537**
Leasehold improvements (at cost)	779	711
Less Accumulated depreciation	(480)	(389)
	299	**322**
Plant and equipment (at cost)	15,162	13,306
Less Accumulated depreciation	(9,479)	(7,503)
	5,683	**5,803**
Motor vehicles (at cost)	38,187	28,239
Less Accumulated depreciation	(15,178)	(11,685)
	23,009	**16,554**
Work in progress	1,193	0
Total property, plant and equipment	**44,889**	**31,827**

	Land $000	Buildings $000	Leasehold improvements $000	Plant and equipment $000	Motor vehicles $000	Work in progress $000	Total $000
2007							
Carrying value at start of year	6,611	2,537	322	5,803	16,554	0	31,827
Asset Revaluation	5,585	0	0	0	0	0	5,585
Additions	0	149	68	1,640	7,776	1,193	10,826
Acquisitions	0	0	0	310	3,186	0	3,496
Disposals / transfers	0	0	0	(16)	(482)	0	(498)
Depreciation	0	(177)	(90)	(2,055)	(4,025)	0	(6,347)
Carrying value at year end	**12,196**	**2,509**	**300**	**5,682**	**23,009**	**1,193**	**44,889**

Notes to the Financial Statements

AS AT 30 JUNE 2007

	2007 $'000	2006 $'000
10 Non-current Assets - Deferred income tax equivalent assets		
Deferred income tax equivalent asset	**2,807**	**2,063**
11 Non-current Assets – Intangible assets		
Goodwill	517	517
Goodwill on Acquisition	8,714	0
	9,231	**517**
On 1 December 2006 the company acquired a trees, street cleaning and open space business for a total consideration of $11,356,000.		
12 Current Liabilities - Trade and other payables		
Trade payables	4,487	4,714
Accrued expenses	14,813	8,413
Payroll Tax	245	49
Amount owing to Parent Entity	2,550	2,269
	22,095	**15,445**
Trade accounts payable are generally settled within 30 days. The Directors consider the carrying amounts of trade and other accounts payable approximate their net fair values.		
13 Current Liabilities - Income tax equivalent payable		
Current tax liabilities	**1,677**	**0**
14 Employee Benefits		
Current All annual leave and LSL entitlements representing 7+ years of continuous service		
- Short-term employee benefits, that fall within 12 months after the end of the period measured at nominal value	3,721	2,641
- Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value	2,159	1,469
	5,880	**4,110**
Non-current		
LSL representing less than 7 years of continuous service measured at present value	**727**	**478**

	2007 $'000	2006 $'000
15 Current / Non-current Interest-bearing borrowings		
Current		
Ultimate parent entity – City of Melbourne	**83**	**97**
Non-Current		
Ultimate parent entity – City of Melbourne	137	198
Bill Acceptance and discount facility unsecured $14.6m facility (2006 Nil)	9,400	0
	9,537	**198**

Terms and conditions

Interest bearing loans and borrowings

Bank Overdraft and Bill Acceptance and Discount Facility
The bank overdraft $.7m (2006 Nil) and Bill Acceptance and Discount Facilities $14.4m (2006 Nil) are unsecured facilities. The bank facilities may be drawn at any time and may be terminated by the bank subject to default under the loan agreement. Subject to the continuance of satisfactory covenant achievement, the bank facilities may be drawn at any time. The facilities expire on the 1 December 2009.

16 Non-current Liabilities - Deferred Income tax equivalent liabilities		
Provision for deferred income tax equivalent liability	**3,691**	**1,719**

17 Contributed equity		
Share capital		
500,000,000 Ordinary shares of $1 each	**500,000**	**500,000**
Issued share capital		
18,405,629 Ordinary shares of $1 each	**18,406**	**18,406**
Movement in share capital		

	2007		2006	
Fully paid ordinary shares	**$000**	**Number**	**$000**	**Number**
Balance at start of year	18,405,629	18,406	18,405,629	18,406
Shares issued				
Balance at end of year	**18,405,629**	**18,406**	**18,405,629**	**18,406**

Notes to the Financial Statements

AS AT 30 JUNE 2007

	2007 $'000	2006 $'000
18 Retained Earnings and Reserves		
Retained profits at the beginning of the financial year	12,723	10,015
Net profit attributable to members of the company	6,113	4,549
Total available for appropriation	**18,836**	**14,564**
Dividends provided for or paid	(2,492)	(1,841)
Retained profits at the end of the financial year	**16,344**	**12,723**
Other Reserves		
Revaluation of Land & Buildings	**3,909**	**0**
18A Dividends provided for or paid		
The Company Board have declared a Dividend of $2,492,000 (2006 $1,841,000)		
19 Commitments for expenditure		
Capital expenditure commitments		
Total capital expenditure contracted for at balance date but not recognised as liabilities in the financial report:		
Payable within one year	4,486	852
Payable later than one year, not later than five years	0	0
Payable later than five years	0	0
	4,486	**852**
Non-cancellable operating leases		
Non-cancellable operating lease commitments contracted for but not recognised in the financial report:		
Payable within one year	1,581	1,303
Payable later than one year, not later than five years	2,248	2,118
Payable later than five years	0	0
	3,829	**3,421**
The Company has entered into non-cancellable operating leases in respect to administrative premises and various items of plant and fleet.		

20 Employee benefits

Superannuation

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

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

The City of Melbourne subplan comprises members of the former City of Melbourne Superannuation Fund. The City of Melbourne Superannuation Fund was closed to new members on 23 December 1993 and on 31 October 1995 all members of this fund were transferred to the Local Authorities Superannuation Fund. The City of Melbourne subplan is a defined benefits superannuation plan and contributions are determined by the fund actuary. The employer rate is currently 4.0% (2006 8.0%). In addition, employees make member contributions to the subplan. As such, assets accumulate in this subplan to meet members' benefits as they accrue. A full actuarial assessment of the subplan was undertaken by the LAS actuary, G Harslett FIA, FIAA, of Towers Perrin, as at 30 June 2006 on the basis that the liability for accrued benefits was determined by reference to expected future salary levels and by application of a market based risk adjusted discount rate and relevant actuarial assumptions. There was no unfunded liability of the City of Melbourne subplan as at 30 June 2007.

Details of CityWide Service Solutions Pty Ltd's share of the accrued benefits, estimated surplus, plan assets and vested benefits of the City of Melbourne subplan at 30 June 2007 have not been advised by Local Authorities Super Pty Ltd (Fund Trustee) to the Directors of CityWide Service Solutions Pty Ltd. This information is therefore not disclosed.

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

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

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

The amount of superannuation contributions paid by CityWide Service Solutions Pty Ltd during the year was $2,414,000 (2006 $1,767,000).

21 Contingent liabilities

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

Guarantees issued by the Bank in respect of contracts secured of $5,674,446 (2006 $2,671,117).

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

Notes to the Financial Statements
AS AT 30 JUNE 2007

22 Related party information

Controlling entity

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

Directors and Director – Related Entities

The Directors named in the attached Directors' Report each held office as a Director of the Company during the year ended 30 June 2007.

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

Related party transactions

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

Mr Barry McGuiness, Director, during the year chaired the meetings of business consultants, William Buck and resigned on the 30 June 2007. Mr Barry McGuiness engages William Buck for his personal tax affairs. During the year CityWide periodically engaged the services of this firm. When these appointments arose, Mr Barry McGuiness declared a potential conflict of interest and did not participate in the discussion or vote on the matter. The Managing Director uses this firm's services in respect to his personal affairs.

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

Amounts receivable and payable

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

Intercompany revenue and expenditure

Revenue transactions with the parent entity amounted to $40,435,790 during the financial year (2006 $35,684,629).

Expenditure transactions with the parent entity amounted to $472,044 during the financial year (2006 $579,205).

Economic dependency

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

	2007 $'000	2006 $'000
23 Cash flow information		
Reconciliation of cash Cash assets at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the Balance Sheet as follows:		
Cash	3,427	4,035
	3,427	**4,035**
Non-cash financing and investing activities The Company has in place an unused credit facility of $10,000,000 from its parent entity. At 30 June 2007 $220,000 (June 2006, $295,000) had been utilised.		
Bill Facility The company has an unsecured bill facility with Westpac for $14,550,000 (2006, Nil)		
Overdraft The company has an unsecured overdraft facility with Westpac for $600,000 (2006 Nil).		
Reconciliation of net cash provided by operating activities to net profit after income tax equivalents		
Net profit after income tax equivalents	6,113	4,549
Net (gain) / loss on disposal of non-current assets	7	(100)
Depreciation / amortisation of non-current assets	6,347	4,696
Changes in operating assets and liabilities		
Increase / (Decrease) in current tax equivalents liability	1,770	(1,158)
(Increase) / Decrease in deferred tax equivalent assets	(744)	(190)
Increase / (Decrease) in deferred tax equivalent liabilities	297	439
Increase / (Decrease) in provision for doubtful debts	32	(12)
(Increase) / Decrease in trade and other debtors	(5,306)	(1,095)
(Increase) / Decrease in accrued income	(1,177)	(336)
(Increase) / Decrease in prepayments	509	(400)
(Increase) / Decrease in inventories	(89)	55
(Increase) / Decrease in amounts owing by parent entity	(1,400)	1,622
Increase / (Decrease) in trade creditors	(227)	1,738
Increase / (Decrease) in accrued expenses	6,598	(189)
Increase / (Decrease) in unearned income	77	99
Increase / (Decrease) in amounts owing to parent entity	(370)	428
Increase / (Decrease) in employee benefits	2,018	304
Net cash provided by operating activities	**14,455**	**10,450**

Notes to the Financial Statements

AS AT 30 JUNE 2007

	Infrastructure Services $'000	Environmental Services $'000	Unallocated $'000	Total $'000
24 Segment information				
The Company operates in the contract service industry within Australia and the primary reporting format is by business segment. Segment information has been prepared in accordance with revised Accounting Standard AASB 114: "Segment Reporting".				
2007				
Total revenue	70,540	70,287	178	141,005
less Internals	(11,158)	(1,679)	(19)	(12,856)
External revenue	**59,382**	**82,879**	**159**	**128,149**
Profit from ordinary activities before tax	6,901	8,205	(6,342)	8,764
Income tax equivalents	2,070	2,462	(1,881)	2,651
Net profit	**4,831**	**5,743**	**(4,461)**	**6,113**
Segment assets and liabilities				
Total assets	23,578	24,973	35,894	84,445
Acquisition of segment assets during the period	2,996	10,038	1,288	14,322
Non cash items				
Depreciation and amortisation of assets	1,960	3,732	655	6,347
Other non-cash expenses	0	0	0	0
2006				
Total revenue	54,633	50,305	96	105,034
Less Internal sales	(7,330)	(1,344)	(6)	(8,680)
External revenue	**47,303**	**48,961**	**90**	**96,354**
Profit from ordinary activities before tax	6,497	5,955	(5,895)	6,557
Income tax equivalents	0	0	(2,008)	(2,008)
Net profit	**6,497**	**5,955**	**(7,903)**	**4,549**
Segment assets and liabilities				
Total assets	25,966	20,865	8,364	55,195
Acquisition of segment assets during the period	866	6,425	735	8,026
Non cash items				
Depreciation and amortisation of assets	1,362	2,799	535	4,696
Other non-cash expenses	0	0	0	0

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

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

Products and services within each business segment

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

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

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

25 Financial instruments

Foreign currency hedging

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

Forward currency contracts - held for trading

Forward exchange contract was entered into for the purpose of importing components for a major capital enhancement. The Company has the following contract outstanding at balance date:

	2007 $'000	2006 $'000
Buy Euros'$ / Sell Australian $	**1,198**	**0**

Credit risk exposures

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

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

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

	Notes	Floating interest rate $'000	Non-interest bearing $'000	Total $'000
2007				
Financial assets				
Cash and cash equivalents	4	3,427	0	3,427
Trade receivables	5	0	20,704	20,704
		3,427	**20,704**	**24,131**
Weighted average interest rate		5.77%		
Financial liabilities				
Trade payables	12	0	22,095	22,095
Interest bearing borrowings	15	9,620	0	9,620
		9,620	**22,095**	**31,715**
Weighted average interest rate		6.46%		
Net financial assets		**(6,193)**	**(1,391)**	**(7,584)**

Notes to the Financial Statements

AS AT 30 JUNE 2007

	Notes	Floating interest rate $'000	Non-interest bearing $'000	Total $'000
2006				
Financial assets				
Cash and cash equivalents	4	4,035	0	4,035
Trade receivables	5	0	14,123	14,123
		4,035	**14,123**	**18,158**
Weighted average interest rate		5.37%		
Financial liabilities				
Trade payables	12	0	15,445	15,445
Interest bearing borrowings	15	295	0	295
		295	**15,445**	**15,740**
Weighted average interest rate		5.37%		
Net financial assets		**3,740**	**(1,322)**	**2,418**

Net fair value of financial assets and liabilities

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

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

	2007 Carrying amount $'000	Net fair value $'000	2006 Carrying amount $'000	Net fair value $'000
Recorded financial instruments				
Financial assets				
Receivables	20,704	20,704	14,123	14,123
Cash assets	3,427	3,427	4,035	4,035
	24,131	**24,131**	**18,158**	**18,158**
Financial liabilities				
Payables	22,095	22,095	15,445	15,445
Interest Bearing Liabilities	9,620	9,620	295	295
	31,715	**31,715**	**15,740**	**15,740**

Directors' Declaration

The Directors declare that the financial report set out on pages 17 to 38:

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

b gives a true and fair view of the Company's financial position as at 30 June 2007 and its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the Directors' opinion:

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

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

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

J L Davies
(Chairman)

P S Lowe
(Director)

Melbourne, 10 August 2007

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDIT REPORT

CityWide Service Solutions Pty Ltd

To the Members of the Company

The Financial Report

The accompanying financial report for the year ended 30 June 2007 of CityWide Service Solutions Pty Ltd which comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the directors declaration has been audited.

The Responsibility of the Company Directors for the Financial Report

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

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

Auditor's Responsibility

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

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

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

Level 24, 35 Collins Street, Melbourne Vic. 3000
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Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

Independent Audit Report (continued)

Independence

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

Auditor's Opinion

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

a) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations* 2001.

MELBOURNE
15 August 2007

for D.D.R. Pearson
Auditor-General

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Auditing in the Public Interest

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