

Melbourne City Council

Meeting No 1
Tuesday 26 November 2024
5:30 pm

Council Chamber
Melbourne Town Hall Administration Building



Agenda

Item	Title
1	Commencement of meeting and apologies
2	Disclosure of conflicts of interest
3	Confirmation of minutes of previous meeting
4	Matters arising from the minutes of the previous meeting
5	Reports from Committee
6	Reports from management
6.1	Citywide Service Solutions Pty Ltd Annual Report FY2023-24
6.2	Queen Victoria Market Pty Ltd Annual Report FY2023-24
6.3	Councillor Assignment - Appointment to Audit and Risk Committee
7	General Business
8	Urgent Business
9	Closure of Meeting
10	Confidential Business
11	Confirmation of minutes of previous closed meeting
12	Matters arising from the minutes of the previous closed meeting
13	Reports from Committee
14	Reports from management
	14.1 Council Business Information
	14.2 Council Business Information
	14.3 Private Commercial Information
	14.4 Private Commercial Information

- 15 General Business
- 16 Urgent Business
- 17 Closure of confidential meeting

6 Reports from management	3
6.1 Citywide Service Solutions Pty Ltd Annual Report FY2023-24	3
6.2 Queen Victoria Market Pty Ltd Annual Report FY2023-24.....	66
6.3 Councillor Assignment - Appointment to Audit and Risk Committee.....	120

6 Reports from management

6.1 Citywide Service Solutions Pty Ltd Annual Report FY2023-24

Report Author: Marcella Lim, Senior Treasury Analyst

Report Presenter: Mans Bassi, Chief Operating Officer

Executive Leader: Mans Bassi, Chief Operating Officer

Executive Summary

1. The Citywide Service Solutions Pty Ltd (Citywide) audited Annual Report 2023–24 is being presented to Council for noting.
2. The audited Citywide financial result for the year ended 30 June 2024 was approved by Council at a special Council meeting on 24 September 2024 as part of the Melbourne City Council annual financial report 2023–24, under note 6.3a Subsidiaries.

Recommendation from management

3. That Council notes:

- 3.1. The Citywide Service Solutions Pty Ltd audited Annual Report for the financial year 2023-2024 (attachment 1 of the report from management).

Purpose

4. The purpose of this report is to note the Citywide audited Annual Report for the financial year 2023–24.

Background

5. At the June 2015 Council meeting, Council requested the Citywide audited Annual Report be adopted in an open session at a Council or Future Melbourne Committee meeting.

Key considerations

6. The Citywide audited Annual Report for the financial year 2023–24 has been finalised (refer attachment 1).

Legal

7. No direct legal issues arise from the recommendation from management.

Finance

8. There are no financial implications as a result of the recommendation from management.

Conflict of interest

9. Alison Leighton, Chief Executive Officer, and Lincoln Tong, Chief Financial Officer, declared that no general or material conflict of interest exists in accordance with section 127 or section 128 of the *Local Government Act 2020*, in relation to the matter of the report.
10. In the interests of transparency, Alison Leighton, Chief Executive Officer, and Lincoln Tong, Chief Financial Officer, are Directors on the Board of Citywide.
11. No other member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report, has declared a material or general conflict of interest in relation to the matter of the report.

Charter of Human Rights and Responsibilities

12. The recommendation contained in this report is compatible with the *Charter of Human Rights and Responsibilities 2006* as it does not raise any human rights issues.

Health and Safety

13. Citywide management is committed to a safe work environment and complies with the requirements set out in the *Occupational Health and Safety Act 2004*. This is achieved through effective policies and procedures.

Consultation

14. Consultation with Citywide management was undertaken in the preparation of this report.

Relevance to Council Plan and Council Policies

15. The release of the Annual Report complies with Council policy.

Social and environmental impacts

16. **Social impacts**

There are no social impacts associated with the recommendation from management.

17. **Gender Impact Assessment**

A Gender Impact Assessment is not required for this report.

18. **Environmental impacts**

There is no significant impact on environmental sustainability associated with the recommendation from management.

Attachment List

1. Citywide Service Solutions Pty Ltd Annual Report FY2023-24 [6.1.1 - 60 pages]

ANNUAL FINANCIAL REPORT 2024

Council Meeting - Agenda

26 November 2024



Citywide Service Solutions Pty Ltd**ABN: 94 066 960 085****Directors' report for the year ended 30th June 2024****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;
- John Grouios;
- Alison Leighton (appointed 25th June 2024); and
- Lincoln Tong (appointed 25th June 2024).

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 and industrial services.

During the year, Citywide:

1. Announced in June 2024 the conditional sale of its Waste Management business to Cleanaway; and
2. Largely completed the partial sale and closure of the Ultegra business in NSW which provided utility engineering, construction and maintenance services to mid-tier commercial customers.

As a result of these transactions, the Company's Trading results and Balance Sheet commentary have been updated in accordance with the obligation to distinguish between 'continuing' operations (excluding Waste Management and Ultegra) and 'discontinued' operations.

Trading results

The Group's (loss) / profit from continuing operations, before income tax equivalents ("PBT"), for the year was (\$2,587,000) (FY2023: (\$2,801,000)). The Group's (loss) / profit from discontinued operations, after income tax equivalents, for the year was (\$5,966,000) (FY2023: \$68,000).

The Group reported a (\$1,817,000) Net (loss)/Profit after tax ("NPAT") result from continuing operations for the year (FY2023: (\$1,967,000)), after (adding)/deducting income tax equivalents of \$770,000 (FY2023: \$834,000).

Revenue from continuing operations decreased by \$17,151,000 (6.8%) to \$233,501,000 (FY2023: \$250,652,000).

The Group's Operating Expenses from continuing operations were \$236,088,000, 6.9% lower than prior year (FY2023: \$253,453,000).

Balance Sheet

The Group's balance sheet remains sound notwithstanding the Group's Net Asset position decreased to \$139,367,000 (FY2023: \$147,150,000).

The net decrease in the Group's Net Asset position is the result of the trading losses incurred in the Ultegra Business and a new Municipal Waste contract (referred to below) and approximately \$4,460,000 relating to the loss of goodwill on sale of the Ultegra business.

Dividends

The Directors of the Company determined not to declare a dividend in respect of the year ended 30 June 2024 (FY2023: Nil cents per Ordinary Share).

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

	2024	2023
	\$	\$
Dividend of nil (FY2023: nil cents) per fully paid Ordinary Share.	0	0

Review and Results of Operations

The Group's loss (PBT) from continuing operations totalling (\$2,587,000) was \$214,000 favourable to the loss in FY2023.

The PBT result was significantly impacted by several key developments including: redundancy costs relating to overhead cost reductions (in readiness for the closure and sale of Ultegra and the sale of the Waste Management business); costs associated with the sale of the Waste Management business; materially higher interest costs due to the need to fund losses in Ultegra and a new municipal contract (as borrowing costs are absorbed at a Group level); doubtful debt provisioning specific to the Utilities business relating to the voluntary administration of one of GMK's largest customers; and severe weather impacts in Queensland.

Excluding the abovementioned impacts, the Group's underlying Profit before Tax for continuing operations was estimated to be around break even.

Other key developments include: ongoing labour shortages, in terms of the quality and quantum and the heightened reliance on casual labour hire and contractors (both at higher unit prices) as well as limiting the business' ability to process additional work. To a lesser degree, the impact of the higher interest rate environment and inflationary pressures (including a higher average fuel price than the longer term trend) were evident.

The Asphalt Joint Venture's PBT contribution was higher than expected, due to significant improvements in its value proposition in terms of plant reliability and customer service.

Growth and Transformation

The Group's direct investment in Growth via acquisitions, consistent with our transformation strategy, remains paused with an emphasis on rationalising the business' portfolio of assets and an increased focus on organic growth. In this regard, Citywide was successful in gaining two significant long-term municipal contracts in late FY24.

Despite these gains, organic growth opportunities are expected to remain subdued in the short-term in some Local Government markets due to market conditions (such as inflationary pressures and ongoing labour challenges), and the absence of any apparent larger scale municipal contract opportunities.

Other Matters

More broadly, Citywide's Digital Transformation, and specifically the ongoing investment in our systems, continues to represent a sound proposition for customers who continue to seek more sophisticated digital systems to track asset management activities.

Significant Changes in the State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year other than the sale of Citywide's Waste Management business and the closure/partial sale of Ultegra.

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 were refreshed in FY2024 in an effort to improve the alignment of Strategy to our Vision and to remain relevant with changes in the market. The pillars to achieving our strategy remain: **Culture & People; Growth and Transformation; Sustainability and Innovation; Partnering and Alliances; and Technology and Systems of Work.**

A strong focus on Safety, and seeking continuous improvement in our Safety Culture, continued to be a critical focus. Our safety culture underpins the company's operations and is embedded in our Culture.

Despite the pause on acquisitions, and relatively subdued organic growth opportunities in the short term, the Group has an effective strategic planning process that underpins the corporate Strategy which defines our areas of focus for future growth of the Group, which is supported by a strong Balance Sheet.

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.

Mr Paul Hardy, a director of the Group; and Mr Peter Lamell, a director of the Group are both directors of Pitt and Sherry Pty Ltd. At various stages throughout the year, Pitt and Sherry Pty Ltd provided services to the Group in the form of engineering consultancy services (disclosed in note 9.2 of the Financial Statements).

John Grouios, is a former partner of PwC and received partner retirement benefits from PwC. Until November 2023, PwC were the internal auditors of the Company, but this function is now performed by an independent party.

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 the Chief Executive Officer, endorsing 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 seven Directors at the end of the financial year (following the appointment of two directors on 25th June 2024), 5 of whom are independent non-executive Directors, including the Chairman, and two Directors appointed by the Shareholder. 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 Environment; and Business Growth. 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, 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 30 June 2024, 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 Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J Brumby	11	11	5	5	3	3		
A Waters	11	11	5	5				
P Hardy	11	10					3	3
P Lamell	11	10			3	3	3	3
J Grouios	11	11	5	5				
A Leighton *								
L Tong *								

	Business Growth Committee		Special Projects Committee	
	Held	Attended	Held	Attended
J Brumby				
A Waters	3	2		
P Hardy	3	3	19	14
P Lamell	3	2	19	14
J Grouios	3	3	19	17
A Leighton *				
L Tong *				

* Alison Leighton and Lincoln Tong were appointed on 25th June 2024 as Directors after all meetings had concluded for the year

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

There were no matters or circumstances not mentioned within this Report, which have arisen between 30th June 2024 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)
9 September 2024

Consolidated Financial Report for
Citywide Service Solutions Pty Ltd
for the year ended 30 June 2024

Consolidated Financial Report

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6

Notes to the Consolidated Financial Statements

1. ABOUT THIS REPORT	7
1.1. Basis of preparation	7
1.2. Material accounting policies	7
1.3. Comparatives	9
1.4. Critical accounting judgements and estimates	10
2. OUR REVENUE	11
2.1. Revenue from customers	11
2.2. Other income	12
3. THE COST OF OUR OPERATIONS	13
3.1. Employee benefits and employee provisions	13
3.2. Contractor costs	14
3.3. Materials and services	15
3.4. Other expenses	15
4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS	16
4.1. Property, plant and equipment	16
4.2. Cash and cash equivalents	18
4.3. Intangible assets	19
4.4. Right-of-use assets	22
5. OTHER ASSETS AND LIABILITIES	23
5.1. Trade and other receivables	23
5.2. Inventories	24
5.3. Other financial assets	24
5.4. Other assets	24
5.5. Trade and other payables	25
5.6. Contract liabilities	25
5.7. Lease liabilities	26
5.8. Loans and borrowings	27
5.9. Provisions	28
6. OUR CAPITAL STRUCTURE	29
6.1. Equity and reserves	29
6.2. Parent entity information	31
6.3. Subsidiaries and joint operations	32
6.4. Dividends	35
7. TAXATION	35
7.1. Income tax	35
7.2. Deferred tax	36
8. MANAGING RISK AND UNCERTAINTY	37
8.1. Financial instruments	37
8.2. Fair value – financial and non-financial assets and liabilities	40
8.3. Contingencies	42
9. OTHER DISCLOSURES	43
9.1. Key management personnel compensation	43
9.2. Related party disclosures	44
9.3. Commitments	45
9.4. Discontinued operations	46
9.5. Events after reporting date	49
9.6. New accounting standards and interpretations	49
Directors' declaration	50

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2024**

	Notes	2024 \$'000	2023 \$'000
Revenue from continuing operations			
Revenue from customers	2.1	232,602	248,852
Other income	2.2	899	1,800
Total revenue from continuing operations		233,501	250,652
Expenses from continuing operations			
Employee benefits	3.1	105,058	107,148
Contractor costs	3.2	48,295	58,208
Materials and services	3.3	47,995	54,412
Depreciation	4.1	7,239	7,514
Amortisation - Intangible assets	4.3	139	465
Amortisation - Right-of-use assets	4.4	4,228	3,301
Finance costs - Leases	5.7	404	317
Other expenses	3.4	22,730	22,088
Total expenses from continuing operations		236,088	253,453
Loss before income tax equivalents from continuing operations		(2,587)	(2,801)
Income tax equivalents (benefit)/expense	7.1	(770)	(834)
Loss after income tax equivalents from continuing operations		(1,817)	(1,967)
Discontinued operations			
(Loss)/profit after tax for the year from discontinued operations, net of tax	9.4	(5,966)	68
Loss after income tax equivalents		(7,783)	(1,899)
Items that will not be reclassified subsequently to profit or loss (net of tax):			
Gain on revaluation of property	6.1	-	32,410
Other comprehensive income for the year, net of tax		-	32,410
Total comprehensive (loss)/income for the year, net of tax		(7,783)	30,511

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2024**

	Notes	2024 \$'000	2023 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	4.2	18,481	10,220
Trade and other receivables	5.1	42,189	56,429
Inventories	5.2	1,257	1,995
Other financial assets	5.3	1,500	1,500
Other assets	5.4	6,799	11,987
Assets held for sale	9.4	26,883	-
Total current assets		97,109	82,131
Non-current assets			
Property, plant and equipment	4.1	130,580	148,553
Right-of-use assets	4.4	9,108	10,539
Deferred tax assets	7.2	10,526	10,326
Intangible assets	4.3	26,114	31,492
Total non-current assets		176,328	200,910
TOTAL ASSETS		273,437	283,041
LIABILITIES			
Current liabilities			
Trade and other payables	5.5	31,067	41,400
Contract liabilities	5.6	3,375	5,695
Employee provisions	3.1	11,647	14,961
Lease liabilities	5.7	2,569	3,221
Other provisions	5.9	2,634	1,624
Liabilities directly associated with the assets held for sale	9.4	14,419	-
Total current liabilities		65,711	66,901
Non-current liabilities			
Employee provisions	3.1	654	761
Lease liabilities	5.7	6,961	7,769
Loans and borrowings	5.8	26,500	25,000
Deferred tax liabilities	7.2	34,244	35,460
Total non-current liabilities		68,359	68,990
TOTAL LIABILITIES		134,070	135,891
NET ASSETS		139,367	147,150
EQUITY			
Contributed equity	6.1	18,406	18,406
Retained earnings	6.1	51,779	59,562
Asset revaluation reserve	6.1	69,182	69,182
TOTAL EQUITY		139,367	147,150

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 2024**

	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation reserve \$'000	Total \$'000
Balance at 1 July 2022	18,406	61,461	36,772	116,639
Loss after income tax equivalents	-	(1,899)	-	(1,899)
Other comprehensive income for the year, net of tax	-	-	32,410	32,410
Total comprehensive income for the year, net of tax	<u>-</u>	<u>(1,899)</u>	<u>32,410</u>	<u>30,511</u>
Balance at 30 June 2023	<u>18,406</u>	<u>59,562</u>	<u>69,182</u>	<u>147,150</u>
Balance at 1 July 2023	18,406	59,562	69,182	147,150
Loss after income tax equivalents	-	(7,783)	-	(7,783)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year, net of tax	<u>-</u>	<u>(7,783)</u>	<u>-</u>	<u>(7,783)</u>
Balance at 30 June 2024	<u>18,406</u>	<u>51,779</u>	<u>69,182</u>	<u>139,367</u>

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 2024**

	Notes	2024 \$'000	2023 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		368,625	361,677
Payments to suppliers and employees (inclusive of GST)		(345,747)	(354,297)
Interest received - Continuing Operations	2.2	276	175
Interest received - Discontinued Operations		78	37
Interest paid - Continuing Operations	3.4	(1,316)	(1,004)
Interest paid - Discontinued Operations		(119)	-
Income tax equivalents paid		-	(1,221)
Net cash flows from operating activities		<u>21,797</u>	<u>5,367</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,205	2,596
Purchase of property, plant and equipment	4.1	(10,832)	(7,247)
Payment to new business vendors as part of acquisition		-	(1,087)
Proceeds from sale of discontinued operations, net of cash disposed		962	-
Net cash flows used in investing activities		<u>(8,665)</u>	<u>(5,738)</u>
Cash flows from financing activities			
Investment in term deposit	5.3	-	(1,500)
Proceeds from borrowings		18,100	26,500
Repayment of borrowings		(16,600)	(14,700)
Repayment of lease liabilities	5.7	(5,800)	(4,481)
Interest paid - lease liabilities	5.7	(571)	(394)
Dividends paid	6.4	-	(4,000)
Net cash flows (used in)/from financing activities		<u>(4,871)</u>	<u>1,425</u>
Net increase in cash and cash equivalents		<u>8,261</u>	<u>1,054</u>
Cash and cash equivalents at beginning of year		<u>10,220</u>	<u>9,166</u>
Cash and cash equivalents at end of year	4.2	<u>18,481</u>	<u>10,220</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 9 September 2024.

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 Group is a for-profit entity for the purpose of preparing the financial statements.

The Consolidated Financial Statements have been prepared on an accruals basis, except for the Statement of Cash Flows, 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, unless otherwise stated, in accordance with the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191.

1.2. Material accounting policies

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

Details of the Group's accounting policies and changes to significant accounting policies are described in the financial statements.

Finance Costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2024

1. ABOUT THIS REPORT (continued)

Current and Non-current classification

Assets and liabilities are presented in the Consolidated Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Goods and Services Tax ("GST") and other similar taxes

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case, it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables, or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2024

1. ABOUT THIS REPORT (continued)

Going concern basis of accounting

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, Citywide Service Solutions Pty Ltd incurred a loss of \$7.8m for the year ended 30 June 2024.

This comprises a loss from continuing operations of \$1.8m and loss from discontinued operations of \$6.0m. The aggregate FY24 loss includes material losses incurred by the Ultegra utilities business (including a \$4.5m loss of goodwill on sale) which was partially sold in late FY24 with the remaining business substantially closed by year end. The aggregate loss also includes profits generated by the Waste business which is expected to be divested during FY25 when the conditions precedent to the sale transaction are satisfied. Until that transaction is settled, Citywide will continue to derive revenue and profits from its Waste business. Following settlement, Citywide anticipates being in a position to substantially repay its external borrowings.

The aggregate loss for FY24 and the reported loss from continuing operations would ordinarily indicate a degree of uncertainty over the ability of Citywide Service Solutions Pty Ltd to continue as a going concern and its ability to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that Citywide Service Solutions Pty Ltd will be able to continue as a going concern, after considering the following factors:

- Citywide Service Solutions Pty Ltd is budgeted to return to profitable trading in FY25 and more importantly, the continuing operations (excluding the Ultegra and Waste businesses) are budgeted to return to profitability in FY25;
- The Directors have considered projected cash flow information for twelve months from the date of approval of these financial statements;
- The Group's divestment of its Waste business is highly likely to be settled in FY25;
- The likely repayment of substantial borrowings when the sale of the Waste business is settled, reducing ongoing interest costs;
- Citywide has a long standing relationship with its banking partner. The banking facility, which is due to expire on 27 July 2025, was first established in 2006 and on each expiry date has been renewed. Citywide will look to renew the banking facility, subject to the timing of sale of the waste business;
- The partial sale and closure of the remaining Ultegra business during FY24 following a period of financial underperformance and an expectation that there will be no material financial impact from Ultegra in FY25.

Citywide's forecasts indicate that barring any unforeseen circumstances, the Consolidated entity is expected to continue operating within available bank facilities and generate positive cashflows from operations, irrespective of the settlement date of the Waste business sale.

Accordingly, the Directors believe that Citywide Service Solutions Pty Ltd will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if Citywide Service Solutions Pty Ltd does not continue as a going concern.

1.3. Comparatives

The tax balances for 2022-23 have been restated with the Current Tax balance now forming part of the Deferred Tax Asset balance. This has had no impact on Total Assets or Net Assets in 2022-23 but the split between Current and Non-Current Assets has changed from the figures previously reported.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2024**

1. ABOUT THIS REPORT (continued)

1.4. Critical accounting judgements 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. Actual results may differ from these estimates. Revisions to estimates are recognised prospectively.

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
Right-of-use assets	4.4
Inventories	5.2
Provisions	5.9
Recovery of deferred tax assets	7.2
Fair value assets and liabilities	8.2
Discontinued operations	9.4

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

2. OUR REVENUE

2.1. Revenue from customers

From continuing operations

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

	2024	2023
	\$'000	\$'000
Rendering of services	207,224	226,892
Sale of goods	25,378	21,960
	<u>232,602</u>	<u>248,852</u>
Disaggregation of revenue		
<i>Type of service</i>		
Infrastructure	57,027	73,402
Street sweeping	5,842	5,627
Open space	78,931	81,636
Utilities	59,872	61,186
Other	5,552	5,041
	<u>207,224</u>	<u>226,892</u>
<i>Type of goods</i>		
Asphalt	25,378	21,960
	<u>25,378</u>	<u>21,960</u>
<i>Geographical region</i>		
VIC	196,887	210,957
NSW	3,366	3,121
QLD	8,411	8,413
ACT	5,649	4,787
TAS	18,289	21,574
	<u>232,602</u>	<u>248,852</u>
<i>Timing of revenue recognition</i>		
Products and services transferred over time	207,224	226,892
Products transferred at a point in time	25,378	21,960
	<u>232,602</u>	<u>248,852</u>
<i>Type of revenue</i>		
Contract Revenue	115,043	110,106
Non-Contract Revenue	117,559	138,746
	<u>232,602</u>	<u>248,852</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

2. OUR REVENUE (continued)

Contract liabilities (deferred revenue) 3,375 5,695

The Group recognised \$5.5m of revenue in 2023-24, which was deferred revenue as at 30 June 2023, following the satisfaction of specific performance obligations during the year.

Remaining performance obligations from continuing operations

	FY2025 \$'000	FY2026 to FY2029 \$'000	>FY2029 \$'000
Expected contract revenue from existing contracts	131,390	277,818	118,336

Recognition and measurement

Rendering of services refers to revenue from service contracts and is recognised over time as the services are provided. Invoices are issued according to contractual terms and are usually payable within 30 days. 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. Invoices are raised at that point in time and usually payable within 30 days.

Revenue from the sale of goods is recognised when the goods have been accepted by customers at our premises. Invoices are generated at that point in time and are usually payable within 30 days.

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

From continuing operations

	2024 \$'000	2023 \$'000
Gain on disposal of property, plant and equipment, net of costs	623	1,625
Interest received	276	175
	899	1,800

The gain on disposal of property, plant and equipment was derived in the normal course of business.

Recognition and measurement

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

3. THE COST OF OUR OPERATIONS

3.1. Employee benefits and employee provisions

3.1.1. Employee benefits expenses

From continuing operations

	2024	2023
	\$'000	\$'000
Employee benefits	<u>105,058</u>	<u>107,148</u>
	105,058	107,148

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

Recognition and measurement

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 (2024: 11.0% and 2023: 10.5% 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 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 2024 with the Group making the following contributions, in line with the City of Melbourne:

- a contribution holiday commenced on 1 July 2023; 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 2024, the Fund's Actuary estimated the VBI to be 146.1%.

	2024	2023
	\$'000	\$'000
Employer contributions to complying superannuation funds	7,999	7,855
Employer contributions payable to complying superannuation funds at reporting date	756	946

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

3. THE COST OF OUR OPERATIONS (continued)

3.1.2. Employee benefits provisions

	2024	2023
	\$'000	\$'000
Current expected to be settled within 12 months		
Annual leave	7,445	9,526
Long service leave	498	393
	<u>7,943</u>	<u>9,919</u>
Current expected to be settled after 12 months		
Long service leave	<u>3,704</u>	<u>5,042</u>
	<u>3,704</u>	<u>5,042</u>
Total current balance	<u>11,647</u>	<u>14,961</u>
Non-current		
Long service leave	<u>654</u>	<u>761</u>
	<u>654</u>	<u>761</u>

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:

	2024	2023
Discount rate	4.1% - 4.4%	4.0% - 4.4%
Wage inflation rate	3.50%	3.25%
Settlement period	7 years	7 years

3.2. Contractor costs

From continuing operations

	2024	2023
	\$'000	\$'000
Civil services	28,346	37,260
Open space services	15,976	17,249
Environmental services	555	538
Utilities services	3,391	3,104
Other services	27	57
	<u>48,295</u>	<u>58,208</u>

Recognition and measurement

Contractor costs are recognised when the services have been provided.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

3. THE COST OF OUR OPERATIONS (continued)

3.3. Materials and services

From continuing operations

	2024	2023
	\$'000	\$'000
Raw materials and consumables used	38,210	44,393
Fleet costs	9,499	9,580
Waste tipping	286	439
	<u>47,995</u>	<u>54,412</u>

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

From continuing operations

	2024	2023
	\$'000	\$'000
Occupancy costs	3,033	3,136
Finance cost – interest charges paid	1,316	1,004
Auditors' remuneration:		
Audit of financial statements - Victorian Auditor-General's Office	133	117
Internal audit services - Scyne Advisory	193	245
Consultancy	1,809	2,240
IT maintenance & subscriptions	4,145	3,199
Administrative related expenses	1,106	1,432
Insurance	2,355	1,791
Legal costs	607	368
Equipment repair, maintenance & tools	4,147	3,588
Equipment hire	1,284	1,538
Training	574	667
Other expenses	2,028	2,763
	<u>22,730</u>	<u>22,088</u>

Recognition and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2024

4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS

4.1. Property, plant and equipment

	Land	Buildings	Work in progress	Plant and equipment	Motor vehicles	Leasehold improvements	Total
Critical accounting estimates and judgement		Portables: 5-10 years Other: 40 years	Not applicable	1 - 15 years	3 - 10 years	Various ⁽¹⁾	
Depreciation policy	Not applicable						
2024	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or fair value							
Opening balance	103,200	4,894	3,164	43,421	82,555	9,220	246,454
Additions	-	-	1,774	410	8,537	111	10,832
Disposals	-	-	-	(1,170)	(6,141)	(142)	(7,453)
Reclassification to assets held for sale (Note 9.4)	-	(196)	(2,298)	(12,953)	(30,427)	(3,590)	(49,464)
Transfers of assets	-	-	(1,437)	15	1,224	198	-
Closing balance	103,200	4,698	1,203	29,723	55,748	5,797	200,369
Accumulated depreciation and impairment							
Opening balance	-	(2,904)	-	(32,525)	(57,355)	(5,117)	(97,901)
Depreciation - Continuing Operations	-	(75)	-	(1,817)	(4,572)	(775)	(7,239)
Depreciation - Discontinued Operations	-	(4)	-	(514)	(2,995)	(352)	(3,865)
Disposals	-	-	-	1,042	5,003	66	6,111
Reclassification to assets held for sale (Note 9.4)	-	196	-	11,735	18,984	2,190	33,105
Transfers of assets	-	-	-	-	-	-	-
Closing balance	-	(2,787)	-	(22,079)	(40,935)	(3,988)	(69,789)
Carrying value 30 June 2024	103,200	1,911	1,203	7,644	14,813	1,809	130,580
2023							
Cost or fair value							
Opening balance	56,900	4,894	2,410	43,135	84,172	7,856	199,367
Additions	-	-	1,339	818	3,679	1,411	7,247
Disposals	-	-	(58)	(948)	(5,407)	(47)	(6,460)
Revaluation adjustment	46,300	-	-	-	-	-	46,300
Transfers of assets	-	-	(527)	416	111	-	-
Closing balance	103,200	4,894	3,164	43,421	82,555	9,220	246,454
Accumulated depreciation and impairment							
Opening balance	-	(2,734)	-	(30,578)	(55,145)	(4,216)	(92,673)
Depreciation - Continuing Operations	-	(170)	-	(2,215)	(4,516)	(613)	(7,514)
Depreciation - Discontinued Operations	-	-	-	(615)	(2,759)	(299)	(3,673)
Disposals	-	-	-	883	5,065	11	5,959
Closing balance	-	(2,904)	-	(32,525)	(57,355)	(5,117)	(97,901)
Carrying value 30 June 2023	103,200	1,990	3,164	10,896	25,200	4,103	148,553

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2024**

4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS (continued)

4.1. Property, plant and equipment (continued)

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:

- a) 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; and
- b) Part of the land is leased to a long term tenant. This portion of the land has been valued using a combination of the present value of the direct sales comparison approach and the income approach.

The land exists in the Arden precinct which is subject to future planning conditions. A Planning Scheme Amendment for the Arden Structure Plan was gazetted on 28th July 2022.

The most recent revaluation was completed on 30 June 2023 and performed by Charter Keck Cramer, a licensed 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 and continued industrial and commercial use.

In 2024, Charter Keck Cramer provided further property advice for the properties owned by the Group. The summarised advice is as follows:

- a) There have been no transactions, which fall within the North Melbourne precinct, that have occurred since the last valuation; and
- b) There is no indication of market movement.

Based on this advice, the fair value of land will remain unchanged at 30 June 2024.

The fair value of land is categorised as Level 2 and Level 3 within the fair value hierarchy (refer to Note 8.2) and the fair value of land is \$103,200,000 (2023: \$103,200,000). The historical cost of land is \$5,741,000.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS (continued)

4.2. Cash and cash equivalents

	2024	2023
	\$'000	\$'000
Current		
Cash and cash equivalents	18,481	10,220
	18,481	10,220

Cash at bank attracts interest rates of 2024: 4.45% - 4.70% (2023: 1.70 - 4.45%).

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.

Banking Facilities

Banking Facilities are comprised of a \$38.7m Multi Option Facility with interchangeable limits between a Revolving Asset Finance Facility (2024: \$0.0m (2023: \$0.0m)), Cash Advance Facility (2024: \$36.2m (2023: \$36.2m)) and an Overdraft Facility (2024: \$2.5m (2023: \$2.5m)). The facilities are secured with a 1st ranking fixed and floating charge over the net assets of the Group. There was \$26.5m of borrowings drawn at 30 June 2024 (2023: \$25.0m). Subject to the continuance of satisfactory covenants achievement, the banking facilities may be drawn at any time. The banking facilities may be terminated by the bank if the Group defaults under the loan agreement. The facilities expire on 27 July 2025.

The Group's Banking Facilities are subject to Banking Covenants being an Interest Cover Ratio, Gearing Ratio and an Equity Ratio. During FY24, the Group breached a Banking Covenant and as the bank is supportive of the business an interim waiver was put in place. Subsequently, there was an agreed change to the calculation methodology of the Banking Covenant which was put in place prior to 30 June 2024. At 30 June 2024, the Group was not in breach of any Banking Covenant.

	2024	2023
	\$'000	\$'000
Reconciliation of net cash provided by operating activities to net profit after income tax equivalents		
Reconciliation of net profit after tax to net cash flows from operations:		
Loss after income tax equivalents	(7,783)	(1,899)
Non-cash items in operating profit:		
Depreciation / amortisation of non-current assets	17,908	16,892
Net (gain) / loss on disposal of non-current assets	(1,077)	(1,756)
Loss of goodwill on sale	4,460	-
Gain on disposal of discontinued operations	(150)	-
Provision for doubtful debts	955	(96)
Interest paid - lease liabilities	571	394
Changes in operating assets and liabilities:		
(Increase)/decrease in prepayments, trade and other receivables	14,112	(422)
(Increase)/decrease in amounts owing by ultimate parent entity	5,316	(4,544)
(Increase)/decrease in inventories	738	678
(Increase)/decrease in deferred tax equivalent assets	591	779
Increase/(decrease) in trade and other payables	(10,332)	(3,365)
Increase/(decrease) in employee entitlements	(3,422)	(542)
Increase/(decrease) in current tax equivalent liabilities	(792)	(2,385)
Increase/(decrease) in other liabilities	(3,531)	9
Increase/(decrease) in other provisions	1,010	1,624
Increase/(decrease) in operating assets and liabilities of Discontinued Operations	3,223	-
Net cash flows from operating activities	21,797	5,367

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS (continued)

4.3. Intangible assets

	Goodwill	Software	Customer relationships	Total
Critical accounting estimates and judgement				
Amortisation policy	Not applicable	3 - 5 years	5 years	
2024	\$'000	\$'000	\$'000	\$'000
Cost				
Opening balance	39,891	1,469	4,567	45,927
Loss of goodwill on sale	(4,460)	-	-	(4,460)
Disposals	-	(17)	(4,567)	(4,584)
Reclassification to assets held for sale (Note 9.4)	-	(488)	-	(488)
Closing balance	35,431	964	-	36,395
Accumulated amortisation and impairment				
Opening balance	(9,339)	(1,253)	(3,843)	(14,435)
Amortisation - Continuing Operations	-	(139)	-	(139)
Amortisation - Discontinued Operations	-	(34)	(724)	(758)
Disposals	-	-	4,567	4,567
Reclassification to assets held for sale (Note 9.4)	-	484	-	484
Closing balance	(9,339)	(942)	-	(10,281)
Carrying value 30 June 2024	26,092	22	-	26,114
2023				
Cost				
Opening balance	39,891	1,497	4,567	45,955
Disposals	-	(28)	-	(28)
Closing balance	39,891	1,469	4,567	45,927
Accumulated amortisation and impairment				
Opening balance	(9,339)	(1,035)	(2,961)	(13,335)
Amortisation - Continuing Operations	-	(163)	(302)	(465)
Amortisation - Discontinued Operations	-	(72)	(580)	(652)
Disposals	-	17	-	17
Closing balance	(9,339)	(1,253)	(3,843)	(14,435)
Carrying value 30 June 2023	30,552	216	724	31,492

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS (continued)

4.3. Intangible assets (continued)

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:

	2024	2023
	\$'000	\$'000
Victoria operations	9,588	9,588
NSW/ACT operations	3,325	3,325
Technigro	6,188	6,188
Gordon McKay	4,104	4,104
Frontline Electrical	2,887	2,887
Ultegra	-	4,460
	26,092	30,552

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS (continued)

4.3. Intangible assets (continued)

Following a Management review of the Ultegra business, a decision was made by the Group to part sell and shutter the remaining part of the Ultegra business which has resulted in a loss of the goodwill on sale of \$4,460,000 related to the Ultegra CGU recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The recoverable amount for each other 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 board approved financial year 2025 budget and overlaid with appropriate discount and growth rates. The discount and growth rate assumptions are as follows:

	2024	2023
Discount rate (WACC) - Victoria operations	7.00%	6.80%
Discount rate (WACC) - NSW/ACT operations	7.00%	6.80%
Discount rate (WACC) - Technigro	7.00%	6.80%
Discount rate (WACC) - Gordon McKay	8.30%	7.90%
Discount rate (WACC) - Frontline Electrical	8.30%	7.90%
Discount rate (WACC) - Ultegra	-%	7.90%
Discount rate (WACC) - Asphalt Group	8.30%	7.90%
Discount rate (WACC) - Group	7.60%	7.30%
Budgeted EBITDA growth rate	2.64%	2.80%

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 model and a terminal growth rate thereafter. The discounted cash flow models the first year cash flow which is based on the financial year 2025 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.

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	2024	2023
Discount rate (WACC)	0.88%	0.73%
Budgeted EBITDA growth rate	(0.91)%	(0.77)%

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS (continued)

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
	\$'000	\$'000	\$'000
2024			
Opening balance	9,904	635	10,539
Additions	2,102	2,896	4,998
Amortisation – Continuing Operations	(2,938)	(1,290)	(4,228)
Amortisation – Discontinued Operations	(1,390)	(288)	(1,678)
Leases terminated	(370)	(6)	(376)
Lease modification	1,807	853	2,660
Reclassification to assets held for sale (Note 9.4)	(1,021)	(1,786)	(2,807)
Closing balance	8,094	1,014	9,108

Total as at 30 June 2024 represented by

Cost	18,024	6,480	24,504
Accumulated Depreciation	(9,930)	(5,466)	(15,396)
Total	8,094	1,014	9,108

2023

Opening balance	12,610	809	13,419
Additions	-	194	194
Amortisation – Continuing Operations	(2,066)	(1,235)	(3,301)
Amortisation - Discontinued Operations	(1,223)	(64)	(1,287)
Leases terminated	(55)	(2)	(57)
Lease modification	638	933	1,571
Closing balance	9,904	635	10,539

Total as at 30 June 2023 represented by

Cost	20,862	5,491	26,353
Accumulated Depreciation	(10,958)	(4,856)	(15,814)
Total	9,904	635	10,539

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

4. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS (continued)

4.4. Right-of-use assets (continued)

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	23	1 - 8 years	7	0
Motor vehicles	258	1 - 6 years	0	0

5. OTHER ASSETS AND LIABILITIES

5.1. Trade and other receivables

	2024 \$'000	2023 \$'000
Current		
Trade receivables	31,866	40,895
Less: Allowance for expected credit losses	(1,071)	(287)
	<u>30,795</u>	<u>40,608</u>
Amounts owing from ultimate parent entity	10,295	15,611
Other debtors	1,099	210
	<u>42,189</u>	<u>56,429</u>

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.

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 expected credit losses is raised when there is evidence that the Group may not be able to collect the debt.

	2024 \$'000	2023 \$'000
Movement in allowance for expected credit losses		
Opening balance	(287)	(383)
Net remeasurement of loss allowance	(955)	96
Amounts written-off	171	-
Closing balance	<u>(1,071)</u>	<u>(287)</u>

Impaired trade and other receivable

The Group has recognised \$955,000 loss (gain in 2023: \$96,000) in the Statement of Profit or Loss and Other Comprehensive Income in respect of bad and doubtful trade receivables.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

5. OTHER ASSETS AND LIABILITIES (continued)

5.2. Inventories

	2024	2023
	\$'000	\$'000
Current		
Inventories	1,257	1,995
	<u>1,257</u>	<u>1,995</u>

Recognition and measurement

Impairment losses on Inventories 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.

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.

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.

5.3. Other financial assets

	2024	2023
	\$'000	\$'000
Current		
Term deposit	1,500	1,500
	<u>1,500</u>	<u>1,500</u>

5.4. Other assets

	2024	2023
	\$'000	\$'000
Current		
Accrued revenue - Unbilled services	2,305	6,529
Prepayments	4,494	5,432
Other current assets	-	26
	<u>6,799</u>	<u>11,987</u>

Recognition and measurement

Accrued revenue

Accrued revenue 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 revenue is recognised at the time the service is provided.

Prepayments

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

5. OTHER ASSETS AND LIABILITIES (continued)

5.5. Trade and other payables

	2024	2023
	\$'000	\$'000
Current		
Trade and other payables	31,019	41,397
Amount owing to ultimate parent entity	48	-
Security Deposits	-	3
	<u>31,067</u>	<u>41,400</u>

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.

5.6. Contract liabilities

	2024	2023
	\$'000	\$'000
Current		
Contract liabilities	<u>3,375</u>	<u>5,695</u>
	<u>3,375</u>	<u>5,695</u>

Contract liabilities

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

5. OTHER ASSETS AND LIABILITIES (continued)

5.7. 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 3.0% - 6.58% (2023: 3%).

Lease payments included in the measurement of the lease liability comprise of 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.

	2024	2023
	\$'000	\$'000
Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income		
Interest on lease liabilities - Continuing Operations	404	317
Interest on lease liabilities - Discontinued Operations	167	77
Expenses relating to short-term leases	100	100
	<u>671</u>	<u>494</u>
	2024	2023
	\$'000	\$'000
Maturity analysis - undiscounted contractual cash flows		
Less than one year	3,791	3,682
One to five years	7,102	6,057
More than five years	3,627	7,581
Total undiscounted contractual cash flows	<u>14,520</u>	<u>17,320</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

5. OTHER ASSETS AND LIABILITIES (continued)

5.7. Lease liabilities (continued)

	2024	2023
	\$'000	\$'000
Lease liabilities recognised in the Statement of Financial Position		
Current	2,569	3,221
Non-current	6,961	7,769
	<u>9,530</u>	<u>10,990</u>
	2024	2023
	\$'000	\$'000
Amounts recognised in Statement of Cash Flows		
Total cash outflow for leases	(6,371)	(4,875)
Represented by:		
Repayment of lease liabilities	(5,800)	(4,481)
Interest paid - lease liabilities	(571)	(394)

5.8. Loans and borrowings

	2024	2023
	\$'000	\$'000
Non-current		
Secured bank loan	26,500	25,000
	<u>26,500</u>	<u>25,000</u>

Refer to Note 4.2 for further details on the Banking Facility terms and Covenants.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

5. OTHER ASSETS AND LIABILITIES (continued)

5.9. Provisions

	2024	2023
	\$'000	\$'000
Current		
Restructuring costs	1,119	356
Onerous contracts	1,515	1,268
	<u>2,634</u>	<u>1,624</u>

Movements in provisions

Movements in each class of provisions during the current financial year are set out below:

	Restructuring	Onerous	Total
	\$'000	contracts	\$'000
	\$'000	\$'000	\$'000
At 1 July 2023	356	1,268	1,624
Arising during the year	1,119	1,515	2,634
Utilised	(356)	(1,268)	(1,624)
At 30 June 2024	<u>1,119</u>	<u>1,515</u>	<u>2,634</u>

Recognition and measurement

Restructuring costs

During 2024, a decision was made by the Group to part sell and part shutter the Ultegra business and implement an organisational restructure. As a result of these decisions, a provision of \$1,118,895 was raised to cover the costs associated with the restructuring programme. Steps have been taken to implement a detailed plan and discussions with affected personnel have created a valid expectation that the restructuring is being carried out. The provision recognised comprises the expected severance payments and employee entitlements (including notice period) based on the employee's years of service. The restructuring is expected to be completed in FY25.

During 2023, a provision of \$356,246 was made to cover the costs associated with a restructuring programme in a measure to reduce costs and to enable the Group to adapt its size to current market conditions by reducing the Group's workforce. Steps had been taken to implement a detailed plan and discussions with affected personnel have created a valid expectation that the restructuring is being carried out. The provision recognised comprises the expected severance payments and employee entitlements (including notice period) based on the employee's years of service. The restructuring was completed in financial year 2024.

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under the contract and an allocation of other costs directly related to fulfilling the contract.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

6. OUR CAPITAL STRUCTURE

6.1. Equity and reserves

Contributed equity

	2024	2023
	\$'000	\$'000
Ordinary shares - fully paid	18,406	18,406

Movement in ordinary share capital

	2024		2023	
	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 are classified as equity. 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 5.53% (2023: 4.53%). The Group's net debt (total borrowings less cash and cash equivalents) to total equity was 0.06 (2023: 0.08). There were no changes in the Group's approach to capital management during the year.

	2024	2023
	\$'000	\$'000
Retained earnings and reserves		
Retained profits at the beginning of the financial year	59,562	61,461
Net (loss)/profit attributable to members of the company	<u>(7,783)</u>	<u>(1,899)</u>
Total available for appropriation	51,779	59,562
Dividends provided for or paid (Note 6.4)	<u>-</u>	<u>-</u>
Retained profits at the end of the financial year	51,779	59,562
Earnings per share for profit attributable to the ordinary equity owners of the Company	(42.3)	(10.3)
Asset revaluation reserve		
Opening balance	69,182	36,772
Movement	-	32,410
Closing balance	69,182	69,182

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2024**

6. OUR CAPITAL STRUCTURE (continued)

6.1. Equity and reserves (continued)

Recognition and measurement

The asset revaluation reserve records the revaluation, (net of tax, refer to note 7.2) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

6. OUR CAPITAL STRUCTURE (continued)

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.

6.2.1. Summary financial information

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

	2024	2023
	\$'000	\$'000
Statement of Profit or Loss and Other Comprehensive Income		
Profit or (loss) for the year	606	(2,170)
Other comprehensive income	-	-
Total comprehensive income	606	(2,170)
Statement of Financial Position		
ASSETS		
Current assets	111,334	94,349
Non-Current assets	147,548	207,924
Total Assets	258,882	302,273
LIABILITIES		
Current liabilities	64,753	95,893
Non-Current liabilities	66,274	79,131
Total Liabilities	131,027	175,024
Net Assets	127,855	127,249
EQUITY		
Contributed equity	18,406	18,406
Retained profit	40,267	39,661
Asset revaluation reserve	69,182	69,182
Total Equity	127,855	127,249

6.2.2. 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.

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 6.3.1.

6.2.3. Capital expenditure commitments

Refer to Note 9.3 for capital expenditure contracted at 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.

6.2.4. Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

6. OUR CAPITAL STRUCTURE (continued)

6.3. Subsidiaries and joint operations

Principles 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 June 2024	30 June 2023
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%

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

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

6. OUR CAPITAL STRUCTURE (continued)

6.3. Subsidiaries and joint operations (continued)

6.3.1. Deed of cross guarantee

Pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785 the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and Directors' reports. It is a condition of the Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Citywide Utilities Pty Ltd
- Technigro Australia Pty Ltd
- Technigro Pty Ltd

The Wholly Owned subsidiaries of Sterling Group Services Pty Ltd and A.W.D. Earthmoving Pty Ltd are not subject to the Deed as they are dormant.

A Consolidated Statement of Profit or Loss and Other Comprehensive Income, summary of movements in Consolidated Retained Earnings and Consolidated Statement of Financial Position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2024 is set out as follows:

	2024	2023
	\$'000	\$'000
Revenue from operations		
Revenue from customers	334,715	346,220
Other income	1,396	1,945
Total revenue	<u>336,111</u>	<u>348,165</u>
Expenses from operations		
Employee benefits	134,316	132,534
Contractor costs	88,107	100,638
Materials and services	74,327	76,876
Depreciation	10,453	10,493
Amortisation - Intangible assets	898	1,117
Amortisation - Right-of-use assets	5,943	4,554
Finance costs - Leases	479	294
Other expenses	32,956	25,930
Total expenses from operations	<u>347,479</u>	<u>352,436</u>
Loss before income tax equivalents	(11,369)	(4,271)
Income tax equivalents (benefit)/expense	(2,054)	(1,263)
Loss after income tax equivalents	<u>(9,315)</u>	<u>(3,008)</u>
Items that will not be reclassified subsequently to profit or loss (net of tax):		
Gain on revaluation of property	-	32,410
Other comprehensive income for the year, net of tax	<u>-</u>	<u>32,410</u>
Total comprehensive income for the year, net of tax	<u>(9,315)</u>	<u>29,402</u>
Summary of movements in retained earnings		
Retained earnings at the beginning of the financial year	42,891	45,898
Loss for the year	(9,314)	(3,007)
Retained earnings at the end of the financial year	<u>33,577</u>	<u>42,891</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

6. OUR CAPITAL STRUCTURE (continued)

6.3. Subsidiaries and joint operations (continued)

6.3.1. Deed of cross guarantee (continued)

	2024 \$'000	2023 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	17,491	8,868
Trade and other receivables	30,785	48,011
Inventories	793	1,517
Other financial assets	1,500	1,500
Other assets	6,388	11,840
Assets held for sale	26,885	-
Total current assets	83,842	71,736
Non-current assets		
Deferred tax assets	11,338	10,501
Property, plant and equipment	125,532	142,897
Intangible assets	26,113	31,483
Right-of-use assets	4,706	6,056
Total non-current assets	167,689	190,937
TOTAL ASSETS	251,531	262,673
LIABILITIES		
Current liabilities		
Trade and other payables	32,880	43,212
Contract liabilities	3,375	5,695
Employee provisions	10,913	14,243
Lease liabilities	2,510	3,153
Other provisions	2,634	1,624
Liabilities directly associated with the assets held for sale	14,419	-
Total current liabilities	66,731	67,927
Non-current liabilities		
Deferred tax liabilities	34,242	35,458
Employee provisions	582	699
Lease liabilities	2,308	3,107
Loans and borrowings	26,500	25,000
Total non-current liabilities	63,632	64,264
TOTAL LIABILITIES	130,363	132,191
NET ASSETS	121,168	130,482
EQUITY		
Contributed equity	18,409	18,409
Retained earnings	33,577	42,891
Asset revaluation reserve	69,182	69,182
TOTAL EQUITY	121,168	130,482

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

6. OUR CAPITAL STRUCTURE (continued)

6.4. Dividends

The Board did not declare a dividend for the 2024 reporting year (2023: \$0).

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.

7. TAXATION

7.1. Income tax

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

	2024	2023
	\$'000	\$'000
Prima facie income tax equivalents on the (loss)/profit from continuing operations at 30.0% (2023: 30.0%)	(776)	(840)
Income tax equivalents payable due to:		
Other non-deductible expenses	<u>6</u>	<u>6</u>
Income tax equivalents attributed to (loss)/profit from continuing operations	(770)	(834)
	2024	2023
	\$'000	\$'000
Prima facie income tax equivalents on the (loss)/profit from discontinued operations at 30.0% (2023: 30.0%)	(1,983)	30
Income tax equivalents payable due to:		
Loss of goodwill on sale	<u>1,338</u>	<u>-</u>
Income tax equivalents attributed to (loss)/profit from discontinued operations	(645)	30
	2024	2023
	\$'000	\$'000
Income tax equivalents attributable to (loss)/profit comprise:		
Deferred income tax liability	(1,216)	(406)
Deferred income tax asset	(199)	(398)
	(1,415)	(804)

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 Melbourne City Council, a local government authority.

The Group is subject to paying income tax equivalents to Melbourne City Council, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2024

7. TAXATION (continued)

7.1. Income tax (continued)

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

	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
2024	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits	4,832	(52)	-	-	4,780	4,780	-
Accruals	544	245	-	-	789	789	-
Other	675	352	-	-	1,027	1,027	-
Depreciation	(2,619)	915	-	-	(1,704)	-	(1,704)
Revaluation of land	(29,647)	-	-	-	(29,647)	-	(29,647)
Customer relationships	(217)	217	-	-	-	-	-
Right-of-use asset	(2,977)	84	-	-	(2,893)	-	(2,893)
Lease liability	3,111	(773)	-	-	2,338	2,338	-
Tax losses carried forward	1,164	-	-	428	1,592	1,592	-
Tax assets / liabilities	(25,134)	988	-	428	(23,718)	10,526	(34,244)

	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
2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits	4,732	100	-	-	4,832	4,832	-
Accruals	764	(220)	-	-	544	544	-
Other	294	381	-	-	675	675	-
Depreciation	(1,727)	(892)	-	-	(2,619)	-	(2,619)
Revaluation of land	(15,757)	-	(13,890)	-	(29,647)	-	(29,647)
Customer relationships	(482)	265	-	-	(217)	-	(217)
Right-of-use asset	(4,025)	1,048	-	-	(2,977)	-	(2,977)
Lease liability	4,151	(1,040)	-	-	3,111	3,111	-
Tax losses carried forward	-	-	-	1,164	1,164	1,164	-
Tax assets / liabilities	(12,050)	(358)	(13,890)	1,164	(25,134)	10,326	(35,460)

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

8. MANAGING RISK AND UNCERTAINTY

8.1. Financial instruments

Objectives and policies

The Group's principal financial instruments comprise cash assets, receivables, accrued revenue, payables, borrowings, lease liabilities 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 allowance for expected credit losses. Debtors risk is managed by ongoing follow 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 2024 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 \$'000	Non-interest bearing \$'000	Total \$'000
2024				
Financial assets				
Cash and cash equivalents	4.2	18,481	-	18,481
Trade and other receivables	5.1	-	42,189	42,189
Accrued revenue	5.4	-	2,305	2,305
Term deposit	5.3	1,500	-	1,500
		<u>19,981</u>	<u>44,494</u>	<u>64,475</u>
Weighted average interest rate		4.58%		
Financial liabilities				
Trade and other payables	5.5	-	31,067	31,067
Security deposits	5.5	-	-	-
Loans and borrowings	5.8	26,500	-	26,500
Lease liabilities	5.7	-	9,530	9,530
		<u>26,500</u>	<u>40,597</u>	<u>67,097</u>
Weighted average interest rate		5.53%		
Net financial (liabilities) / assets		<u>(6,519)</u>	<u>3,897</u>	<u>(2,622)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

8. MANAGING RISK AND UNCERTAINTY (continued)

8.1. Financial instruments (continued)

	Note	Floating interest rate \$'000	Non-interest bearing \$'000	Total \$'000
2023				
Financial assets				
Cash and cash equivalents	4.2	10,220	-	10,220
Trade and other receivables	5.1	-	56,429	56,429
Accrued revenue	5.4	-	6,529	6,529
Term deposit	5.3	1,500	-	1,500
		<u>11,720</u>	<u>62,958</u>	<u>74,678</u>
Weighted average interest rate		3.66%		
Financial liabilities				
Trade and other payables	5.5	-	41,397	41,397
Security deposits	5.5	-	3	3
Loans and borrowings	5.8	25,000	-	25,000
Lease liabilities	5.7	-	10,990	10,990
		<u>25,000</u>	<u>52,390</u>	<u>77,390</u>
Weighted average interest rate		4.53%		
Net financial (liabilities) / assets		<u>(13,280)</u>	<u>10,568</u>	<u>(2,712)</u>
			2024	2023
			\$'000	\$'000
Ageing of Trade Receivables (net of impairment allowances)				
Current (not yet due)			32,620	47,094
Past due by up to 30 days			2,479	3,562
Past due between 31 and 180 days			7,043	5,499
Past due between 181 and 365 days			47	274
			<u>42,189</u>	<u>56,429</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

8. MANAGING RISK AND UNCERTAINTY (continued)

8.1. Financial instruments (continued)

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 2024 were \$12.2m (2023: \$13.7m)).

Year ended 30 June 2024	6 months or less	6 to 12 months	1 to 5 years	> 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Contractual maturities					
Liquid financial assets					
Cash and cash equivalents	18,481	-	-	-	18,481
Trade and other receivables	42,142	47	-	-	42,189
Accrued revenue	2,305	-	-	-	2,305
Term deposit	-	1,500	-	-	1,500
	<u>62,928</u>	<u>1,547</u>	<u>-</u>	<u>-</u>	<u>64,475</u>
Financial liabilities					
Trade and other payables	31,067	-	-	-	31,067
Security deposits	-	-	-	-	-
Loans and borrowings	-	-	26,500	-	26,500
Lease liabilities	-	3,791	7,102	3,627	14,520
	<u>31,067</u>	<u>3,791</u>	<u>33,602</u>	<u>3,627</u>	<u>72,087</u>
Net inflow/(outflow)	<u>31,861</u>	<u>(2,244)</u>	<u>(33,602)</u>	<u>(3,627)</u>	<u>(7,612)</u>
Year ended 30 June 2023	6 months or less	6 to 12 months	1 to 5 years	> 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Contractual maturities					
Liquid financial assets					
Cash and cash equivalents	10,220	-	-	-	10,220
Trade and other receivables	56,429	-	-	-	56,429
Accrued revenue	6,529	-	-	-	6,529
Term deposit	-	1,500	-	-	1,500
	<u>73,178</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>74,678</u>
Financial liabilities					
Trade and other payables	41,397	-	-	-	41,397
Security deposits	3	-	-	-	3
Loans and borrowings	-	-	25,000	-	25,000
Lease liabilities	-	3,682	6,057	7,581	17,320
	<u>41,400</u>	<u>3,682</u>	<u>31,057</u>	<u>7,581</u>	<u>83,720</u>
Net inflow/(outflow)	<u>31,778</u>	<u>(2,182)</u>	<u>(31,057)</u>	<u>(7,581)</u>	<u>(9,042)</u>

Recognition and measurement

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2024**

8. MANAGING RISK AND UNCERTAINTY (continued)

8.1. Financial instruments (continued)

Interest rate sensitivity analysis

Taking into account past performance, future expectations, economic forecasts and management's knowledge and experience in the financial markets, the Group believes that a movement of 50 basis points higher or lower (2023: 75 basis points higher or lower) is reasonably possible.

At reporting date, if interest rates had been 50 basis points higher or lower (2023: 75 basis points higher or lower) and all other variables were held constant, the Group's net profit would decrease by \$130,000 and increase by \$130,000 respectively (2023: decrease by \$166,000 and increase by \$166,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

8.2. Fair value – financial and non-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); and
- 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

8. MANAGING RISK AND UNCERTAINTY (continued)

8.2. Fair value – financial and non-financial assets and liabilities (continued)

	2024		2023	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets				
Cash and cash equivalents	18,481	18,481	10,220	10,220
Trade and other receivables	42,189	42,189	56,429	56,429
Accrued revenue	2,305	2,305	6,529	6,529
Term deposit	1,500	1,500	1,500	1,500
	64,475	64,475	74,678	74,678
Financial liabilities				
Loans and borrowings	26,500	26,500	25,000	25,000
Lease liability	9,530	9,530	10,990	10,990
Trade and other payables	31,067	31,067	41,397	41,397
Security deposits	-	-	3	3
	67,097	67,097	77,390	77,390

Fair value determination of non-financial physical assets

	Carrying amount as at 30 June 2024 \$'000	Fair value measurement at end of reporting period using		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at fair value	103,200	-	80,600	22,600
	103,200	-	80,600	22,600

	Carrying amount as at 30 June 2023 \$'000	Fair value measurement at end of reporting period using		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at fair value	103,200	-	80,600	22,600
	103,200	-	80,600	22,600

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 a combination of the direct sales comparison approach; whereby assets are compared to recent comparable sales of comparable assets that are considered to have a nominal value and the income approach.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2024**

8. MANAGING RISK AND UNCERTAINTY (continued)

8.3. Contingencies

Contingent liabilities

Guarantees issued by the Bank in respect of contracts secured of \$16,347,043 (2023: \$18,428,930).

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

9. OTHER DISCLOSURES

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	Andrea Waters	
Director	Paul Hardy	
Director	Peter Lamell	
Director	John Grouios	
Director	Alison Leighton	Commenced on 25 June 2024
Director	Lincoln Tong	Commenced on 25 June 2024
Chief Executive Officer	Chris Campbell	
Chief Financial Officer	Paul Hudson	
Executive - Operations	Duncan Reid	Retired on 28 September 2023
Executive - Operations	Matthew Williams	Commenced on 2 October 2023
Executive - Customer Experience & Engagement	Sarah Hewitt	Commenced on 2 October 2023, Retired on 28 June 2024
Executive General Manager – Energy and Utilities	Mario Bavaro	Retired on 28 June 2024
Executive - Assurance, Risk & Governance	Karla Ryan	
Executive - People, Safety & Wellness	Andrea Collins	Commenced on 8 April 2024

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

	2024	2023
\$0	2	-
\$30,000 - \$39,999	-	1
\$60,000 - \$69,999	1	-
\$90,000 - \$99,999	1	1
\$100,000 - \$109,999	2	2
\$110,000 - \$119,999	1	1
\$150,000 - \$159,999	-	1
\$160,000 - \$169,999	1	-
\$170,000 - \$179,999	1	-
\$200,000 - \$209,999	1	-
\$220,000 - \$229,999	1	-
\$230,000 - \$239,999	-	1
\$300,000 - \$309,999	-	1
\$320,000 - \$329,999	1	-
\$400,000 - \$409,999	1	-
\$420,000 - \$429,999	-	1
\$430,000 - \$439,999	1	-
\$440,000 - \$449,999	-	1
\$460,000 - \$469,999	-	1
\$730,000 - \$739,999	1	-
\$800,000 - \$809,999	-	1
	15	12

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

9. OTHER DISCLOSURES (continued)

9.1. Key management personnel compensation (continued)

	2024	2023
	\$'000	\$'000
Total remuneration for the financial year included above	3,169	3,293

Key management personnel compensation comprised the following:

	2024	2023
	\$'000	\$'000
Short-term employee benefits	2,889	3,025
Post-employment benefits	221	204
Other long-term benefits	59	64
	3,169	3,293

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

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 9.2 Related party disclosures.

9.2. Related party disclosures

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 from continuing operations with the ultimate parent entity amounted to \$47,034,967 (2023: \$57,572,526) during the financial year. Revenue transactions from discontinued operations with the ultimate parent entity amounted to \$25,167,022 (2023: \$23,031,936) during the financial year. The amount receivable at reporting date is detailed in Note 5.1.

Expense transactions from continuing operations with the ultimate parent entity amounted to \$115,000 (2023: \$0) during the financial year. Expense transactions from discontinued operations with the ultimate parent entity amounted to \$511,000 (2023: \$523,000) during the financial year. The amount owing at reporting date is detailed in Note 5.5.

Refer to Note 7.1 for the income tax equivalent charges and Note 6.4 for the dividends payable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

9. OTHER DISCLOSURES (continued)

9.2. Related party disclosures (continued)

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:

Name of subsidiary	2024 \$'000	2023 \$'000
Citywide Utilities Pty Ltd	280	5

Transactions with other related parties

Mr Paul Hardy, a director of the Group; and Mr Peter Lamell, a director of the Group are both directors of Pitt and Sherry Pty Ltd. At various stages throughout the year, Pitt and Sherry Pty Ltd provided services to the Group in the form of engineering consultancy services. During the FY2024 period the Group paid Pitt and Sherry Pty Ltd \$5,486 for these services.

Transactions between the Group and Citywide Asphalt Group (Aus) Pty Ltd were to the value of \$4,208,812 of which \$3,160,106 relates to the purchase of asphalt and \$1,048,706 relates to occupancy cost on-charges. \$470,914 is still unpaid at 30 June 2024 (2023: \$688,684). Payment terms between the two entities are 45 days from invoice date.

9.3. Commitments

Capital expenditure commitments	2024 \$'000	2023 \$'000
Capital expenditure planned at the reporting date but not recognised as liabilities in the financial report:		
Payable within one year	1,686	8,668
	<u>1,686</u>	<u>8,668</u>

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

Operating lease commitments

The Group leases out a property under a non-cancellable operating lease. The lease payments are subject to regular CPI and market reviews.

Future minimum lease receivable under the non-cancellable operating lease is, as follows:

	2024 \$'000	2023 \$'000
Within one year	166	159
After one year but not more than five years	664	638
More than five years	3,577	3,595
	<u>4,407</u>	<u>4,392</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

9. OTHER DISCLOSURES (continued)

9.4. Discontinued operations

Recognition and measurement

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operation.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

A Disposal Group is measured at the lower of its carrying amount and fair value less costs to sell. Where fair value is lower than the carrying amount, the difference is recognised as an impairment loss within the Income Statement. The results of discontinued operations are presented separately in the Income Statement and Statement of Comprehensive Income.

Ultegra business

Management committed to a plan to shutter the Ultegra business in February 2024, following a strategic decision, resulting from financial underperformance of this business. In June 2024, the Group sold part of the Ultegra business and the remaining part will be shuttered in FY25.

The Ultegra business was not previously classified as held for sale or as a discontinued operation. The comparative Consolidated Statement of Profit or Loss and Other Comprehensive Income has been re-presented to show the discontinued operation separately from continuing operations.

The results of the discontinued operations representing the Ultegra business are as follows:

	2024	2023
	\$'000	\$'000
Revenue from discontinued operation		
Revenue from customers	47,882	57,629
Other income	427	144
Total revenue from discontinued operation	48,309	57,773
Expenses from discontinued operation		
Employee benefits	10,923	11,214
Contractor costs	26,703	32,025
Materials and services	11,261	11,327
Depreciation	326	500
Amortisation - Intangible assets	724	580
Loss of goodwill on sale	4,460	-
Amortisation - Right-of-use assets	886	748
Finance costs - Leases	22	25
Other expenses	6,797	5,552
Total expenses from discontinued operation	62,102	61,971
(Loss) before tax from a discontinued operations	(13,793)	(4,198)
Income tax equivalents (benefit)/expense	(2,800)	(1,260)
(Loss) for the year from discontinued operations	(10,993)	(2,938)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

9. OTHER DISCLOSURES (continued)

9.4. Discontinued operations (continued)

The major classes of assets and liabilities sold are as follows:

	2024 \$'000	2023 \$'000
Assets		
Property, plant and equipment (Note 4.1)	863	-
Trade and other receivables	95	-
Inventories	284	-
Right-of-use assets	337	-
Assets disposed	<u>1,579</u>	<u>-</u>
Liabilities		
Provisions	238	-
Lease liabilities	346	-
Liabilities disposed	<u>584</u>	<u>-</u>
Net assets directly associated with disposal group	<u>995</u>	<u>-</u>

Details of the disposal are as follows:

	2024 \$'000	2023 \$'000
Total sale consideration	1,210	-
Carrying amount of net assets disposed	<u>(995)</u>	<u>-</u>
Gain on disposal before income tax	215	-
Income tax equivalents expense	<u>(65)</u>	<u>-</u>
Gain on disposal after income tax	<u>150</u>	<u>-</u>

The major classes of assets and liabilities held for sale at 30 June 2024 are as follows:

	2024 \$'000	2023 \$'000
Assets		
Property, plant and equipment (Note 4.1)	125	-
Assets held for sale	<u>125</u>	<u>-</u>

The net cash flows for discontinued operations are as follows:

	2024 \$'000	2023 \$'000
Net cash flows used in operating activities	(4,587)	(3,145)
Net cash flows from/(used in) investing activities	1,197	(913)
Net cash flows from financing activities	4,528	4,100
Net cash inflow	<u>1,138</u>	<u>42</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

9. OTHER DISCLOSURES (continued)

9.4. Discontinued operations (continued)

Waste business

In June 2024, a decision was made by the Citywide Board to divest the Waste business following a strategic decision to place greater focus on the Group's key competencies. In June 2024, a Business Sale Agreement has been signed by Citywide and Cleanaway, with settlement to take place in FY25 after conditions precedent are met.

Management believe that conditions precedent are highly probable to be met in FY25. As the Waste business is immediately available for sale, has a plan for sale and has shareholder approval, the Waste business has been classified as held for sale.

The Waste business was not previously classified as held for sale or as a discontinued operation. The comparative Consolidated Statement of Profit or Loss and Other Comprehensive Income has been re-presented to show the discontinued operation separately from continuing operations.

The results of the discontinued operations representing the Waste business are as follows:

	2024	2023
	\$'000	\$'000
Revenue from discontinued operation		
Revenue from customers	79,443	61,551
Other income	105	23
Total revenue from discontinued operation	79,548	61,574
Expenses from discontinued operation		
Employee benefits	19,512	15,149
Contractor costs	13,188	10,587
Materials and services	31,488	25,571
Depreciation	3,539	3,173
Amortisation - Intangible assets	35	72
Amortisation - Right-of-use assets	792	538
Finance costs - Leases	145	52
Other expenses	3,667	2,135
Total expenses from discontinued operation	72,366	57,277
Profit before tax from a discontinued operations	7,182	4,297
Income tax equivalents (benefit)/expense	2,155	1,289
Profit for the year from discontinued operations	5,027	3,008

The major classes of assets and liabilities held for sale at 30 June 2024 are as follows:

	2024	2023
	\$'000	\$'000
Assets		
Property, plant and equipment (Note 4.1)	16,234	-
Intangible assets (Note 4.3)	4	-
Trade and other receivables	5,525	-
Inventories	21	-
Prepayments	6	-
Accrued Income	2,161	-
Right-of-use assets	2,807	-
Assets held for sale	26,758	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2024**

9. OTHER DISCLOSURES (continued)

9.4. Discontinued operations (continued)

	2024	2023
	\$'000	\$'000
Liabilities		
Trade and other payables	2,540	-
Lease liabilities	2,836	-
Accruals	6,079	-
Employee provisions	2,959	-
Income in advance	5	-
Liabilities directly associated with assets held for sale	<u>14,419</u>	<u>-</u>
Net assets directly associated with disposal group	<u>12,339</u>	<u>-</u>

The net cash flows for discontinued operations are as follows:

	2024	2023
	\$'000	\$'000
Net cash flows from operating activities	11,694	8,132
Net cash flows used in investing activities	(7,332)	(125)
Net cash flows used in financing activities	(145)	(52)
Net cash inflow	<u>4,217</u>	<u>7,955</u>

9.5. Events after reporting date

There were no 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.

9.6. New accounting standards and interpretations

At the date of this financial report there are no standards and interpretations which are applicable to the Group, which have been issued but are not yet effective.

The AASB has issued a list of other amending standards that are not effective for the 2023-24 reporting period. In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on the Group's reporting.

In the Director's opinion:

- (a) The financial statements are in accordance with the Corporations Act 2001, including:
 - (i) Complying with Australian 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 2024 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 and the group entities identified in Note 6.3.1 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

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



John Brumby
Chairman



Andrea Waters
9 September 2024

Independent Auditor's Report

To the Directors of Citywide Service Solutions Pty Ltd

Opinion	<p>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:</p> <ul style="list-style-type: none"> • consolidated entity statement of financial position as at 30 June 2024 • consolidated entity statement of profit or loss and other comprehensive income for the year then ended • consolidated entity statement of changes in equity for the year then ended • consolidated entity statement of cash flows for the year then ended • notes to the financial statements, including material accounting policies • directors' declaration. <p>In my opinion the financial report is in accordance with the <i>Corporations Act 2001</i> including:</p> <ul style="list-style-type: none"> • giving a true and fair view of the financial position of the consolidated entity as at 30 June 2024 and of the consolidated entity's financial performance and cash flows for the year then ended • complying with Australian Accounting Standards and the <i>Corporations Regulations 2001</i>.
----------------	--

Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the company and the consolidated entity in accordance with the auditor independence requirements of the <i>Corporations Act 2001</i> and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (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.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
--------------------------	---

Other Information	<p>The Directors of the company are responsible for the Other Information, which comprises the information in the company's annual report for the period ended 30 June 2024, but does not include the financial report and my auditor's report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p>
--------------------------	---

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 determine 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.

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.

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:

- 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
 - 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
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors
 - 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
-

Auditor's responsibilities for the audit of the financial report (continued)

- 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.

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.

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
16 September 2024



Travis Derricott
as delegate for the Auditor-General of Victoria

Auditor-General's Independence Declaration

To the Board of 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 2024, 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
16 September 2024

Travis Derricott
as delegate for the Auditor-General of Victoria

6.2 Queen Victoria Market Pty Ltd Annual Report FY2023-24**Report Author:** Marcella Lim, Senior Treasury Analyst**Report Presenter:** Mans Bassi, Chief Operating Officer**Executive Leader:** Mans Bassi, Chief Operating Officer**Executive Summary**

1. The Queen Victoria Market Pty Ltd (QVM) audited Annual Report 2023–24 is being presented to Council for noting.
2. The audited QVM financial result for the year ended 30 June 2024 was approved by Council at a special Council meeting on 24 September 2024 as part of the Melbourne City Council annual financial report 2023–24, under note 6.3a Subsidiaries.

Recommendation from management

3. That Council notes:
 - 3.1. The Queen Victoria Market Pty Ltd audited Annual Report for the financial year 2023-2024 (attachment 1 of the report from management).

Purpose

4. The purpose of this report is to note the QVM audited Annual Report for the financial year 2023–24.

Background

5. At the June 2015 Council meeting, Council requested the QVM audited Annual Report be adopted in an open session at a Council or Future Melbourne Committee meeting.

Key considerations

6. The QVM audited Annual Report for the financial year 2023–24 has been finalised (refer attachment 1).

Legal

7. No direct legal issues arise from the recommendation from management.

Finance

8. There are no financial implications as a result of the recommendation from management.

Conflict of interest

9. Mans Bassi, Chief Operating Officer and General Manager Finance and Corporate, declared that no general or material conflict of interest exists in accordance with section 127 or section 128 of the *Local Government Act 2020*, in relation to the matter of the report.
10. In the interests of transparency, Mans Bassi, Chief Operating Officer and General Manager Finance and Corporate is a Director on the Board of QVM.
11. No other member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report, has declared a material or general conflict of interest in relation to the matter of the report.

Charter of Human Rights and Responsibilities

12. The recommendation contained in this report is compatible with the *Charter of Human Rights and Responsibilities 2006* as it does not raise any human rights issues.

Health and Safety

13. QVM management is committed to a safe work environment and complies with the requirements set out in the *Occupational Health and Safety Act 2004*. This is achieved through effective policies and procedures.

Consultation

14. Consultation with QVM management was undertaken in the preparation of this report.

Relevance to Council Plan and Council Policies

15. The release of the Annual Report complies with Council policy.

Social and environmental impacts**16. Social impacts**

There are no social impacts associated with the recommendation from management.

17. Gender Impact Assessment

A Gender Impact Assessment is not required for this report.

18. Environmental impacts

There is no significant impact on environmental sustainability associated with the recommendation from management.

Attachment List

1. Queen Victoria Market Pty Ltd Annual Report FY 2023-24 [6.2.1 - 51 pages]



ANNUAL REPORT 2023-24

CONTENTS

Contents	2
.....
From the Chair	3
.....
From the Chief Executive Officer	4
.....
Who we are	5
.....
The Board	6
.....
Year in Review - Highlights	13
.....
Financial Statements	17
.....

Queen Victoria Market Pty Ltd respectfully acknowledges the Traditional Owners of the land on which the Market is located, the Wurundjeri Woi-wurrung people of the Eastern Kulin, and pays respect to their Elders past and present.

Queen Victoria Market is an integral part of the fabric of our city. It attracts customers and visitors from all backgrounds across Melbourne and its suburbs, Victoria, other states and internationally. It offers a unique experience and exceptional value across fresh produce, specialty merchandise and special events. But at its heart, the Market exists for the interactions that take place between customers and traders; buyers and sellers.

Queen Victoria Market (QVM) Pty Ltd's role is to be the catalyst or enabler of these interactions. Our success depends on the positive experience of customers and traders and our *raison d'être* is to ensure the Market is a place small business owners want to trade and customers want to shop and visit.

QVM management daily undertakes activities and actions which create an environment in which traders and customers can come together successfully, both now and into the future, and which guarantee the ongoing sustainability of QVM Pty Ltd itself. As a Board, we have a strong focus on future-proofing the market by setting and actioning a strategic direction that is based on a constant reassessment of the needs of both existing and potential traders and customers in Melbourne's rapidly changing retail, social and economic environment.

In large part our success must be judged by the growth of satisfied traders and customers. It was therefore pleasing to see visitation growing strongly over the year. Following a 33% post-pandemic jump in 2022-23, visitation in 2023-24 increased by a further 7.9% to reach a total of 7,680,073. This figure does not include the additional 600,000-plus visitors who attended our range of seasonal Night Markets.

This is an outstanding show of support from Melbournians and visitors to our city. Customers are also reporting extremely high levels of satisfaction with the Market evidenced through an increased Net Promoter Score.

Similarly, there has also been an increase in the number of day traders this year, with this group growing from 472 to 501, along with the creation of the new Purpose Precinct.

These results are a strong endorsement of the work being done in trader engagement, placemaking, events and operations to keep the Market open and running smoothly as a welcoming place for shoppers and all visitors.

Because of this, 2023-24 was an improved financial year for QVM Pty Ltd as we delivered a better than budgeted result thanks to a focus on sustainable revenue growth and expense management.

2023-24 also saw completion of a number of key components of the Renewal Program including the Food Hall reopening after extensive refurbishments, the upgrade of the Therry Street streetscape and completion of the work to restore and revitalise our signature open-air trading sheds. I thank the City of Melbourne's Renewal team for this and for their ongoing work to future-proof the Market.

I am optimistic about the long-term future of Queen Victoria Market, but I do not underestimate the short-term disruption we will face as work to deliver critical facilities for traders and QVM impacts Queen Street and the connection between the upper and lower market.

While this once in a lifetime disruption is unavoidable, the need to stay the course to deliver the promise of Renewal has never been clearer. The world is not standing still and neither can the Market. While committed to operating a traditional market with fresh produce at its heart, the Queen Victoria Market must have the facilities for its operations that align with contemporary work practices. This new physical infrastructure and the Future Market Strategy, which is being delivered concurrently, are the two key building blocks for the ongoing success of the Market.

I would like to acknowledge the City of Melbourne for its continued support and acknowledge the Lord Mayor, Councillors, CEO and Executive for their unwavering commitment to QVM Pty Ltd. The creation of the QVM Renewal Program Executive Committee in May 2023 is a further demonstration of the City's commitment to facilitate appropriate, timely decision making for the most significant challenges associated with the program.

I'd like to thank Sally Capp, who stood down as Melbourne Lord Mayor in April this year. She was a committed champion for Queen Victoria Market, and her frequent visits to the Market in both an official and personal capacity were a clear demonstration of her genuine affection for the place. The Board wishes her the best as she moves into the next phase of her career and hope to see her shopping in the Market for years to come.

The Trader Advisory Committee, under the able leadership of Chair Nancy Policini, have continued to provide valuable advice and an ongoing trader perspective to management and the Board and I thank them for their engagement.

This year saw the resignation of Jane Hodder from the Board in October. Jane served as Director for eight years, including five as Deputy Chair, and her expertise, insightful questions and considered and valued opinions are missed.

I am grateful to Di Laws for agreeing to become the Deputy Chair and for the ongoing support she has provided since taking the role.

To my fellow Board Directors, Di Laws, Michael Tenace, Luke Hilakari, Sandy Chakravarty and Emma Germano: thank you for another year of tireless service.

Finally, thank you to CEO Matt Elliott and the Leadership Team who have delivered beyond our expectations in the past year. They have risen to every challenge and enthusiastically embraced every opportunity. To all QVM Pty Ltd staff, thank you once again for demonstrating your ongoing commitment to the Market and for going above and beyond.

Jane Fenton AM
Chair
October 2024



FROM THE CHIEF EXECUTIVE OFFICER

Following my first full year in the CEO role, it's true that there is never a dull moment at Queen Victoria Market!

Guided by the Future Market Strategy, the past 12 months have been a year of focussing on the fundamentals as we work to secure the physical, financial and social future of the Market.

Even with the increasing impact of Renewal works, key achievements have been made in:

- Increasing the number of customers who visit the Market and enhancing the way we engage with them while they are here.
- Developing the relationships with traders as we work together to make the Market an accessible and rewarding place to operate a business.
- Shoring up QVM Pty Ltd's financial sustainability to ensure we can continue to operate the Market for the benefit of traders and customers now, and into the future.

Efforts to address the costs of running the Market have been an important part of our work this year, as we reckoned with the impact of a 28% increase in cleaning, security, waste management and other similar expense since 2015. For the future financial sustainability of the Market, changes were necessary to cover these increasing costs and ensure a fair and equitable user-pays approach to how they are shared by traders.

It has not been an easy year, with a lot of big decisions and honest conversations, but the results speak for themselves – with visitation trending towards pre-pandemic levels and a financial result in positive territory for the second consecutive year.

However, even as our financial position has improved over the past year, the forward look to 2024-25 and into 2025-26 presents a note of caution as we expect to continue to rely on financial support from the City of Melbourne across this period.

Despite the challenges, in 2024-25 and beyond our priority is continuing to deliver through Renewal. While we manage the many varied impacts of significant construction work within the precinct, we remain firmly focussed on enhancing the customer and trader experience at the Market.

The Future Market Strategy offers a roadmap to ensuring the spirit of the Market over the past 145 years continues to thrive. The whole team at QVM Pty Ltd and I are fully committed to its implementation.

To help achieve this goal QVM Pty Ltd itself has also experienced significant change this year, with an internal restructure helping us to further align our resources and staffing profile with the key work we are undertaking in the Market.

I want to take this opportunity to thank all staff not only for their continued passion for the Market, but also their flexibility and resilience as they continue to get on with the job even through the changes we have been making.

The restructure has enabled us to focus our efforts on the central customer/trader experience which sets Queen Victoria Market apart as shopping, event and leisure destination in Melbourne – and we are already seeing the benefits in the visitation, satisfaction and financial results we achieved.

Another key focus for this year has been developing our data collection and utilisation capacity to ensure we are able to make considered, evidence-based decisions. This is especially critical at the moment as the Melbourne CBD continues to undergo a significant shift post-COVID with changing work, shopping and recreation patterns of locals and visitors presenting many new opportunities to be identified, understood and grasped.

I'd like to thank the QVM Pty Ltd Chair and Board Members for their support this year – the expertise and guidance they offer allows all of us to work effectively and productively.

Thank you also to the Leadership Team and broader QVM team for another year of service to Queen Victoria Market. Your hard work has helped us deliver an outstanding set of results during some very trying circumstances.

Matt Elliott

Chief Executive Officer

October 2024

WHO WE ARE

Queen Victoria Market is one of the world's most significant public marketplaces, boasting the highest concentration of independent small businesses anywhere in Australia.

At 7 hectares, it is Australia's largest retail marketplace. Encompassing heritage sheds, iconic market halls and historic shopfront terraces, the Market is home to more than 500 independently owned businesses, offering a diverse range of fresh food, general merchandise and hospitality 5 days a week at the Day Market and on a seasonal basis at the expansive calendar of community and Market events, such as seasonal Night Markets.

Continuously trading since its official opening in 1878, Queen Victoria Market is the longest surviving marketplace of its scale and diversity in Australia. Its community of traders, affordability and diverse retail offer has serviced a loyal customer base for generations. Today, Queen Victoria Market's evolving offer of fresh produce, general merchandise, hospitality, events and activities ensures its ongoing relevance as a launching pad for new business and a centre for the community.

PURPOSE

QVM Pty Ltd is a wholly owned commercial subsidiary of the City of Melbourne and is responsible for managing the day-to-day operations and planning of the Queen Victoria Market. As the owner of the Queen Victoria Market, the City of Melbourne has oversight and responsibility for any major capital improvements at the site.

QVM Pty Ltd is responsible for building on the existing appeal of the Queen Victoria Market, one of the world's most significant public marketplaces, and guiding it through the next phase in its evolution so it can be enjoyed by generations to come.

This evolution includes the City of Melbourne's Queen Victoria Market Precinct Renewal Program, which is securing the Market's future by restoring its heritage while upgrading and modernising its operations.

Renewal together with other enhancements to the Market offer, customer experience and practices to ensure safe and efficient operations under our five-year *Future Market Strategy* will ensure the Market is able to meet the changing needs of Melburnians and contribute to the revitalisation of an important and growing part of the city.

VISION

Queen Victoria Market will be a 'market of markets'; a thriving and diverse market and community meeting place that is loved by locals and a must see for visitors.

STRATEGIC GOALS AND OBJECTIVES

To help achieve our vision for the Market, the following Core Market Elements and Guiding Planning Principles set our direction and priorities, and guide everything we do:

CORE MARKET ELEMENTS

1. An authentic market experience
2. A reinvigorated fresh food hub
3. A showcase for diverse retail
4. An immersive food destination
5. An active and animated precinct.

GUIDING PLANNING PRINCIPLES

1. Protect the Market's heritage
2. Create a great place to run a business
3. Build community and celebrate diversity
4. Foster a sustainable future
5. Improve safety and modernise operations.

VALUES

Underpinning our vision and strategic framework are our organisational values:

- **Market leaders:** bold in our decisions, leading by example and inspiring others
- **Creative and courageous:** encouraging creativity, have an entrepreneurial spirit and confident in our actions and delivery
- **Trusting of each other:** working as one team respecting each other's decisions, roles and ideas
- **Passionate about the Market:** showing pride, enthusiasm and dedication in everything we do for the benefit of the Market
- **Customer focused:** supporting each other and our trader community, encouraging the best service and quality for Market customers.

The Board is responsible for strategic direction and monitoring the performance of QVM Pty Ltd.

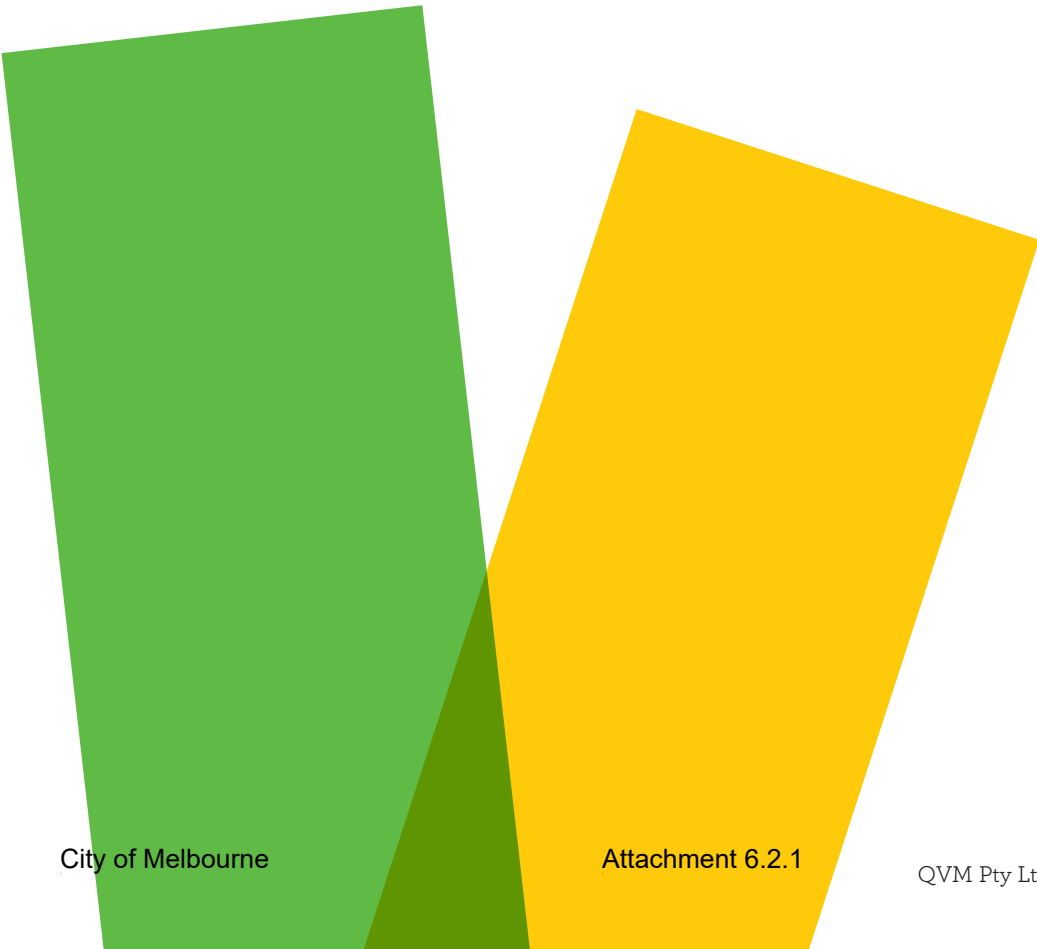
Directors are appointed to the Board of QVM Pty Ltd for periods of up to three years.

The QVM Pty Ltd Chief Executive Officer and the Chief Financial Officer/Company Secretary attend each Board meeting, with additional management staff attending as required.

Queen Victoria Market Pty Ltd Board Meeting attendance 1 July 2023 - 30 June 2024

Attendance by Directors at Board meetings held during the financial year are detailed below:

Board Member	Eligible to attend	Attended
Jane Fenton AM - Chair	9	9
Di Laws - Deputy Chair	9	9
Sandy Chakravarty	9	8
Emma Germano	9	9
Luke Hilakari	9	8
Jane Hodder (Resigned 26 October 2023)	4	3
Michael Tenace	9	7



ABOUT THE BOARD OF DIRECTORS



JANE FENTON AM · CHAIR

Jane has significant experience as a non-executive director.

She has a background in marketing communications, stakeholder engagement and reputation management and founded and ran an award-winning strategic communications agency.

Jane is a past winner of a Victorian Telstra Business Woman Award and is a Fellow of both the Public Relations Institute of Australia and the Australian Institute of Company Directors.

Jane is currently also an independent director of UniMutual Pty Ltd, a member-based organisation that provides risk protection and risk management services to members in the tertiary education sector and a mentor for Kilfinnan.

She has previously chaired VicHealth, Very Special Kids, the Queen Victoria Women's Centre Trust and Gather My Crew, been Deputy Chair of Cancer Council Australia, a member of the MCG Trust and a director of the Murdoch Children's Research Institute as well as participating in many advisory committees. Jane was made a Member of the Order of Australia for her services to the community.





DI LAWS

Di has more than 25 years' experience in executive leadership roles in the retail and wholesale industries across Australia and the Asia Pacific.

This experience extends across diverse business models including vertically integrated, concession, distributor, franchise, and licensee structures. From global fashion brands to general merchandise and FMCG, Di's experience has been gained in fast growth, turnaround, and transformation business environments.

Di serves on the Victorian Tourism Industry Council as a non-executive director and works as an Independent Advisor specialising in Small to Medium Enterprises. This work includes developing governance frameworks, serving on board sub committees, facilitating strategic planning, and providing executive coaching to improve leadership and execution capabilities.

Di is a graduate of the Australian Institute of Company Directors with a Master of Business Management from Swinburne University.

She also holds a Graduate Certificate in Retail Leadership from the Australian Retailers Association (ARA) Retail Institute, and has facilitated accredited Graduate Certificate, Diploma and Certificate IV programs in Retail Leadership for this national retail body.



SANDY CHAKRAVARTY

Sandy is a strategic and innovative leader with an executive and non-executive career of more than 25 years spanning Australian and international blue-chip organisations including Australian Red Cross, Boston Consulting Group, Bristol-Myers Squibb, Ingersoll-Rand and more recently State Trustees.

Sandy has extensive leadership experience across corporate and commercial functions driving strategic, commercial and transformational initiatives.

Governance, steering organisations towards a growth trajectory and excellence in navigating organisations through crises are particular passions for Sandy. She is culturally astute and has a collaborative leadership style.

Sandy currently serves as the Chair of the Finance Audit, Risk Committee at the Thrive Refugee Enterprises. Sandy's previous Board and Committee experience includes Southern Metropolitan Cemeteries Trust, Australian Red Cross Blood Service (LifeBlood), International Women's Development Agency, Link Community Transport, Eating Disorders (Vic), and the National Association of Women in Operations.



EMMA GERMANO

Emma Germano is Managing Director of her family mixed operation I Love Farms. Growing fresh vegetables for local and export markets, as well as running sheep and beef cattle, I Love Farms has a firm focus on sustainability and strives to connect with Australian consumers. I Love Farms has a farm-gate store which assists to increase the community's understanding of food and fibre production.

Emma is the current Victorian Farmers Federation President and Board Member of the Melbourne International Flower and Garden Show.

Emma is also a Nuffield Scholar (2014), her research examining global export opportunities for Australian primary producers. Ultimately, Emma strives to be a strong voice, representing Australian growers and ensuring a vibrant and sustainable future for agriculture in Australia.



LUKE HILAKARI

Luke leads the Victorian union movement in his role as Secretary of the Victorian Trades Hall Council (VTHC), representing over 40 unions and 500,000 union members from every sector of the workforce. He graduated Monash University with Bachelor of Arts with first class honours and has completed the Australian Institute of Company Directors course.

Luke has over 20 years of experience in serving on a number of community and commercial boards as well as a range of not for profits. He is currently a member of the Victorian Skills Authority, Australian Progress, the Premier's Mentally Healthy Workplaces Advisory Group, as well as several additional Victorian Government advisory committees.

Luke has a passion for markets, working with his father as a trader from a young age. He passionately believes that markets play a crucial role in bringing communities together, supporting the livelihoods of families while delivering quality fresh food and goods to local residents.



MICHAEL TENACE

Michael has extensive business, finance and executive leadership experience and has had proven success leading multiple functions (Chief Investment Officer, Chief Financial Officer, Chief Procurement Officer). His experience includes both public and private sector enterprises in domestic and international markets.

Michael is an experienced Board member with strategic, commercial and transformational skills. He understands the importance of good governance as a Director of numerous companies over the past 25 years including Australian Air Express, iPrint Pty Ltd and as a Trustee Director of the Australia Post Superannuation Scheme (APSS). He has a demonstrated history of working in the consumer services, superannuation, industrial products and FMCG industries. He is a Fellow of CPA Australia and a Graduate of Australian Institute of Company Directors.

He has Chaired numerous Board committees including Audit, Risk and Compliance Committees. Michael was the Chief Financial Officer and General Manager Corporate Services for the City of Melbourne, where he provided strategic, financial, information technology and operational advice and managed subsidiary companies and investments.

COMMITTEES OF THE BOARD

In 2023-24, QVM Pty Ltd had three Board committees.

Audit, Risk & Finance Committee

The Audit, Risk and Finance Committee oversees the financial management of QVM Pty Ltd and receives reports from both internal and external auditors. This committee also reviews risk management policies and practices.

Committee Member attendance at meetings in 2022-23 is detailed below:

Member	Eligible to attend	Attended
Sandy Chakravarty - Chair	4	4
Jane Fenton AM	4	4
Jane Hodder (Resigned 26 October 2023)	1	1
Di Laws	3	3

Nomination & Remuneration Committee

The Remuneration and Nomination Committee plays a pivotal role in supporting and advising the Board to fulfill its responsibilities to the organisation's members. The Remuneration and Nomination Committee addresses crucial aspects related to Board composition, structure, senior executive selection and performance, as well as other pertinent matters as required.

Committee Member attendance at meetings in 2023-24 is detailed below:

Member	Eligible to attend	Attended
Jane Fenton AM	1	1
Michael Tenace	1	1

Strategy Committee

The Strategy Committee provided advice and recommendations to facilitate decision making by the Board on the strategic direction of the Company and assist the Board with oversight into the implementation and execution of the Company strategic plan.

The Committee was disbanded following the 27 July 2023 meeting.

Committee Member attendance at meetings in 2023-24 is detailed below:

Member	Eligible to attend	Attended
Di Laws - Chair	1	1
Rob Adams AM - Independent member	1	1
Jane Fenton AM	1	1
Emma Germano	1	0
Luke Hilakari	1	0

Trader Representative Committee

The Trader Representative Committee consists of Queen Victoria Market traders and Board members and plays an important role in service as representatives for all sections of the Market, providing feedback and guidance to both QVM Pty Ltd and trader constituents on upcoming projects, the Renewal Program and the day-to-day operations of the Market.

The Trader Representative Committee is Chaired by Nancy Policheni and Deputy Chaired by Vivek Kumar Jain.

There were seven meetings of the committee in 2023-24 with at least one Board Members rostered to attend each meeting.

YEAR IN REVIEW - HIGHLIGHTS

2023-24 was a positive year for QVM Pty Ltd, with many achievements as we continue to manage the last lingering impacts of the COVID-19 pandemic while navigating the ongoing challenges of Market Renewal works. Outlined below are highlights in the following focus areas:

1. Visitor attraction and experience
2. Marketing, advertising and promotion
3. Social media and online
4. Programming and events
5. Visitor services
6. Safety, operations and physical environment
7. QVM Precinct Renewal

Visitor attraction and experience

The number of day market visitors increased by 564,656 to 7,680,073 across the 2023-24 year – a 7.9% increase on the 2022-23 total of 7,115,417.

Our 40 Night Market events over four seasons throughout the year added another 600,000-plus visitors.

Visitation and experience are driven by numerous elements including:

- Marketing, advertising and promotion;
- Social media and online;
- Events and programming; and
- Visitor services including market tours.

Marketing, advertising and promotion

Initiatives implemented and progressed throughout 2023-24 to attract customers and adapt to the changing retail landscape, in line with the Future Market Strategy included:

- ‘Make it a Market Day’ campaign continued targeting Melburnians using a mix of media including radio, outdoor, press and digital.
- Developed a brand refresh to align creative and messaging allowing consumers to easily identify QVM messaging and branding across various campaigns (will be rolled out in coming year).
- Traders participated in multiple campaigns including Easter, Orthodox Easter, Mother’s Day, Father’s Day, Truffle Tasting event, and Christmas (including the Christmas Gift Guide).
- Extensive promotion of events, festivals, pop up markets, school holiday workshops and other activity to encourage visitation including QVM Pty Ltd owned events like the Donut Festival and Truffle Tasting Event.
- Working with the City of Melbourne, Melbourne University and Student Insider to promote and drive visitation to the Market among international students via voucher programs and relevant content.



In 2023-24, the Market's website and social media channels continue to be vital tools for attracting customers, promoting events and supporting the trader experience, highlights include:

- In February a new social media strategy was created and implemented to drive stronger engagement, growth and organic reach.
- Our paid social strategy was refined with more sophistication around analytics, allowing change to future campaign to improve results.
- Strong engagement and growth across digital and social channels including 4.6% day market engagement, 4.8% night market engagement, growth in followers on Facebook (up by 3.7%) and Instagram (up by 23.9%), plus the launch of two new Chinese social media platforms, Little Red Book and WeChat.
- Continued operation and growth of Queen Victoria Market Online in a competitive online grocery environment and fulfilment of more than 26,000 orders since launch.
- With a website refresh completed in May, there was an increase in page views from 3.35 million in FY22/23 to 3.95 million in FY23/24.
- New email marketing platform was implemented in June which has delivered increased customer segmentation, automation, and analytics tools.
- Average e-news open rate of 38% (increase by 7%)

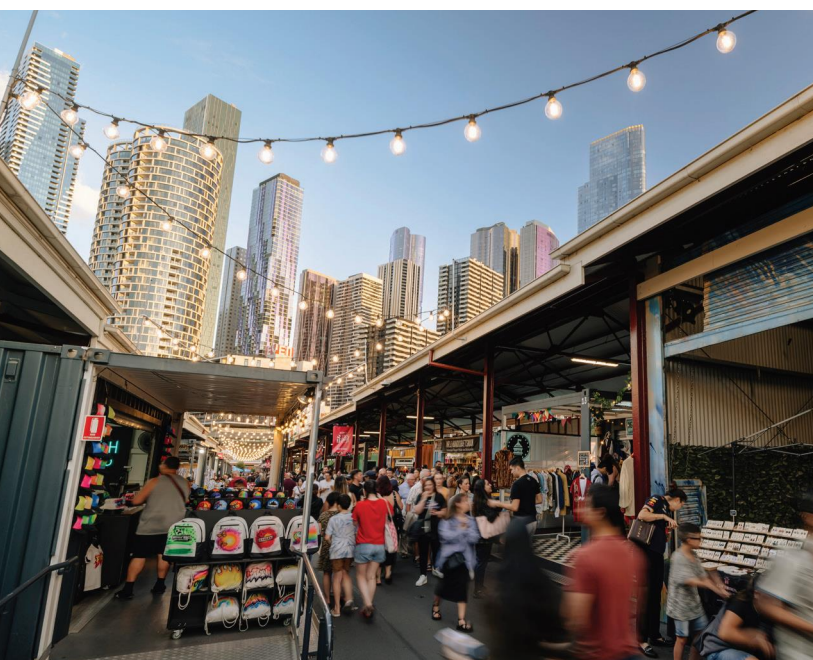
Programming and events

In 2023-24, the programming and event calendar played a pivotal role in driving visitation, supporting the Market and improving the experiences of customers and traders. Key highlights included:

- Staging of four seasons of the night market with accompanying marketing and PR campaigns, attracting more than 600,00 visitors.
- Opening Summer Night Market featured MasterChef filming onsite providing great promotional exposure.
- A partnership with the Melbourne Fringe Festival, leading to the creation of the Festival Park at Testing Grounds' Public Art Park. The Festival Park featured the Vault, roving entertainment, a beer garden, and a food truck park.
- The return of large-scale community events and festivals on weekends, including the African Festival, EID Festival, Turkish Pazar, Indonesian and Philippine Festival, and Portuguese Festival.
- The highly successful return of QVM Pty Ltd's Donut Festival, which received extensive media coverage.
- The trial of new markets, including the Vintage Market, and collaborations with Melbourne Fashion Festival's Fashion Edit and Melbourne Food and Wine Festival's Little Italy Festival.
- Various third-party activations, such as the Mushroom Festival, Day of the Dead celebrations, and Sustainability Living Festival workshops.
- Continued event and activation collaborations with external stakeholders delivered:
 - o The Melbourne Book Market, and
 - o CRFT*WRK, a monthly craft fair presented by Rose St Artists' Market.

Event operational highlights:

- Implemented a new point-of-sale systems for our Night Market bar operations.
- Implementation of waste and electrical charges for Night Market traders.
- Trialled revenue share model of stall fees for food vendors at the June 2024 Winter Night Market.
- Trialled extended footprint, maximum capacities and restricted access to assist in managing large crowds during peak Night Market periods.
- Implementation of new fees structure for venue hire and third-party events.



A range of initiatives were progressed in 2023-24 to engage with customers and improve the experience while visiting the Market, highlights include:

- Overall attendance of the tours program increased by 27% year on year.
- Net profit of tours program increased by over 50 percent. (Due to an increase in attendance coupled with a decrease in expenses. Specialist tours program diversified to include sustainability, truffle, seafood and 'Wake up with the Market' tours.
- Establishment of the QVM Accessibility Committee with 11 voluntary members. Developed the first draft of the QVM Disability Inclusion Action Plan.

Safety, operations and physical environment

Continued progress was made throughout 2023-24 to improve safety across the precinct, and enhance operations and the Market's physical environment. Further improvements in the Market's environmental sustainability performance were achieved, consistent with QVM Pty Ltd Sustainability Plan 2022-27.

Key functions of the safety, operations and physical environment are:

- Capital projects,
- Occupational health and safety, and
- Sustainability.

Capital projects

- Completion of 2023-4 annual asset management plan.
- Construction of new Tatts kiosk on Therry Street.
- Award of new loading dock booking system.
- Completion of A Shed fire services valves replacement works.
- Completion of tendering of 2024 to 2029 asset management services and awarded year 1 works.
- Commencement of Meat Hall vaulted roof rectification works.

Occupational Health and Safety

- Implemented the Loading, Unloading, Exclusion Zone (LUEZ) Guidelines for improved management of the loading zones on Queen Street.
- Introduced Safety Hub, an online safety tool, to improve delivery of workplace safety training for QVM employees.
- Introduced WHS Monitor, an online contractor prequalification system, to improve management of contractors on site.
- Implementation of regular electrical safety auditing.
- Tendered for the Security Service across the site.

Sustainability

- Implemented second year of Sustainability Plan 2022-27, working towards achieving a zero carbon and zero waste environment for the Market operations by 2027.
- Upgraded water and electrical meters across the Market site to improve monitoring and understanding of water and electricity usage across the site.
- Removed the use of single use plastic cups and replaced with reusable cups at the QVM operated bars at all Night Markets.
- Diverted an average of 77.5% of waste from landfill for the year, up to a maximum of 80% diverted in some months.

Throughout 2023-24, QVM Pty Ltd continued to work closely with the City of Melbourne to scope, plan and deliver Market Renewal projects in accordance with the Master Plan, updated Renewal Business Case (2021) and strategic priorities.

This has focused on planning each stage of works, including transitional arrangements to facilitate continuity of Market operations and to minimise disruption to traders and customers during works.

Renewal works with QVM Pty Ltd support:

- Completion and opening of Queen's Food Hall in November 2023.
- Completion of Shed Restoration project with only H and I Sheds gable ends structural rectification to be finalised.
- Completion of Victoria Street toilet refurbishment project.
- Planning and preparation for Franklin Street Stores relocation including alterations to the car parking arrangements.
- Commencement of Trader Shed construction.
- Transition of back of house facilities to temporary location in I Shed to support trader operations while Trader Shed is under construction.
- Completion of Deli Lane schematic design.
- Completion of Market buildings program detailed design.
- Completion of design for upcoming Waste Hub (Northern Shed) and Queen Street Public Realm projects.
- Contributed towards Queens Corner Building business case.
- Contributed towards Market Square concept design.
- Completion of Franklin Street roundabout removal.

Renewal works driven by QVM Pty Ltd

- Commencement of GM point-of-sale (POS) design guidelines trader engagement sessions.
- Commencement of GM retail market infrastructure design.
- Approval of 18 fruit and vegetable trader applications for fresh produce POS improvements.



FINANCIAL STATEMENTS

Queen Victoria Market (QVM) Pty Ltd was able to deliver a better financial result than budgeted in 2023-24 thanks to a combination of revenue growth and a strong focus on managing expenses.

The most significant component of improving the financial performance of the Market is increasing occupancy of shops and stalls. Food Hall and F Shed became available during the financial year, providing the opportunity to increase lease revenue and 100% occupancy has been achieved.

The realignment of QVM Pty Ltd's organisational structure has created a much stronger focus on new trader attraction to increase the occupancy of the sheds which is immediately having an impact on performance.

The financial strategy also involves implementing several revenue repair measures to fairly allocate costs for services heavily utilised by some traders.

During 2023-24, these measures included returning to the annual 4% increase in stall fees (equivalent to \$7 - \$8 per week), introducing a revenue model for the night market's food vendors (consistent with other major events in Melbourne), increasing the cost of the first two hours of parking from \$6 to \$7, and increasing the site fees associated with third-party events, held at the Market from \$500 to \$5,000.

Recognising the cultural, social and economic value of these events to the Market community, eligible not-for-profit and community organisations can apply for in-kind sponsorship to reduce the site fee.

During 2023-24, the introduction of a user-pays approach for electricity and a 55% contribution towards waste disposal costs (with the balance continuing to be absorbed by QVM Pty Ltd) was announced. These changes will come into effect during 2024-25 to provide traders adequate time to adjust.

A charge was also announced for a small number of Dairy Hall's traders selling ready to eat products that are the key beneficiaries of the provision and cleaning of tables and chairs in Deli Lane, using the same principle as the waste disposal costs. This ensures all traders selling these type of products fairly share the cost of maintaining the facilities.

These changes are necessary as the costs of managing the Market started exceeding revenue some years ago and can no longer continue to be absorbed by QVM Pty Ltd.



Between 2015 and 2022, primary costs of managing the Market increased by 28.3%, exceeding inflation over the same period of 21.57%. By comparison, license fees paid by traders only increased by a total of 5.08% (compounded), clearly an unsustainable situation.

Even as the company's financial position has improved over the past year, the forecast for the next couple of years indicates that financial support from the City of Melbourne will continue to be required through the disruption of Market Renewal and as new facilities and services are delivered that significantly impact the traditional operations of the Market.

Financial results

QVM Pty Ltd recorded a profit of \$419,513 after providing for income tax, compared to a profit of \$7,877 in 2022-23.



**Financial Statements for Queen Victoria Market Pty Ltd
for the year ended 30 June 2024**

ACN: 069 959 771

Contents

- 3 Directors' Report**
- 5 Directors' Declaration**
- 6 Auditors Declaration**
- 7 Statement of Profit or Loss and Other Comprehensive Income**
- 8 Statement of Financial Position**
- 9 Statement of Cash Flows**
- 10 Statement of Changes in Equity**
- 11 Notes to the Financial Statements**
- 31 Audit Opinion**

The directors present their report on Queen Victoria Market Pty Ltd (the Company) for the financial year ended 30 June 2024.

Information on Directors:

The names of the Company's directors in office during the financial year and until the date of this report are as follows.

Jane Fenton AM (Chair)
Dianne Laws (Deputy Chair) (from 03/10/2023)
Sandhya Chakravarty
Emma Germano
Luke Hilakari
Michael Tenace
Jane Hodder (Deputy Chair) (from 18/10/2018 to 26/10/23)

Directors were in office for the entire period unless otherwise stated.

Principal Activities:

The principal activities of the Company during the course of the financial year has been the management of the Queen Victoria Market. There were no significant changes in the nature of the activities of the Company during the year.

Objectives:

The Future Market Strategy prepared by the Board and Management of Queen Victoria Market in 2021 aims to preserve the Market's heritage and core offer to keep serving current customers, while enhancing the offer and experience to meet the needs of more Melburnians.

The Strategy will support the Market's recovery from the COVID-19 pandemic and longer-term revitalisation, outlining retail plans, operational improvements and investment for the next five years to achieve this. The Strategy complements and depends upon the City of Melbourne's Market Renewal Program currently underway, which will retain and restore the Market's historic structures, while improving facilities and infrastructure for traders, customers and visitors.

The Company's objectives are to:

- Repair QVM Pty Ltd's financial position
- Build a stronger local customer-base by positioning the Market as Melbourne's premier food, shopping and event destination
- Managing disruption and delivering on Market, trader and customer needs through Renewal
- Supporting traders in a challenging and changing environment
- Operating a traditional marketplace in the 21st century

In order to meet these objectives the following targets have been set for the 2025 financial year and beyond:

- Delivering our core responsibilities to operate the market as an authentic and beloved open air market
- Facilitating the delivery of the Renewal program to minimise impacts on traders and customers as critical physical infrastructure is revitalised and delivered
- Implementing the Future Market Strategy to preserve our heritage while enhancing our ability to meet the future needs of more Melbournians

Operating Results:

The Company recorded a profit of \$419,513 after providing for income tax, compared to a profit of \$7,877 in 2023.

Reflecting on the year:

The Company achieved a stronger financial performance through a combination of revenue growth and a strong focus on managing expenses. A significant part of our strategy involved implementing several revenue repair measures to cover increasing costs as fairly as possible and help secure the financial sustainability of the market. These measures included introducing a user-pays contribution for externally sourced services such as electricity, waste management, and cleaning, along with annual increases to license fees and car parking rates.

In 2024, the Company successfully increased visitation, with customers reporting a high degree of satisfaction with the Market. Our efforts to enhance the customer experience, coupled with strategic adjustments in our financial and operational practices, have been well received. The feedback from our customers underpins the effectiveness of our initiatives and reaffirms our commitment to delivering value and satisfaction.

Overall, the combination of these efforts has positioned the Company for sustained growth and profitability. We are proud of our achievements in 2024 and remain committed to building on this momentum in the coming years

Market Renewal

The Company and surrounding precinct is undergoing a significant process of renewal through the City of Melbourne's Renewal Program. The Renewal Program is restoring the Company's heritage while delivering modern facilities to make the Company work better for traders, customers and visitors, and revitalising this growing part of the city.

Works planned to be undertaken throughout the lease term include (but are not limited to) restoration of the Company open-air heritage sheds; new and improved facilities for traders and Market operations; new Market car parking; a new public open space; improved weather protection; refurbishment and restoration of the Market's heritage buildings and structures (including the heritage sheds; Dairy, Meat and Fish Halls); improved streetscapes; more pedestrian-friendly spaces and places for customers to sit, eat and relax. This will include works to surrounding roads and streetscapes.

Council Meeting - Agenda**Renewal highlights during 2024 included:**

- Commencement of the construction of a new seven level trader storage and logistics facility between the Meat and Fish Hall and H Shed. This will replace the current 1980s meat delivery and offal building and will include loading docks, climate controlled storage, waste and recycling facilities and enhanced trader amenities and new public facilities"
- Completion of a significant refurbishment of the existing Food Court transforming the space into a modern dining space
- Restoration of sheds, with the award winning works retaining the history and character of the sheds while improving stability and preventing future damage
- Therry Street upgrade as a key gateway into the market, featuring wider footpaths, greenery, lighting and dining spaces for customers to stop and enjoy.
- Refurbishment of the Victoria Street restrooms as part of the Heritage Buildings works program to modernize the facilities and address increased demand.

The Company has an established letter of comfort and a funding agreement with the City of Melbourne in place. (see Note 1.3 for further detail).

Dividends paid or recommended:

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Going Concern

The Letter of Support from City of Melbourne guarantees financial stability and continuous company trading for Queen Victoria Market through to the end of Queen Victoria Marke Renewal Project. In addition the Short-Term Funding Agreement entered with the City of Melbourne ensures the company remains solvent during the funding period.

Director Meetings:

The number of Directors' meetings held during the financial year ended 30 June 2024, are set out below:

Director	Held	Attended
Jane Fenton AM (Chair)	9	9
Dianne Laws (Deputy Chair) (from 03/10/2023)	9	9
Sandhya Chakravarty	9	8
Emma Germano	9	9
Luke Hilakari	9	8
Michael Tenace	9	7
Jane Hodder (Deputy Chair) (from 18/10/2018 to 26/10/23)	4	3

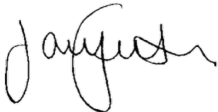
Indemnification and insurance of auditors:

Queen Victoria Market holds valid Directors and Officers Liability Insurance via XL Insurance Company SE. No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of Queen Victoria Market.

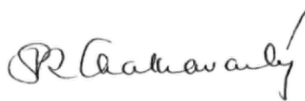
Auditors Independence Declaration:

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is included on page 3 and forms part of the Director's Report.

Signed in accordance with a resolution of the Directors



Jane Fenton AM
Chair of Board



Sandhya Chakravarty
Director

22 August 2024

DIRECTORS' DECLARATION

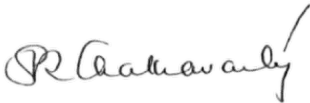
In the opinion of the Directors of Queen Victoria Market Pty Ltd:

1. The financial statements and associated notes of Queen Victoria Market Pty Ltd are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of its financial position as at 30 June 2024 and of its performance and cash flows for the financial year ended on that date; and
 - ii. Complying with the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements.
2. As a result of the financial support provided by the City of Melbourne, there are reasonable grounds to believe that Queen Victoria Market Pty Ltd 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 Board of Directors and is signed for and on behalf of the directors by:



Jane Fenton AM
Chair of Board



Sandhya Chakravarty
Director

22 August 2024

Auditor-General's Independence Declaration

To the Board of Directors, Queen Victoria Market 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 Queen Victoria Market Pty Ltd for the year ended 30 June 2024, 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
30 August 2024



Travis Derricott
as delegate for the Auditor-General of Victoria

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2024

		2024	2023
		\$	\$
	Notes		
Revenue:			
Market Rental Revenue	3.1	16,506,497	14,542,759
Car Parking Fee Revenue		4,664,071	4,627,388
Night Market – Bar Sales		1,824,446	1,949,764
City of Melbourne Grant	1.3	1,000,000	2,450,000
Other Revenue	3.2	1,960,811	1,421,404
Total Revenue		25,955,825	24,991,315
Expenses:			
Employee Benefits Expense	4.1(a)	7,451,112	7,344,268
Contracted Expenses	4.2	7,470,616	6,994,636
Materials & Services	4.3	6,055,113	6,226,717
Depreciation	4.4	474,130	614,433
Amortisation - Right of Use Assets	5.4	384,554	390,290
Utilities	4.5	1,598,405	1,454,512
Finance Costs - Leases	6.8	76,617	84,132
Other Expenses	4.6	2,006,130	1,922,192
Total Expenses		25,516,677	25,031,180
Profit/(Loss) before income tax		439,148	(39,865)
Income Tax Equivalent Benefit	8.1	(19,635)	47,742
Profit/(Loss) after income tax for the year		419,513	7,877
Total Comprehensive Income/(Loss) for the year		419,513	7,877

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

Statement of Financial Position

As at 30 June 2024

	Notes	2024 \$	2023 \$
Current Assets			
Cash & Cash Equivalents	5.1	2,802,539	2,105,518
Other Financial Assets	6.1	2,005,072	2,000,000
Trade & Other Receivables	6.2	1,288,936	1,240,449
Other Assets	6.3	174,176	180,543
Total Current Assets		6,270,723	5,526,510
Non-Current Assets			
Deferred Income Tax Equivalent Assets	8.2	500,946	520,579
Property, Plant & Equipment	5.3	1,463,048	1,614,866
Right of Use Assets	5.4	2,721,366	3,105,919
Total Non-Current Assets		4,685,360	5,241,364
Total Assets		10,956,082	10,767,874
Current Liabilities			
Trade & Other Payables	6.4	791,020	1,186,804
Accrued Expenses	6.5	1,459,476	769,664
Other Liabilities	6.6	441,617	559,274
Refundable Deposits	6.7	532,330	471,827
Employee Provisions	4.1(b)	1,252,429	1,429,913
Lease Liabilities	6.8	531,599	500,697
Unearned Revenue		431,758	421,029
Total Current Liabilities		5,440,229	5,339,208
Non-Current Liabilities			
Refundable Deposits	6.7	2,129,318	1,887,310
Lease Liabilities	6.8	1,874,767	2,452,707
Employee Provisions	4.1(b)	181,802	178,195
Total Non-Current Liabilities		4,185,887	4,518,212
Total Liabilities		9,626,116	9,857,420
Net Assets		1,329,967	910,454
Equity			
Contributed Equity	7.1	200,000	200,000
Retained Earnings		1,129,967	710,454
Total Equity		1,329,967	910,454

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

Statement of Cash Flows

For the year ended 30 June 2024

		2024	2023
		\$	\$
	Notes	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from Operating Activities			
Receipts from customers		24,841,117	22,401,423
Payments to employees and suppliers		(24,264,971)	(22,469,012)
City of Melbourne grant		1,000,000	2,450,000
Interest received		76,952	42,390
Finance costs		(86,216)	(115,281)
Net cash provided by Operating Activities	5.2	<u>1,566,882</u>	<u>2,309,519</u>
Cash flows from Investing Activities			
Payment for property, plant and equipment		(322,313)	(434,442)
Net cash flows used in Investing Activities		<u>(322,313)</u>	<u>(434,442)</u>
Cash flows from Financing Activities			
Repayment of lease liabilities		(547,548)	(432,565)
Net cash flows used in Financing Activities		<u>(547,548)</u>	<u>(432,565)</u>
Net Increase in Cash and Cash Equivalents		697,021	1,442,512
Cash at the beginning of financial year		2,105,518	663,005
Cash and Cash Equivalents at end of year	5.1	<u>2,802,539</u>	<u>2,105,518</u>

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

Statement of Changes in Equity

For the year ended 30 June 2024

	Notes	2024 \$	2023 \$
Contributed Equity	7.1	200,000	200,000
Retained Earnings			
Opening Balance		710,454	702,577
Total Comprehensive Income for the year		419,513	7,877
Total Retained Earnings at the end of the Financial Year		1,129,967	710,454

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

1. NOTES TO THE FINANCIAL STATEMENTS

Queen Victoria Market Pty Ltd (referred to as Queen Victoria Market) is a proprietary for profit company incorporated under the *Corporations Act 2001*, and is domiciled in Australia. The Company's registered office and principal place of business is Level 10, 501 Swanston Street, Melbourne, VIC 3000.

The principal activity of the company has been the Management of the Queen Victoria Market.

Structure

- 1.1 Basis of Preparation
- 1.2 Critical accounting estimates and judgments
- 1.3 Going concern basis

1.1 Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001*.

The financial statements except for the statement of cash flow have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Material accounting policies adopted in the preparation of these financial statements are presented in the accounting treatment area of the relevant notes and are consistent with prior reporting periods unless otherwise stated.

1.2 Critical accounting estimates and judgments

In application of the Company's accounting policies, the Company is required to make judgements, estimates and assumptions about carrying values of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical 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

- Revenue recognition (refer Note 3.2)
- Employee provisions (refer Note 4.1b)
- Depreciation methods, useful lives and residual value of property, plant and equipment (refer Note 5.3a)
- Impairment of assets (refer Note 6.2)
- The determination, in accordance with AASB 16 Leases, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.4)

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

The functional and presentation currency of the Company is Australian Dollars, with all amounts rounded to the nearest dollar.

1.3 Going concern basis

When preparing financial reports, directors shall make an assessment of an entity's ability to continue as a going concern. When directors are aware, in making their assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed.

The financial statements have been prepared on a going concern basis. As at 30 June 2024, current assets exceed current liabilities by \$830,494 (2022-23: current liabilities exceed current assets by \$187,302). The Directors believe that the Company is a going concern because of continued support from its parent entity the City of Melbourne.

1. NOTES TO THE FINANCIAL STATEMENTS (continued)**Letter of Support**

In a letter dated 29 August 2017, The City of Melbourne, as the company's shareholder committed to providing additional support to Queen Victoria Market through to the end of the "Queen Victoria Market Renewal Project". This letter of support guarantees financial stability and continuous company trading for Queen Victoria Market.

Funding Agreement:

The City of Melbourne, as the company's shareholder, has entered into a Short -Term Funding Agreement with Queen Victoria Market to provide financial support to the Company. The purpose of this agreement is to ensure the company remains solvent during the funding period and to ensure the continuation of the going concern status of the company. The funding period expires 30 June 2025.

Queen Victoria Market was the recipient of a City of Melbourne Grant of \$1,000,000 (2022-23 \$2,450,000). This Grant was provided to assist the Company to meet it's ongoing financial commitments.

Letter of Comfort:

The City of Melbourne has provided the Board with a letter of comfort confirming:

That the City of Melbourne will provide the Queen Victoria Market with financial support via a Short-Term Funding Agreement to ensure it remains solvent during the funding period and to ensure the continuation of the going concern status of the company. The Funding Agreement is detailed above.

Introduction to this section

The company's objective is to establish and maintain relationships with business operators and the Greater City of Melbourne community to ensure that Queen Victoria Market is the premier market in Victoria and Australia and one of the premier historic markets around the world.

Queen Victoria Market receives the majority of its income from Lease Rental – fixed locations, Licence Fees – flexible open shed locations, car parking and Night Market - Bar Sales.

Structure

3.1 Market Rental Revenue

3.2 Other Revenue

	2024	2023
	\$	\$
Note 3.1 Market Rental Revenue		
Lease Rental – fixed locations	7,304,559	6,555,685
Lease Rental – AASB 16 Lease Straightline	(108,234)	318,945
Licence Fees – flexible open shed locations	6,252,736	5,516,524
Casual licence fees – flexible open shed locations	799,884	430,425
Licence fees – Night Markets	1,704,881	1,397,585
Venue Hire	552,671	323,595
Total Market Rental Revenue	<u>16,506,497</u>	<u>14,542,759</u>

Lease Rental – fixed locations and Licence Fees – flexible open shed locations are recognised on a straight-line basis over the lease term. All other rentals are recognised as revenue when performance obligations are satisfied.

Note 3.2 Other Revenue

Utility & Rates Recoveries	804,334	634,529
QVM Online	230,120	233,491
Walking Tours	209,860	165,549
Interest Revenue	76,952	42,390
Other Revenue	639,545	345,445
Total Other Revenue	<u>1,960,811</u>	<u>1,421,404</u>

In line with AASB 15 Revenue from Contracts with Customers, revenue is recognised when (or as) a performance obligation is satisfied at the amount of the transaction price that is allocated to that performance obligation.

Other Revenue is measured at the fair value of the consideration received or receivable and is recognised when Queen Victoria Market gains control over the right to receive the income.

4. THE COST OF OUR OPERATIONS

Introduction to this section

For the Queen Victoria Market to deliver its services to the high standards expected by our community and stakeholders, a diverse and skilled workforce is paramount. Whether it's providing traders with continuous service, creating a safe and enjoyable environment for visitors to the market, providing must see events for the community like the Summer and Winter Night Markets, Queen Victoria Market is proud to have a workforce that's committed to creating and maintaining a vibrant, healthy, sustainable market.

Structure

- 4.1 Employee benefits and employee provisions
- 4.2 Contracted Expenses
- 4.3 Materials & Services
- 4.4 Depreciation
- 4.5 Utilities
- 4.6 Other Expenses

	2024	2023
	\$	\$
Note 4.1(a) Employee benefits		
Wages & Salaries	6,342,965	6,294,648
Superannuation	711,545	626,169
Payroll Tax	315,693	349,125
Workcover	44,451	55,564
Training	36,458	18,762
Total Employee Benefits	<u>7,451,112</u>	<u>7,344,268</u>

Superannuation

Queen Victoria Market makes employer superannuation contributions to employees' complying accumulation superannuation funds. Obligations for contributions are recognised as an expense in profit or loss when they are incurred.

Accumulation Fund

The accumulation funds, (including the Local Authorities Superannuation fund's accumulation category, Vision Super Saver), receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (11% required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of each individual fund.

Defined Benefit Plan

Queen Victoria Market does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan. Contributions are determined by the Trustee on the advice of the Fund's Actuary.

Queen Victoria Market has one employee that qualifies for the defined benefit plan.

Notes to the Financial Report continued

	2024	2023
	\$	\$
Note 4.1(b) Employee Provisions		
Current expected to be wholly settled within 12 months		
Annual leave	264,019	369,760
Long service leave	125,118	148,730
	<u>389,137</u>	<u>518,490</u>
Current expected to be wholly settled after 12 months		
Annual leave	154,287	68,619
Long service leave	709,005	842,804
	<u>863,292</u>	<u>911,423</u>
Total Current balance	<u><u>1,252,429</u></u>	<u><u>1,429,913</u></u>
Non-Current Provision:		
Long service leave	181,802	178,195
Total Employee Provisions	<u><u>1,434,231</u></u>	<u><u>1,608,108</u></u>

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 method below:

- 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 Company in respect of services provided by employees up to the reporting date. Re-measurements are recognised in profit or loss in the period in which they arise.

Critical accounting estimates and judgements

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

	2024	2023
Estimates and Judgements		
Discount Rate	4.19% - 4.45%	1.50% - 3.69%
Inflation Rate	4.45%	3.85%
Settlement Period	7 years	7 years

Note 4.2 Contracted Expenses

Cleaning	5,562,412	5,261,349
Security	1,215,219	1,121,654
Car Park Management	421,392	338,518
Software Maintenance	271,593	273,115
Total Contracted Expenses	<u><u>7,470,616</u></u>	<u><u>6,994,636</u></u>

Notes to the Financial Report continued

	2024	2023
	\$	\$
Note 4.3 Materials & Services		
Advertising & Marketing	1,254,623	1,455,936
Repairs & Maintenance	1,472,741	1,623,985
Consultants	907,312	710,353
COGS - Bar Stock	460,336	559,929
Equipment Hire	425,010	417,236
Insurance	429,578	394,480
Entertainment	362,411	288,259
Contractors	333,083	308,632
Legal Fees	264,712	225,929
General Supplies	145,307	241,978
Total Materials & Services	<u>6,055,113</u>	<u>6,226,717</u>
Note 4.4 Depreciation		
Computer Equipment	90,755	231,507
Leasehold Improvements	88,130	112,890
Plant & Equipment	234,711	202,572
Furniture & Fittings	43,346	51,152
Motor Vehicles	17,188	16,312
Total Depreciation	<u>474,130</u>	<u>614,433</u>
Note 4.5 Utilities		
Electricity	853,636	845,986
Water	354,424	214,982
Rates	281,803	256,305
Telephone	76,086	107,751
Gas	32,456	29,488
Total Utilities	<u>1,598,405</u>	<u>1,454,512</u>
Note 4.6 Other Expenses		
Congestion Levy	894,710	910,794
Directors Fees	284,682	297,413
Administration Expenses	339,279	284,925
Audit Fees - Internal	79,236	42,500
Audit Fees - VAGO audit of Financial Statements	47,000	35,000
Bad & Doubtful Debts	130,594	93,902
Other Expenses	230,629	257,658
Total Other Expenses	<u>2,006,130</u>	<u>1,922,192</u>

Expenses are recognised in the reporting period in which they are incurred.

5. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS

Introduction to this section

Queen Victoria Market controls infrastructure and other investments that are utilised in achieving its objectives, conducting its activities and fulfilling its projects.

Structure

5.1 Cash and cash equivalents

5.2 Reconciliation of profit/(loss) after tax to cash flows from operating activities

5.3 Property, plant and equipment

5.4 Right of Use Assets

	2024	2023
	\$	\$
Note 5.1 Cash & Cash Equivalents		
Cash at bank	2,135,563	1,735,981
Tenant security deposits - at bank	656,576	359,137
Car park float	10,400	10,400
Total Cash & Cash Equivalents	<u>2,802,539</u>	<u>2,105,518</u>

Cash at bank attracts interest rates of 4.45% - 4.80% (2022-23: 4.20% - 4.45%).

Restricted Cash & Cash equivalents at 30 June 2024 \$656,576 (2022-23: \$359,137), refer Note 6.7.

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and on hand.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash as defined above.

Note 5.2 Reconciliation of profit/(loss) after tax to cash flows from operating activities

	2024	2023
	\$	\$
Net Profit(Loss) after Tax	419,513	7,877
Non cash flows in operating activities		
Depreciation	474,130	614,433
ROU Assets - Amortisation charges	384,554	390,290
Deferred Income Tax Equivalent Benefit	19,635	(47,742)
	<u>1,297,832</u>	<u>964,858</u>
Changes in operating assets and liabilities		
Decrease/(Increase) in Trade and Other Receivables	(48,487)	(293,321)
Decrease/(Increase) in Other Assets	6,365	(3,575)
Decrease/(Increase) in Other Financial Assets	(5,072)	0
(Decrease)/Increase in Trade and Other Payables	(395,784)	262,252
(Decrease)/Increase in Refundable Deposits	302,512	218,371
(Decrease)/Increase in Accrued Expenses	690,318	249,518
(Decrease)/Increase in Other Liabilities	(117,655)	539,789
(Decrease)/Increase in Employee Provisions	(173,877)	116,163
(Decrease)/Increase in Unearned Revenue	10,730	255,464
Net cash inflow/(outflow) from operating activities	<u>1,566,882</u>	<u>2,309,519</u>

Notes to the Financial Report continued

	2024	2023
	\$	\$
Note 5.3 Property, Plant & Equipment		
<i>Plant & Equipment</i>		
At cost	2,910,508	2,645,010
Accumulated depreciation	(2,375,265)	(2,140,555)
Balance as at 30 June	535,243	504,455
<i>Furniture & Fittings</i>		
At cost	1,271,966	1,243,039
Accumulated depreciation	(1,188,730)	(1,145,384)
Balance as at 30 June	83,236	97,655
<i>Leasehold Improvements</i>		
At cost	2,829,152	2,673,372
Accumulated depreciation	(2,271,419)	(2,183,289)
Balance as at 30 June	557,733	490,083
<i>Computer Equipment</i>		
At cost	2,499,765	2,496,287
Accumulated depreciation	(2,453,075)	(2,362,320)
Balance as at 30 June	46,690	133,967
<i>Motor Vehicles</i>		
At cost	259,653	259,653
Accumulated depreciation	(214,851)	(197,662)
Balance as at 30 June	44,802	61,991
Work in Progress	195,344	326,715
Total Property, Plant & Equipment	1,463,048	1,614,866

Land and buildings used by the Company are owned by and included in the accounts of the City of Melbourne.

Note 5.3(a) Property, Plant & Equipment

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial years are set out below.

2024						
	Balance as at 1 July 2023	Additions	Disposals	Depreciation	Transfers	Balance as at 30 June 2024
Plant & Equipment	504,459	160,958	0	(234,711)	104,537	535,243
Furniture & Fittings	97,655	28,927	0	(43,346)	0	83,236
Leasehold Improvements	490,083	67,550	0	(88,130)	88,231	557,733
Computer Equipment	133,967	(10,212)	0	(90,755)	13,690	46,690
Motor Vehicles	61,990	0	0	(17,188)	0	44,802
Work in Progress	326,712	75,090	0	0	(206,458)	195,344
TOTAL Property, Plant & Equipment	1,614,866	322,313	0	(474,130)	(0)	1,463,048
2023						
	Balance as at 1 July 2022	Additions	Disposals	Depreciation	Transfers	Balance as at 30 June 2023
Plant & Equipment	457,819	227,647	0	(202,572)	21,565	504,459
Furniture & Fittings	130,185	4,841	0	(51,152)	13,781	97,655
Leasehold Improvements	602,657	316	0	(112,890)	0	490,083
Computer Equipment	331,808	480	0	(231,507)	33,186	133,967
Motor Vehicles	23,302	0	0	(16,312)	55,000	61,990
Work in Progress	249,090	201,154	0	0	(123,532)	326,712
TOTAL Property, Plant & Equipment	1,794,861	434,438	0	(614,433)	(0)	1,614,866

Capitalisation Policy/Depreciation

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

The estimated useful lives used for each class of depreciable asset are shown below;

Leasehold improvements	10 years
Plant and Equipment	5 - 10 years
Furniture and fittings	1 - 7 years
Motor Vehicles	3 - 10 years
Computer equipment	1 - 5 years

The Company's policy is to capitalise and depreciate individual capital expenditure over \$2,000. Items of capital value of less than \$2,000 are treated as an expense.

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Amortisation - Right of use assets

Leased properties	1 - 10 years
-------------------	--------------

Note 5.4 Right of Use Assets

At inception of a contract, all entities would assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether a contract conveys the right to control the use of an identified asset, it is necessary to assess whether:

- The contract involves the use of an identified asset;
- The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer has the right to direct the use of the asset

As lessees, the Company recognises a right-of-use asset and a lease liability (Note 6.8) 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 less any lease incentives received; 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.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end 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, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

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, an appropriate incremental borrowing rate. Generally, the Company uses an appropriate incremental borrowing rate as the discount rate of 3% (2022-23 3%).

The Company held two contracted leases during the financial year. Information about the leases is presented below;

	2024	2023
	\$	\$
Note 5.4(a) Right of use assets		
Property		
Balance 1 July 2023	3,105,919	3,496,209
Amortisation Charges - right of use	<u>(384,554)</u>	<u>(390,290)</u>
Balance 30 June 2024	<u>2,721,365</u>	<u>3,105,919</u>

The Company holds a design and construct carpark infrastructure lease and a lease for it's office premise. See Note 6.8 for the Lease liability measurement.

6. OTHER ASSETS AND LIABILITIES

Introduction to this section

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

Structure

- 6.1 Other Financial Assets
- 6.2 Trade and Other Receivables
- 6.3 Other Assets
- 6.4 Trade and other payables
- 6.5 Accrued Expenses
- 6.6 Other Liabilities
- 6.7 Refundable Deposits
- 6.8 Lease Liability

	2024	2023
	\$	\$
Note 6.1 Other Financial Assets		
Tenant security deposits	2,005,072	2,000,000
Total Other Financial Assets	<u>2,005,072</u>	<u>2,000,000</u>

The funds are held on behalf of tenants and not available for day-to-day operations, refer Note 6.7.

Note 6.2 Trade & Other Receivables

Trade debtors	742,435	701,178
Less: Allowance for Expected Credit Losses	(235,582)	(127,154)
City of Melbourne	325,122	248,864
Accrued income	74,000	98,616
Lease Rental – AASB 16 Lease Straightline	210,711	318,945
Lease Fitout	172,250	0
	<u>1,288,936</u>	<u>1,240,449</u>

All of Queen Victoria Market's trade and other receivables have been reviewed on an individual basis for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of \$235,582 has been accounted for, higher than \$127,154 in 2022-23.

The movement in the allowance for credit losses can be reconciled as follows:

	2024	2023
	\$	\$
Note 6.2(a) Reconciliation of expected credit losses		
Balance 1 July 2023	(127,154)	(84,184)
Amounts written off (uncollectable)	22,166	50,932
Additional provision	(130,594)	(93,902)
Balance 30 June 2024	<u>(235,582)</u>	<u>(127,154)</u>

Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

Notes to the Financial Report continued

The ageing of trade receivables that have been individually determined as impaired at reporting date was:

	2024	2023
	\$	\$
Impaired Receivables		
Current (not yet due)	0	0
1 - 30 days	5,791	0
31 - 60 days	1,069	0
61 - 90 days	574	0
91 and over	228,148	127,154
Ageing of impaired Receivables	<u>235,582</u>	<u>127,154</u>

Many of the long outstanding past due amounts are in the hands of the Company's debt collectors or are subject to payment arrangements.

Note 6.3 Other Assets

Prepayments	103,119	127,961
Inventory	71,058	52,582
Total Other Assets	<u>174,177</u>	<u>180,543</u>

Note 6.3(a) Inventory

Merchandise stock	51,155	35,692
Bar stock	19,903	16,890
Total Inventory	<u>71,058</u>	<u>52,582</u>

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

Note 6.4 Trade & Other Payables

Trade creditors	700,256	1,170,162
GST (receivable)/payable	90,764	16,642
Total Trade & Other Payables	<u>791,020</u>	<u>1,186,804</u>

Payables represent liabilities for goods and services provided to Queen Victoria Market 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.

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Note 6.5 Accrued Expenses

General expenses	1,209,006	593,825
Payroll	171,933	94,556
Fringe benefits tax	(1,463)	18,783
Audit fees accrual - External	37,500	35,000
Audit fees accrual - Internal	42,500	27,500
Total Accrued Expenses	<u>1,459,476</u>	<u>769,664</u>

Notes to the Financial Report continued

	2024	2023
	\$	\$
Note 6.6 Other Liabilities		
Student Voucher Program	373,535	472,380
Lord Mayor Student Vouchers	46,083	49,433
Melbourne Food Vouchers	22,000	37,461
Total Other Liabilities	441,618	559,274

The Company received cash payment from 3 customers who issued vouchers to it's stakeholders. These stakeholders present vouchers to market traders, who then seek reimbursement from the Company.

Note 6.7 Refundable Deposits

Tenant Security Deposits - Current	532,330	471,827
Tenant Security Deposits - Non-Current	2,129,318	1,887,310
Total Tenant Security Deposits	2,661,648	2,359,137

Tenants are required to provide a security deposit upon commencement of their lease or licence. This security deposit is refundable upon their exit from the market. The classification between current (20%) and non-current (80%) reflect's the term of lease or licence signed by stallholders. Tenant security deposits are held in seperate bank accounts.

The above refundable deposits are represented by:

Cash & Cash Equivalents (refer Note 5.1)	656,576	359,137
Other Financial Assets (refer Note 6.1)	2,005,072	2,000,000
	2,661,648	2,359,137

Note 6.8 Lease Liability**Current**

Property Lease	531,599	500,697
----------------	---------	---------

Non-Current

Property Lease	1,874,767	2,452,707
----------------	-----------	-----------

Total Lease Liability	2,406,366	2,953,404
------------------------------	------------------	------------------

Lease payments not recognised as a liability

The Company has elected to not 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 (less than \$10,000). Payments made under such leases are expensed as paid. refer to Note 5.4 for further detail.

Maturity analysis - undiscounted contractual cash flows

Less than one year	531,599	500,697
One to five years	1,874,767	1,891,510
More than 5 years	0	514,856
Total undiscounted contractual cash flows	2,406,366	2,907,063

Note 6.8 Finance Costs - leases

Interest - Lease liabilities	76,617	84,132
Total Finance Costs - leases	76,617	84,132

7. OUR CAPITAL STRUCTURE

Introduction to this section

This section provides information on the capital structure of Queen Victoria Market and its sources of finance utilised during its operations and other information related to the financing activities of Queen Victoria Market.

Structure

7.1 Contributed Equity

	2024	2023
	\$	\$
Note 7.1 Contributed Equity		
Balance as at 1 July	200,000	200,000
Ordinary shares fully paid as at 30 June	<u>200,000</u>	<u>200,000</u>

200,000 fully paid ordinary shares of \$1 each are held by the City of Melbourne.

The Company does not have authorised capital or par value in respect of its issued shares. Ordinary shares participate in dividends and the proceeds on winding up of the Company 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.

8. TAXATION**Introduction to this section**

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

Structure

8.1 Income tax

8.2 Deferred tax

	2024	2023
	\$	\$
Note 8.1 Income Tax Equivalents		
Accounting Profit/(Loss) subject to Tax	439,148	(39,865)
Add/(Less) timing differences - provision for annual leave	(20,073)	(74,780)
Add/(Less) timing differences - provision for long service leave	(153,804)	190,943
Add/(Less) timing differences - provision for doubtful debts	108,428	42,970
Taxable Income/(Loss)	<u>373,699</u>	<u>119,268</u>
Tax Loss b/f	(4,036,473)	(4,155,741)
Taxable Income to be recouped/(carried forward)	<u>373,699</u>	<u>119,268</u>
Tax Loss c/f	(3,662,774)	(4,036,473)
Tax Losses at 30% written off and available for recoupment in future years	(1,098,832)	(1,210,942)
Income Tax Equivalent Expense at 30% of timing differences	19,635	(47,742)
Future Income Tax Benefit movement	(19,635)	47,742

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 taxes 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 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.

	2024	2023
	\$	\$
Note 8.2 Deferred Income Tax Equivalent Asset		
Provision for employee benefits – annual leave	125,492	131,514
Provision for employee benefits – long service leave	304,778	350,919
Provision for doubtful debts	70,675	38,146
Total Deferred Income Tax Equivalent Asset	<u><u>500,944</u></u>	<u><u>520,579</u></u>

A deferred tax asset is recognised for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Provisions are calculated at 30% of balance.

9. MANAGING RISKS AND UNCERTAINTIES

Introduction to this section

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

Structure

- 9.1 Financial instruments
- 9.2 Commitments
- 9.3 Contingent Assets and Contingent Liabilities

9.1 Financial instruments

Objectives and policies

The Queen Victoria Market's principal financial instruments comprise cash assets, receivables, payables, tenant security deposits, other financial assets and lease liabilities. Risk management is carried out by senior management under policies approved by the Queen Victoria Market Board of Directors. These policies include identification and analysis of the risk exposure to the Market and appropriate procedures, controls and risk minimisation.

The most significant financial risks to which the Company is exposed are described below:

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Trade receivables are the primary credit risk at Queen Victoria Market and are managed as follows;

- (i) The Company maintains an up to date debtor policy.
- (ii) Traders pay a security deposit as per their lease/licence.
- (iii) Regular reporting on debts greater than 60 days to the Executive team and Board of Directors.
- (iv) Debt collection agency is used.

	2024 \$	2023 \$
Ageing of Trade Receivables		
Current (not yet due)	509,206	472,604
1 - 30 days	275,525	185,334
31 - 60 days	50,868	51,438
61 - 90 days	27,323	38,120
91 and over	231,139	202,546
Ageing of Trade Receivables	1,094,061	950,042
Less: Allowance for Expected Credit Losses	(235,582)	(127,154)
Total Ageing of Trade Receivables	858,479	822,888

Liquidity Risk:

Liquidity risk arises from the financial liabilities of the company and the company's subsequent ability to meet its obligations to pay its financial liabilities as and when they fall due.

The Company has been financially supported by the City of Melbourne, as per Note 1.3.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 12 month projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

Notes to the Financial Report continued

Monthly reporting of budget to actual financial performance and rolling 12 month forward cashflow statements are reviewed by the Executive team and Board of Directors.

Sensitivity disclosure analysis:

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Company believes the movements 'reasonably possible' over the next 12 months are a parallel shift of +1.50% and -1.50% in market rates (AUD) from the year-end rate of 4.70 % (2022-23: 4.45%).

In the event there are movements in interest rates, it is expected they will not have a material impact on the valuation of the Company's financial assets and liabilities, nor will they have a material impact on the results of the Company's operations.

Financial Instruments:

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

The Company's trade and other receivables fall into this category of financial instruments.

In some circumstances, the Company renegotiates repayment terms with customers which may lead to changes in the timing of the payments. The Company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Impairment of assets:

The Company 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 and for all other assets whenever an indication of impairment may exist.

Besides provisions made for rent receivables no other financial assets were considered impaired.

9.2 Commitments

Commitments are not recognised in the Statement of Financial Position and are disclosed at their nominal value and presented inclusive of the GST payable.

	2024	2023
	\$	\$
Operating expenditure commitments		
Not later than one year	2,027,114	6,023,738
Later than one year but not later than five years	<u>2,454,204</u>	<u>1,462,771</u>
Total expenditure commitments	<u>4,481,318</u>	<u>7,486,509</u>
Operating lease receivables		
Not later than one year	10,484,880	11,594,199
Later than one year but not later than five years	<u>15,592,740</u>	<u>17,716,526</u>
Total operating lease receivables	<u>26,077,620</u>	<u>29,310,725</u>

Operating leases at the Queen Victoria Market are generally 5 years for Lease Rental – fixed locations (Meat & Dairy Hall and fixed shops within the market) and 1 - 3 years for Licence Fees – flexible open shed locations (stalls under the sheds that are packed down each night).

9.3 Contingent Assets and Contingent Liabilities**Contingent liabilities**

Guarantees issued by the Bank in respect of office rent \$186,000 (2022-23: \$186,000).

Council Meeting - Agenda
10. OTHER DISCLOSURES

Introduction to this section

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

Structure

- 10.1 Key management personnel compensation
- 10.2 Related party information
- 10.3 Application of accounting policies and disclosures
- 10.4 Market Renewal
- 10.5 Trader Support Program & Fund

10.1 Key management personnel compensation

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

Directors;

Jane Fenton AM (Chair)
 Dianne Laws (Deputy Chair) (from 03/10/2023)
 Sandhya Chakravarty
 Emma Germano
 Luke Hilakari
 Michael Tenace
 Jane Hodder (Deputy Chair) (from 18/10/2018 to 26/10/23)

Other personnel;

Name	Position
Matt Elliott	CEO
Mark Bullen	Chief Infrastructure & Operations Officer
Suzanna Kotsiski (appointed 30/10/23)	Company Secretary, Chief Financial and Business Capability Officer
Tasha Harp Kennealy (appointed 10/01/24)	Chief Experience Officer
Spiros Foscolos (term ended 14/10/23)	GM Market Trading, Programming & Events.
Meg Della Lana (term ended 3/11/23)	GM Marketing & Customer Experience
Michael Spencer (term ended 1/12/23)	Company Secretary, CFO & GM Business Services

The total of remuneration as per AASB 119 Employee benefits and AASB 124 Related party disclosures paid to key management personnel of the Company during the year comprised:

	2024	2023
	\$	\$
Short-term employee benefits	1,418,849	1,693,452
Post-employment benefits	200,801	157,860
Other long-term benefits	35,359	20,649
Termination	398,935	0
Total key management personnel compensation	<u>2,053,943</u>	<u>1,871,961</u>

10.2 Related party information**Controlling entity**

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

Transactions with the ultimate parent entity

Revenue transactions with the ultimate parent entity amounted to \$1,825,261(2022-23: \$3,002,943) during the financial year. The amount receivable at reporting date is \$325,121.87(2022-23 \$273,750)

	2024	2023
	\$	\$
<i>Revenue Transactions</i>		
City of Melbourne Grant	1,000,000	2,450,000
On-charge consultant fees	763,251	291,150
Munro Commission earned	62,010	25,420
Total Revenue Transactions	<u>1,825,261</u>	<u>2,766,570</u>

Expenditure transactions with the ultimate parent entity amounted to \$800,959 (2022-23: \$827,574) during the financial year. The amount owing at reporting date is nil. (2022-23 \$51,404)

Expense Transactions

Munro outgoings	479,458	248,743
Rates	309,615	495,545
Amounts < \$20,000	2,287	29,104
Interest payable from short term funding	9,599	54,182
Total Expense Transactions	<u>800,959</u>	<u>827,575</u>

Queen Victoria Market is acting as an agent for MCC. Rental received on behalf of MCC in 2024 was \$732,846 and lease incentives paid on behalf of MCC was \$1,136,281. (2022-2023: Rental received on behalf of MCC \$ 236,373 and lease incentives paid on behalf of MCC \$NIL)

10.3 Application of accounting policies and disclosures

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

10.4 Trader Support Program & Fund

In August 2017 the City of Melbourne committed at least \$8 million to establish Trader Connect, a support program and fund to assist traders to successfully operate, grow and innovate their businesses throughout Renewal. In 2022, due to feedback from traders, the City of Melbourne agreed to review the Trader Support Fund to make it simpler and more accessible for traders. This revised Fund was launched in March 2023. During the 2023-24 year \$451,932 (2022-23 \$376,717) was incurred for trader support programs and fund including business mentoring. Since inception \$2,691,186 has been incurred for these programs as set out below.

Summary of funding

Direct Trader Support	290,517
Marketing & Promotion	472,141
Small Business Mentoring Service	1,453,333
Trader Lounge	475,195
	<u>2,691,186</u>

Independent Auditor's Report

To the Directors of Queen Victoria Market Pty Ltd

Opinion	<p>I have audited the financial report of Queen Victoria Market Pty Ltd (the company) which comprises the:</p> <ul style="list-style-type: none"> • statement of financial position as at 30 June 2024 • statement of profit or loss and other comprehensive income for the year then ended • statement of changes in equity for the year then ended • statement of cash flows for the year then ended • notes to the financial statements, including material accounting policies • directors' declaration. <p>In my opinion the financial report is in accordance with the <i>Corporations Act 2001</i> including:</p> <ul style="list-style-type: none"> • giving a true and fair view of the financial position of the company as at 30 June 2024 and its financial performance and cash flows for the year then ended • complying with Australian Accounting Standards and the <i>Corporations Regulations 2001</i>.
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the company in accordance with the auditor independence requirements of the <i>Corporations Act 2001</i> and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (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.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Other Information	<p>The Directors of the company are responsible for the Other Information, which comprises the information in the company's annual report for the period ended 30 June 2024, but does not include the financial report and my auditor's report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p>

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 determine 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.

In preparing the financial report, the Directors are responsible for assessing the company'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.

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:

- 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.
 - 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's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors
 - 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'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 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.
-

Auditor's responsibilities for the audit of the financial report (continue)	<p>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.</p> <p>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.</p>
--	--



MELBOURNE
30 August 2024

Travis Derricott
as delegate for the Auditor-General of Victoria



Contact

Queen Victoria Market Pty Ltd
Level 10, 501 Swanston Street
Melbourne VIC 3000
T: +61 (3) 9320 5822
E: info@qvm.com.au
ABN: 44069959771

Postal Address
PO Box 12415
A'Beckett Street
Melbourne VIC 8006
Australia

6.3 Councillor Assignment - Appointment to Audit and Risk Committee**Report Author:** David Thompson, Director Governance**Report Presenter:** David Thompson, Director Governance**Executive Leader:** Mans Bassi, Chief Operating Officer**Executive Summary**

1. The *Local Government Act 2020* (the Act) requires the Council to establish an Audit and Risk Committee (the Committee) and prepare and approve an Audit and Risk Committee Charter (the ARC Charter).
2. At its meeting held on 28 July 2020, the Council established the Committee and approved the ARC Charter in August 2023.
3. In accordance with the Act and Charter the Committee comprises seven members, four independent members and three Councillors. Committee membership does not include any person who is a member of Council staff.
4. The ARC Charter sets out Councillor members are typically appointed for a four year term.
5. Following the Council elections, it is appropriate for the Council to consider Councillor members of the Committee. Nominations are therefore invited for the three Councillors positions available on the Committee.

Recommendation from management

6. That Council resolve that, until such time as Council resolves otherwise Councillor membership of the Audit and Risk Committee shall comprise Cr _____. Cr _____ and Cr _____.

Purpose

7. The purpose of this report is for the Council to consider appointing three Councillors to represent the Council on the Committee.

Background

8. The Committee was first established in 1996.
9. Council at its meeting on 28 July 2020, resolved to re-establish the Committee as required under section 53 of the Act.
10. The membership of the Committee comprises four external independent members and three Councillors. The Act requires the Committee to consist of a majority of members who are not Councillors. Under the Act, the Committee must not include any person who is a member of Council staff.
11. The Committee oversees the activities of Council particularly the risk management and internal control processes in addition to the activities of the Council's external and internal auditors.
12. Council's internal auditor reports directly to the Committee and is contracted to Scyne Advisory.
13. The Committee gives independent advice to Council on:
 - 13.1. appropriate accounting
 - 13.2. auditing
 - 13.3. internal control
 - 13.4. business risk management
 - 13.5. compliance and reporting systems
 - 13.6. processes and practices.
14. The Committee considers and make recommendations to the Council and management on many issues and internal audits.
15. The Committee meets five times a year.

Key considerations

16. In accordance with the Act and Charter the Committee comprises seven members, four independent members and three Councillors. Committee membership does not include any person who is a member of Council staff.
17. The Charter sets out Councillor members are typically appointed for a four year term. Nominations are invited for the three Councillors positions available on the Committee.
18. Under the Charter, where there are vacancies among the Councillor members of the Committee following a general election, and where the Council has not yet reviewed the Councillor membership of the Committee, the Lord Mayor has the authority to appoint Councillors to temporarily fill those vacancies.
19. The next meeting of the Committee is scheduled for 5 December 2024.

Legal

20. The membership of Councillors on the Committee is outlined by section 53 and 54 of the Act and the ARC Charter.

Finance

21. The financial implications as a result of the recommendation from management have been endorsed through the City of Melbourne's Annual Plan and Budget Procedure.

Conflict of interest

22. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a material or general conflict of interest in relation to the matter of the report.

Charter of Human Rights and Responsibilities

23. The recommendation contained in this report is compatible with the *Charter of Human Rights and Responsibilities 2006* as it does not raise any human rights issues.

Health and Safety

24. In developing this report, no Occupational Health and Safety issues or opportunities were identified.

Consultation

25. There is no requirement to consult external stakeholders.

Relevance to Council Plan and Council Policies

26. The report aligns with the requirements in the ARC Charter.

Social and environmental impacts

27. No social and environmental impacts were identified.

Gender Impact Assessment

28. A Gender Impact Assessment is not required for this report.

Attachment List

Nil