COEX
CONTAINER EXCHANGE

Annual Financial Report

30 June 2019

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General information

The financial statements cover Container Exchange (QLD) Limited (the "Company") as an individual entity. The financial statements are presented in Australian dollars, which is Company's functional and presentation currency.

Container Exchange (QLD) Limited is a public company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 September 2019. The Directors have the power to amend and reissue the financial statements.

Container Exchange (QLD) Limited
Directors' report
For the year ended 30 June 2019

The Directors present their report, together with the financial statements, on the Company for the year ended 30 June 2019.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

	Appointed
Mark O'Brien	17 October 2018
Brenton William Taylor	31 October 2017 (Resigned 11 June 2019)
Jeffrey Robert Maguire	31 October 2017
Keith Allan	31 October 2017
Richard John Ballinger	31 October 2017
Mark David Powell	31 October 2017
Andrew Clark	28 September 2018
Monica Anne Bradley	26 October 2018
Dominique Tim So	8 August 2018
Karen Lorraine Foelz	26 July 2019

Principal activities

The principal activity of the Company during the year was the establishment and operation of the Queensland Container Refund Scheme (the "Scheme"), which commenced on 1 November 2018.

Objectives

The Company is appointed as the Product Responsibility Organisation ("PRO"), whose is responsible for administering the Scheme, which commenced on 1 November 2018. The Company's vision for the Scheme is aligned with the objectives of the State as set out in the *Waste Reduction and Recycling Act 2011* (as amended) (the "*WRR Act*"). In particular, this vision includes:

- The achievement of environmental outcomes, including a reduction in litter in the environment and an increase in the volume of collected and recycled materials;
- Manufacturers of beverage products fulfilling their corporate and product stewardship responsibilities, with that responsibility being shared across industry in a fair and transparent way;
- Efficient design and operation of the Scheme by leveraging efficiencies where possible to minimise unnecessary cost impacts on the community and consumers;
- Opportunity to participate and benefit for social enterprise and community groups; and
- Robust and transparent governance arrangements to ensure confidence in the Scheme for all parties concerned, including the State, environmental groups, industry, and the broader community.

Subsequent events

There have been no events subsequent to balance date which would have a material effect on the Company's financial statement at 30 June 2019.

Likely developments

In the opinion of the Directors there are no likely developments that will change the nature of the operations of the Company.

Environmental regulation

The Company is not affected by any significant environmental regulation in respect of its operations outside of the existing framework.

Container Exchange (QLD) Limited
Directors' report
For the year ended 30 June 2019

Review of operations
The total operating surplus for the year to 30 June 2019 amounted to $27,927,237 (2018 deficit: $6,672,588). The surplus generated in the current financial year will be used to settle the Company's financial liabilities due and payable in the next 12 month reporting period.

Reporting obligations
The Company confirms that in the period ending 30 June 2019, progress and achievements are on track to meet the strategic and regulatory objectives relating to the Scheme, which commenced on 1 November 2018.

Auditor's independence declaration
The lead auditor's independence declaration for the year to 30 June 2019 has been received and can be found on page 4 of the financial report.

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

On behalf of the Directors

Mark O'Brien AM
Chair and Independent Director

25 September 2019

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Auditor's Independence Declaration to the Directors of Container Exchange (QLD) Limited

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of Container Exchange (QLD) Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

H.E. Hiscox

H E Hiscox
Partner - Audit & Assurance

Brisbane, 25th September 2019

Container Exchange (QLD) Limited
Statement of comprehensive income
For the year ended 30 June 2019

	Note	2019 $	31 October 2017 – 30 June 2018 $
Revenue	3	194,572,677	-
Expenses			
Container refund expenses		54,799,627	-
Container handling expenses		37,593,537	-
Logistics expenses		9,320,468	-
Container processing expenses		7,538,523	-
Material recovery facility expenses		23,573,543	-
Container export rebates		11,903,147	-
Administration support service fees		6,677,107	-
Professional services		5,062,545	5,502,232
Marketing and communication expenses		3,344,314	-
Employee benefits expense	4	2,415,240	161,983
Other expenses		4,702,373	1,008,373
Finance costs	5	2,227,359	-
Total expenses		169,157,783	6,672,588
Gain/(loss) on fair value of financial liabilities		2,512,343	-
Surplus/(deficit) before income tax expense		27,927,237	(6,672,588)
Income tax expense		-	-
Surplus/(deficit) after income tax expense for the period attributable to the members of Container Exchange (QLD) Limited		27,927,237	(6,672,588)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period attributable to the members of Container Exchange (QLD) Limited		27,927,237	(6,672,588)

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

Container Exchange (QLD) Limited
Statement of financial position
For the year ended 30 June 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	6	55,620,578	-
Trade and other receivables	7	13,367,380	-
Inventories	8	981,888	-
Other assets	9	23,456,032	-
Total current assets		93,425,878	-
Non-current assets			
Right-of-use assets	10	546,392	-
Total non-current assets		546,392	-
Total assets		93,972,270	-
Liabilities			
Current liabilities			
Trade and other payables	11	30,783,850	10,028
Financial liabilities	12	28,351,102	-
Total current liabilities		59,134,952	10,028
Non-current liabilities			
Trade and other payables	11	-	6,662,560
Financial liabilities	12	13,582,669	-
Total non-current liabilities		13,582,669	6,662,560
Total liabilities		72,717,621	6,672,588
Net assets/(liabilities)		21,254,649	(6,672,588)
Equity			
Reserves	13	-	(6,672,588)
Retained earnings/(accumulated deficits)		21,254,649	-
Total equity/(deficiency)		21,254,649	(6,672,588)

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

Container Exchange (QLD) Limited
Statement of changes in equity
For the year ended 30 June 2019

	Retained earnings $	Reserves $	Total equity $
Balance at 31 October 2017	-	-	-
Surplus/(Deficit) after income tax expense for the period	(6,672,588)	-	-
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	(6,672,588)	-	-
Transfers	6,672,588	(6,672,588)	-
Balance at 30 June 2018	-	(6,672,588)	(6,672,588)

	Retained earnings $	Reserves $	Total equity $
Balance at 1 July 2018	-	(6,672,588)	(6,672,588)
Surplus/(Deficit) after income tax expense for the year	27,927,237	-	27,927,237
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	27,927,237	-	27,927,237
Transfers	(6,672,588)	6,672,588	-
Balance at 30 June 2019	21,254,649	-	21,254,649

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

Container Exchange (QLD) Limited
Statement of cash flows
For the year ended 30 June 2019

	Note	2019 $	31 October 2017 – 30 June 2018 $
Cash flows from operating activities			
Receipts from Beverage Manufacturers and customers (inclusive of GST)		172,961,080	-
Payments to scheme participants, suppliers and employees (inclusive of GST)		(148,948,603)	-
Interest received		432,838	-
Interest and other finance costs paid		(544,561)	-
Net cash from/(used in) operating activities		23,900,754	-
Cash flows from investing activities			
Payments for property, plant and equipment		-	-
Net cash from/(used in) investing activities		-	-
Cash flows from financing activities			
Proceeds from borrowings		37,639,164	-
Repayment of borrowings		(5,833,333)	-
Payment of lease liabilities		(86,007)	-
Net cash from/(used in) financing activities		31,719,824	-
Net increase/(decrease) in cash and cash equivalents		55,620,578	-
Cash and cash equivalents at the beginning of the financial year		-	-
Cash and cash equivalents at the end of the financial year	6	55,620,578	-

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

Note 1. Reporting entity

Container Exchange (QLD) Limited (the “Company") is a company incorporated and domiciled in Australia. The address of the Company's registered office is Level 2, 100 Creek Street, Brisbane, QLD 4000.

The Company's principal activity is to establish and manage the Container Refund Scheme in Queensland (the “Scheme”).

In the opinion of the Directors, the Company is a reporting entity. The financial report of the Company has been drawn up as a General Purpose Tier 2 - Reduced Disclosure Requirements and for the purpose of fulfilling the Directors' reporting requirements, for the year to 30 June 2019.

This Company is a not for profit entity and registered as a charity by the Australian Charities and Not-for-profits Commission (ACNC).

The Company, under 102ZJ of the *Waste Reduction and Recycling Amendment Act 2011* (Qld) (the “WRR Act”), is required to report its financial operations to the Queensland Minister for Environment and the Great Barrier Reef, Minister for Science, and Minister for the Arts by 30 September each year.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), the *Australian Charities and Not-for-profits Commission Act 2012* (Cth) and associated regulations and the *Corporations Act 2001* (Cth), as appropriate for Not-for-profit oriented entities.

Basis of measurement
The financial statements have been prepared on an accruals basis.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted
In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

The Company’s assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments
The Company has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Impact of adoption
AASB 9 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on opening retained profits as at 1 July 2018.

Due to the nature of the financial liabilities at the end of the financial reporting period, being short-term payables, no changes resulting from the adoption of AASB 9 impacted opening balances.

Early adoption of standards
In addition to the mandatory adoption of Standards effective for the first-time, above, the Company elected to early adopt the requirements of:
- AASB 15 Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 1058 Income of Not-for-Profit Entities

Impact of adoption
As of the end of the prior reporting period the Company had no income and did not lease any assets. Therefore all accounting policies described in this financial report in relation to these items reflect the requirements of the early adopted Standards and there was no impact on adoption.

Use of estimates and judgements
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods.

The estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts assets and liabilities within the next financial year are:

Net realisable value of inventory
Estimates of net realisable value are based on the most reliable evidence available, at the time the estimates are made of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The Company's inventories are the containers collected. The costs to collect, process and sell the containers significantly exceeds the recoverable amount realised on sale of the processed containers to recyclers. Consistent with the expectations of the Scheme, the expense relating to the writedown of inventory to the net realisable amount is outlined in Note 4.

Fair value of treasury loan
During the period, the Company entered into a loan agreement with the Queensland Government for an interest-free, 18-month $35,000,000 facility that provided working capital upon the launch of the Scheme. The fair value of the loan at the date of drawdown was measured at the present value of the funds advanced, discounted at an appropriate market rate of interest for a similar loan at the date of initial recognition. The market rate used was 7.20% being the interest rate applicable to Facility A of the Members' loan.

Accrued expenses
Recognised amounts of direct scheme costs and related accrued expenses reflect management's best estimate of amounts owing to scheme participants that were not wholly substantiated by declarations of scheme participants at year end. These estimates are based on a number of critical underlying assumptions such as the volumes of containers submitted and processed through the scheme at a given time. Estimation uncertainties exist with regard to these items and variations in these assumptions may significantly impact the amount of direct scheme costs and accrued expenses.

Going concern
The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue trading, realise its assets and discharge its liabilities in the ordinary course of business for a period of at least 12 months from the date that these financial statements are approved.

As the appointed PRO under the WRR Act, the Company has a statutory obligation to ensure that Beverage Manufacturers fund the costs of the Scheme and the administration of it. Under the WRR Act, Beverage Manufacturers are obligated to enter into Container Recovery Agreements with the Company (as appointed PRO), under which the PRO can require Beverage Manufacturers to pay sufficient amounts to fund the Scheme.

Income tax
The income of the Company is exempt from Income tax pursuant to the provisions of subdivision 50-B of the *Income Tax Assessment Act 1997* (Cth) and the Company receives GST concessions under division 176 of *A New Tax System Act 1999* (Cth) and is considered an FBT rebateable employer under section 123E of the *Fringe Benefits Tax Assessment Act 1986* (Cth). The Company is also exempt from other government levies such as state payroll tax.

Current and non-current classification
Assets and liabilities are presented in the 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 Company'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 Company'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 unconditional 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.

Leases
At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on 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 assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. Lease terms are for 5 years for offices and IT equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements 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, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. 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.

The Company has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight-line basis over the lease term.

Goods and Services Tax ('GST') and other similar taxes
Revenues, 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.

Trade 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.

Employee benefits

Short-term employee benefits
Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Members Guarantees
The Company is incorporated under the *Corporations Act 2001* (Cth) and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member (and each member that has left the Company within one year) is required to contribute a maximum $10 each towards meeting any outstanding obligations of the Company. At 30 June 2019, the total amount that members of the Company are liable to contribute if the Company wound up is $20 (2018: $20).

Note 3. Revenue

	2019 $	31 October 2017 – 30 June 2018 $
Container refund scheme income	186,995,980	-
Sale of recycled goods	6,856,687	-
Other revenue	287,172	-
Interest income	432,838	-
Total revenue	194,572,677	-

Accounting policy for revenue recognition
The Company recognises revenue as follows:

Container Refund Scheme income
The Company as the Product Responsibility Organisation ("PRO") of the Scheme under the *Waste Reduction and Recycling Act 2011* (Qld) ("WRR Act"), enters into deeds with eligible Beverage Manufacturers to receive contributions to cover the costs of administering the scheme. Whilst these deeds represent an enforceable contract, the contributions received from Beverage Manufacturers fall under *AASB 1058 Income of Not-for-Profit Entities*, as there is no sufficiently specific promise specified in the separate deeds with Beverage Manufacturers to be delivered by the PRO. Revenue is recognised as the amount owed by relevant manufacturers of beverage products under the terms of the Scheme. This is calculated upon the number of eligible containers sold into the Queensland market during the financial year, as defined by the WRR Act.

Sale of recycled goods
The Company, in its capacity as the PRO, sells processed containers through an online recycling material sales platform to approved recyclers. To determine whether and when to recognise revenue, the Company follows a five-step process:
1. Identifying the contract with a customer – The auction process results in a binding contract between the Company and the recycler as the customer.
2. Identifying the performance obligations – The performance obligation is the goods for sale.
3. Determining the transaction price – The transaction price is the successful bid made by the recycler in addition to fees (if any) included in the agreement. The PRO makes no warranties or guarantees about the recycled goods hence there are no provisions or elements of variable consideration to be considered in determining the transaction price.
4. Allocating the transaction price to the performance obligations – The price is allocated directly to the sale.
5. Recognising revenue when/as performance obligation(s) are satisfied – Revenue is recognised at the point in time at which the customer obtains control of a promised asset (i.e. the recycled goods). The Company has deemed this to be the point when the goods are available for collection by the customer as that is the point when the Company has a present right to payment.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 4. Expenses

	2019 $	31 October 2017 – 30 June 2018 $
Direct inventory expenses		
Gross container refund expense	55,781,515	-
Add: Opening containers on hand	-	-
Less: Closing containers on hand	(981,888)	-
Net container refund expense	54,799,627	-
Container handling expenses	37,593,537	-
Logistics expenses	9,320,468	-
Container processor expenses	7,538,523	-
Other direct expenses	123,054	-
	109,375,209	-

The above costs are incurred in collecting and processing containers into a condition suitable for sale to a recycler. These costs represent the cost of sales of the Company, however the recoverable amount is substantially less than the cumulative direct scheme costs. The expense relating to the writedown of inventory to its net recoverable value for the period is $108,393,321. As the initial 10c per container paid to the consumers exceeds the net recoverable amount for all material types, all costs subsequently incurred are immediately expensed as net recoverable value writedowns.

Scheme administration costs include the following expenses:

	2019 $	31 October 2017 – 30 June 2018 $
Employee benefits expense		
Wages, salaries	2,091,350	138,772
Superannuation – defined contribution plans	180,466	13,183
Employee benefit provisions	143,424	10,028
Employee benefits expense	2,415,240	161,983
Depreciation	136,265	-

Note 5. Finance costs

	2019 $	31 October 2017 – 30 June 2018 $
Interest expense – Treasury loan	1,566,377	-
Interest expense – Members' loans	628,261	-
Interest expense - leases	32,721	-
	2,227,359	-

Accounting policy for 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.

Note 6. Cash and cash equivalents

	2019 $	2018 $
Cash at bank	55,620,578	-

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 7. Trade and other receivables

	2019 $	2018 $
Trade receivables	12,889,855	-
Allowance for credit losses	(21,791)	-
	12,868,064	-
Other receivables	499,316	-
Trade and other receivables	13,367,380	-

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 5 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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

	2019 $	31 October 2017 – 30 June 2018 $
Balance at beginning of period	-	-
Amounts written off (uncollectable)	-	-
Expected impairment loss	21,791	-
Balance at end of period	21,791	-

Note 8. Inventories

	2019 $	2018 $
Containers on hand - at net realisable value	981,888	-

Accounting policy for inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises of direct scheme costs, dissected in Note 4.

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

In 2019, a total of $109,375,209 of inventories was included in profit and loss as an expense (2018: $Nil). This includes an amount of $108,393,321 resulting from write down of inventories (2018: $Nil).

Note 9. Other assets

	2019 $	2018 $
Accrued income – container refund scheme income	23,385,351	-
Prepayments	70,681	-
	23,456,032	-

Note 10. Right-of-use asset

	2019 $	2018 $
Right-of-use asset	546,392	-

The movement in the right-of-use asset can be reconciled as follows:

	2019 $	31 October 2017 – 30 June 2018 $
Balance at beginning of period	-	-
Additions	682,657	-
Depreciation	(136,265)	-
Balance at end of period	546,392	-

All right-of-use assets held are the result of new leases taken out during the current year, primarily related to office tenancy leases.

Note 11. Trade and other payables

	2019 $	2018 $
Current		
Trade payables	7,267,218	-
Accrued expenses	23,423,078	-
Annual leave	93,554	10,028
	30,783,850	10,028
Non-current		
Members' loan	-	6,297,662
Accrued costs by members	-	364,898
	-	6,662,560
	30,783,850	6,672,588

Accounting policy for trade and other payables
Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

The carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

Members' loan
The costs incurred by the members as the Company's agent in the prior period were settled upon drawdown of the members' loan in the current period – refer Note 12.

Note 12. Financial liabilities

	2019 $	2018 $
Current		
Lease liability	130,402	-
Treasury loan	28,220,700	-
	28,351,102	-
Non-current		
Lease liability	466,248	-
Members' loan	13,116,421	-
	13,582,669	-
	41,933,771	-

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Treasury Loan
During the period the Company entered into a loan agreement with the Queensland Government Department of Environment & Science for an interest-free, 18-month $35,000,000 facility that provided working capital upon the launch of the Scheme. This facility, which commenced on 1 October 2018, is unsecured and required to be repaid by April 2020.

Members' loan
In order to establish and operationalise the Scheme (including establishing and entering into Container Recovery Agreements with Beverage Manufacturers), the Founding Members of the Company, Coca-Cola Amatil (Aust) Pty Ltd and Lion Pty Ltd, provided two loan facilities totalling $13m (Facility A: $12m, Facility B: $1m). This facility agreement was executed on 22 May 2018, and was drawn down by the Company during the financial year. The key terms are:

	Facility A	**Facility B**
Commencement	1 October 2018	1 October 2018
Purpose	To fund the costs of scheme establishment	To fund working capital and operational liquidity
Term	5 years from agreement date	9 years 11 months from agreement date
Interest rate	7.20%	8.03%

No principal repayments are due until the end of the term. Interest will accrue on the outstanding balance. Any interest which accrues on a facility prior to (but excluding) the Scheme Commencement Date, will be capitalised and added to the principal amount of the relevant facility. The Company must pay accrued interest in arrears at the end of each calendar quarter.

Note 13. Equity - Reserves

	2019 $	2018 $
Scheme development costs reserve	-	(6,672,588)

Movements in reserves
Movements in each class of reserve during the current and previous financial period are set out below:

	Total $
Balance at 31 October 2017	-
Transfer to reserves	(6,672,588)
Balance at 30 June 2018	(6,672,588)
Transfer from reserves	6,672,588
Balance at 30 June 2019	-

In the prior period, the pre-launch Scheme development costs were funded by the Beverage Manufacturers as a cost of the scheme and in accordance with the WRR Act and the Container Recovery Agreements. The Scheme development costs reserve tracked the accumulation of these costs. In the current period, the Directors determined that the surplus generated was sufficient to cover the future repayment of the initial costs (refer Note 12 for details regarding the Members' Loan) and the reserve was derecognised by transferring the balance to retained earnings.

Note 14. Related party transactions

The Company's related parties include its key management personnel as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

Transactions with key management personnel
Key management of the Company are the Directors and the Chief Executive Officer. Key management personnel remuneration includes the following expenses:

	2019 $	31 October 2017 – 30 June 2018 $
Total key management personnel remuneration	481,630	-

The Company has a consultancy agreement with Mr Mark O'Brien (Chair) to provide business development and other services over and above the expectation of the Chairs' role, which was executed in July 2019. There were no amounts billed under this arrangement during the year ended 30 June 2019 and no outstanding balances at the reporting date under review.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 15. Non-cash investing and financing activities

The Company had the following non-cash transactions which are excluded from the statement of cash flows:

	2019 $	31 October 2017 – 30 June 2018 $
Advances from Members'	10,360,836	-
Gain on fair value of Treasury Loan at initial recognition	2,512,343	-
Interest expense (unwinding of fair value gain, above)	1,566,377	-

Note 16. Contingent liabilities

During the year, a legal claim was made against the Company pertaining to the termination of a Container Collection Agreement. The Directors of the Company will rigorously defend this claim, believe the claim is without merit and have engaged experienced legal counsel in respect of this matter, which is now awaiting trial. If the Company's defense is unsuccessful, the potential financial impact may include payment of damages of up to $8 million (although this figure is viewed as unlikely given the factual scenario) and legal costs of the claimant. Due to the nature of the matter, the possibility of a financial settlement ahead of trial is considered to be remote. A trial date has not yet been set. Further information is omitted so as not to seriously prejudice the Company's position in the case.

Note 17. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Container Exchange (QLD) Limited
Directors' declaration
For the year ended 30 June 2019

In the Directors' opinion:

- The financial statements and notes of Container Exchange (QLD) Limited are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* (Cth), including:

    - Giving a true and fair view of its financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
    - Complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Australian Charities and Not-for-Profits Commission Regulation 2013* (Cth)*;* and

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

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

On behalf of the Directors

Mark O'Brien AM
Chair and Independent Director

25 September 2019

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Independent Auditor's Report to the Members of Container Exchange (QLD) Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Container Exchange (QLD) Limited (the "Registered Entity"), which comprises the statement of financial position as at 30 June 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the Directors' declaration.

In our opinion, the financial report of Container Exchange (QLD) Limited has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

a giving a true and fair view of the Registered Entity's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

b complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Registered Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Registered Entity’s Directors’ report for the year ended 30 June 2019, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Registered Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the ACNC Act, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Registered 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 the Directors either intend to liquidate the Registered Entity or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Registered Entity’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Report

Our objectives 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 our 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, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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 Registered 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 Registered Entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Registered 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

H.E. Hiscox

H E Hiscox
Partner – Audit & Assurance

Brisbane, 25th September 2019

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