Cire Services Inc
Financial Report 2019

CIRE SERVICES INC.
ABN 51 933 700 538

FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

CIRE SERVICES INC.
ABN 51 933 700 538
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019	2018
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	3,474,600	3,869,776
Trade and other receivables	4	153,767	56,023
TOTAL CURRENT ASSETS		3,628,367	3,925,799
NON-CURRENT ASSETS			
Property, plant and equipment	5	4,304,601	2,827,768
Investments		10,000	10,000
Right of use assets	6	809,452	-
TOTAL NON-CURRENT ASSETS		5,124,053	2,837,768
TOTAL ASSETS		8,752,420	6,763,567
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	1,080,385	738,669
Provisions	8	664,071	491,695
Borrowings	9	195,811	24,614
TOTAL CURRENT LIABILITIES		1,940,267	1,254,978
NON-CURRENT LIABILITIES			
Provisions	8	113,179	73,294
Borrowings	9	822,942	121,579
TOTAL NON-CURRENT LIABILITIES		936,121	194,873
TOTAL LIABILITIES		2,876,388	1,449,851
NET ASSETS		5,876,032	5,313,716
EQUITY			
Accumulated surplus		5,836,032	5,273,716
Asset revaluation reserve		40,000	40,000
TOTAL EQUITY		5,876,032	5,313,716

The accompanying notes form part of this financial report.

CIRE SERVICES INC.
ABN 51 933 700 538
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	$	$
Revenue	11,443,547	10,515,110
Employee expenses	(8,263,016)	(7,262,257)
Operational expenses	(1,963,495)	(1,617,085)
Rent and utilities	(161,293)	(221,784)
Depreciation	(384,252)	(142,982)
Advertising	(109,481)	(64,766)
Borrowing costs	306	(5,914)
Surplus/ (deficit) before income tax	562,316	1,200,322
Income tax expense	-	-
Total comprehensive income	562,316	1,200,322

The accompanying notes form part of this financial report.

CIRE SERVICES INC.
ABN 51 933 700 538
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Accumulated Surplus $	Asset Revaluation Reserve $	Total $
Balance at 1 January 2018		4,073,394	40,000	4,113,394
Surplus/ (deficit) for the period		1,200,322	-	1,200,322
Balance at 31 December 2018		5,273,716	40,000	5,313,716
Balance at 1 January 2019		5,273,716	40,000	5,313,716
Surplus/ (deficit) for the period		562,316	-	562,316
Balance at 31 December 2019		5,836,032	40,000	5,876,032

The accompanying notes form part of this financial report.

CIRE SERVICES INC.
ABN 51 933 700 538
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		12,420,704	11,637,450
Interest received		42,479	50,434
Interest paid		306	(5,914)
Payments to suppliers and employees		(11,072,463)	(10,283,161)
Net cash provided by/ (used in) operating activities	10	1,391,026	1,398,809
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(1,716,240)	(476,520)
Proceeds from sale of property, plant and equipment		18,127	5,455
Net cash used in investing activities		(1,698,113)	(471,065)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds/ repayment of borrowings		63,108	(152,265)
Payment for right-of-use assets		(151,197)	-
Net cash from/ (used in) financing activities		(88,089)	(152,265)
Net increase/ (decrease) in cash held		(395,176)	775,479
Cash and cash equivalents at beginning of financial year		3,869,776	3,094,297
Cash and cash equivalents at end of financial year	10	3,474,600	3,869,776

The accompanying notes form part of this financial report.

Note 1: Summary of Significant Accounting Policies
These financial statements cover Cire Services Inc as an individual entity. Cire Services Inc is an incorporated association.

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Australian Charities and Not-for-profits Commission Act 2012* . The entity is a not for profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements, except for cash flow information, have been prepared on an accrual 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. The amounts presented in the financial statements have been rounded to the nearest dollar.

(a) Income Tax
The entity is exempt for income tax purposes.

(b) Property, Plant and Equipment
Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of property, plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount. A formal assessment of recoverable amount is made when impairment indicators are present. The recoverable amount is assessed as the depreciated replacement cost of an asset.

Depreciation
The depreciable amount of all fixed assets are depreciated on a straight-line basis over their useful lives from the time the asset is held ready for use.
Leasehold improvements are depreciated over the estimated useful life of the asset, and does not take into consideration the lease term.
The depreciation rates used for each class of depreciable assets are:

Buildings	1%
Leasehold improvements	20%
Plant & equipment	10%-20%
Motor vehicles	23%

(c) Leases

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A single recognition and measurement approach is applied for all leases, except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

(ii) Lease liabilities

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

(iii) Short term leases and leases of low value assets
The short-term lease recognition exemption is applied to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(d) Financial Instruments
Initial recognition and measurement
Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets are classified into amortised costs.

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as fair value through profit or loss (FVPL)):

• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial liabilties

Non-derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit losses (ECL) model'. The company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Derecognition

Financial assets are derecognised where the contractual right to receipt of cash flows expires or the asset is transferred to another party, whereby the company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(e) Impairment of Assets

At the end of each reporting period, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

(f) Employee Provisions

Provision is made for the entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year of the end of the reporting period have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and related on-costs and the probability that the employee may not satisfy any vesting requirements. The estimated cash outflows are discounted using market yields on national government bonds with maturity terms that match the expected timing of cash outflows.

Obligations for long term employee benefits are classified as non-current except where there is no unconditional right to defer payment, in which case they are presented as current.

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(h) Trade and Other Debtors

Trade and other debtors include amounts due from customers for events, services, and goods sold in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Accounts receivable are initially measured at fair value and subsequently measured at amortised cost, less any provision for impairment.

(i) Revenue and other income

Revenue arises mainly from the provision of education services.
To determine whether to recognise revenue, the company follows a 5-step process:
1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the entity satisfies performance obligations by transferring the promised services to its customers. Where there are no performance obligations, revenue is recognised on receipt of funds.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

(j) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office.

Receivables and payables in the statement of financial position are shown inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or 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 ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(k) Trade and Other Payables
Trade and other payables represent the liabilities outstanding at the end of the reporting period for goods and services received by the entity during the reporting period that remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(l) Critical Accounting Estimates and Judgments
The entity evaluates estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the entity.

(m) Changes in Accounting Policies
During the year, the company applied new accounting standards AASB 15: Revenue from Conracts with Customers, AASB 16: Leases and AASB 1058: Income of Not-for-Profit Entities. All new standards have been applied prospectively and prior year comparatives have not been restated.

There no impact on adopting AASB 15 and AASB 1058. On application of AASB 16, a right-of-use asset and corresponding lease liability of $493,982 was recognised. Additional depreciation expense of $151,197 has been recognised to reflect additional depreciation on right-of use assets. In the prior year, this expense was included in lease expenses.

	2019 $	2018 $
Note 2: Revenue		
Government grants	7,990,820	7,103,552
Childcare benefit	1,246,671	1,000,423
Childcare fees	1,093,126	1,141,172
Other revenue	115,314	105,860
Minor grants	87,537	93,441
Course fees	855,825	1,016,119
Dividends and interest	42,479	50,935
Profit on sale of assets	11,775	3,608
Total revenue	11,443,547	10,515,110

CIRE SERVICES INC.
ABN 51 933 700 538
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	$	$
Note 3: Cash and Cash Equivalents		
Cash at bank	3,474,600	3,869,776
Note 4: Trade and Other Receivables		
Trade debtors	114,395	97,903
Provision for doubtful debts	(27,708)	(41,880)
Prepayments	67,080	-
	153,767	56,023
Note 5: Property, Plant and Equipment		
Land at cost	950,000	375,000
Buildings at cost	3,333,501	2,804,568
Less accumulated depreciation and impairment	(1,053,325)	(1,020,619)
	2,280,176	1,783,949
Leasehold improvements at cost	204,412	115,662
Accumulated depreciation	(72,201)	(33,154)
	132,211	82,508
Motor vehicles at cost	626,764	462,776
Less accumulated depreciation	(196,569)	(135,323)
	430,195	327,453
Plant and equipment at cost	1,104,176	815,387
Less accumulated depreciation	(486,822)	(392,529)
Less provision for impairment	(164,000)	(164,000)
	453,354	258,858
Work in progress	58,665	-
	58,665	-
Total property, plant and equipment	4,304,601	2,827,768

Note 5: Property, Plant and Equipment (Continued)

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land	Buildings	Leasehold improve	Motor Vehicles	WIP	Plant & Equip	Total
	$	$	$	$		$	$
Balance at the beginning	375,000	1,783,949	82,508	327,453	-	258,858	2,827,768
Additions	575,000	528,857	88,750	176,179	58,665	288,789	1,716,240
Disposals	-	-	-	(6,352)	-	-	(6,352)
Impairment expense	-	-	-	-	-	-	-
Depreciation expense	-	(32,630)	(39,047)	(67,085)	-	(94,293)	(233,055)
	950,000	2,280,176	132,211	430,195	58,665	453,354	4,304,601

	2019	2018
	$	$
Note 6: Right of Use Assets		
Right of use assets - properties	960,649	-
Less accumulated amortisation	(151,197)	-
Total intangible assets	809,452	-

Movements in carrying amounts for each class of right-of-use assets between the beginning and the end of the current financial year:

	Properties	Total
	$	$
Balance at the beginning of the year	-	-
Initial recogntion on application of new standard	493,982	493,982
Additions	466,667	466,667
Depreciation expense	(151,197)	(151,197)
Disposals	-	-
Balance at the end of the year	809,452	809,452

The following amounts are recognised in the profit and loss:		
Depreciation expense of right-of-use assets	(151,197)	-
Expense relating to short-term leases	(19,036)	-
Expense relating to property leases in prior year	-	(120,933)
	(170,233)	(120,933)

Note 7: Trade and Other Payables

Trade creditors	269,599	160,903
Other payables	400,161	250,881
Accrued expenses	155,186	65,197
GST payable	255,439	261,688
	1,080,385	738,669

	2019	2018
	$	$
Note 8: Provisions		
CURRENT		
Annual leave	471,730	371,624
Long service leave	192,341	120,071
	664,071	491,695
NON-CURRENT		
Long service leave	113,179	73,294
Note 9: Borrowings		
CURRENT		
Bendigo Bank loans (a)	24,614	24,614
Leases - relating to right-of-use assets	171,197	-
	195,811	24,614
NON-CURRENT		
Bendigo Bank loans (a)	184,687	121,579
Leases - relating to right-of-use assets	638,255	-
	822,942	121,579

(a) The Bendigo Bank loans are secured over Cire Service property and a fixed and floating charge over all assets of the entity.

Note 10: Cash Flow Information

Cash in the statement of cash flows is reconciled to the statement of financial position

	2019	2018
Cash and cash equivalents	3,474,600	3,869,776
Reconciliation of cash flows from operating activities		
Surplus/ (deficit) after income tax	562,316	1,200,322
Depreciation	384,252	142,982
(Profit)/ loss on sale of property, plant & equipment	(11,775)	(3,608)
Decrease/ (increase) in trade and other receivables	(97,744)	118,432
Increase/ (decrease) in trade and other payables	341,716	(166,992)
Increase/ (decrease) in provisions	212,261	107,673
Net cash provided by/ (used in) operating activities	1,391,026	1,398,809

Note 11: Commitments

Future capital commitments for property and property improvements, not provided for in the financial statements and payable:

	2019	2018
No later than one year	-	1,112,264

Note 12: Contingent Assets and Contingent Liabilities

There are no contingent assets or contingent liabilities at balance date.

Note 13: Events After the Reporting Period

Subsequent to year end, the entity obatined a loan for Bendigo Bank for $308,000, relating to the purchase of a property, for which there is a charge over that property.

Note 14: Key Management Personnel Compensation

Any person having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including committee members, is considered key management personnel.

The totals of remuneration paid to key management personnel of the entity during the year are as follows:

	2019 $	2018 $
Key management personnel compensation	935,574	857,522

Note 15: Other Related Party Transactions

There are no other related party transactions.

Note 16: Financial Risk Management

The entity's financial instruments consist mainly of deposits with banks, loans to related entities, accounts receivable and payable.

The carrying amounts for each category of financial instruments are as follows:

	2019	2018
Financial assets		
Cash and cash equivalents	3,474,600	3,869,776
Receivables	153,767	56,023
Total financial assets	3,628,367	3,925,799
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	1,080,385	738,669
Borrowings	1,018,753	146,193
Total financial liabilities	2,099,138	884,862

Note 17: Entity Details

The registered office and principal place of business of the entity is:
2463 Warburton Highway
Yarra Junction Vic 3797

CIRE SERVICES INC.
COMMITTEE DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2019

The Board of Cire Services Inc , declare that:

1. The financial statements and notes are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and:

    (a) comply with Australian Accounting Standards - Reduced Disclosure Requirements; and

    (b) give a true and fair view of the financial position of the association as at 31 December 2019 and of its performance for the year then ended.

2. At the date of this declaration, there are reasonable grounds to believe that Cire Services Inc will be able to pay its debts as and when they fall due.

This declaration is made in accordance with a resolution of the committee and is signed for and on behalf of the committee by:

Name: Julian Carle

Position: Chair - Board of Cire Services Inc.

Name: Dhanush Girish

Position: Treasurer - Board of Cire Services Inc.

Date: 24 March 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Cire Services Inc

Opinion

We have audited the accompanying financial report of Cire Services Inc ("the Entity"), which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the committee declaration.

In our opinion, the financial report of Cire Services Inc is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(i) giving a true and fair view of the entity's financial position as at 31 December 2019 and of its performance for the year ended on that date; and

(ii) complying with *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 Entity in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Australian Charities and Not-for-profits Commission Act 2012*, which has been given to the committee of the Entity, would be in the same terms if given to the committee as at the time of this auditor's report.

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

Responsibilities of the Directors for the Financial Report

The committee of the Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012,* and for such internal control as the committee determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

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

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 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 the financial report.

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012.* We confirm that the independence declaration required by the *Australian Charities and Not-for-profits Commission Act 2012,* which has been given to the directors of the company, would be in the same terms if given to the directors at the time of this auditor's report.

Justin Brook
Director
GippsAudit Pty Ltd

Date: 24 March 2020
Place: Sale