

# **ANNECTO INC**

**REG No. A00 375 63T**

**CONSOLIDATED FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2017**

**ANNECTO INC**  
**REG No. A00 375 63T**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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**General Information**

The financial statements cover annecto Inc as a consolidated entity. The financial statements are presented in Australian dollars, which is annecto Inc's functional and presentation currency.

annecto Inc is a not for profit incorporated association, incorporated and domiciled in Australia.

The financial statements were authorised for issue on the date of signing this report.

**ANNECTO INC**  
**REG No. A00 375 63T**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2016 \$
<b>Income</b>			
Revenue from operating activities	4(i)	36,024,802	31,026,957
Other income	4(ii)	306,643	297,840
<b>Total income</b>		<u>36,331,445</u>	<u>31,324,797</u>
<b>Expenses</b>			
Depreciation expense	9(a)	205,956	154,616
Amortisation expense	10(a)	313,521	53,634
Salaries and employee benefits expense		23,628,920	19,687,115
Loss on sale of fixed assets		-	593
Other expenses	4(iii)	11,565,527	10,128,280
<b>Total expenses</b>		<u>35,713,924</u>	<u>30,024,238</u>
<b>Surplus for the year</b>		<u>617,521</u>	<u>1,300,559</u>
<b>Other comprehensive income:</b>			
Revaluation of property, plant and equipment	14	-	549,541
		-	549,541
<b>Total comprehensive income for the year</b>		<u>617,521</u>	<u>1,850,100</u>

The accompanying notes form part of these financial statements

**ANNECTO INC**  
**REG No. A00 375 63T**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

	Note	2017 \$	2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	10,857,902	8,323,736
Trade and other receivables	6	1,178,229	988,192
Other assets	7	100,933	140,500
Financial assets	8	2,126,078	1,223,445
<b>TOTAL CURRENT ASSETS</b>		<u>14,263,142</u>	<u>10,675,873</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	7,998,648	7,992,543
Intangible assets	10	774,811	922,446
Trade and other receivables	6	36,192	32,900
<b>TOTAL NON-CURRENT ASSETS</b>		<u>8,809,651</u>	<u>8,947,889</u>
<b>TOTAL ASSETS</b>		<u>23,072,793</u>	<u>19,623,762</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	2,686,555	2,434,498
Other liabilities	12	4,632,276	2,494,207
Provisions	13	3,022,906	2,499,392
<b>TOTAL CURRENT LIABILITIES</b>		<u>10,341,737</u>	<u>7,428,097</u>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	13	323,157	405,287
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>323,157</u>	<u>405,287</u>
<b>TOTAL LIABILITIES</b>		<u>10,664,894</u>	<u>7,833,384</u>
<b>NET ASSETS</b>		<u>12,407,899</u>	<u>11,790,378</u>
<b>EQUITY</b>			
Reserves	14	4,397,541	4,397,541
Retained earnings		8,010,358	7,392,837
<b>TOTAL EQUITY</b>		<u>12,407,899</u>	<u>11,790,378</u>

The accompanying notes form part of these financial statements.

**ANNECTO INC**  
**REG No. A00 375 63T**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2016 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts in the course of operations		37,823,351	32,345,417
Interest received		89,988	115,626
Cash payments in the course of operations		(33,769,442)	(29,070,196)
Net GST paid to the Australian Taxation Office		(329,151)	(405,755)
<b>Net cash provided by operating activities</b>		<u>3,814,746</u>	<u>2,985,092</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		(212,061)	(26,733)
Payment for intangible assets		(165,886)	(815,725)
Net proceeds from/ (payment to) term deposits		(902,633)	146,058
Proceeds from disposal of fixed assets		-	2,394
<b>Net cash used in investing activities</b>		<u>(1,280,580)</u>	<u>(694,006)</u>
<b>Net increase in cash and cash equivalents held</b>		<u>2,534,166</u>	<u>2,291,086</u>
Cash and cash equivalents at beginning of financial year		<u>8,323,736</u>	<u>6,032,650</u>
<b>Cash and cash equivalents at end of financial year</b>	5	<u>10,857,902</u>	<u>8,323,736</u>

The accompanying notes form part of these financial statements.

**ANNECTO INC**  
**REG No. A00 375 63T**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Retained Earnings \$	Reserves \$	Total Equity \$
<b>Balance at 1 July 2015</b>	6,092,278	3,848,000	9,940,278
<b>Comprehensive Income</b>			
Surplus for the year	1,300,559	-	1,300,559
Other comprehensive income	-	549,541	549,541
<b>Total comprehensive income</b>	1,300,559	549,541	1,850,100
<b>Balance at 30 June 2016</b>	7,392,837	4,397,541	11,790,378
<b>Comprehensive Income</b>			
Surplus for the year	617,521	-	617,521
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	617,521	-	617,521
<b>Balance at 30 June 2017</b>	8,010,358	4,397,541	12,407,899

The accompanying notes form part of these financial statements.

**ANNECTO INC**  
**REG No. A00 375 63T**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of preparation**

annecto Inc is a not for profit incorporated association. The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements issued by the Australian Accounting Standards Board ('AASBs'). It has been prepared to satisfy the financial reporting requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

The financial report does not comply with International Financial Reporting Standards (IFRS).

The financial report, except for the cash flow information, has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. The financial statements have been prepared on a going concern basis.

All amounts in the financial statements are presented in Australian dollars and have been rounded to the nearest one dollar.

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

**(b) Basis of consolidation**

The consolidated financial statements comprise the financial statements of annecto Incorporated and its subsidiaries as at 30 June 2017 (the Group). Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Details of these controlled entities are contained within Note 3(b).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies, unless otherwise stated.

In preparing the consolidated financial statements, all intergroup balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

**(c) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, deposits at call and highly liquid investments with an original maturity of 3 months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

**(d) Financial Assets**

Term deposits with a maturity of greater than 3 months are classified as financial assets.

**(e) Prepayments**

Prepayments include payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(f) Property, Plant and Equipment**

*(i) Recognition and measurement*

**Plant & Equipment**

Items of property, plant & equipment are measured at cost less accumulated depreciation and impairment losses. Land and buildings are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment.

When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

Freehold land and buildings are brought to account at cost or at valuation.

*(ii) Subsequent costs*

The Association recognises in the carrying amount of an item of property, plant & equipment the cost of replacing part of such an item when that cost is incurred if it is probable that future economic benefits embodied within the item will flow to the Association and that the cost of the item can be measured reliably. All other costs are recognised in the statement of profit or loss and other comprehensive income as an expense as incurred.

*(iii) Depreciation*

The depreciable amount of property plant and equipment are depreciated over the useful lives of the assets to the Association commencing from the time the asset was held ready for use.

The depreciation rates and useful lives used for each class of depreciable assets are as follows:

<b>Class of Asset</b>	<b>Depreciation Rates</b>	<b>Depreciation basis</b>
Buildings	2-2.5%	Prime Cost
Plant & Equipment	20%	Diminishing Value / Prime Cost
Motor Vehicles	18.75-22.5%	Diminishing Value/ Prime Cost
Leasehold Improvements	N/A	To be depreciated over the life of the lease

The residual value, the useful life and depreciation method applied to an asset are reassessed at the reporting date.

**(g) Intangible assets**

Intangible assets represent identifiable non-monetary assets without physical substance such as computer software and development costs. Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Association.

The amortisation rates and useful lives used for each class of amortised asset are as follows:

<b>Class of Asset</b>	<b>Depreciation Rates</b>	<b>Depreciation basis</b>
Software	20%-33.33%	Diminishing Value / Prime Cost



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(h) Trade and other receivables**

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts, which are known to be uncollectible, are written off. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred. Bad debts are written off when identified.

**(i) Employee benefits**

*Defined contribution superannuation funds*

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement when they are due.

*Long-term service benefits*

The Association's net obligation in respect of long-term service benefits, other than defined contribution superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Association's obligations.

*Short-term benefits*

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Association expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Association as the benefits are taken by the employees.

**(j) Impairment**

At the end of each reporting period, the Association 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 an 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 recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and when the Association would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets class, the Association estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(k) Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**(l) Revenue**

*General*

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues. Revenue is recognised when the Association obtains control over assets comprising the revenue.

*Grants*

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with.

*Interest Income*

Interest income is recognised in the income statement as it accrues, using the effective interest method.

**(m) Income Tax**

As the company is a charitable institution in terms of subsection 50-5 of the Income Tax Assessment Act 1997, as amended, it is exempt from paying income tax.

**(n) Property, Plant & Equipment Revaluation Reserve**

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

Revaluation increments are credited directly to the property, plant and equipment revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised at an expense in net result, the increment is recognised as income in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within an asset class are offset against one another within that class but are not offset in respect of assets in different classes.

Asset revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(o) Goods and Services Tax (GST)**

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of 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 ATO is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a net 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.

Commitments and contingent assets and liabilities are presented on a gross basis.

**(p) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**(q) New, revised or amending Accounting Standards and Interpretations adopted**

The incorporated association has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Certain new Australian accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting period. As at 30 June 2017, the following standards and interpretations that are expected to have a material impact on the association had been issued but were not mandatory for the reporting period ended 30 June 2017. The Association has not and does not intend to adopt these standards early.

Standard	Summary	Application for reporting periods beginning on or ending on	Impact on Association's Financial Report
AASB 16 Leases	This amending standard will eliminate the classifications of operating leases and finance leases. Subject to exceptions, the standard will require a right of use asset to be capitalized in the statement of financial position. A liability corresponding to the capitalized lease will also be recognized.	Beginning 1 January 2019	The changes in recognition requirements in AASB 16 may result in the recognition of operating leases on the balance sheet, and may result in changes to the timing and amount of expenses recorded in the financial statements relating to leases held.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 2: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Estimation of useful lives of assets*

The Association determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The Association assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the incorporated association and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*Employee benefits provision*

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

**ANNECTO INC**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	2017 \$	2016 \$
<b>NOTE 3: PARENT ENTITY INFORMATION</b>		
(a) Information relating to annecto Inc:		
Current assets	13,874,229	10,306,587
Total assets	22,683,880	19,254,476
Current liabilities	10,341,737	7,425,100
Total liabilities	10,664,894	7,830,387
Retained earnings	7,292,801	6,697,904
Asset revaluation reserve	4,397,541	4,397,541
Capital redemption reserve	328,644	328,644
<b>Total equity</b>	<b>12,018,986</b>	<b>11,424,089</b>
Net operating result of the parent entity	594,898	1,280,947
Amount owing from annecto controlled entities	14,505	10,405

- (b) The consolidated financial statements include the financial statements of annecto Incorporated and controlled entities listed in the following table.

Name	Country of Incorporation	% Ownership Interest		% Voting Power	
		2017	2016	2017	2016
annecto Nominees Pty Ltd	Australia	-	-	100	100
annecto Capital Fund Trust	Australia	-	-	100	100
annecto Foundation Trust	Australia	-	-	100	100
				2017 \$	2016 \$

**NOTE 4: REVENUE AND EXPENSES**

The surplus for the year includes the following revenues and expenses whose disclosure are relevant in explaining the performance of the entity:

(i) <b>Revenue from operating activities</b>		
Government grants and service fee income	36,024,802	31,026,957
<b>Total revenue from operating activities</b>	<b>36,024,802</b>	<b>31,026,957</b>
(ii) <b>Other income</b>		
Donations and fundraising	46,511	51,412
Interest	98,099	118,195
Workcover Reimbursements	141,774	94,680
Sundry income	20,259	33,553
<b>Total other revenue</b>	<b>306,643</b>	<b>297,840</b>
(iii) <b>Other expenses from ordinary activities</b>		
Client costs	6,908,144	6,110,124
Office costs	2,557,757	2,140,478
Transport costs	1,007,533	889,191
Computer costs	437,942	347,577
Communication costs	538,017	577,641
Bank and interest charges	13,387	11,640
Bad debts	56,522	45,278
Other expenses	46,225	6,351
<b>Total other expenses from ordinary activities</b>	<b>11,565,527</b>	<b>10,128,280</b>

**ANNECTO INC**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	2017 \$	2016 \$
<b>NOTE 5: CASH AND CASH EQUIVALENTS</b>		
CURRENT		
Cash on hand	13,000	9,000
Cash at bank*	10,735,867	7,457,541
Deposits at call	109,035	857,195
	<u>10,857,902</u>	<u>8,323,736</u>

\*Restricted asset: Included in the 2017 cash at bank balance above is an amount of \$4,637,473 (2016: \$2,392,394) which consists of funds held by annecto that are specifically for use by, or on behalf of, clients.

**NOTE 6: TRADE AND OTHER RECEIVABLES**

CURRENT		
Trade debtors	774,494	580,592
Less allowance for doubtful debts	(59,000)	(40,493)
Accrued income	380,865	408,626
GST receivable	67,181	27,858
Security deposits receivable	14,689	11,609
	<u>1,178,229</u>	<u>988,192</u>

NON CURRENT

Security deposits receivable	<u>36,192</u>	<u>32,900</u>
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**NOTE 7: OTHER ASSETS**

CURRENT		
Prepayments	<u>100,933</u>	<u>140,500</u>

**NOTE 8: FINANCIAL ASSETS**

CURRENT		
Term Deposits	<u>2,126,078</u>	<u>1,223,445</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	2017 \$	2016 \$
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<b>NOTE 9: PROPERTY, PLANT AND EQUIPMENT</b>		
NON-CURRENT		
<b>LAND</b>		
Freehold land:		
At Directors valuation 2016	6,030,000	6,030,000
	<hr/>	<hr/>
<b>BUILDINGS</b>		
At Directors valuation 2016	100,000	100,000
At cost	24,500	-
Less accumulated depreciation	(37,027)	-
Total buildings	87,473	100,000
	<hr/>	<hr/>
Land and buildings have been valued by the Directors based on independent valuations conducted by Knight Frank as at 30 June 2016.		
<b>PLANT AND EQUIPMENT</b>		
Motor vehicles		
At cost	404,726	456,032
Less accumulated depreciation	(401,143)	(451,462)
	3,583	4,570
	<hr/>	<hr/>
Office equipment		
At cost	642,432	500,600
Less accumulated depreciation	(396,773)	(364,455)
	245,659	136,145
Total plant and equipment	249,242	140,715
	<hr/>	<hr/>
<b>LEASEHOLD IMPROVEMENTS</b>		
At cost	2,208,617	2,422,019
Less accumulated depreciation	(576,684)	(700,191)
	1,631,933	1,721,828
	<hr/>	<hr/>
Total property, plant and equipment	7,998,648	7,992,543
	<hr/>	<hr/>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 9: PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(a) Movements in Carrying Amounts**

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

	Freehold land	Buildings	Motor vehicles	Office equipment	Leasehold Improvements	TOTAL
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	6,030,000	100,000	4,570	136,145	1,721,828	7,992,543
Additions	-	24,500	-	141,815	45,746	212,061
Disposals	-	-	-	-	-	-
Depreciation expense	-	(37,027)	(987)	(32,301)	(135,641)	(205,956)
Balance at 30 June 2017	6,030,000	87,473	3,583	245,659	1,631,933	7,998,648

**NOTE 10: INTANGIBLE ASSETS**

**NON-CURRENT**

**SOFTWARE**

	2017 \$	2016 \$
At cost	1,425,166	1,259,280
Less accumulated amortisation	(650,355)	(336,834)
	774,811	922,446

**(a) Movements in Carrying Amounts**

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial year.

	Software \$	TOTAL \$
Balance at 1 July 2016	922,446	922,446
Additions	165,886	165,886
Amortisation expense	(313,521)	(313,521)
Balance at 30 June 2017	774,811	774,811



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	2017 \$	2016 \$
<b>NOTE 11: TRADE AND OTHER PAYABLES</b>		
CURRENT		
Trade creditors & Accruals	2,298,575	2,032,326
PAYG and superannuation payable	277,785	302,416
Other payables	110,195	99,756
	<u>2,686,555</u>	<u>2,434,498</u>

**NOTE 12: OTHER LIABILITIES**

CURRENT		
Deferred grant funding	103,838	198,296
HCP client balances*	4,528,438	2,295,911
	<u>4,632,276</u>	<u>2,494,207</u>

\*Where annecto is appointed as the administrator of a client's package it has responsibility for transactions and balances relating to the client and their package. As a result, income and expenditure managed on behalf of the client is not recognised in the profit and loss statement, except to the extent that it applies to services directly rendered by annecto to, or on behalf of the client.

**NOTE 13: PROVISIONS**

CURRENT		
Annual leave	1,652,237	1,462,532
Long service leave	1,370,669	1,036,860
	<u>3,022,906</u>	<u>2,499,392</u>
NON-CURRENT		
Long Service Leave	323,157	405,287
	<u>3,346,063</u>	<u>2,904,679</u>

Aggregate employee benefits liability

**NOTE 14: RESERVES**

*Asset Revaluation Reserve*

This reserve is used to record increments and decrements on the revaluation of non-current assets.

**Asset revaluation reserve**

Opening balance at beginning of financial year	4,397,541	3,848,000
Movement during the year	-	549,541
Closing balance at end of financial year	<u>4,397,541</u>	<u>4,397,541</u>

**ANNECTO INC**  
**REG No. A00 375 63T**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
<b>NOTE 15: COMMITMENTS</b>		
(a) Operating lease commitments		
Future operating lease rentals of premises, motor vehicles and plant and equipment not provided for in the financial statements and payable:		
- not later than one year	1,197,946	931,501
- later than one year and not later than five years	1,431,951	1,055,496
	<u>2,629,897</u>	<u>1,986,997</u>

**NOTE 16: CONTINGENT LIABILITIES**

There were no contingent liabilities for the year ended 30 June 2017.

**NOTE 17: RELATED PARTIES**

**(a) Responsible persons**

The names of the people who were responsible persons of the Association during the financial year are:

**Directors**

Michael Johns (President)

Vivien Beer (Treasurer)

Jennifer Burrows

Roger Chao - Resigned 2 May 2017

Wendy Dunn (Vice President)

Ross Joyce

David King

**Accountable Officer**

Estelle Fyffe

**(b) Key management personnel remuneration**

Compensation paid or payable, or otherwise made available, to key management personnel of the Association, included in "employee benefits expense" are as follows:

	2017	2016
	\$	\$
Short term employee benefits	1,501,894	1,071,481
Post-employment benefits	133,719	126,290
	<u>1,635,613</u>	<u>1,197,771</u>

**ANNECTO INC**  
**REG No. A00 375 63T**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 17: RELATED PARTIES (continued)**

**(c) Related party transactions**

Michael Johns is a partner of Maddocks Lawyers. Maddocks provided services to annecto on a pro bono / reduced terms and conditions during the 2017 financial year valued at \$5,867 (2016: \$6,875).

**NOTE 19: EVENTS AFTER THE REPORTING PERIOD**

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the incorporated association's operations, the results of those operations, or the incorporated association's state of affairs in future financial years.

**NOTE 20: ASSOCIATION DETAILS**

The registered office and principal place of business of the association is:

81 Cowper Street  
Footscray VIC 3011

STATEMENT BY DIRECTORS


In the opinion of the directors the financial report as set out on pages 1 to 17:

The directors declare that in their opinion:

- there are reasonable grounds to believe that the registered entity is able to pay all of its debts, as and when they become due and payable; and
- the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the Australian Charities and Not-for-profit Commission Regulation 2013.

	
Treasurer Name	Treasurer Signature

MICHAEL JOHNS	
President Name	President Signature

Dated this 24<sup>th</sup> day of October 2017

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANNECTO INC.

### Opinion

We have audited the financial report of annecto Inc. which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other 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 declaration by those charged with governance.

In our opinion, the accompanying financial report of annecto Inc. is in accordance with the *Australian Charities and Non-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the financial position of the Association as at 30 June 2017, and of its financial performance and its cash flows for the year then ended; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and Division 60 of the *Australian Charities and Non-for-profits Commission Act 2012*.

### 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 Association 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

Those charged with governance are responsible for the other information. The other information comprises the information included in the Association's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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.

### Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, and for such internal control as management determines 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, management is responsible for assessing the Association'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 management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Association'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 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.

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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Association'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 Association 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.

*DFK Kidsons Partnership*

**DFK Kidsons Partnership**

*Robert Wernli*

**Robert Wernli**  
Partner

24 October 2017  
Melbourne