

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

**CONSOLIDATED FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2016**

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

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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.

The financial statements were authorised for issue upon the date of the Director's signing the report.

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

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 \$
<b>Income</b>			
Revenue	6(i)	31,078,369	28,595,546
Other income	6(ii)	246,428	184,441
<b>Total income</b>		<u>31,324,797</u>	<u>28,779,987</u>
<b>Expenses</b>			
Depreciation expense	11(a)	154,616	176,024
Amortisation expense	12(a)	53,634	45,959
Salaries and employee benefits expense		19,687,115	18,103,093
Loss on sale of fixed assets		563	1,587
Other expenses	6(iii)	10,128,310	8,853,832
<b>Total expenses</b>		<u>30,024,238</u>	<u>27,180,495</u>
<b>Surplus for the year</b>		<u>1,300,559</u>	<u>1,599,492</u>
<b>Other comprehensive income:</b>			
Revaluation of property, plant and equipment		549,541	-
		<u>549,541</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>1,850,100</u>	<u>1,599,492</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 2016**

	Note	2016 \$	2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	8,323,736	6,032,650
Trade and other receivables	8	988,192	659,826
Prepayments	9	140,500	114,365
Financial assets	10	1,223,445	1,369,503
<b>TOTAL CURRENT ASSETS</b>		<u>10,675,873</u>	<u>8,176,344</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	7,992,543	7,573,872
Intangibles	12	922,446	160,355
Trade and other receivables	8	32,900	42,424
<b>TOTAL NON-CURRENT ASSETS</b>		<u>8,947,889</u>	<u>7,776,651</u>
<b>TOTAL ASSETS</b>		<u>19,623,762</u>	<u>15,952,995</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	4,928,705	3,258,695
Provisions	14	2,499,392	2,336,822
<b>TOTAL CURRENT LIABILITIES</b>		<u>7,428,097</u>	<u>5,595,517</u>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	14	405,287	417,200
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>405,287</u>	<u>417,200</u>
<b>TOTAL LIABILITIES</b>		<u>7,833,384</u>	<u>6,012,717</u>
<b>NET ASSETS</b>		<u>11,790,378</u>	<u>9,940,278</u>
<b>EQUITY</b>			
Reserves	15	4,726,185	4,176,644
Retained earnings		7,064,193	5,763,634
<b>TOTAL EQUITY</b>		<u>11,790,378</u>	<u>9,940,278</u>

The accompanying notes form part of these financial statements.

**ANNECTO INC**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts in the course of operations		32,371,869	31,116,113
Interest received		118,195	82,582
Cash payments in the course of operations		(29,099,247)	(26,420,347)
Net GST (paid to) / from the Australian Taxation Office		(405,755)	(481,457)
<b>Net cash provided by operating activities</b>		<u>2,985,122</u>	<u>4,296,891</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		(26,703)	(11,999)
Payment for intangibles		(815,725)	(55,925)
Payment to term deposits		-	(1,069,503)
Proceeds from term deposits		146,058	-
Proceeds from disposal of fixed assets		2,394	-
<b>Net cash (used in) / from investing activities</b>		<u>(693,976)</u>	<u>(1,137,427)</u>
<b>Net increase in cash and cash equivalents held</b>		<u>2,291,086</u>	<u>3,159,464</u>
Cash and cash equivalents at beginning of financial year		6,032,650	2,873,186
<b>Cash and cash equivalents at end of financial year</b>	7	<u><u>8,323,736</u></u>	<u><u>6,032,650</u></u>

The accompanying notes form part of these financial statements.

**ANNECTO INC**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Retained Earnings \$	Reserves \$	Total Equity \$
<b>Balance at 1 July 2014</b>	4,164,142	4,176,644	8,340,786
<b>Comprehensive Income</b>			
Surplus for the year	1,599,492	-	1,599,492
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	1,599,492	-	1,599,492
<b>Balance at 30 June 2015</b>	5,763,634	4,176,644	9,940,278
<b>Balance at 1 July 2015</b>	5,763,634	4,176,644	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>	7,064,193	4,726,185	11,790,378

The accompanying notes form part of these financial statements.

**ANNECTO INC**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**NOTE 1: REPORTING ENTITY**

annecto Inc is an association incorporated in Victoria under the *Associations Incorporation Reform Act (Vic) 2012*. The Association is domiciled in Australia and the address of the Association's registered office is 81 Cowper Street, Footscray, Vic, 3011.

**NOTE 2: BASIS OF PREPARATION**

**(a) Basis of preparation**

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') and the *Australian Charities and Not-for-profits Commission Act 2012*.

*Historical cost convention*

The financial statements have been prepared under the historical cost convention.

**(b) Basis of consolidation**

The consolidated financial statements comprise the financial statements of annecto Incorporated and its subsidiaries as at 30 June 2016 (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 5(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) Functional and presentation currency**

These financial statements are presented in Australian dollars, which is the Association's functional currency.

**(d) Comparatives**

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 3: SIGNIFICANT ACCOUNTING POLICIES**

**(a) 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.

**(b) 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



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) 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.

**(d) 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.

**(e) Financial Assets**

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

**(f) 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.

**(g) 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.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less any accumulated impairment.

**(h) 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(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) 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.

**(k) Income Tax**

Tax effect accounting has not been applied, as the Association is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*. In addition, the Association is FBT exempt for the purposes of the Fringe Benefits Assessment Act 1986.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(l) 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 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.

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

**(m) Property, Plant & Equipment Revaluation Surplus**

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.

**(n) 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.

**(o) 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Certain new Australian accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting period. As at 30 June 2016, the following standards and interpretations had been issued but were not mandatory for the reporting ended 30 June 2016. The Association has not and does not intend to adopt these standards early.

Standard/Interpretation	Summary	Application for reporting periods beginning on or ending on	Impact on Entities Annual Statements
AASB 16 Leases to replace AASB 117 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 impact of this is still being assessed.

**NOTE 4: 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 3(i), 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 5: PARENT ENTITY INFORMATION</b>		
(a) Information relating to annecto Inc:		
Current assets	10,306,587	7,826,667
Total assets	19,623,762	15,603,318
Current liabilities	7,425,100	5,592,517
Total liabilities	7,830,387	6,009,717
Retained earnings	7,064,193	5,416,957
Asset revaluation reserve	4,397,541	3,848,000
Capital redemption reserve	328,644	328,644
<b>Total equity</b>	<b>11,790,378</b>	<b>9,593,601</b>
Net operating result of the parent entity	1,280,947	1,580,655
Amount owing from annecto controlled entities	10,405	10,414

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

<b>Name</b>	<b>Country of Incorporation</b>	<b>% Ownership Interest</b>		<b>% Voting Power</b>	
		<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
annecto Nominees Pty Ltd	Australia	-	-	100	100
annecto Capital Fund Trust	Australia	-	-	100	100
annecto Foundation Trust	Australia	-	-	100	100
		<b>2016</b>		<b>2015</b>	
		<b>\$</b>		<b>\$</b>	

**NOTE 6: 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</b>		
Government grants and subsidies	27,238,045	25,204,741
Fee Income	3,788,912	3,354,729
Donations and fundraising	51,412	36,076
<b>Total revenue</b>	<b>31,078,369</b>	<b>28,595,546</b>
(ii) <b>Other income</b>		
Interest	118,195	82,582
Workcover Reimbursements	94,680	76,126
Sundry income	33,553	25,733
<b>Total other revenue</b>	<b>246,428</b>	<b>184,441</b>
(iii) <b>Other expenses from ordinary activities</b>		
Client costs	6,110,124	4,705,102
Office costs	2,140,478	2,307,722
Transport costs	889,191	819,819
Computer costs	347,577	442,427
Communication costs	577,641	544,471
Bank and interest charges	11,640	9,668
Bad debts	45,278	6,825
Other expenses	6,381	17,798
<b>Total other expenses from ordinary activities</b>	<b>10,128,310</b>	<b>8,853,832</b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<hr/>		
<b>NOTE 7: CASH AND CASH EQUIVALENTS</b>		
CURRENT		
Cash on hand	9,000	8,500
Cash at bank*	7,457,541	5,384,026
Deposits at call	857,195	640,124
	<u>8,323,736</u>	<u>6,032,650</u>
*Restricted asset: Included in the 2016 cash at bank balance above is an amount of \$2,392,394 (2015: 614,273) which consists of funds held by annecto that are specifically for use by, or on behalf of, clients.		
<b>NOTE 8: TRADE AND OTHER RECEIVABLES</b>		
CURRENT		
Trade debtors	580,592	419,151
Less allowance for doubtful debts	(40,493)	(10,000)
Accrued income	408,626	220,110
GST receivable	27,858	30,565
Security deposits receivable	11,609	-
	<u>988,192</u>	<u>659,826</u>
NON CURRENT		
Security deposits receivable	32,900	42,424
	<u>32,900</u>	<u>42,424</u>
<b>NOTE 9: OTHER ASSETS</b>		
CURRENT		
Prepayments	140,500	114,365
	<u>140,500</u>	<u>114,365</u>
<b>NOTE 10: FINANCIAL ASSETS</b>		
CURRENT		
Term Deposits	1,223,445	1,369,503
	<u>1,223,445</u>	<u>1,369,503</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<hr/>		
<b>NOTE 11: PROPERTY, PLANT AND EQUIPMENT</b>		
<b>NON-CURRENT</b>		
<b>LAND</b>		
Freehold land:		
At Directors valuation 2016	6,030,000	-
At Directors valuation 2013	-	4,550,000
Total land	<u>6,030,000</u>	<u>4,550,000</u>
 <b>BUILDINGS</b>		
At Directors valuation 2016	100,000	-
At Directors valuation 2013	-	2,710,000
Less accumulated depreciation	-	(132,442)
Total buildings	<u>100,000</u>	<u>2,577,558</u>
 Total Land and Buildings	<u>6,130,000</u>	<u>7,127,558</u>
For the 2016 financial year, Land and buildings have been valued by the Directors based on independent valuations conducted by Knight Frank as at 30 June 2016.		
For the 2015 financial year, Land and buildings have been valued by the Directors based on independent valuations conducted by Burnham Real Estate and Matheson Stephen Valuations as at 30 June 2013.		
 <b>PLANT AND EQUIPMENT</b>		
Motor vehicles		
At cost	456,032	503,936
Less accumulated depreciation	(451,462)	(494,686)
	<u>4,570</u>	<u>9,250</u>
Office equipment		
At cost	500,600	473,898
Less accumulated depreciation	(364,455)	(320,035)
	<u>136,145</u>	<u>153,863</u>
Total plant and equipment	<u>140,715</u>	<u>163,113</u>
 <b>LEASEHOLD IMPROVEMENTS</b>		
At cost	2,422,019	501,683
Less accumulated depreciation	(700,191)	(218,482)
	<u>1,721,828</u>	<u>283,201</u>
 Total property, plant and equipment	<u>7,992,543</u>	<u>7,573,872</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 11: 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 \$
<b>2016</b>					
Balance at the beginning of the year	7,127,558	9,250	153,863	283,201	7,573,872
Additions	-	-	26,703	-	26,703
Disposals		(2,957)	-	-	(2,957)
Revaluation	549,541	-	-	-	549,541
Depreciation expense	(66,221)	(1,723)	(44,421)	(42,251)	(154,616)
Transfer to Leasehold Improvements	(1,480,878)			1,480,878	-
Carrying amount at end of the year	<u>6,130,000</u>	<u>4,570</u>	<u>136,145</u>	<u>1,721,828</u>	<u>7,992,543</u>

	<b>2016</b> \$	<b>2015</b> \$
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**NOTE 12: INTANGIBLE ASSETS**

**NON-CURRENT**

**SOFTWARE**

At cost	1,259,280	443,555
Less accumulated amortisation	<u>(336,834)</u>	<u>(283,200)</u>
	<u>922,446</u>	<u>160,355</u>

**(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 \$
<b>2016</b>		
Balance at the beginning of the year	160,355	160,355
Additions	815,725	815,725
Amortisation expense	(53,634)	(53,634)
Carrying amount at end of the year	<u>922,446</u>	<u>922,446</u>



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 13: TRADE AND OTHER PAYABLES</b>		
<b>CURRENT</b>		
Unsecured liabilities		
Trade creditors & Accruals	2,032,326	2,487,718
Deferred grant funding	198,296	227,317
HCP client balances*	2,295,911	541,810
PAYG and superannuation payable	302,416	-
Other payables	99,756	1,850
	<u>4,928,705</u>	<u>3,258,695</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 14: PROVISIONS**

<b>CURRENT</b>		
Annual leave	1,462,532	1,384,725
Long service leave	1,036,860	952,097
	<u>2,499,392</u>	<u>2,336,822</u>
<b>NON-CURRENT</b>		
Long Service Leave	405,287	417,200
Aggregate employee benefits liability	<u>2,904,679</u>	<u>2,754,022</u>

**NOTE 15: RESERVES**

**Asset revaluation reserve**

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

**Capital redemption reserve**

Opening balance at beginning of financial year	328,644	328,644
Movement during the year	-	-
Closing balance at end of financial year	<u>328,644</u>	<u>328,644</u>

Total reserves	<u>4,726,185</u>	<u>4,176,644</u>
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**NOTE 16: CAPITAL AND LEASING COMMITMENTS**

(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	931,501	1,023,619
- later than one year and not later than five years	1,055,496	1,283,398
- later than five years	-	-
	<u>1,986,997</u>	<u>2,307,017</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 17: ECONOMIC DEPENDENCE**

The continued operations of the Association are largely dependent on future State and Federal Government funding.

**NOTE 18: CONTINGENT LIABILITIES**

There were no contingent liabilities for the year ended 30 June 2016.

During the financial year ended 30 June 2015, the Association received a claim relating to an injury allegedly suffered four years ago as a result of one of the Association's clients allegedly colliding with a member of the public whilst attending a community group. The Association does not believe that they are liable. In the event that the claim proves to be successful, the Association has insurance in place to cover any potential contingent liability.

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

No matter or circumstance has arisen since 30 June 2016 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: RELATED PARTIES**

**(a) Directors**

The following were directors of the Association at any time during the reporting year and unless otherwise indicated were directors for the entire year:

Michael Johns (President – appointed 18 June 2015); (Vice President – 1 July 2014 to 17 June 2015)

Vivien Beer (Treasurer)

Jennifer Burrows

Roger Chao

Wendy Dunn (Vice President)

Ross Joyce

Kim Jordan – resigned 24 September 2015

David King – appointed 23 October 2015

Mark McMillan – resigned 22 July 2015

Michael Johns is a partner of Maddocks Lawyers. Maddocks provided services to annecto on a pro bono / reduced terms and conditions during the 2016 financial year valued at \$6,875 (2015: \$10,139).

**(b) Key management personnel**

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	1,071,481	998,430
Post-employment benefits	126,290	96,135
Termination benefits	-	55,288
	<u>1,197,771</u>	<u>1,149,853</u>

ANNECTO INC  
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STATEMENT BY DIRECTORS

In the opinion of the directors the financial report as set out on pages 1 to 16:

1. Presents a true and fair view of the financial position of annecto Incorporated as at 30 June 2016 and its performance for the financial year ended on that date in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements and other mandatory professional reporting requirements and other authoritative pronouncements of the Australian Accounting Standards Board.
2. At the date of this statement, there are reasonable grounds to believe that annecto Incorporated will be able to pay its debts as and when they fall due with the continuing support of creditors.

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

	
Treasurer Name	Treasurer Signature

	
President Name	President Signature

Dated this 23rd day of September 2016

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ANNECTO INC**

***Report on the Financial Report***

We have audited the accompanying financial report of annecto Incorporated, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes.

***The Responsibility of the Members of the Board for the Financial Report***

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Associations Incorporation Reform Act 2012 (Victoria)*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

***Independence***

In conducting our audit, we have complied with the independence requirements of the Australian professional ethical pronouncements.

**Auditor's Opinion**

In our opinion the financial report of annecto Incorporated is in accordance with the *Associations Incorporation Reform Act 2012 (Victoria)*, including:

- (a) giving a true and fair view of annecto Incorporated's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations).

DFK Kidsons Partnership

**DFK KIDSONS PARTNERSHIP**

Robert Wernli

**Robert Wernli**  
**Partner**

Melbourne  
23<sup>rd</sup> September 2016