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ANNECTO INC

REG No. A00 375 63T

**CONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018**

ANNECTO INC
REG No. A00 375 63T

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018

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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 2018

	Note	2018 \$	2017 \$
Income			
Revenue from operating activities	4(i)	40,147,412	36,024,802
Other income	4(ii)	171,533	164,869
Total income		<u>40,318,945</u>	<u>36,189,671</u>
Expenses			
Depreciation expense	9(a)	171,639	205,956
Amortisation expense	10(a)	262,171	313,521
Salaries and employee benefits expense		24,441,972	23,487,146
Other expenses	4(iii)	12,320,146	11,565,527
Total expenses		<u>37,195,928</u>	<u>35,572,150</u>
Surplus for the year		<u>3,123,017</u>	<u>617,521</u>
Total comprehensive income for the year		<u>3,123,017</u>	<u>617,521</u>

The accompanying notes form part of these financial statements

ANNECTO INC
REG No. A00 375 63T

BALANCE SHEET
AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	5	10,928,878	10,857,902
Trade and other receivables	6	1,626,455	1,178,229
Other assets	7	141,428	100,933
Financial assets	8	2,435,966	2,126,078
TOTAL CURRENT ASSETS		<u>15,132,727</u>	<u>14,263,142</u>
NON-CURRENT ASSETS			
Property, plant and equipment	9	7,948,499	7,998,648
Intangible assets	10	606,629	774,811
Trade and other receivables	6	-	36,192
TOTAL NON-CURRENT ASSETS		<u>8,555,128</u>	<u>8,809,651</u>
TOTAL ASSETS		<u>23,687,855</u>	<u>23,072,793</u>
CURRENT LIABILITIES			
Trade and other payables	11	1,896,740	2,686,555
Other liabilities	12	2,744,303	4,632,276
Provisions	13	3,267,876	3,022,906
TOTAL CURRENT LIABILITIES		<u>7,908,919</u>	<u>10,341,737</u>
NON-CURRENT LIABILITIES			
Provisions	13	248,020	323,157
TOTAL NON-CURRENT LIABILITIES		<u>248,020</u>	<u>323,157</u>
TOTAL LIABILITIES		<u>8,156,939</u>	<u>10,664,894</u>
NET ASSETS		<u>15,530,916</u>	<u>12,407,899</u>
EQUITY			
Reserves	14	4,397,541	4,397,541
Retained earnings		11,133,375	8,010,358
TOTAL EQUITY		<u>15,530,916</u>	<u>12,407,899</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 2018

	Note	2018 \$	2017 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		37,913,049	37,823,351
Interest received		99,561	89,988
Cash payments in the course of operations		(37,302,836)	(33,769,442)
Net GST paid to the Australian Taxation Office		(122,021)	(329,151)
Net cash provided by operating activities		<u>587,753</u>	<u>3,814,746</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(122,052)	(212,061)
Payment for intangible assets		(93,989)	(165,886)
Net proceeds from/ (payments for) investments		(309,888)	(902,633)
Proceeds from disposal of fixed assets		9,152	-
Net cash used in investing activities		<u>(516,777)</u>	<u>(1,280,580)</u>
Net increase in cash and cash equivalents held		<u>70,976</u>	<u>2,534,166</u>
Cash and cash equivalents at beginning of financial year		<u>10,857,902</u>	<u>8,323,736</u>
Cash and cash equivalents at end of financial year		<u><u>10,928,878</u></u>	<u><u>10,857,902</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 2018

	Retained Earnings \$	Reserves \$	Total Equity \$
Balance at 1 July 2016	7,392,837	4,397,541	11,790,378
Comprehensive Income			
Surplus for the year	617,521	-	617,521
Other comprehensive income	-	-	-
Total comprehensive income	617,521	-	617,521
Balance at 30 June 2017	8,010,358	4,397,541	12,407,899
Comprehensive Income			
Surplus for the year	3,123,017	-	3,123,017
Other comprehensive income	-	-	-
Total comprehensive income	3,123,017	-	3,123,017
Balance at 30 June 2018	11,133,375	4,397,541	15,530,916

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Annecto Inc is a not for profit incorporated association that coordinates services, and provides advice, advocacy and support, for people with disabilities, older people, families and carers.

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

81 Cowper Street
Footscray VIC 3011

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

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, 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 2018 (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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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:

Class of Asset	Depreciation Rates	Depreciation basis
Buildings	2 – 6.67%	Prime Cost
Plant & Equipment	20 – 33.3%	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:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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 2018

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

Fee income

Fee income is 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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.

(r) 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 2018 reporting period. As at 30 June 2018, 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 2018. The Association has not and does not intend to adopt these standards early.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New, revised or amending Accounting Standards and Interpretations adopted (cont.)

Standard	Summary	Application for reporting periods beginning on or ending on	Impact on Association's Financial Report
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedge accounting model and a revised impairment loss model to recognise expected impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. The initial application of AASB 9 is not expected to significantly impact the financial position however there will be a change to the way financial instruments are classified and new disclosure requirements.
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 January 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 January 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.
AASB 16 <i>Leases</i>	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.	1 January 2019	The changes in recognition requirements in AASB 16 will 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 2018

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$	2017 \$
NOTE 3: PARENT ENTITY INFORMATION		
(a) Information relating to annecto Inc:		
Current assets	14,716,208	13,874,229
Non-current assets	8,555,121	8,809,651
Total assets	23,271,329	22,683,880
Current liabilities	7,903,438	10,341,737
Non-current liabilities	248,020	323,157
Total liabilities	8,151,458	10,664,894
Retained earnings	10,393,686	7,292,801
Asset revaluation reserve	4,397,541	4,397,541
Capital redemption reserve	328,644	328,644
Total equity	15,119,871	12,018,986
Net operating result of the parent entity	3,100,885	594,898
Amount owing from annecto controlled entities	-	14,505

- (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	
		2018	2017	2018	2017
Annecto Nominees Pty Ltd	Australia	-	-	100	100
Annecto Capital Fund Trust	Australia	-	-	100	100
Annecto Foundation Trust	Australia	-	-	100	100
		2018 \$		2017 \$	

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) Revenue from operating activities		
Government grants and service fee income	25,488,390	21,395,731
Program & fees income	3,220,488	3,308,174
State grant & services income	11,438,534	11,320,897
Total revenue from operating activities	40,147,412	36,024,802
(ii) Other income		
Donations and fundraising	12,387	46,511
Interest	123,855	98,099
Sundry income	35,291	20,259
Total other revenue	171,533	164,869
(iii) Other expenses from ordinary activities		
Client costs	7,477,936	6,908,144
Office costs	2,782,284	2,557,757
Transport costs	897,537	1,007,533
Computer costs	477,267	437,942
Communication costs	502,590	538,017
Bank and interest charges	11,082	13,387
Bad debts	58,390	56,522
Other expenses	113,060	46,225
Total other expenses from ordinary activities	12,320,146	11,565,527

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$	2017 \$
NOTE 5: CASH AND CASH EQUIVALENTS		
CURRENT		
Cash on hand	13,595	13,000
Cash at bank	10,454,362	10,735,867
Deposits at call	126,069	109,035
Term deposits (less than 3 months maturity)	334,852	-
	<u>10,928,878</u>	<u>10,857,902</u>
NOTE 6: TRADE AND OTHER RECEIVABLES		
CURRENT		
Trade debtors	869,389	774,494
Less allowance for doubtful debts	(60,000)	(59,000)
Accrued income	602,764	380,865
Other receivables (incl. GST receivable)	162,946	67,181
Security deposits receivable	51,356	14,689
	<u>1,626,455</u>	<u>1,178,229</u>
NON CURRENT		
Security deposits receivable	-	36,192
	<u>-</u>	<u>36,192</u>
NOTE 7: OTHER ASSETS		
CURRENT		
Prepayments	141,428	100,933
	<u>141,428</u>	<u>100,933</u>
NOTE 8: FINANCIAL ASSETS		
CURRENT		
Term Deposits (greater than 3 months maturity)	1,820,833	2,126,078
Available for sale financial assets	615,133	-
	<u>2,435,966</u>	<u>2,126,078</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$	2017 \$
NOTE 9: PROPERTY, PLANT AND EQUIPMENT		
NON-CURRENT		
LAND		
Freehold land:		
At Directors valuation 2017 ⁽ⁱ⁾	6,030,000	6,030,000
BUILDINGS		
At Directors valuation 2017 ⁽ⁱ⁾	100,000	100,000
At cost	58,910	24,500
Less accumulated depreciation	(41,225)	(37,027)
Total buildings	117,685	87,473
PLANT AND EQUIPMENT		
Motor vehicles		
At cost	368,726	404,726
Less accumulated depreciation	(366,340)	(401,143)
	2,386	3,583
Office equipment		
At cost	682,090	642,432
Less accumulated depreciation	(451,737)	(396,773)
	230,353	245,659
Total plant and equipment	232,739	249,242
LEASEHOLD IMPROVEMENTS		
At cost	2,255,351	2,208,617
Less accumulated depreciation	(687,276)	(576,684)
Total leasehold improvements	1,568,075	1,631,933
Total property, plant and equipment	7,948,499	7,998,648

- (i) Land and buildings have been valued by the Directors based on independent valuations conducted by Knight Frank as at 30 June 2017. Managerial fair value assessment performed at 30 June 2018 assessed that the current carry value to be a reasonable approximation of fair value.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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 2017	6,030,000	87,473	3,583	245,659	1,631,933	7,998,648
Additions	-	34,410	-	39,658	47,984	122,052
Disposals	-	-	(562)	-	-	(562)
Depreciation expense	-	(4,198)	(635)	(54,964)	(111,842)	(171,639)
Balance at 30 June 2018	<u>6,030,000</u>	<u>117,685</u>	<u>2,386</u>	<u>230,353</u>	<u>1,568,075</u>	<u>7,948,499</u>

NOTE 10: INTANGIBLE ASSETS
NON-CURRENT
SOFTWARE

	2018 \$	2017 \$
At cost	1,519,155	1,425,166
Less accumulated amortisation	<u>(912,526)</u>	<u>(650,355)</u>
	<u>606,629</u>	<u>774,811</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 \$
Balance at 1 July 2017	774,811	774,811
Additions	93,989	93,989
Amortisation expense	<u>(262,171)</u>	<u>(262,171)</u>
Balance at 30 June 2018	<u>606,629</u>	<u>606,629</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$	2017 \$
NOTE 11: TRADE AND OTHER PAYABLES		
CURRENT		
Trade creditors & accruals	1,769,624	2,298,575
PAYG and superannuation payable	367	277,785
Other payables	126,749	110,195
GST payable	-	23,976
	<u>1,896,740</u>	<u>2,686,555</u>

NOTE 12: OTHER LIABILITIES

CURRENT		
Deferred grant funding	212,243	103,838
HCP client balances*	2,532,060	4,528,438
	<u>2,744,303</u>	<u>4,632,276</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

Employee benefit provisions

CURRENT		
Annual leave	1,599,993	1,652,237
Long service leave	1,667,883	1,370,669
	<u>3,267,876</u>	<u>3,022,906</u>
NON-CURRENT		
Long Service Leave	152,020	323,157
	<u>152,020</u>	<u>323,157</u>
Total employee benefit provisions	<u>3,419,896</u>	<u>3,346,063</u>
<i>Other provisions</i>		
NON-CURRENT		
Make good provision	96,000	-
	<u>96,000</u>	<u>-</u>
Total provisions	<u>3,515,896</u>	<u>3,346,063</u>

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	4,397,541
Movement during the year	-	-
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 2018

	2018 \$	2017 \$
NOTE 15: COMMITMENTS		
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	1,153,810	1,197,946
- later than one year and not later than five years	826,268	1,431,951
- later than five years	77	-
	<u>1,980,155</u>	<u>2,629,897</u>

NOTE 16: CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities for the year ended 30 June 2018 (2017: Nil).

NOTE 17: RELATED PARTIES

Related parties of the association include all key management personnel (KMP) and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over).

KMP of the association include the Board of Directors and those employees who have authority and responsibility for planning, directing and controlling the activities of the Association.

(a) Key management personnel compensation

Compensation provided to KMPs comprises employee benefits in all forms of consideration paid, payable or provided in exchange for services rendered, and is disclosed in total below:

	2018 \$	2017 \$
Total compensation of KMPs	<u>1,398,345</u>	<u>1,197,771</u>

The Board of Directors have not received compensation for their services as directors.

(b) Related party transactions

Michael Johns is a partner of Maddocks Lawyers.

Maddocks provided services to the association on reduced terms and conditions during the 2018 financial year.

Total amounts paid for services provided during the 2018 financial year were \$64,653 (2017: \$5,867).

NOTE 18: EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2018 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.

ANNECTO INC
REG No. A00 375 63T

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.

Wren Beer
Treasurer Name

[Signature]
Treasurer Signature

MICHAEL JOHNS
President Name

[Signature]
President Signature

Dated this 3rd day of ~~September~~ ^{October} 2018

**AUDITORS INDEPENDENCE DECLARATION
TO THE MEMBERS OF NEW AGE CARAVANS PTY LTD**

To the Board of Directors

We have audited the consolidated financial statements of annecto Inc for the financial year ended 30 June 2018.

As lead engagement partner for the engagement, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements as set out in sector 60-40 of the *Australian Charities and Non-for-profits Commission Act 2012* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

DFK Kidsons Partnership

DFK Kidsons Partnership
Chartered Accountants

Robert Wernli

Robert Wernli
Partner

4 October 2018
Melbourne

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 2018, 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 2018, 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 2018, 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
Chartered Accountants

Robert Wernli

Robert Wernli
Partner

4 October 2018
Melbourne