

ANNECTO INC

REG No. A00 375 63T

**CONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

ANNECTO INC
REG No. A00 375 63T

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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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 2020

	Note	2020 \$	2019 \$
Income			
Revenue from operating activities	5(i)	50,576,131	40,177,918
Other revenue	5(ii)	4,502,497	368,595
Gain on Merrimu acquisition	3	-	815,036
Total income		<u>55,078,628</u>	<u>41,361,549</u>
Expenses			
Depreciation expense	9(a)	(1,644,193)	(201,757)
Amortisation expense	10(a)	(149,864)	(199,609)
Salaries and employee benefits expense		(41,047,317)	(28,208,548)
Other expenses	5(iii)	(11,201,912)	(13,006,629)
Total expenses		<u>(54,043,286)</u>	<u>(41,616,543)</u>
Surplus/(loss) for the year		<u>1,035,342</u>	<u>(254,994)</u>
Other economic flows – other comprehensive income			
Fair value movements for property, plant and equipment			<u>590,000</u>
Total comprehensive income/(loss) for the year		<u>1,035,342</u>	<u>335,006</u>

The accompanying notes form part of these financial statements

ANNECTO INC
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BALANCE SHEET
AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	6	7,304,263	4,357,343
Trade and other receivables	7	7,566,648	3,364,037
Other assets		236,497	294,908
Financial assets	8	5,835,253	7,663,263
TOTAL CURRENT ASSETS		<u>20,942,661</u>	<u>15,679,551</u>
NON-CURRENT ASSETS			
Property, plant and equipment	9	11,223,627	9,259,558
Intangible assets	10	1,279,794	428,893
TOTAL NON-CURRENT ASSETS		<u>12,503,421</u>	<u>9,688,451</u>
TOTAL ASSETS		<u>33,446,082</u>	<u>25,368,002</u>
CURRENT LIABILITIES			
Trade and other payables	11	2,882,663	2,196,553
Other liabilities	12	7,506,188	3,477,971
Lease liabilities		941,903	-
Provisions	13	3,711,188	3,543,602
TOTAL CURRENT LIABILITIES		<u>15,041,942</u>	<u>9,218,126</u>
NON-CURRENT LIABILITIES			
Lease liabilities		1,000,406	-
Provisions	13	713,981	495,465
TOTAL NON-CURRENT LIABILITIES		<u>1,714,387</u>	<u>495,465</u>
TOTAL LIABILITIES		<u>16,756,329</u>	<u>9,713,591</u>
NET ASSETS		<u>16,689,753</u>	<u>15,654,411</u>
EQUITY			
Reserves	14	4,987,541	4,987,541
Retained earnings		11,702,212	10,666,870
TOTAL EQUITY		<u>16,689,753</u>	<u>15,654,411</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 2020

	Note	2020 \$	2019 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		54,563,855	39,655,831
Cash payments in the course of operations		(52,166,762)	(41,163,900)
Net GST received from/(paid to) the Australian Taxation Office		(15,384)	20,252
Net cash provided by operating activities		<u>2,381,709</u>	<u>(1,487,817)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant, equipment and intangibles		(1,311,590)	(90,973)
Net proceeds from/(payments for) investments		1,876,801	(5,227,297)
Cash received from business combination		-	234,552
Net cash used in investing activities		<u>565,211</u>	<u>(5,083,718)</u>
Net increase / (decrease) in cash and cash equivalents held			
		<u>2,946,920</u>	<u>(6,571,535)</u>
Cash and cash equivalents at beginning of financial year		<u>4,357,343</u>	<u>10,928,878</u>
Cash and cash equivalents at end of financial year	6	<u>7,304,263</u>	<u>4,357,343</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 2020

	Retained Earnings \$	Reserves \$	Total Equity \$
Balance at 1 July 2018	10,921,864	4,397,541	15,319,405
Comprehensive Income			
Surplus/(loss) for the year	(254,994)	-	(254,994)
Other comprehensive income	-	590,000	590,000
Total comprehensive income	(254,994)	590,000	335,375
Balance at 30 June 2019	10,666,870	4,987,541	15,654,411
Comprehensive Income			
Surplus for the year	1,035,342	-	1,035,342
Other comprehensive income	-	-	-
Total comprehensive income	1,035,342	-	1,035,342
Balance at 30 June 2020	11,702,212	4,987,541	16,689,753

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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 2019 (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 4(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 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, Plant and Equipment

(i) Recognition and measurement

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.

(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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Right-of-use asset – Initial measurement:

Annecto recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

Refer to note 19 for further information on changes in accounting policies.

Right-of-use asset – Subsequent measurement: Annecto depreciates the right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use assets are determined on the same basis as property, plant and equipment.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

Lease Liabilities

Annecto recognises lease liabilities relating to a building and motor vehicle leases. The lease contracts are typically made for fixed periods of 2-4 years.

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease or at Annecto's incremental borrowing rate where no rate is implicit in the lease. A corresponding right-of-use asset has been recognised as at 1 July 2019, as reflected in note 9.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification.

In the comparative period, leases of property, plant and equipment were classified as operating leases and were not recognised in Annecto's balance sheet. Operating lease payments were recognised as an operating expense in the Comprehensive Operating Statement on a straight-line basis over the lease term.

Refer to note 19 for further information of the impact of changes in accounting policies.

(l) Revenue

From 1 July 2019, Annecto recognises income in line with *AASB 15 Revenue from contracts with customers* and *AASB 1058 Income from not-for-profit entities*. GRV has applied the modified retrospective transition method in applying AASB 15, and therefore comparative information has not been restated. The implementation of these new accounting policies has not resulted in any change in the recognition of income for the 2020 financial year.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the contract with the customer. Revenue is recognised when, or as, the performance obligations for the provision of services to the customer are satisfied. Income from the rendering of services is recognised at a point in time when the performance obligation is satisfied, i.e. when the service is completed. Refer to note 19 for further information regarding changes in accounting policies.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fee income

Annecto has a contractual obligation to provide services to clients and recognises revenue in accordance with AASB 15 in the period that those performance obligations are met.

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.

Grants

Government grants and contributions are recognised as income in accordance with AASB 15 where there is an enforceable contract with the customer and the conditions are sufficiently specific to enable determination if the conditions have been satisfied. Where sufficiently specific performance obligations do not exist, revenue is recognised upon receipt in line with AASB 1058.

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 2020

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.

The AASB has released a number of Accounting Standards and Australian Interpretations. The application of these Accounting Standards and Australian Interpretations are not expected to have any significant impact on the Association's financial statements. Consequently, they are not specifically identified.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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.

Coronavirus (COVID-19) pandemic

A state of emergency was declared in Victoria on 16 March 2020 due to the global coronavirus pandemic known as COVID-19. A state of disaster was subsequently declared on 2 August 2020.

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the incorporated association based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which Annecto operates.

To contain the spread of the virus and to prioritise the health and safety of our Annecto community we have implemented the following that have had cost or revenue implications:

- Majority of Office based staff has worked remotely since late March 2020
- All frontline staff been provided with COVID 19 safety Training and supplied with PPE
- Deep cleaning to offices where staff positive test cases were identified
- Developed Care products to continue support to Clients eg. IPads for virtually connectivity, non-face to face delivery of essential groceries etc.
- Stop higher risk services such as Group Based activities and channelled resources to other services which can be delivered in a safely.

Other than the above, there are not any other significant financial impacts or any significant uncertainties with respect to events or conditions which may impact Annecto unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3: BUSINESS COMBINATIONS

On 1 February 2019, annecto Incorporated acquired 100 per cent of the net assets of Merrimu Services Incorporated for nil consideration. The annecto Incorporated Board also replaced the former Board of Merrimu Services Incorporated from this date.

Details of the acquisition are as follows:

	2019
	\$
Fair value of net assets acquired	
<i>Assets</i>	
Cash and cash equivalents	234,552
Prepayments	72,995
Receivables and accruals	344,995
Inventory	11,994
Property, plant and equipment	808,518
<i>Liabilities</i>	
Payables and accruals	(308,811)
Employee benefit provisions	(309,657)
Other liabilities	(39,550)
Net assets	815,036
Net gain on acquisition	815,036

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$	2019 \$
NOTE 4: PARENT ENTITY INFORMATION		
(a) Information relating to annecto Inc:		
Current assets	20,463,260	15,213,601
Non-current assets	12,503,421	9,688,451
Total assets	32,966,681	24,902,052
Current liabilities	15,006,957	9,188,351
Non-current liabilities	1,714,387	495,465
Total liabilities	16,721,344	9,683,816
Retained earnings	11,257,797	10,230,696
Asset revaluation reserve	4,987,541	4,987,541
Total equity	16,245,338	15,218,236
Net operating result of the parent entity	1,027,470	(280,124)
Amount owing from annecto controlled entities	-	609,283

- (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	
		2020	2019	2020	2019
Merrimu Services Incorporated	Australia	-	-	100	100
annecto Nominee Inc as The Trustee of annecto Capital Trust and annecto Foundation					
annecto Capital Fund Trust	Australia	-	-	100	100
annecto Foundation Trust	Australia	-	-	100	100

NOTE 5: 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		
Home Care Package	18,270,132	17,960,053
NDIS & DHHS Disability	24,669,571	14,464,664
CHSP	4,917,507	4,836,983
After Hours & My Support	1,840,359	1,679,157
Other Services	878,562	1,237,061
Total revenue from operating activities	50,576,131	40,177,918
(ii) Other income		
Commonwealth Covid Support Funding	4,384,000	-
Donations and fundraising	7,243	22,585
Net Gain on Financial Assets	48,791	282,085
Sundry income	62,463	63,925
Total other revenue	4,502,497	368,595
(iii) Other expenses from ordinary activities		
Agency costs	5,938,497	7,166,127
Office costs	2,735,252	3,439,753
Transport costs	839,873	1,033,980
Computer costs	647,402	381,100
Communication costs	620,726	719,188
Bank and interest charges	16,253	13,519
Bad and doubtful debts	263,872	124,047
Other expenses	140,037	128,915
Total other expenses from ordinary activities	11,201,912	13,006,629

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$	2019 \$
NOTE 6: CASH AND CASH EQUIVALENTS		
CURRENT		
Cash on hand	9,418	10,168
Cash at bank	6,777,619	3,831,270
Deposits at call	125,848	130,972
Term deposits (less than 3 months maturity)	391,378	384,933
	<u>7,304,263</u>	<u>4,357,343</u>
NOTE 7: TRADE AND OTHER RECEIVABLES		
CURRENT		
Trade debtors	4,480,580	2,016,486
Less allowance for doubtful debts	(408,620)	(117,032)
Accrued income	1,828,189	1,221,904
Other receivables	1,535,393	154,334
Security deposits receivable	131,106	88,345
	<u>7,566,648</u>	<u>3,364,037</u>
NOTE 8: FINANCIAL ASSETS		
CURRENT		
Term Deposits (greater than 3 months maturity)	-	1,857,750
Available for sale financial assets	5,835,253	5,805,513
	<u>5,835,253</u>	<u>7,663,263</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$	2019 \$
NOTE 9: PROPERTY, PLANT AND EQUIPMENT		
NON-CURRENT		
LAND		
Freehold land:		
At Directors valuation ⁽ⁱ⁾	6,620,000	6,620,000
BUILDINGS		
At Directors valuation ⁽ⁱⁱ⁾	100,000	100,000
At cost	96,848	89,348
Less accumulated depreciation	(49,025)	(45,163)
Total buildings	147,822	144,185
PLANT AND EQUIPMENT		
Motor vehicles		
At cost	879,343	879,344
Less accumulated depreciation	(844,994)	(829,008)
	34,349	50,336
Office equipment		
At cost	1,400,231	1,377,149
Less accumulated depreciation	(1,168,674)	(1,086,436)
	231,557	290,713
Total plant and equipment	265,906	341,049
LEASEHOLD IMPROVEMENTS		
At cost	3,872,445	3,592,202
Less accumulated depreciation	(1,578,976)	(1,437,878)
Total leasehold improvements	2,293,469	2,154,324
RIGHT OF USE ASSETS		
At cost	3,297,437	--
Less accumulated depreciation	(1,401,007)	--
Total leasehold improvements	1,896,430	--
Total property, plant and equipment	11,223,627	9,259,558

- (i) Land has been valued by the Directors based on independent valuations conducted by Colliers International as at 30 June 2019.
- (ii) 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 2019 assessed that the current carrying value to be a reasonable approximation of fair value.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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 \$	Buildings (ROU) \$	Motor vehicles \$	Motor Vehicles (ROU) \$	Office equipment \$	Office equipment (ROU) \$	Leasehold Improvements \$	TOTAL \$
Balance at 1 July 2019	6,620,000	144,185		50,336		290,713		1,508,913	9,259,558
Recognition of right-of-use assets on initial application of AASB 16			2,087,467		910,041		299,929		3,297,437
Adjusted balance at 1 July 2019	6,620,000	144,185	2,087,467	50,336	910,041	290,713	299,929	2,154,324	12,556,995
Additions	-	7,500				23,083		280,243	310,826
Disposals	-	-	-	-	-	-	-	-	-
Depreciation expense	-	(3,862)	(956,827)	(15,987)	(342,290)	(82,239)	(101,890)	(141,098)	(1,644,193)
Balance at 30 June 2020	6,620,000	147,822	1,130,640	34,349	567,751	231,557	198,039	2,293,469	11,223,627

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
NOTE 10: INTANGIBLE ASSETS		
NON-CURRENT		
SOFTWARE		
At cost	1,585,705	1,541,028
Less accumulated amortisation	(1,261,999)	(1,112,135)
	<u>323,706</u>	<u>428,893</u>
Work in Progress	956,088	-
	<u>1,279,794</u>	<u>428,893</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	WIP	TOTAL
	\$	\$	\$
Balance at 1 July 2019	428,893	-	428,893
Additions	44,677	956,088	1,000,765
Amortisation expense	(149,864)	-	(149,864)
Balance at 30 June 2020	<u>323,706</u>	<u>956,089</u>	<u>1,279,794</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
NOTE 11: TRADE AND OTHER PAYABLES		
CURRENT		
Trade creditors & accruals	1,483,182	1,498,788
PAYG and superannuation payable	1,273,632	565,861
Other payables	125,849	131,904
	<u>2,882,663</u>	<u>2,196,553</u>
NON CURRENT		
Lease Liabilities	1,000,406	-
	<u>1,000,406</u>	<u>-</u>

NOTE 12: OTHER LIABILITIES

CURRENT		
Deferred grant funding	1,393,418	79,426
HCP client balances*	6,112,770	3,398,545
	<u>7,506,188</u>	<u>3,477,971</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	2,169,343	1,862,898
Long service leave	1,541,845	1,680,704
	<u>3,711,188</u>	<u>3,543,602</u>
NON-CURRENT		
Long Service Leave	452,981	309,465
	<u>452,981</u>	<u>309,465</u>
Total employee benefit provisions	<u>4,164,169</u>	<u>3,853,067</u>

Other provisions

NON-CURRENT		
Make good provision	261,000	186,000
	<u>261,000</u>	<u>186,000</u>
Total provisions	<u>4,425,169</u>	<u>4,039,067</u>
Total current provisions	3,711,188	3,543,602
Total non-current provisions	713,981	495,465

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	4,987,541	4,397,541
Movement during the year	-	590,000
Closing balance at end of financial year	<u>4,987,541</u>	<u>4,987,541</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$

NOTE 15: COMMITMENTS

For the 2020 financial year, lease commitments payable are recognised as a lease liability from 1 July 2019 upon implementation of *AASB 16 Leases*.

During the 2019 financial year, these were recorded as an expense in the comprehensive operating statement on a straight-line basis over the lease term. Operating lease commitments include building leases and vehicle leases with average lease terms of 24-48 months.

NOTE 16: CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities for the year ended 30 June 2020 (2019: 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:

	2020	2019
	\$	\$
Total compensation of KMPs	1,527,725	1,398,359

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 2019 financial year.

Total amounts paid for services provided during the 2020 financial year were Nil (2019: \$115,288).

NOTE 18: EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2020 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 19 IMPACT OF CHANGES IN ACCOUNTING POLICIES

Leases

Annecto has elected to apply AASB 16 using the modified retrospective approach, as per the transitional provisions of AASB 16 for all leases for which it is a lessee. Accordingly, the comparative information presented is not restated and is reported under AASB 117 and related interpretations. On adoption of AASB 16, Annecto recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117.

Impact on balance sheet due to the adoption of AASB 16 is illustrated with the following reconciliation between the restated carrying amounts at 30 June 2019 and the balances reported under the new accounting standards at 1 July 2019:

		Opening	Impact of	Adjusted
		1 July 2019	AASB 16	1 July 2019
Balance sheet	Note	\$	\$	\$
Property, plant and equipment	10	9,259,558	3,297,437	12,556,995
Total assets		25,368,002	3,297,437	28,665,439
Lease liability	12	-	3,297,437	3,297,437
Total liabilities		9,713,591	3,297,437	13,011,028

Revenue from Contracts with Customers

From 1 July 2019 income is recognised in accordance with AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities (except for income that arises from sources covered by other standards).

Under AASB 15 Revenue from Contracts with Customers, revenue is recognised when there is satisfaction of a performance obligation by transferring of a promised good or service to a customer. Recognition occurs as the service is provided to the customer.

Unearned income at reporting date is reported as a deferred revenue liability. Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

The adoption of these new accounting standards has not resulted in any impact on the Statement of Profit or Loss and Other Comprehensive Income or the Cash Flow Statement for the year.

NOTE 20 EMPLOYEE BENEFITS AND BAD AND DOUBTFUL DEBTS

The movement in Salaries and Employee benefits from 2019 is due to growth in revenue, 2020 includes the full 12 months of Ex Merrimu staff costs in the consolidation and Job Keeper "top up" payments.

The movement in Bad and Doubtful Debts is primarily due to the increased Provision for Doubtful Debts due to the increase in Debtor's balances brought on by the growth in NDIS revenue. As the majority of the Debtor balances are with NDIA, an independent statutory body there is minimal Bad Debts write offs.

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STATEMENT BY DIRECTORS

In the opinion of the directors the financial report as set out on pages 1 to 20:

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.

Michael Nazzari



Treasurer Name

Treasurer Signature



Ross Joyce

President Name

President Signature

Dated 5th day of October 2020

**AUDITORS INDEPENDENCE DECLARATION
TO THE MEMBERS OF ANNECTO INC.**

To the Board of Directors

We have audited the consolidated financial statements of annecto Inc for the financial year ended 30 June 2020.

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

5 October 2020
Melbourne

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

Opinion

We have audited the consolidated financial report of Annecto Inc. which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 2020, 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 Not-for-profits Commission Regulation 2013.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the 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 2020, 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

5 October 2020
Melbourne