ANNECTO INC

REG No. A00 375 63T

CONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

ANNECTO INC
REG No. A00 375 63T

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

Contents

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 (the association) and its subsidiaries 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
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023	2022 Restated
		$	$
Revenue and other income			
Revenue from operating activities	4(i)	74,388,335	66,183,165
Other income	4(ii)	1,648,365	379,089
Total revenue and other income		76,036,700	66,562,254
Expenses			
Depreciation expense	10(a)	(1,647,540)	(1,346,609)
Amortisation expense	11(a)	(608,937)	(636,474)
Salaries and employee benefits expense		(61,217,669)	(52,046,711)
Interest expense		(188,101)	(148,927)
Other expenses	4(iii)	(13,352,014)	(11,622,115)
Total expenses		(77,014,261)	(65,800,836)
Surplus/(loss) for the year		**(977,561)**	**761,418**
Other comprehensive income			
Net gain on revaluation of land and buildings		-	1,900,861
Total comprehensive income/(loss) for the year		**(977,561)**	**2,662,279**

ANNECTO INC
REG No. A00 375 63T

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2023	2022 Restated
		$	$
CURRENT ASSETS			
Cash and cash equivalents	5	5,122,338	11,206,687
Financial assets	6	6,450,950	6,131,265
Trade receivables	7	3,993,926	5,128,190
Contract assets		1,294,315	41,754
Other receivables	8	4,515,031	2,467,713
Other assets	9	277,539	256,615
TOTAL CURRENT ASSETS		21,654,099	25,232,224
NON CURRENT ASSETS			
Property, plant and equipment	10	13,701,006	13,851,048
Intangible assets	11	1,122,976	1,261,341
TOTAL NON CURRENT ASSETS		14,823,982	15,112,389
TOTAL ASSETS		**36,478,081**	**40,344,613**
CURRENT LIABILITIES			
Trade and other payables	12	3,211,682	2,920,405
Other liabilities	13	6,571,951	9,565,662
Lease liabilities	14	987,496	919,560
Provisions	15	4,825,012	4,478,919
TOTAL CURRENT LIABILITIES		15,596,141	17,884,546
NON CURRENT LIABILITIES			
Lease liabilities	14	1,508,423	1,996,357
Provisions	15	860,207	972,839
TOTAL NON CURRENT LIABILITIES		2,368,630	2,969,196
TOTAL LIABILITIES		**17,964,771**	**20,853,742**
NET ASSETS		**18,513,310**	**19,490,871**
EQUITY			
Asset Revaluation Reserve	16	6,888,402	6,888,402
Retained earnings		11,624,908	12,602,469
TOTAL EQUITY		**18,513,310**	**19,490,871**

*Refer to Note 22 for details on retrospective restatement

The accompanying notes form part of these financial statements.

ANNECTO INC
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STATEMENT OF CASH FLOWS – TO FOLLOW
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023	2022
		$	$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Receipts from customers		70,420,031	64,550,626
Cash Payments to suppliers and employees		(73,778,029)	(64,550,623)
Net GST received from the Australian Taxation Office		-	879,583
Net interest paid		(188,101)	-
Net cash Inflow from Operating Activities		(3,546,099)	879,586
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of furniture and equipment		(1,202,969)	(595,085)
Acquisition of financial assets		30,042	-
Net cash used in investing activities		(1,172,927)	(595,085)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(1,365,323)	(1,374,261)
Net cash used in financing activities		(1,365,323)	(1,374,261)
Net increase / (decrease) in cash and cash equivalents held		(6,084,349)	(1,089,760)
Cash and cash equivalents at beginning of financial year		11,206,687	12,296,447
Cash and cash equivalents at end of financial year	5	**5,122,338**	**11,206,687**

The accompanying notes form part of these financial statements.

ANNECTO INC
REG No. A00 375 63T

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Note	Retained Earnings	Asset Revaluation Reserve	Total Equity
		$	$	$
Balance at 1 July 2021		11,841,051	4,987,541	16,828,592
Surplus/(loss) for the year		(68,444)	-	(68,444)
Other comprehensive income		-	1,900,861	1,900,861
Total comprehensive income		(68,444)	1,900,861	1,832,417
Balance as at 30 June 2022		**11,772,607**	**6,888,402**	**18,661,009**
Prior period adjustment	22	829,862	-	829,862
Restated Balance at 30 June 2022		**12,602,469**	**6,888,402**	**19,490,871**
Surplus/(loss) for the year		(977,561)	-	(977,561)
Other comprehensive income		-	-	-
Total comprehensive income		(977,561)	-	(977,561)
Balance at 30 June 2023		**11,624,908**	**6,888,402**	**18,513,310**

*Refer to Note 22 for details on retrospective restatement

ANNECTO INC
REG No. A00 375 63T

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Annecto Inc (the Association) and its subsidiaries 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 Group 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) New or amended Accounting Standards and Interpretations adopted

Annecto Inc has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(b) Basis of preparation

These general purpose financial statements which has been prepared in accordance with Australian Accounting Standards – Simplified Disclosures issued by the Australian Accounting Standards Board (‘AASBs’) and to satisfy the financial reporting requirements of the *Australian Charities and Not-for-profits Commission Act 2012* as appropriate for not-for-profit oriented entities.

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.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or arrears have assumption and estimates are significant to the financial statements, are disclosed in note 2.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Annecto Incorporated and its subsidiaries as at 30 June 2023 (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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED

(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.

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

(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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, Plant and Equipment

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.

Subsequent costs

The Group 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 Group 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.

Depreciation

The depreciable amount of property plant and equipment are depreciated over the useful lives of the assets to the Group 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
Office 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.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposed proceeds are taken to profit or loss.

(h) 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 Group.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(j) Contract assets

Contract assets are recognised when Annecto has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to Annecto prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) 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 Group'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 Group'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 Group 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 Group as the benefits are taken by the employees.

(m) Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the incorporated Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment

At the end of each reporting period, the Group 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 Group 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 Group 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.

(o) Right-of-use asset and lease liabilities

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.

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. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue

Annecto recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Grants

Government grants and contributions are recognised as income in accordance with AASB 15 *Revenue from Contracts with Customers* 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 *Income of Not-for-Profit Entities*.

Interest Income

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

(q) Income Tax

As the Group 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(s) Asset Revaluation Reserve

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

Revaluation increments are credited directly to the asset 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.

(t) Goods and Services Tax (GST)

Revenue, 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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.

(v) Economic dependency

The Group is dependent on the Department of Health and Aged Care for a significant portion of its revenue to operate the business. At the date of this report, the Directors have no reason to believe the Department will not continue to support the Group.

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 Group 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 Group 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 Group 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.

Determination of variable consideration

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the Group where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

NOTE 2: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

NOTE 3: PARENT ENTITY INFORMATION

	2023	2022 Restated
	$	$
(a) Information relating to Annecto Inc:		
Current assets	21,201,946	24,779,473
Non-current assets	14,823,982	15,271,529
Total assets	**36,025,928**	**40,051,002**
Current liabilities	15,533,094	19,976,413
Non-current liabilities	2,368,630	972,840
Total liabilities	**17,901,724**	**20,949,253**
Retained earnings	11,235,802	12,213,347
Asset revaluation reserve	6,888,402	6,888,402
Total equity	**18,124,204**	**19,101,749**
Net operating surplus / (loss) of the parent entity	**(977,545)**	**760,841**
Amount owing from Annecto controlled entities	-	-

(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 2023	% Ownership Interest 2022	% Voting Power 2023	% Voting Power 2022
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 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:

	2023	2022 Restated
	$	$
(i) Revenue from operating activities		
Home Care Package	25,468,171	22,463,019
NDIS & DHHS Disability	34,333,405	30,678,754
CHSP & STRC	11,033,104	9,590,405
After Hours & My Support	2,865,688	2,889,696
Other Services	687,967	561,291
Total revenue from operating activities	**74,388,335**	**66,183,165**

Disaggregation of revenue

The disaggregation of revenue from operating activities is as follows:

	2023	2022 Restated
Geographical regions within Australia		
Victoria	63,923,141	58,631,707
NSW	6,401,708	5,328,015
Queensland	1,272,666	805,185
ACT	2,790,820	1,418,258
Total	**74,388,335**	**66,183,165**
(ii) Other income		
Commonwealth Covid Support Funding	1,151,603	409,540
Donations and fundraising	165	110
Net Gain/(Loss) on Financial Assets	349,283	(197,023)
Sundry income	147,314	166,462
Total other income	**1,648,365**	**379,089**
(iii) Other expenses from ordinary activities		
Agency and client expenses	7,579,935	7,054,986
IT and Internet expenses	1,656,232	1,208,716
Transportation expenses	937,245	636,000
Communication expenses	266,784	671,460
Office and other expenses	2,911,818	2,050,953
Total other expenses from ordinary activities	**13,352,014**	**11,622,115**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022 Restated
	$	$
NOTE 5: CASH AND CASH EQUIVALENTS		
CURRENT		
Cash on hand	457	10,118
Cash at bank	4,698,313	10,741,939
Deposits at call	56,088	63,150
Term deposits (less than 3 months maturity)	367,480	391,480
	5,122,338	11,206,687
NOTE 6: FINANCIAL ASSETS		
CURRENT		
Managed investment portfolio	6,450,950	6,131,265
NOTE 7: TRADE RECEIVABLES		
CURRENT		
Trade debtors	4,402,247	5,780,200
Less allowance expected credit losses	(408,321)	(652,010)
	3,993,926	5,128,190
NOTE 8: OTHER RECEIVABLES		
CURRENT		
HCP Receivable	3,606,660	2,321,076
Other receivables	908,371	146,637
	4,515,031	2,467,713
NOTE 9: OTHER ASSETS		
CURRENT		
Prepayments	268,123	247,199
Others	9,416	9,416
	277,539	256,615

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022 Restated
	$	$
NOTE 10: PROPERTY, PLANT AND EQUIPMENT		
NON-CURRENT		
LAND & BUILDINGS		
Freehold land:		
At Directors valuation[(i)]	8,680,000	8,680,000
Buildings at cost	33,817	-
Less building accumulated depreciation	(760)	-
	33,057	-
Total Land and Buildings	8,713,057	8,680,000
PLANT AND EQUIPMENT		
Motor vehicles		
Motor vehicles at cost	789,260	879,362
Less motor vehicle accumulated depreciation	(775,476)	(859,648)
	13,784	19,714
Office equipment		
Office equipment at cost	1,453,361	1,417,177
Less office equipment accumulated depreciation	(1,313,446)	(1,271,951)
	139,915	145,226
Total plant and equipment	153,699	164,940
LEASEHOLD IMPROVEMENTS		
Leasehold improvement at cost	4,521,278	3,851,070
Less Leasehold improvement accumulated depreciation	(2,029,645)	(1,664,353)
Total leasehold improvements	2,491,633	2,186,717
RIGHT OF USE ASSETS		
Rights of use of assets at cost	7,560,795	6,779,091
Less rights of use of assets accumulated depreciation	(5,218,178)	(3,959,700)
Total right of use assets	2,342,617	2,819,391
Total property, plant and equipment	13,701,006	13,851,048

(i) Land and buildings were valued by the Directors based on independent valuations conducted by Colliers International as at 30 June 2022. Managerial fair value assessment performed at 30 June 2023 assessed that the current carrying value to be a reasonable approximation of fair value.

NOTE 10: 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.

	Land and Buildings	Rights of Use Assets	Motor vehicles	Office equipment	Leasehold Improvements	TOTAL
	$	$	$	$	$	$
Balance at 30 June 2022	8,680,000	2,819,391	19,714	145,226	2,186,717	13,851,048
Additions	33,817	781,701	-	36,184	670,209	1,521,911
Disposals	-	-	(1,460)	-	-	(1,460)
Depreciation expense	(760)	(1,258,475)	(4,470)	(41,495)	(365,293)	(1,670,493)
Balance at 30 June 2023	8,713,057	2,342,617	13,784	139,915	2,491,633	13,701,006

	2023	2022 Restated
	$	$
NOTE 11: INTANGIBLE ASSETS		
NON-CURRENT		
SOFTWARE		
Software at cost	3,618,015	3,410,941
Less software accumulated amortisation	(3,082,327)	(2,481,204)
	535,688	929,737
Work in Progress	587,288	331,604
	1,122,976	1,261,341

(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	Work In Progress	Total
	$	$	$
Balance at 1 July 2022	929,737	331,604	1,261,341
Additions	207,074	255,684	462,758
Amortisation expense	(601,123)	-	(601,123)
Balance at 30 June 2023	535,688	587,288	1,122,976

	2023	2022 Restated
	$	$
NOTE 12: TRADE AND OTHER PAYABLES		
CURRENT		
Trade Creditors	618,193	246,516
Accrued expenses	449,080	881,865
Salaries, PAYG and superannuation payable	2,090,721	1,717,274
Other payables	53,688	74,750
	3,211,682	2,920,405
NOTE 13: OTHER LIABILITIES		
CURRENT		
Deferred grant funding	89,339	333,100
HCP client balances*	6,482,612	9,232,562
	6,571,951	9,565,662

*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.

	2023	2022 Restated
NOTE 14: LEASE LIABILITIES		
CURRENT		
Lease liabilities - current	987,496	919,560
NON CURRENT		
Lease liabilities - non current	1,508,423	1,996,357
Total Lease liabilities	2,495,919	2,915,917
Future Lease Payments		
Future Lease payments are due as follows:		
Within one year	1,665,756	1,837,706
One to five years	2,345,361	3,986,301
More than 5 years	-	24,817
	4,011,118	5,848,824

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022 Restated
	$	$
NOTE 15: PROVISIONS		
Employee benefit provisions		
CURRENT		
Annual leave	3,749,325	3,368,592
Long service leave - current	1,075,687	1,110,327
	4,825,012	4,478,919
NON CURRENT		
Long Service Leave - non current	482,515	416,847
Total employee benefit provisions	5,307,527	4,895,766
Other provisions		
NON-CURRENT		
Make good provision	377,692	555,992
Total provisions	5,685,219	5,451,758
Total current provisions	4,825,012	4,478,919
Total non-current provisions	860,207	972,839
	5,685,219	5,451,758

NOTE 16: 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	6,888,402	4,987,541
Movement during the year	-	1,900,861
Closing balance at end of financial year	6,888,402	6,888,402

NOTE 17: REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners (2022: DFK Kidsons), the external auditor of the Group:

	2023	2022
	$	$
Audit of the financial statements	72,075	66,730

NOTE 18: COMMITMENTS

The Group had no commitments for expenditure as at 30 June 2023 and 30 June 2022.

NOTE 19: CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 30 June 2023 and 30 June 2022.

NOTE 20: RELATED PARTIES

Related parties of the Group 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).

Key management personnel

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

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:

	2023	2022
	$	$
Aggregate Compensation	1,498,676	1,800,469

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

NOTE 21: EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

NOTE 22: RETROSPECTIVE RESTATEMENT

Retrospective Restatement

The Group has identified prior period adjustments, the impact on each of the affected financial statement line items for the 2022 financial year is disclosed in the tables below.

Reassessment of CHSP Deferred Grant Funding Liability

During the 2022 financial year, the Community and Home Support Program (CHSP) revenue was not recognised in accordance with AASB 15 *Revenue from Contracts with Customers*. As at 30 June 2022, $1,860,556 was recorded as Deferred Grant Funding liability, however the funding received had been fully expended to deliver the performance obligations of the program.

The adjustment had the effect of understating CHSP Revenue by $1,860,556 for the financial year ended 30 June 2022. The adjustment also had the effect of overstating the Deferred Grant Funding Liability and understating Retained Earnings as at 30 June 2022 by $1,860,556.

Recoverability of Trade Debtors

There were Trade Debtor balances of $351,254 for services provided to clients in excess of their service plans, which were incorrectly assessed as recoverable as at 30 June 2022.

The adjustment had the effect of overstating Trade Debtors by $351,254 for the financial year ended 30 June 2022. The adjustment also had the effect of overstating NDIS Revenue and overstating Retained Earnings as at 30 June 2022 by $351,254.

Completeness of Accrued Expenses

During 2022, the Group accounted for portable long service leave on a cash basis. This is not consistent with the Group’s accounting policy for preparing the financial report on an accruals basis.

In addition, there were services provided to the Group during the financial year 30 June 2022 which were not accounted for as Other Expenses and Accrued Expenses as at 30 June 2022.

The adjustment had the effect of understating Accrued Expenses by $679,440 for the financial year ended 30 June 2022. The adjustment also had the effect of understating Other Expenses by $509,890, understating Salaries and Employee Benefits Expense by $169,500, and overstating Retained Earnings as at 30 June 2022 by $679,440.

The impact of the restatements for the prior period is as follows:

	30 June 2022 (Restated)	Adjustment	30 June 2022 (Previously presented)
Impact of correction on the Statement of Profit and Loss and Other Comprehensive Income			
Revenue from operating activities	66,183,165	1,509,302	64,673,863
Total revenue from operating activities	**66,562,254**	**1,509,302**	**65,052,952**
Salaries and employee benefits expenses	(52,046,711)	(169,550)	(51,877,161)
Other expenses	(11,622,115)	(509,890)	(11,112,225)
Total expenses	**(64,291,534)**	**829,862**	**(65,121,396)**
Surplus/(loss) for the year	**761,418**	**829,862**	**(68,444)**
Total comprehensive income/(loss) for the year	**2,662,279**	**829,862**	**1,832,417**
Impact of the correction on the Statement of Financial Position			
Contract assets	5,128,190	(351,254)	5,479,444
Total current assets	**25,232,224**	**(351,254)**	**25,583,478**
Total assets	**40,344,613**	**(351,254)**	**40,695,867**
Trade and other payables	2,920,405	679,440	2,240,965
Other liabilities	9,565,662	(1,860,556)	11,426,218
Total current liabilities	**17,884,546**	**(1,181,116)**	**19,065,662**
Total liabilities	**20,853,742**	**(1,181,116)**	**22,034,858**
Net assets	**19,490,871**	**829,862**	**18,661,009**
Retained earnings	12,602,469	829,862	11,772,607
Total Equity	**19,490,871**	**829,862**	**18,661,009**

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STATEMENT BY DIRECTORS

In the opinion of the directors the financial report as set out on pages 1 to 25:

The directors declare that in their opinion:

- the attached financial statements and notes comply with the Australian Accounting Standards – *Simplified Disclosures, the Australian Charities and Not for Profits Commissions Act 2012*, and associated regulations;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- 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.

Signed in accordance with subsection 60.15(2) of the Australian Charities and Not-for-profit Commission Regulation 2022.

MICHAEL NAZZARI

Treasurer Name Treasurer Signature

ROSS JOYCE

President Name President Signature

Dated this 11th day of October, 2023

Melbourne

RSM Australia Partners

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Auditors Independence Declaration under Section 60 40 of the *Australian Charities and Not for profits Commission Act 2012*

As lead auditor for the audit of the financial report of Annecto Inc. (the Association) and its subsidiaries (the Group) for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Australian professional accounting bodies; and

(ii) any applicable code of professional conduct in relation to the audit.

Rsm

RSM AUSTRALIA PARTNERS

KJ Dundon

K J DUNDON
Partner

Melbourne, VIC
Dated: 11 October 2023

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT
To the Members of Annecto Inc.

Opinion

We have audited the financial report of Annecto Inc. (the Association) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 directors' declaration.

In our opinion, the accompanying financial report of the Group has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance and cash flows for the year ended on that date; and

(b) complying with Australian Accounting Standards – Simplified Disclosures under AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2022*.

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 Group 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 Group's annual report for the year ended 30 June 2023 but does not include the financial report and the auditor's report thereon.

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. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report
The directors of the Association are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Simplified Disclosures under AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Rsm

RSM AUSTRALIA PARTNERS

KJDundon

K J DUNDON
Partner

Melbourne, VIC
Dated: 16 October 2023