

# **ANNECTO INC**

**REG No. A00 375 63T**

**CONSOLIDATED FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2022**

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

**FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2022**

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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 2022**

	Note	2022	2021
		\$	\$
<b>Income</b>			
Revenue from operating activities	4(i)	64,673,863	53,122,150
Other revenue	4(ii)	379,089	5,978,627
<b>Total income</b>		65,052,952	59,100,777
<b>Expenses</b>			
Depreciation expense	9(a)	(1,495,536)	(1,535,684)
Amortisation expense	10(a)	(636,474)	(582,731)
Salaries and employee benefits expense		(51,877,161)	(45,793,143)
Other expenses	4(iii)	(11,112,225)	(9,920,475)
<b>Total expenses</b>		(65,121,396)	(57,832,033)
<b>Surplus/(loss) for the year</b>		(68,444)	1,268,744
<b>Other economic flows – other comprehensive income</b>			
Net gain on revaluation of land & buildings	9(i)	1,900,861	-
<b>Total comprehensive income/(loss) for the year</b>		1,832,417	1,268,744

The accompanying notes form part of these financial statements

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

**BALANCE SHEET**  
**AS AT 30 JUNE 2022**

	Note	2022 \$	Restated 2021* \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	11,206,687	12,296,447
Contract assets	6	5,479,444	5,139,073
Other receivables	7	2,509,467	903,462
Other assets		256,615	338,547
Financial assets	8	6,131,265	6,329,035
<b>TOTAL CURRENT ASSETS</b>		<u>25,583,478</u>	<u>25,006,564</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	13,851,048	10,339,250
Intangible assets	10	1,261,341	1,615,066
<b>TOTAL NON-CURRENT ASSETS</b>		<u>15,112,389</u>	<u>11,954,316</u>
<b>TOTAL ASSETS</b>		<u>40,695,867</u>	<u>36,960,880</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	2,240,965	2,517,104
Other liabilities	12	11,426,218	10,795,674
Lease liabilities		919,560	636,547
Provisions	13	4,478,919	4,523,156
<b>TOTAL CURRENT LIABILITIES</b>		<u>19,065,662</u>	<u>18,472,481</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		1,996,357	710,566
Provisions	13	972,839	949,241
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>2,969,196</u>	<u>1,659,807</u>
<b>TOTAL LIABILITIES</b>		<u>22,034,858</u>	<u>20,132,288</u>
<b>NET ASSETS</b>		<u>18,661,009</u>	<u>16,828,592</u>
<b>EQUITY</b>			
Reserves	14	6,888,402	4,987,541
Retained earnings		11,772,607	11,841,051
<b>TOTAL EQUITY</b>		<u>18,661,009</u>	<u>16,828,592</u>

\*Refer to Note 19 for details on retrospective restatement

The accompanying notes form part of these financial statements.

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

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
		<b>\$</b>	<b>\$</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts in the course of operations		64,550,626	63,520,950
Cash payments in the course of operations		(64,550,623)	(56,875,801)
Net GST received from/(paid to) the Australian Taxation Office		879,583	715,981
<b>Net cash provided by operating activities</b>		<u>879,586</u>	<u>7,361,130</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payment for property, plant, equipment and intangibles		(595,085)	(978,055)
Net proceeds from/(payments for) investments			-
<b>Net cash used in investing activities</b>		<u>(595,085)</u>	<u>(978,056)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(1,374,261)	(1,390,891)
<b>Net cash used in financing activities</b>		<u>(1,374,261)</u>	<u>(1,390,891)</u>
<b>Net increase / (decrease) in cash and cash equivalents held</b>		(1,089,760)	4,992,184
Cash and cash equivalents at beginning of financial year		<u>12,296,447</u>	<u>7,304,263</u>
<b>Cash and cash equivalents at end of financial year</b>	5	<u><u>11,206,687</u></u>	<u><u>12,296,447</u></u>

The accompanying notes form part of these financial statements.

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

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2022**

	<b>Retained</b>		<b>Total</b>
	<b>Earnings</b>	<b>Reserves</b>	<b>Equity</b>
	\$	\$	\$
<hr/>			
<b>Balance at 1 July 2020 (restated*)</b>	10,572,307	4,987,541	15,559,848
<hr/>			
<b>Comprehensive Income</b>			
Surplus/(loss) for the year	1,268,744	-	1,268,744
Other comprehensive income	-	-	-
<hr/>			
<b>Total comprehensive income</b>	1,268,744	-	1,268,744
<hr/>			
<b>Balance at 30 June 2021</b>	11,841,051	4,987,541	16,828,592
<hr/>			
Surplus/(loss) for the year	(68,444)	-	(68,444)
Other comprehensive income	-	1,900,861	1,900,861
Net gain on revaluation of land & buildings	-	1,900,861	1,900,861
<hr/>			
<b>Total comprehensive income</b>	(68,444)	-	1,832,417
<hr/>			
<b>Balance at 30 June 2022</b>	11,772,607	6,888,402	18,661,009
<hr/>			

\*Refer to Note 19 for details on retrospective restatement

The accompanying notes form part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

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) 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of Annecto Inc.

The following Accounting Standards and Interpretations are most relevant to the incorporated association:

*Conceptual Framework for Financial Reporting (Conceptual Framework)*

Annecto Inc has adopted the revised Conceptual Framework from 1 July 2021. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on Annecto Inc's financial statements.

*AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*

The incorporated association has adopted AASB 1060 from 1 July 2021. The standard provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs.

**(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.

**ANNECTO INC**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**(c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Annecto Incorporated and its subsidiaries as at 30 June 2022 (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.

**(d) Cash and cash equivalents**

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

**(e) Financial Assets**

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

**(f) Prepayments**

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

**(g) 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.



**ANNECTO INC**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

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

*(iii) Depreciation*

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

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

<b>Class of Asset</b>	<b>Depreciation Rates</b>	<b>Depreciation basis</b>
Buildings	2 – 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.

**(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 Association.

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

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

**(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 and there is 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022

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

**(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 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.

**(m) 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.

**(n) 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

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

*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.

**(o) Revenue**

*Revenue recognition*

Annecto recognises revenue as follows:

*Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the incorporated association is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the incorporated association: 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

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

*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.

**(p) Income Tax**

As the Association 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.

**(q) 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.

**(r) 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.

**ANNECTO INC**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

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

**(s) 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.

**ANNECTO INC**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**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 Association and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*Employee benefits provision*

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 3: PARENT ENTITY INFORMATION</b>		
(a) Information relating to Annecto Inc:		
Current assets	25,130,727	24,459,478
Non-current assets	15,271,529	11,372,715
<b>Total assets</b>	<b>40,402,256</b>	<b>35,832,193</b>
Current liabilities	21,020,889	18,335,824
Non-current liabilities	972,840	1,078,208
<b>Total liabilities</b>	<b>21,993,729</b>	<b>19,414,032</b>
Retained earnings	11,430,008	10,161,963
Asset revaluation reserve	7,047,541	4,987,541
<b>Total equity</b>	<b>18,477,549</b>	<b>15,149,504</b>
Net operating result of the parent entity	(69,021)	1,268,657

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		% Voting Power	
		2022	2021	2022	2021
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:

<b>(i)</b>	<b>Revenue from operating activities</b>		
	Home Care Package	22,463,019	19,313,044
	NDIS & DHHS Disability	31,030,008	25,651,853
	CHSP & STRC	7,729,849	5,527,126
	After Hours & My Support	2,889,696	2,102,321
	Other Services	561,291	527,806
	<b>Total revenue from operating activities</b>	<b>64,673,863</b>	<b>53,122,150</b>
<b>(ii)</b>	<b>Other income</b>		
	Commonwealth Covid Support Funding	409,540	5,426,359
	Donations and fundraising	110	16,221
	Net Gain on Financial Assets	(197,023)	499,592
	Sundry income	166,462	36,455
	<b>Total other revenue</b>	<b>379,089</b>	<b>5,987,627</b>
<b>(iii)</b>	<b>Other expenses from ordinary activities</b>		
	Agency costs	5,245,969	4,117,594
	Office costs	3,516,448	3,402,229
	Transport costs	636,000	490,562
	Computer costs	893,319	823,186
	Communication costs	671,460	686,674
	Bank and interest charges	16,208	14,923
	Bad and doubtful debts	43,287	301,065
	Other expenses	89,534	84,242
	<b>Total other expenses from ordinary activities</b>	<b>11,112,225</b>	<b>9,920,475</b>

**ANNECTO INC**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

	<b>2022</b>	<b>2021</b>
	\$	\$
<b>NOTE 5: CASH AND CASH EQUIVALENTS</b>		
CURRENT		
Cash on hand	10,118	9,918
Cash at bank	10,741,939	11,816,726
Deposits at call	63,150	78,360
Term deposits (less than 3 months maturity)	391,480	391,443
	11,206,687	12,296,447
<b>NOTE 6: CONTRACT ASSETS</b>		
CURRENT		
Trade debtors	6,131,454	5,828,904
Less allowance expected credit losses	(652,010)	(689,831)
	5,479,444	5,139,073
<b>NOTE 7: OTHER RECEIVABLES</b>		
CURRENT		
Accrued income	41,755	552,125
Other receivables	2,321,075	137,155
Security deposits receivable	146,637	214,182
	2,509,467	903,462
<b>NOTE 8: FINANCIAL ASSETS</b>		
CURRENT		
Managed investment portfolio	6,131,265	6,329,035
	6,131,265	6,329,035



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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 9: PROPERTY, PLANT AND EQUIPMENT</b>		
NON-CURRENT		
<b>LAND &amp; BUILDINGS</b>		
Freehold land:		
At Directors valuation <sup>(i)</sup>	8,680,000	6,770,304
<hr/>		
<b>PLANT AND EQUIPMENT</b>		
Motor vehicles		
At cost	879,362	879,362
Less accumulated depreciation	(859,648)	(853,336)
	<hr/> 19,714	<hr/> 26,026
<hr/>		
Office equipment		
At cost	1,417,178	1,404,036
Less accumulated depreciation	(1,271,951)	(1,226,229)
	<hr/> 145,227	<hr/> 177,807
<hr/>		
Total plant and equipment	<hr/> 164,941	<hr/> 203,833
<hr/>		
<b>LEASEHOLD IMPROVEMENTS</b>		
At cost	3,851,069	3,591,075
Less accumulated depreciation	(1,664,353)	(1,517,898)
Total leasehold improvements	<hr/> 2,186,716	<hr/> 2,073,177
<hr/>		
<b>RIGHT OF USE ASSETS</b>		
At cost	6,779,091	3,984,952
Less accumulated depreciation	(3,959,700)	(2,693,016)
Total right of use assets	<hr/> 2,819,391	<hr/> 1,291,936
<hr/>		
Total property, plant and equipment	<hr/> 13,851,048	<hr/> 10,339,250
<hr/>		

(i) Land & Buildings have been valued by the Directors based on independent valuations conducted by Colliers International as at 30 June 2022.

**ANNECTO INC**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**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.

	Land & Buildings	Buildings (ROU)	Motor vehicles	Motor Vehicles (ROU)	Office equipment	Office equipment (ROU)	Leasehold Improvements	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>	<b>6,770,304</b>	<b>709,911</b>	<b>26,026</b>	<b>333,885</b>	<b>177,807</b>	<b>248,140</b>	<b>2,073,177</b>	<b>10,339,250</b>
Additions	39,199	2,145,260	-	506,857	13,141	142,022	259,994	3,106,473
Revaluation	1,900,861	-	-	-	-	-	-	1,900,861
Disposals	-	-	-	-	-	-	-	-
Depreciation expense	(30,364)	(828,068)	(6,312)	(301,747)	(45,721)	(136,869)	(146,455)	(1,495,536)
<b>Balance at 30 June 2022</b>	<b>8,680,000</b>	<b>2,027,103</b>	<b>19,714</b>	<b>538,995</b>	<b>145,227</b>	<b>253,293</b>	<b>2,186,716</b>	<b>13,851,048</b>

**ANNECTO INC**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 10: INTANGIBLE ASSETS</b>		
NON-CURRENT		
<b>SOFTWARE</b>		
At cost	3,410,941	3,390,196
Less accumulated amortisation	(2,481,204)	(1,844,730)
	929,737	1,545,466
Work in Progress	331,604	69,600
	1,261,341	1,615,066

**(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.

	<b>Software</b>	<b>Work In</b>	<b>Total</b>
	<b>\$</b>	<b>Progress</b>	<b>\$</b>
		<b>\$</b>	
Balance at 1 July 2021	1,545,466	69,600	1,615,066
Additions	20,745	262,004	282,749
Amortisation expense	(636,474)	-	(636,474)
Balance at 30 June 2022	929,737	331,604	1,261,341

**ANNECTO INC**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 11: TRADE AND OTHER PAYABLES</b>		
CURRENT		
Trade Creditors	246,516	347,411
Accrued expenses	202,425	451,371
Salaries, PAYG and superannuation payable	1,717,274	1,628,362
Other payables	74,750	89,960
	2,240,965	2,517,104

**NOTE 12: OTHER LIABILITIES**

CURRENT		
Deferred grant funding	2,193,656	800,487
HCP client balances*	9,232,562	9,995,187
	11,426,218	10,795,674

\*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	3,368,592	2,897,976
Long service leave	1,110,327	1,625,180
	4,478,919	4,523,156
NON-CURRENT		
Long Service Leave	416,847	367,641
	4,895,766	4,890,797

*Other provisions*

NON-CURRENT		
Make good provision	555,992	581,600
	5,541,758	5,472,397
Total provisions		
Total current provisions	4,478,919	4,523,156
Total non-current provisions	972,839	949,241
	5,451,758	5,472,397

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

**ANNECTO INC**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**NOTE 15: COMMITMENTS**

The incorporated association had no commitments for expenditure as at 30 June 2022 and 30 June 2021.

**NOTE 16: CONTINGENT ASSETS AND LIABILITIES**

There were no contingent assets or liabilities as at 30 June 2022 and 30 June 2021.

**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.

**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:

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Total compensation of KMPs	<u>1,800,469</u>	<u>2,312,326</u>

**NOTE 18: EVENTS AFTER THE REPORTING PERIOD**

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Association's operations, the results of those operations, or the Association's state of affairs in future financial years.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**NOTE 19: RETROSPECTIVE RESTATEMENT**

Adjustments were made to prior period balances and transactions due to errors in the timing of revenue recognition and service closures resulting in revenue being overstated in the years ending on or before 30 June 2020.

This has led to the following:

	<b>Initially reported 2021</b>	<b>Restated 2021</b>
	\$	\$
<i>Restatement of balances and transactions</i>		
Other liabilities HCP Client Balances	8,865,282	9,995,187
Opening retained earnings	11,702,212	10,572,307

This has the combined impact of:

*Balances misstated*

Liabilities understated by:		\$ 1,129,905
Opening retained earnings overstated by:		1,129,905

As a result of the above, the following restatements were required to the face statements of the financial report:

**Statement of financial position**

	<b>Initially reported 2021</b>	<b>Adjustments prior to 2021</b>	<b>Restated 2021</b>
Total assets	36,960,880		36,960,880
Other liabilities	9,665,769	1,129,905	10,795,674
Total liabilities	19,002,383	1,129,905	20,132,288
Net assets	17,958,497	(1,129,905)	16,828,592

**Statement of changes in equity**

	<b>Initially reported 2021</b>	<b>Adjustments prior to 2021</b>	<b>Restated 2021</b>
Opening balance	11,702,212	(1,129,905)	10,572,307
Surplus/(loss) for the year	1,268,744		1,268,744
Closing balance	12,970,956	(1,129,905)	11,841,051

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

**STATEMENT BY DIRECTORS**

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



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Treasurer Name

Treasurer Signature

ROSS JOYCE



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President Name

President Signature

Dated this 12<sup>th</sup> day of October 2022

## 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 balance sheet as at 30 June 2022, 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 2022, and of its financial performance and its cash flows for the year then ended; and
- (b) complying with Australian Accounting Standards – Simplified Disclosures and Division 60 of the Australia 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 2022 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, 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

12 October 2022  
Melbourne