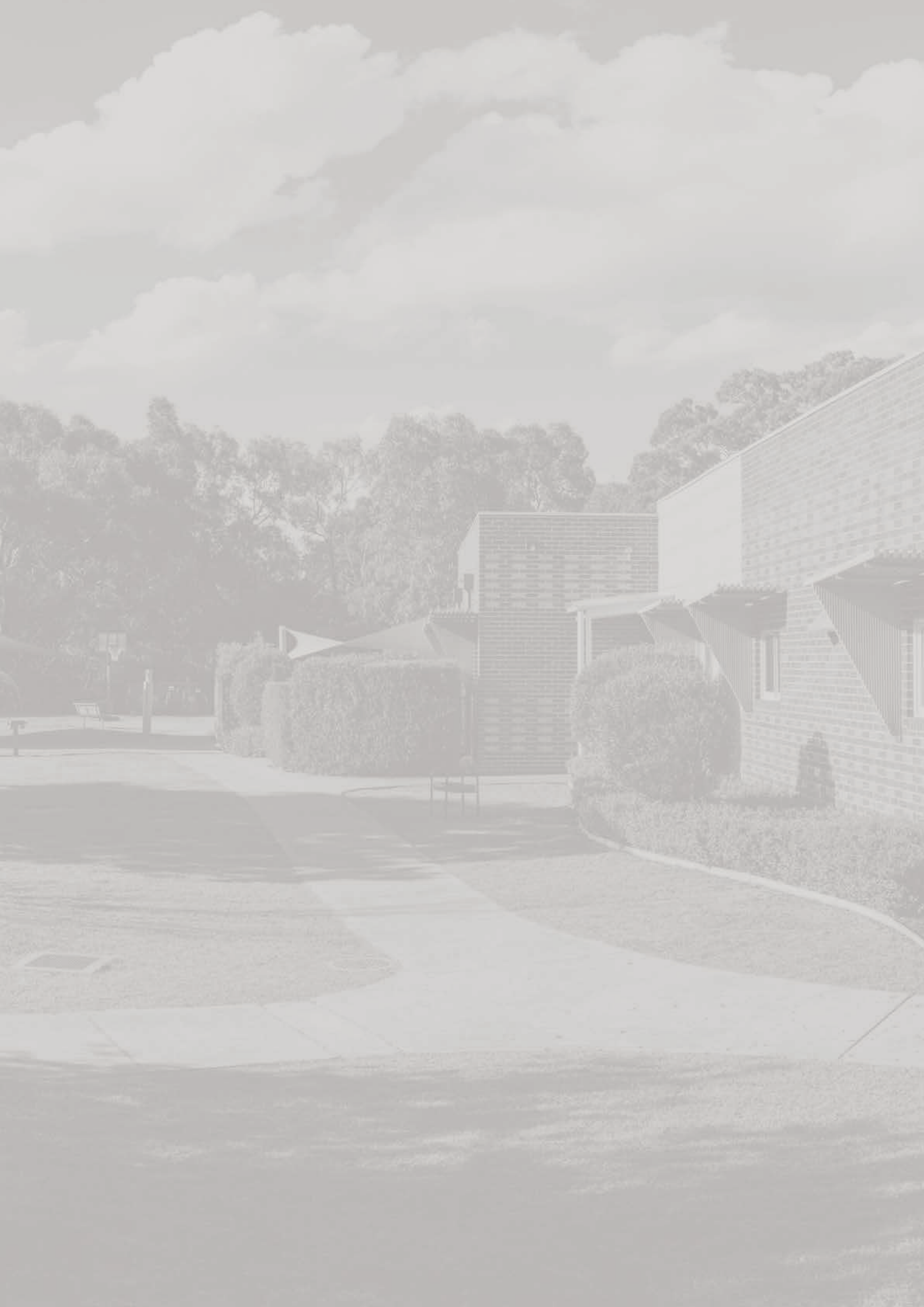
Connections
Opportunity & Choice

ANNUAL FINANCIAL REPORT 2019 | 20



OC Connections Limited

Registered No. A0022345E

ABN 91 480 733 899

Annual Financial Report

for the year ended 30 June 2020

Corporate Information

Board of Directors
Mr. Tom Baxter (Chair)
Ms. Sara Brentnall (Deputy Chair)
Mr. Michael Dillon (Treasurer)
Mr. Anthony McAvaney
Mr. Alan Bergman
Ms. Kaitlyn Gulle
Ms. Kylie Payne

Registered Office
773 Warrigal Road
Oakleigh, Victoria, 3166

Auditors
KPMG
Tower Two, Collins Square
727 Collins Street
Melbourne VIC 3008

Bankers
ANZ Banking Group Limited
Level 1, 10 Main Street
Box Hill, Victoria, 3128

Commonwealth Bank of Australia
Level 13, 385 Bourke Street
Melbourne, Victoria, 3000

Westpac
Level 7, 150 Collins Street
Melbourne, Victoria, 3000

Lawyers
Lander & Rogers
Level 12, 600 Bourke Street
Melbourne, Victoria, 3000

Index

DIRECTORS' REPORT

The Directors present their report with the financial report of OC Connections Limited ("OC Connections") for the year ended 30 June 2020 and the Auditor's report thereon.

Directors

The names of the Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr. Tom Baxter (Chair)	
Ms. Sara Brentnall (Deputy Chair since 20 November 2019)	
Ms. Emma Liepa (Deputy Chair)	Resigned on 24 October 2019
Mr. Michael Dillon (Treasurer since 20 November 2019)	
Mr. Anthony McAvaney (Treasurer till 20 November 2019)	
Mr. Alan Bergman	
Ms. Kaitlyn Gulle	
Ms. Kylie Payne	Appointed on 27 May 2020

Nature of operations and principal activities

OC Connections Limited operates in the disability services sector, with a focus on individuals living with an intellectual disability, and is a not for profit organisation.

OC Connections has been providing a diverse range of specialised, innovative support services to people living with an intellectual disability in the south eastern suburbs of Melbourne for over sixty years. People with moderate and complex needs are supported by OC Connections through a range of different programs which have been developed and enhanced over time and OC Connections has transformed into an organisation that provides support to over 450 people over 18 years of age in the areas of support coordination, employment, day support, accommodation and recreation.

The disability services sector, and OC Connections, rely heavily on support from both Federal and State government funding to sustain support services for people living with an intellectual disability. The main provider of government funding continues to transition from DHHS to NDIA. The other major sources of funds for OC Connections are internally generated funds and donations through bequests and general donations.

There was no significant change in the nature of these activities during the period.

Employees
OC Connections employed 377 staff (permanent 295, casual 82) as at 30 June 2020 (2019: 364 staff (permanent 275, casual 89)).

Operating and financial review

OC Connections generated the following results for the financial year:

- Surplus for the year of $2,755,110 (2019: $1,342,146); and
- Net cash from operating activities of $395,300 (2019: $3,205,279).

Lead auditor's independence declaration

The Lead Auditor's independence declaration is set out on page 44 and forms part of the Directors' Report for the financial year ended 30 June 2020.

Significant changes in state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of OC Connections that occurred during the financial year under review, except for the impact arising from COVID-19 as disclosed in the events subsequent to balance date.

DIRECTORS' REPORT *(continued)*

Dividends

OC Connections' constitution precludes the payment of dividends.

Events subsequent to balance date

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by governments, regulators and numerous industry sectors. The Australian Federal Government enacted its emergency plan on 29 February 2020. This has led to the closure of Australian borders from 20 March 2020, an increasing level of restrictions on corporate Australia's ability to operate, significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face significant slowdown and uncertainties.

OC Connections evaluated the impact of COVID-19 and the Directors are of the view that OC Connections has solid business continuity procedures in place and is addressing health and safety risks whilst continuing to service its participants. OC Connections' operations have been partially disrupted in Day Services and in Employment Services. However there has been very little financial impact on Community Living which has had the effect of mitigating the impact on the organisation as a whole

OC Connections recognises that there is uncertainty over the future impact to revenue and expenditure and potential asset values but these cannot be reliably estimated at the present and are not currently expected to impact the ability of OC Connections to continue as a going concern.

OC Connections continues to monitor developments in the COVID-19 pandemic and the measures being implemented on the economy to control and slow the outbreak. Given the dynamic nature of these circumstances and the significant increase in economic uncertainty, the related impact on OC Connections' go forward results of operations, cash flows and financial condition cannot be reasonably estimated at this stage and will be reflected in OC Connections' subsequent financial year.

Other than as disclosed above, there has not risen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of OC Connections, to significantly affect the operations of OC Connections, the result of those operations, or the state of affairs of OC Connections, in future financial years.

Likely developments

Further information about likely developments in the operations of OC Connections and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to OC Connections.

Environmental regulation

OC Connections' operations are not regulated by any significant environmental regulation under the law of the Commonwealth or of a State or Territory. However, the Board believes that OC Connections' has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to OC Connections.

DIRECTORS' REPORT *(continued)*

Indemnification and insurance of officer and auditors

Indemnification
Since the end of the previous financial year, OC Connections has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of OC Connections, other than deeds of indemnity to the extent permissible under the Corporations Act in the usual form.

Insurance
Directors' and officers' liabilities in respect of OC Connections are covered by a policy issued by the Victorian Managed Insurance Authority.

Signed in accordance with a resolution of the Directors:

Tom Baxter
Director

Michael Dillon
Director

Melbourne,
23 September 2020

Statement of Financial Position

as at 30 June 2020

	Note	2020 $	2019* $
Current assets			
Cash and cash equivalents	7	6,318,526	6,882,344
Trade and other receivables	8	2,430,807	1,231,583
Consumables		99,683	-
Other financial asset	9(a)	-	2,026,000
Total current assets		**8,849,016**	**10,139,927**
Non-current assets			
Investments	9(b)	3,757,710	-
Property, plant and equipment	11	14,087,311	14,118,050
Total non-current assets		**17,845,021**	**14,118,050**
TOTAL ASSETS		**26,694,037**	**24,257,977**
Current liabilities			
Trade and other payables	12	1,771,024	2,980,099
Interest-bearing loans and borrowings	15	90,185	41,684
Employee benefits	13	3,007,869	2,429,674
Contract liabilities	14	213,589	276,943
Total current liabilities		**5,082,667**	**5,728,400**
Non-current liabilities			
Interest-bearing loans and borrowings	15	305,652	29,520
Employee benefits	13	204,693	154,142
Total non-current liabilities		**510,345**	**183,662**
TOTAL LIABILITIES		**5,593,012**	**5,912,062**
NET ASSETS		**21,101,025**	**18,345,915**
Members' funds			
Share capital	3(a)	-	-
Accumulated funds		20,060,645	17,723,496
Reserves	16	1,040,380	622,419
TOTAL MEMBERS' FUNDS		**21,101,025**	**18,345,915**

* OC Connections has initially applied AASB 15 *Revenue*, AASB 1058 *Income for Not-for-Profit Entities* and AASB 16 *Leases* at 1 July 2019. Under the transition methods chosen, comparative information has not been restated.

This Statement of Financial Position is to be read in conjunction with the notes to the financial statements on pages 11 to 39.

Statement of Surplus or Deficit and Other Comprehensive Income

for the year ended 30 June 2020

	Note	2020 $	2019* $
Revenue	4(a)	20,285,615	18,287,759
Other income	4(b)	3,199,769	638,475
		23,485,384	**18,926,234**
Employee expenses	5	(17,153,665)	(14,471,621)
Direct service/ program expenses		(441,433)	(454,139)
Motor vehicle expenses		(205,544)	(221,751)
Repairs and maintenance expenses		(273,251)	(168,626)
Property occupancy expenses (2019: Property rent and occupancy expenses)		(630,305)	(714,424)
Depreciation expense	11(a)	(877,113)	(572,810)
(Impairment loss)/Reversal of impairment loss on trade receivables	2(e)	(19,630)	13,273
Administration and other expenses		(1,263,666)	(1,102,210)
Results from operating activities		**2,620,777**	**1,233,926**
Finance income	6	149,989	116,936
Finance costs	6	(15,656)	(8,716)
Net finance income		**134,333**	**108,220**
Surplus before income tax		**2,755,110**	**1,342,146**
Income tax expense	3(i)	-	-
Surplus for the year		**2,755,110**	**1,342,146**
Other comprehensive income			
Other comprehensive income for the year net of income tax		-	-
Total comprehensive income for the year		**2,755,110**	**1,342,146**

* OC Connections has initially applied AASB 15 *Revenue*, AASB 1058 *Income for Not-for-Profit Entities* and AASB 16 *Leases* at 1 July 2019. Under the transition methods chosen, comparative information has not been restated.

This Statement of Surplus or Deficit and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements on pages 11 to 39.

Statement of Changes in Equity

for the year ended 30 June 2020

	Accumulated funds $	Special purpose reserve $	Total members' funds $
Balance as at 1 July 2018	**16,801,244**	**202,525**	**17,003,769**
Total comprehensive income for the year			
Surplus for the year	1,342,146	-	1,342,146
Other comprehensive income	-	-	-
Total comprehensive income for the year	1,342,146	-	1,342,146
Transfer to special purpose reserve	(436,553)	436,553	-
Transfer from special purpose reserve	16,659	(16,659)	-
Transactions with members, recorded directly in equity	-	-	-
Closing balance at 30 June 2019 *	**17,723,496**	**622,419**	**18,345,915**
Balance as at 1 July 2019	**17,723,496**	**622,419**	**18,345,915**
Total comprehensive income for the year			
Surplus for the year	2,755,110	-	2,755,110
Other comprehensive income	-	-	-
Total comprehensive income for the year	2,755,110	-	2,755,110
Transfer to special purpose reserve	(432,618)	432,618	-
Transfer from special purpose reserve	14,657	(14,657)	-
Transactions with members, recorded directly in equity	-	-	-
Closing balance at 30 June 2020	**20,060,645**	**1,040,380**	**21,101,025**

* OC Connections has initially applied AASB 15 *Revenue*, AASB 1058 *Income for Not-for-Profit Entities* and AASB 16 *Leases* at 1 July 2019. Under the transition methods chosen, comparative information has not been restated.

This Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements on pages 11 to 39.

Statement of Cash Flows

for the year ended 30 June 2020

	Note	2020 $	2019* $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers and government bodies		21,059,357	18,455,948
Proceeds from donations and bequests	4(b)	629,848	34,010
Cash payments to suppliers and employees		(21,293,905)	(15,284,679)
Net cash from operating activities		**395,300**	**3,205,279**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and investment income received	6	87,658	116,936
Acquisition of property, plant and equipment	11(a)	(421,458)	(381,663)
Withdrawal/(Placement of short-term bank deposit	9	2,026,000	(2,026,000)
Proceeds from sale of property, plant and equipment		-	1,017,369
Acquisition of investments		(3,695,379)	-
Net cash used in investing activities		**(2,003,179)**	**(1,273,358)**
CASH FLOWS FROM FINANCING ACTIVITIES			
External bank loan paid		-	(886,400)
Interest paid		-	(8,716)
Advances received from NDIA in relation to NDIS COVID-19 response		1,160,000	-
Payments of lease liabilities (2019: Payments of finance lease liabilities)		(115,939)	(41,684)
Net cash from/(used in) financing activities		**1,044,061**	**(936,800)**
Net (decrease)/increase in cash and cash equivalents		**(563,818)**	**995,121**
Cash and cash equivalents at beginning of period		**6,882,344**	**5,887,223**
Cash and cash equivalents at end of period	7	**6,318,526**	**6,882,344**

* OC Connections has initially applied AASB 15 *Revenue*, AASB 1058 *Income for Not-for-Profit Entities* and AASB 16 *Leases* at 1 July 2019. Under the transition methods chosen, comparative information has not been restated.

This Statement of Cash Flows is to be read in conjunction with the notes to the financial statements on pages 11 to 39.

Notes to the Financial Statements
for the year ended 30 June 2020

NOTE	CONTENTS

NOTE 1: REPORTING ENTITY

OC Connections Limited ("OC Connections") is a not-for-profit corporation domiciled in Australia. The address of the Company's registered office is 773 Warrigal Road, Oakleigh, Victoria 3166.

OC Connections also trades under the name OCC Enterprises (ABN: 58080042827) and the results of OCC Enterprises are included in the financial report.

OC Connections is endorsed as a Deductible Gift Recipient (DGR).

NOTE 2: BASIS OF PREPARATION

(a) Statement of compliance

In the opinion of the Directors OC Connections is not publicly accountable.

The Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASMs – RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-profit Commission Act 2012, Australian Charities and Not-for-profit Commission Regulation 2013.

This is the first set of OC Connections' annual financial statements in which AASB 15 *Revenue*, AASB 1058 *Income for Not-for-Profit Entities* and AASB 16 *Leases* have been applied. Under the transition method chosen, comparative information has not been restated. The 2019 results are therefore not directly comparable to prior years. Changes to significant accounting policies are described in Note 2(e).

The financial report was authorised for issue by the Board of Directors on 23 September 2020.

(b) Functional and presentation currency

The financial statements have been presented in Australian Dollars which is OC Connections' functional currency.

(c) Basis of measurement

The financial statements have been prepared on the historical costs basis.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is:

- *Lease assets and liabilities*

  OC Connections has entered into leases of premises as disclosed in Note 18. Management has applied reasonably certain lease terms in the leas calculation.

- *Valuation of investments*

  Investments in listed equity securities and managed funds are classified at fair value through profit or loss and movements in fair value are recognised directly in the Surplus or Deficit. The fair value of these investments has been determined by reference to published price quotations in an active market.

NOTE 2: BASIS OF PREPARATION *(continued)*

(e) Changes in accounting policies

OC Connections has initially applied AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income for Not-for-Profit Entities* and AASB 16 *Leases* from 1 July 2019. A number of other new standards are also effective from 1July 2019 but they do not have a material effect on OC Connections' financial statements.

(i) AASB 15 *Revenue from Contracts with Customers*

OC Connections has applied AASB 15 and AASB 1058 using the modified retrospective approach. Accordingly, the comparative information presented for 30 June 2019 is not restated - i.e. it is presented, as previously reported, under AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 111 *Construction Contracts* and related interpretations.

OC Connections initially applied AASB 15 *Revenue from Contracts with Customers* from 1 July 2019.

AASB 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time.

All of OC Connections' grants are assessed against AASB 15 to determine whether revenue recognition should be deferred and recognised as it is earned. Where AASB 15 does not apply, revenue is recognised under AASB 1058 (refer to section (ii) below).

The nature of OC Connections' grant contracts mean that revenue recognised under AASB 15 is recognised at a point in time, that is, when the expenditure is incurred.

There was no material impact of transition to AASB 1058 on accumulated funds at 1 July 2019.

(ii) AASB 1058 *Income for Not-for-Profit Entities*

OC Connections initially applied AASB 1058 *Income for Not-for-Profit Entities* from 1 July 2019.

AASB 1058 replaced the income recognition requirements relating to private sector not-for-profit entities, as well as the majority of income recognition requirements relating to public sector not-for-profit entities previously reflected in AASB 1004.

AASB 1058 established principles for not-for-profit entities that apply specifically to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives and to volunteer services received. Any revenue not captured by AASB 15 was accounted for under AASB 1058.

There was no material impact of transition to AASB 1058 on accumulated funds at 1 July 2019.

(iii) AASB 16 *Leases*

OC Connections has adopted AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 30 June 2019 is not restated - i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

(i) Definition of a lease

Previously, OC Connections determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*. OC Connections now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3(c).

On transition to AASB 16, OC Connections elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

NOTE 2: BASIS OF PREPARATION *(continued)*

(e) Changes in accounting policies *(continued)*

(iii) AASB 16 *Leases* *(continued)*

(ii) As a lessee

As a lessee, OC Connections leases assets including properties and IT equipment. OC Connections previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to OC Connections. Under AASB 16, OC Connections recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on statement of financial position.

At commencement or on modification of a contract that contains a lease component, OC Connections allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

Leases classified as operating leases under AASB 117

Previously, OC Connections classified property lease as operating lease under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at OC Connections' incremental borrowing rate as at 1 July 2019 (see below). Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: OC Connections applied this approach to all leases.

OC Connections has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

OC Connections used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular, OC Connections:

- did not to recognise right-of-use assets and liabilities for leases with the lease term ends within 12 months of the date of initial application;
- did not to recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment below AUD7,500);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Leases classified as finance leases under AASB 117

OC Connections leases a number of motor vehicles. The leases were classified as finance leases under AASB 117. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

NOTE 2: BASIS OF PREPARATION *(continued)*

(e) Changes in accounting policies *(continued)*

(iii) AASB 16 *Leases* *(continued)*

(iii) Impact on financial statements

Impact of transition

The effect on 1 July 2019 of the recognition of the right-of-use assets and lease liabilities is summarised below:

	1 July 2019 $
Increase in right-of-use assets	424,916
Increase in lease liabilities	(424,916)

When measuring lease liabilities for lease that were classified as operating lease, OC Connections discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average incremental borrowing rate applied is 3.4%.

	1 July 2019 $
Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in OC Connections' financial statements	130,452
Operating lease commitments at 30 June 2019 discounted using the incremental borrowing rate at 1 July 2019	126,741
Add: Finance lease liabilities recognised as at 30 June 2019	71,204
Add: Extension options reasonably certain to be exercised	349,623
Less: Recognition exemption for leases with less than 12 months of lease term at transition	(9,327)
Less: Recognition exemption for leases of low-value assets	(42,121)
Lease liabilities recognised at 1 July 2019	**496,120**

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except if mentioned otherwise (see also Note 2(e)).

(a) Financial instruments

(i) Recognition and initial measurement

Trade and other receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when OC Connections becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI-debt investments; FVOCI-equity investment; or fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless OC Connections changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, OC Connections may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, OC Connections may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTE 3: Significant accounting policies *(continued)*

(a) Financial instruments *(continued)*

(ii) Classification and subsequent measurement *(continued)*

Financial assets - Business model assessment

OC Connections makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to OC Connections' management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with OC Connections' continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, OC Connections considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, OC Connections considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit OC Connections' claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

NOTE 3: Significant accounting policies *(continued)*

(a) Financial instruments *(continued)*

(ii) Classification and subsequent measurement (continued)

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses are recognised in profit or loss any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

OC Connections derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which OC Connections neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

OC Connections enters into transactions whereby it transfers assets recognised in its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

OC Connections derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. OC Connections also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in Statement of Surplus or Deficit.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, OC Connections currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in the Statement of Surplus or Deficit.

Subsequent Costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to OC Connections, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day to day servicing of property, plant and equipment are recognised in the Statement of Surplus or Deficit as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in the Statement of Surplus or Deficit on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that OC Connections will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

	2020 Useful lives	2019 Useful lives
Buildings and buildings improvements: owned	10 - 30 years	10 - 40 years
Buildings: right-of-use assets	8 - 17 years	-
Furniture and equipment	4 - 10 years	4 - 10 years
Motor vehicles	5 - 8 years	5 - 8 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Leases

OC Connections has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB Interpretation 4.

Policy applicable from 1 July 2019

At inception of a contract, OC Connections assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, OC Connections uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, OC Connections allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

OC Connections 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 incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfer ownership of the underlying asset to OC Connections by the end of the lease term or the cost of the right-of-use asset reflects that OC Connections will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property 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.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, OC Connections' incremental borrowing rate. Generally, OC Connections uses its incremental borrowing rate as the discount rate.

OC Connections determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that OC Connections is reasonably certain to exercise, lease payments in an optional renewal period if OC Connections is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless OC Connections is reasonably certain not to terminate early.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Leases *(continued)*

(i) As a lessee *(continued)*

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in OC Connections' estimate of the amount expected to be payable under a residual value guarantee, if OC Connections changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

OC Connections presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'interest-bearing loans and borrowings' in the Statement of Financial Position.

Short-term leases and leases of low-value assets

OC Connections presents has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. OC Connections recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception or on modification of a contract that contains a lease component, OC Connections allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a lessor

When OC Connections acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, OC Connections makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. As part of this assessment, OC Connections considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When OC Connections is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which OC Connections applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then OC Connections applies AASB 15 to allocate the consideration in the contract.

OC Connections applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease (see Note 3(g)). OC Connections further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

OC Connections recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

Generally, the accounting policies applicable to OC Connections as a lessor in the comparative period were not different from AASB 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Leases *(continued)*

Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, OC Connections determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessess OC Connections classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Asset held under other leases were classified as operating leases and were not recognised in OC Connections' Statement of Financial Position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor

When OC Connections acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, OC Connections made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, OC Connections considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Finance income and finance costs

Finance income comprises interest income on funds invested and cash and cash equivalents and distributions received. Interest income is recognised as it accrues in the Statement of Surplus or Deficit, using the effective interest method. Distribution income is recognised when received. Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables).

(e) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which OC Connections pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statement of Surplus or Deficit in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Other long-term service benefits

OC Connections' net obligation in respect of long term employee benefits other than defined contribution plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Australian Corporate Bonds that have maturity dates approximating the terms of OC Connections' obligations and that are denominated in the same currency in which the benefits are expected to be paid.

Short-term service benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(f) Revenue recognition

OC Connections has initially applied AASB 15 and AASB 1058 from 1 July 2019.

Revenue recognition policy for revenue from contracts with customers (AASB 15)

AASB 15 requires revenue to be recognised when control of a promised good or service is passed to the customer at an amount which reflects the expected consideration.

The customer for these contracts is the fund provider.

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however whether there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of OC Connections have any significant financing terms as there is less than 12 months between receipts of funds and satisfaction of performance obligations.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Revenue recognition *(continued)*

Revenue recognition policy for revenue from contracts with customers (AASB 15) *(continued)*

Goods sold – OCC Enterprises activities

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Services

Revenue from services rendered is recognised in the Statement of Surplus or Deficit when the service is rendered.

Government grants and subsidies

Revenue arising from an agreement which contains enforceable and sufficiently specific performance obligations is recognised when control of each performance obligations is satisfied. This is generally the case for the monies received from Federal and State government and NDIA.

Revenue from government grants and subsidies received for specific purposes is recognised only to the extent that monies have been expended in accordance with the funding agreement. Where the terms of that agreement stipulate that any unexpended funds may be required to be returned to the funding body, the unexpended funds are carried forward as "contract liabilities". Grants that compensate OC Connections' for the cost of an asset are recognised in the Statement of Surplus or Deficit on receipt of those funds.

Revenue recognition policy for revenue streams which are either not enforceable or do not have sufficiently specific performance obligations (AASB 1058)

Assets arising from grants in the scope of AASB 1058 are recognised at their fair value when the asset is received. These assets are generally cash but maybe property which has been donated or sold to OC Connections at significantly below its fair value.

When assets are received from an appeal, donation, fundraising event or bequest, OC Connections recognises an asset and corresponding revenue is recognised when OC Connections gains control of such assets and the value of the asset can be reliably measured.

Donations and fundraising

Donations and revenue generated from fundraising activities are recognised in the Statement of Surplus or Deficit when received.

Bequest income

Bequests from deceased estates are recognised in the Statement of Surplus or Deficit when received.

Services of volunteers

A number of volunteers, including Directors and members of committees, donate an amount of their time to the activities of OC Connections and also supported OC Connections by participating and raising funds. However, as no objective basis exists for recording and assigning market values to these volunteer services, they are not reflected in the financial statements as either revenue or expenses.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Revenue recognition *(continued)*

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payments terms, and the related revenue recognition policies.

Revenue streams	Nature and timing of satisfaction of performance obligations	
	Revenue recognition under AASB 15 and AASB 1058 (applicable from 1 July 2019)	**Revenue recognition under AASB 118 and AASB 1004 (applicable before 1 July 2019)**
Government grants and subsidies - Federal and State	Revenue is recognised over time based on the consideration specified in contracts with participants. OC Connections recognises revenue as the services are provided to the participants.	Revenue was recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to OC Connections and the revenue can be reliably measured.
Revenue from rendering of services - NDIA	Revenue is recognised over time based on the consideration specified in contracts with participants for each activity. OC Connections recognises revenue as the services are provided to the participants. In the event of OC Connections have costs incurred but not invoiced to the funder as a consequence of delays in the finalisation of participants' NDIS plans, for existing participants whom have had the services provided, the revenue receivables are presented as unbilled receivables in the trade and other receivables.	Revenue was recognised and measured at the fair value of the consideration receivable for activities performed based on agreed predetermined rates, to the extent that it is probable that the economic benefits will flow to OC Connections and the revenue can be reliably measured.
Revenue from rendering of services - fees	This revenue stream comprise various service activities income and other income such as rental income. Revenue is recognised in line with AASB 15 as the services are provided to the customers over a period of time.	Revenue was recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to OC Connections and the revenue can be reliably measured.
Sales income	Sales income recognised when the products or services are provided, at a point in time.	Sales income recognised when the products or services are provided.
Members' contributions, Donations and bequests, Fundraising activities	Revenue is recognised upon receipt.	Revenue is recognised upon receipt.
Grants	Revenue is recognised upon receipt. Grants from the government are recognised over time at their fair value where there is a reasonable assurance that the grant will be received and OC Connections will comply with all attached conditions. Unconditional government grants are recognised in the Statement of Surplus or Deficit when they become receivable. Other government grants are recognised initially at face value as receipts in advance when there is reasonable assurance they will be received. Grants are then recognised in the Statement of Surplus or Deficit as income when OC Connections complies with the attached conditions.	Revenue is recognised upon receipt. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and OC Connections will comply with all attached conditions. Unconditional government grants are recognised in the Statement of Surplus or Deficit when they become receivable. Other government grants are recognised initially at face value as receipts in advance when there is reasonable assurance they will be received. Grants are then recognised in the Statement of Surplus or Deficit as income when OC Connections complies with the attached conditions.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Impairment

(i) Non-derivative financial assets

Financial instruments and contracts assets

OC Connections recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost;
- debt instruments measured at FVOCI; and
- contract assets.

OC Connections measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, OC Connections considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on OC Connections' historical experience and informed credit assessment and including forward-looking information.

OC Connections assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

OC Connections considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to OC Connections in full, without recourse by OC Connections to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

OC Connections considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. OC Connections this to be BBB or higher per Moody's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which OC Connections is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that OC Connections expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Impairment *(continued)*

(i) Non-derivative financial assets *(continued)*

Credit-impaired financial assets

At each reporting date, OC Connections assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by OC Connections on terms that OC Connections would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the Statement of Financial Position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when OC Connections has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, OC Connections individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. OC Connections expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with OC Connections' procedures for recovery of amounts due.

(ii) Non-financial assets

At each reporting date, OC Connections reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated on a pro rata basis to reduce the carrying amount of the assets in the CGU.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Income tax

OC Connections is endorsed by the Australian Taxation Office (ATO) as an Income Tax Exempt Charitable Entity under subdivision 50-B of the Income Tax Assessment Act 1997. No income tax is payable by OC Connections as Section 23 of the Income Tax Assessment Act 1997 exempts charitable institutions from income tax.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(j) Consumables

Consumables representing personal protective equipment, are measured at the lower of cost and net realisable value. Costs are assigned to individual items of consumables on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of disposal.

(k) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020, and have not been applied in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on OC Connections' financial statements:

- Amendments to References to Conceptual Framework in AASB Standards
- Definition of a Business (Amendments to AASB 3)
- Definition of Material (Amendment to AASB 101 and AASB 108)
- AASB 17 *Insurance Contracts*

(l) Determination of fair values

A number of OC Connections' policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted determined using a valuation technique. Valuation technique employed include market multiples and discounted cash flows analysis using expected future cash flows and a market-related discount rate.

	2020 $	2019 $
NOTE 4(a): REVENUE		
Revenue under AASB 15 *Revenue from Contracts with Customers*		
Government grants and subsidies		
Federal	121,465	343,627
State	1,860,183	2,929,205
Sales income	717,828	860,427
Revenue from rendering of services - NDIA	16,094,596	12,452,685
Revenue from rendering of services - fees	1,491,543	1,701,815
	20,285,615	**18,287,759**
NOTE 4(b): OTHER INCOME		
Revenue under AASB 1058 *Income for Not-for-Profit Entities*		
Members' contributions	1,260	940
Donations and bequests	629,848	34,010
Fundraising activities	130,989	255,805
Other, including JobKeeper Payment	2,245,000	-
Revenue under AASB 15 *Revenue from Contracts with Customers*		
Grants	192,672	187,825
Net gain on sale of property, plant and equipment	-	159,895
	3,199,769	**638,475**
NOTE 5: EMPLOYEE EXPENSES		
Wages and salaries	13,786,904	11,516,082
Superannuation	1,315,085	1,164,802
Employee entitlement expenses	1,414,028	1,221,775
Other salary related costs	637,648	568,962
	17,153,665	**14,471,621**
NOTE 6: FINANCE INCOME AND COSTS		
Interest and dividend income	47,418	76,936
Interest and distributions from other investments	40,240	40,000
Fair value market movements of investments and managed funds	62,331	-
Finance income	**149,989**	**116,936**
Interest expense on lease liabilities (2019: Interest expense on finance leases)	(15,656)	(4,083)
Interest expense on external bank	-	(4,633)
Finance costs	**(15,656)**	**(8,716)**
Net finance income	**134,333**	**108,220**

	2020 $	2019 $
NOTE 7: CASH AND CASH EQUIVALENTS		
Bank balances and term deposit	6,283,906	6,869,974
Cash and cash equivalents	34,620	12,370
	6,318,526	**6,882,344**
NOTE 8: TRADE AND OTHER RECEIVABLES		
Trade receivables	941,098	825,818
Less: Provision for expected credit losses	(16,346)	-
	924,752	825,818
Unbilled receivables	656,162	262,429
Other receivables and prepayments	849,893	143,336
	2,430,807	**1,231,583**

Provision for expected arises from an estimate being made that the collection of the amount recoverable is no longer probable.

Trade receivables includes a bulk claim for $459,934 made on the NDIA on the last working day of June, settled in early July (2019: $316,107).

Unbilled receivables is largely in respect of existing participants without current NDIS plans in place but whom have had the services provided to them.

	2020 $	2019 $
NOTE 9(a): OTHER FINANCIAL ASSET		
Short-term bank deposit	**-**	**2,026,000**

The effective interest rate on short-term bank deposit at call was nil% (2019: 2.55%). This deposit has a maturity of 6 months. Due to the deposit being at call, it has been deemed to be highly liquid investment.

	2020 $	2019 $
NOTE 9(b): INVESTMENTS		
Non-current investments		
Listed shares	**1,449,532**	**-**
Unlisted units in managed funds	**2,308,178**	**-**
	3,757,710	**-**

The carrying amount of investments is equal to fair value. OC Connections is exposed to equity price risk which arises from investments measured at FVTPL. Management of OC Connections monitors the proportion of investments based on market indices. The primary goal of OC Connections is to improve its returns in general. Management is assisted by external advisers in this regard. These investments are designated as at FVTPL because their performance is actively monitored and they are managed on a fair value basis.

NOTE 9(b): INVESTMENTS *(continued)*

Measurement of fair values

When measuring the fair value of an asset or a liabilities, OC Connections uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs are used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

OC Connections recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The following table shows the fair value of investments including their levels in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
2020	**$**	**$**	**$**	**$**
Fair value	**1,449,532**	**2,308,178**	**-**	**3,757,710**

NOTE 10: FINANCIAL INSTRUMENTS

OC Connections' financial instruments consist mainly cash and cash equivalents, trade and other receivables, other financial asset, trade and other payables and loans and borrowings.

The following table shows the carrying amounts per category of financial assets and financial liabilities, measured in accordance with AASB 9 as detailed in the accounting policies of these financial statements:

	Amortised Costs	Fair Value Through Profit or Loss	Other financial liabilities
2019	**$**	**$**	**$**
Assets			
Cash and cash equivalents	6,882,344	-	-
Trade and other receivables	1,231,583	-	-
Other financial asset	2,026,000	-	-
Current assets	**10,139,927**	**-**	**-**
Liabilities			
Trade and other payables	-	-	3,437,320
Interest-bearing loans and borrowings	-	-	41,684
Current liabilities	**-**	**-**	**3,479,004**
Interest-bearing loans and borrowings	-	-	29,520
Non-current liabilities	**-**	**-**	**29,520**
2020			
Assets			
Cash and cash equivalents	6,318,526	-	-
Trade and other receivables	2,430,807	-	-
Other financial asset	-	-	-
Current assets	**8,749,333**	**-**	**-**
Investments	-	3,757,710	-
Non-current assets	-	**3,757,710**	-
Liabilities			
Trade and other payables	-	-	1,771,024
Interest-bearing loans and borrowings	-	-	90,185
Current liabilities	**-**	**-**	**1,861,209**
Interest-bearing loans and borrowings	-	-	305,652
Non-current liabilities	**-**	**-**	**305,652**

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

Reconciliation

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current period are set out below.

	Land $	Buildings and building improvements: owned $	Buildings: right-of-use assets $	Furniture & Equipment $	Motor Vehicles $	Work in Progress $	Total $
Cost							
Balance at 1 July 2018	**6,915,433**	**8,439,339**	**-**	**2,756,970**	**947,247**	**79,657**	**19,138,646**
Additions	-	35,208	-	96,037	143,189	107,229	381,663
Transfers from WIP	-	-	-	80,864	-	(80,864)	-
Disposals	-	(8,738)	-	-	(10,680)	-	(19,418)
Balance at 30 June 2019	**6,915,433**	**8,465,809**	**-**	**2,933,871**	**1,079,756**	**106,022**	**19,500,891**
Balance at 1 July 2019	**6,915,433**	**8,465,809**	**-**	**2,933,871**	**1,079,756**	**106,022**	**19,500,891**
Recognition of right-of-use assets on initial application of AASB 16	-	-	424,916	-	-	-	424,916
Additions	-	42,295	-	233,177	40,172	105,814	421,458
Transfers from WIP	-	5,835	-	103,729	-	(109,564)	-
Disposals	-	(26,890)	-	(32,047)	(17,150)	-	(76,087)
Balance at 30 June 2020	**6,915,433**	**8,487,049**	**424,916**	**3,238,730**	**1,102,778**	**102,272**	**20,271,178**

NOTE 11: PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Land $	Buildings and building improvements: owned $	Buildings: right-of-use assets $	Furniture & Equipment $	Motor Vehicles $	Work in Progress $	Total $
Accumulated depreciation							
Balance at 1 July 2018	**-**	**2,175,765**	**-**	**2,038,149**	**607,776**	**-**	**4,821,690**
Depreciation expense	-	272,494	-	185,325	114,991	-	572,810
Disposals	-	(2,485)	-	-	(9,174)	-	(11,659)
Balance at 30 June 2019	**-**	**2,445,774**	**-**	**2,223,474**	**713,593**	**-**	**5,382,841**
Balance at 1 July 2019	**-**	**2,445,774**	**-**	**2,223,474**	**713,593**	**-**	**5,382,841**
Depreciation expense	-	444,116	64,181	232,021	136,795	-	877,113
Disposals	-	(26,890)	-	(32,047)	(17,150)	-	(76,087)
Balance at 30 June 2020	**-**	**2,863,000**	**64,181**	**2,423,448**	**833,238**	**-**	**6,183,867**
Carrying amounts							
At 30 June 2019	**6,915,433**	**6,020,035**	**-**	**710,397**	**366,163**	**106,022**	**14,118,050**
At 30 June 2020	**6,915,433**	**5,624,049**	**360,735**	**815,282**	**269,540**	**102,272**	**14,087,311**

Change in estimate

During the year, OC Connections conducted a review at its buildings which resulted in changes in expected useful lives. The disability accommodation buildings which previously depreciated over 30 years, is now expected to have 20 years of useful lives. Certain office buildings which previously depreciated over 40 years, is now expected to have 30 years of useful lives. As a result, the expected useful life of the equipment decreased. The effect of these changes on actual and expected depreciation expense was as follows:

	2020 $	2021 $	2022 $	2023 $	2024 $	Later $
Increase in depreciation expense	**171,936**	**158,097**	**152,841**	**152,841**	**152,841**	**155,928**

NOTE 11: PROPERTY, PLANT AND EQUIPMENT *(continued)*

Refer to Note 18 for details of deeds of charges over the above land and buildings.
Refer to Note 15 for details of assets pledged as security in respect of finance facilities.

OC Connections commissioned Mark Murray FAPI, Director of O'Brien's Valuers & Property Consultants to assess the market value of the properties owned by OC Connections at July 2018. The accumulated market value of the properties held by OC Connections (excluding buildings - right-of-use assets) based on the valuation performed at July 2018 was $29,630,000, which has not been recognised in the financial statements of OC Connections. In the opinion of the Directors, the carrying value of property, plant and equipment is appropriate at 30 June 2020.

	2020 $	2019 $
NOTE 12: TRADE AND OTHER PAYABLES		
Current		
Trade payables	161,950	147,025
Other creditors and accruals	1,609,074	2,833,074
	1,771,024	**2,980,099**

The decrease in other creditors and accruals is a consequence of recognition of duplicated payments made by government during the transition to the NDIS as other income during the current financial year.
Other creditors and accruals includes an advance received from NDIA in relation to NDIS COVID-19 response of $1,160,000 (2019: Nil).

	2020 $	2019 $
NOTE 13: EMPLOYEE BENEFITS		
Current		
Liability for annual leave	1,142,473	884,493
Liability for long service leave	1,141,396	1,087,960
Salaries and wages accrued	724,000	457,221
	3,007,869	**2,429,674**
Non-current		
Liability for long service leave	204,693	154,142
	204,693	**154,142**
NOTE 14: CONTRACT LIABILITIES		
Current		
Grants received in advance - operating	-	66,272
Grants received in advance - capital	9,886	21,446
Grants received in advance - other	185,122	178,143
Rent received in advance	18,581	11,082
	213,589	**276,943**

In accordance with Note 3(f), government grants received at year end have been deferred until such time as OC Connections satisfies the requirements of the Government funding.

	2020 $	2019 $
NOTE 15: INTEREST-BEARING LOANS AND BORROWINGS		
Current		
Lease liabilities (2019: Finance lease liabilities)	90,185	41,684
Corporate credit cards (b)	-	-
	90,185	**41,684**
Non-current		
Lease liabilities (2019: Finance lease liabilities)	305,652	29,520
	305,652	**29,520**

Finance lease liabilities

Finance lease liabilities of OC Connections are payable as follows:

	Future minimum lease payments 2019 $	Interest 2019 $	Present value of minimum lease payments 2019 $
Less than one year	39,364	2,320	41,684
Between one and five years	28,983	537	29,520
More than five years	-	-	-
	68,347	**2,857**	**71,204**

Other financing arrangements

OC Connections has access to the following lines of credit:	2020	2019
Financing facilities:	**$**	**$**
Bank overdraft secured	-	-
Encashment facility (a)	150,000	150,000
Corporate credit cards (b)	100,000	100,000
	250,000	**250,000**
Facilities utilised at reporting date:		
Bank overdraft secured	-	-
Encashment facility (a)	-	-
Corporate credit cards (b)	-	-
	-	**-**
Facilities not utilised at reporting date:		
Bank overdraft secured	-	-
Encashment facility (a)	150,000	150,000
Corporate credit cards (b)	100,000	100,000
	250,000	**250,000**

NOTE 15: INTEREST-BEARING LOANS AND BORROWINGS *(continued)*

Note:

(a) Encashment facility

The encashment facility is the amount OC Connections had available to draw cheques to a maximum of $150,000 in 2020 (2019: $150,000). The facility was not utilised in the current year.

(b) Corporate credit cards

These cards are used in OC Connections' day-to-day operations.

	2020 $	2019 $
NOTE 16: RESERVES		
Special purpose reserve		
Fundraising reserve	418,012	362,979
Specialist Disability Accommodation reserve	622,368	259,440
	1,040,380	**622,419**

The fundraising reserve comprises unspent tied donations transferred from the net operating surplus and set aside for the purpose of expenditure on items specifically related to benefiting participants and following the OC Connections documented approval and reporting process for such expenditure.

The Specialist Disability Accommodation (SDA) reserve comprises SDA income which has not yet been expended on property repairs and maintenance. This income is a contribution from the NDIA towards the maintenance of community living houses and which was received by OC Connections for the first time in financial year ended 30 June 2019.

NOTE 17: EXPENDITURE COMMITMENTS

(a) Capital commitments

OC Connections had no contracted capital commitments at 30 June 2020 (2019: nil).

NOTE 18: LEASES

OC Connections leases a number of premises under operating leases. The leases typically run for a period of two to five years, with an option to renew the lease after that date. Lease payments are renegotiated at the end of the lease term to reflect market rentals. The lease provides for additional rent payments that are based on changes in local price indices. For certain leases, OC Connections is restricted from entering into any sublease arrangements. There are leases which the lease term ends within 12 months of the date of initial application whilst OC Connections did not renew, these leases are short term where OC Connections has elected not to recognise right-of-use assets and lease liabilities for these leases.

OC Connections leases IT equipment under a number of leases, which were classified as operating leases under AASB 117. These leases are leases of low-value assets. OC Connections has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which OC Connections is a lessess is presented below:

(i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 11).

(ii) Amounts recognised in Statement of Surplus or Deficit and Other Comprehensive Income

	2020
	$
For the year ended 30 June 2020 – Leases under AASB 16	
Interest expense on lease liabilities (Note 6)	15,656
Expenses relating to short-term leases	9,327
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	8,172

	2019
	$
For the year ended 30 June 2019 – Leases under AASB 117	
Lease expense	176,724

(iii) Amounts recognised in Statement of Cash Flows

	2020
	$
For the year ended 30 June 2020 – Leases under AASB 16	
Total cash outflows for leases	**(115,939)**

(iv) Changes in liabilities arising from financing activities

	2020
	$
Interest-bearing loans and borrowings	
Balance at 1 July 2019	71,204
Non-cash changes:	
- Recognition of lease liabilities on initial application of AASB 16	424,916
- Interest expense on lease liabilities	15,656
Net cash flows used in financing activities	(115,939)
Balance at 30 June 2020	**395,837**

NOTE 18: LEASES *(continued)*

(v) Extension options

The property leases contain extension options exercisable by OC Connections up to 5 years before the end of the non-cancellable contract period.

OC Connections has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $404,823.

NOTE 19: CONTINGENCIES

Details of contingent liabilities where the probability of future payments is not considered remote are set out below, as well as details of contingent liabilities which, although considered remote, the Board of Directors consider should be disclosed.

The Board of Directors is of the opinion that provisions are not required in respect of these matters at 30 June 2020, as it is not probable that a future sacrifice of economic benefits will be required, or the amount is not capable of reliable measurement.

(a) Loans from Singleton Equity Housing and Director of Housing

In prior financial years, OC Connections received interest free loans from both of the above organisations. The loans are only repayable in the event that the OC Connections sells 23 Atkinson Street, Chadstone, recorded at cost in property, plant and equipment as $775,475 (2019: $794,069). This property is an integral part of OC Connections' operations and, as a result, the Board has no intention to dispose of the property and it is not probable that a future sacrifice of economic benefits will be required. The formula used to calculate the loan repayable amount (in the event of sale) is based on the sale price of the property and uses a valuation made by the Valuer-General.

(b) Property Deed of Charge with the Department of Health and Human Services

In return for financial support provided for previous redevelopment works, the Department of Health and Human Services holds the following deeds of charges over properties owned by OC Connections:

- 28 Delia Street, South Oakleigh, entitling it to 56.84% (2019: 56.84%) of any proceeds from the sale of those properties; and
- 13 George Street, Ashwood, entitling it to 54.90% (2019: 54.90%) of any proceeds from the sale of those properties.

The Delia and George Street properties are an integral part of OC Connections' operations and, as a result, the Board has no intention to dispose of the properties without the agreement of DHHS, and it is not probable that a future sacrifice of economic benefits will be required.

NOTE 20: RELATED PARTIES

Key Management Personnel

The key management personnel compensation was $1,040,663 for the year ended 30 June 2020 (2019: $1,012,149).

NOTE 21: ECONOMIC DEPENDENCY

OC Connections receives a substantial proportion of its operating revenue from NDIA, the Victorian State Government and the Federal Government, and is therefore dependent on that income to sustain operations.

NOTE 22: EVENTS SUBSEQUENT TO REPORTING DATE

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by governments, regulators and numerous industry sectors. The Australian Federal Government enacted its emergency plan on 29 February 2020. This has led to the closure of Australian borders from 20 March 2020, an increasing level of restrictions on corporate Australia's ability to operate, significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face significant slowdown and uncertainties.

OC Connections evaluated the impact of COVID-19 and the Directors are of the view that OC Connections has solid business continuity procedures in place and is addressing health and safety risks whilst continuing to service its participants. OC Connections' operations have been partially disrupted in Day Services and in Employment Services. However there has been very little financial impact on Community Living which has had the effect of mitigating the impact on the organisation as a whole.

OC Connections recognises that there is uncertainty over the future impact to revenue and expenditure and potential asset values but these cannot be reliably estimated at the present and are not currently expected to impact the ability of OC Connections to continue as a going concern.

OC Connections continues to monitor developments in the COVID-19 pandemic and the measures being implemented on the economy to control and slow the outbreak. Given the dynamic nature of these circumstances and the significant increase in economic uncertainty, the related impact on OC Connections' go forward results of operations, cash flows and financial condition cannot be reasonably estimated at this stage and will be reflected in OC Connections' subsequent financial year.

There have been no other events subsequent to balance date which would have a material effect on the OC Connections' financial statements at 30 June 2020.

Directors' Declaration

In the opinion of the directors of OC Connections Limited (the Company):

(a) the Company is not publicly accountable;

(b) the financial statements and notes that are set out on pages 6 to 39 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards - Reduced Disclosure Regime and the Australian Charities and Not-for-profits Commission Regulation 2013; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Tom Baxter
Director

Michael Dillon
Director

Place: Melbourne
23 September 2020

Independent Auditor's Report

To the members of OC Connections Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report***, of the OC Connections Limited (the Company).

In our opinion, the accompanying ***Financial Report*** of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012,* including:

i. giving a true and fair view of the Company's financial position as at 30 June 2020, and of its financial performance and its cash flows for the year ended on that date; and

ii. complying with *Australian Accounting Standards – Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The ***Financial Report*** comprises:

i. Statement of financial position as at 30 June 2020;

ii. Statement of surplus or deficit and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;

iii. Notes including a summary of significant accounting policies; and

iv. Directors' declaration of the Company.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Company in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in OC Connections Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosures Requirements and the ACNC.

ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

iii. Assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and

ii. 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. They 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.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

Auditor's responsibilities for the audit of the Financial Report (continued)

We also:

i. 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.

ii. 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 registered Company's internal control.

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

iv. Conclude on the appropriateness of the Directors' 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 registered Company'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 registered Company to cease to continue as a going concern.

v. 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 the Directors of the registered Company 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.

KPMG

KPMG

ABond

Amanda Bond
Partner

Melbourne

23 September 2020

Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To the Directors of OC Connections Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of OC Connections Limited for the financial year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Amanda Bond
Partner

Melbourne
23 September 2020

OC Connections
Opportunity & Choice

773 Warrigal Road, Oakleigh, Vic. 3166
Postal address: PO Box 127, Oakleigh, Vic. 3166
Phone: (03) 9569 0603
Email: admin@occonnections.org
www.OCConnections.org

OC Connections Limited and OC Connections Enterprises
ABN 91 480 733 899 ACN 622 947 044