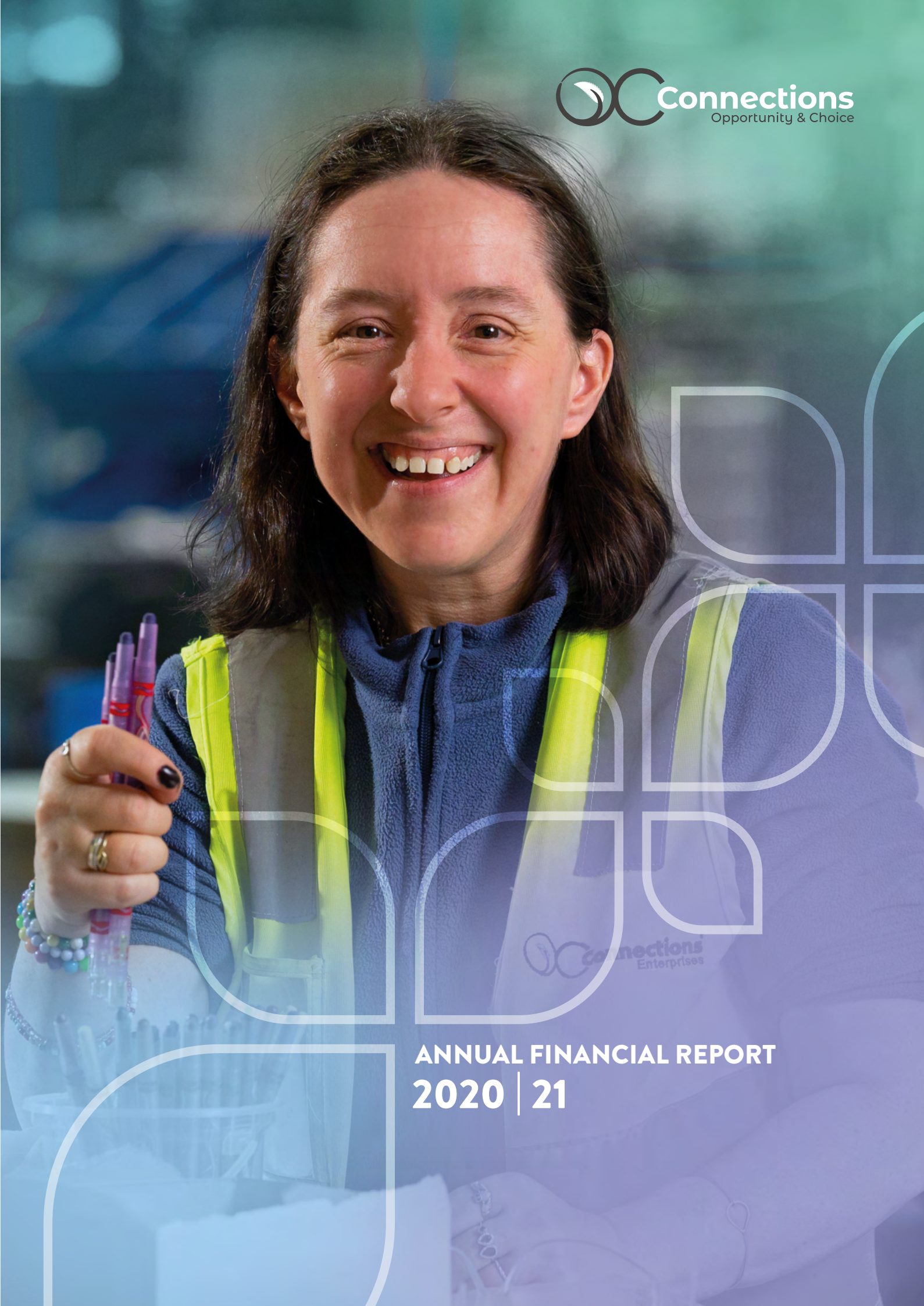
Connections
Opportunity & Choice



ANNUAL FINANCIAL REPORT
2020 | 21

OC Connections Limited

ABN 91 480 733 899

Annual Report - 30 June 2021

OC Connections Limited
Directors' report
30 June 2021

The directors present their report, together with the financial statements, on the Company for the year ended 30 June 2021.

Directors
The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

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

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 15 years of age in the areas of support coordination, employment, day support, accommodation and recreation.

The organisation’s main source of revenue is the National Disability Insurance Agency (NDIA). The other major sources of revenue are derived from commercial sales and community living rentals.

There was no significant change in the nature of these activities during the period, excepting that service capacity was reduced by the pandemic.

Employees
OC Connections employed 361 staff (permanent 288, casual 73) as at 30 June 2021 (2020: 377 staff (permanent 295, casual 82)).

Review of operations
The surplus for the Company amounted to $3,108,835 (2020: $2,696,893).

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Company during the financial year.

Matters subsequent to the end of the financial year
The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has impacted the Company up to 30 June 2021, it is not practicable to estimate the potential impact after the reporting date. The Company continues to comply with all Government regulations and advice, as well as working closely with its clients and employees to minimise any impact on its operations. The Company is committed to ensuring that its employees and communities it operates within are kept safe. This is achieved by the Company's senior managers regularly communicating with their teams and keeping them informed about the evolving situation.

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

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 60-40 of the Australian Charities and Not-for-profits Commission Act 2021 is set out immediately after this directors' report.

OC Connections Limited
Directors' report
30 June 2021

This report is made in accordance with a resolution of directors.

On behalf of the directors

Tom Baxter Director	Michael Dillon Director

13 October 2021

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Auditor's Independence Declaration

To the Directors of OC Connections Limited

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of OC Connections Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A C Pitts
Partner – Audit & Assurance

Melbourne, 13 October 2021

OC Connections Limited
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General information

The financial statements cover OC Connections Limited as an individual entity. The financial statements are presented in Australian dollars, which is OC Connections Limited's functional and presentation currency.

OC Connections Limited is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office and principal place of business
773 Warrigal Road
Oakleigh, Victoria, 3166

The financial statements were authorised for issue, in accordance with a resolution of directors, on 13 October 2021.

OC Connections Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	2021 $	2020 Restated $
Revenue			
Revenue	4	18,424,317	20,285,615
Other income	5	5,960,710	3,199,769
		24,385,027	23,485,384
Expenses			
Employee expenses		(18,483,139)	(17,153,665)
Direct service and program expenses		(345,829)	(441,433)
Motor vehicle expenses		(132,014)	(205,544)
Repairs and maintenance expenses		(146,528)	(273,251)
Property occupancy expenses		(623,425)	(630,305)
Depreciation and amortisation expense	6	(784,847)	(818,826)
Administration and other expenses		(1,730,075)	(1,399,800)
Operating surplus before income tax, finance income and finance costs		2,139,170	2,562,560
Finance income	7	981,513	149,989
Finance costs	6	(11,848)	(15,656)
Surplus before income tax expense		3,108,835	2,696,893
Income tax expense		-	-
Surplus after income tax expense for the year		3,108,835	2,696,893
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		3,108,835	2,696,893

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

OC Connections Limited
Statement of financial position
As at 30 June 2021

	Note	2021 $	2020 Restated $
Assets			
Current assets			
Cash and cash equivalents	8	6,700,728	6,318,526
Trade and other receivables	9	1,399,971	2,430,807
Consumables		59,867	99,683
Total current assets		8,160,566	8,849,016
Non-current assets			
Investments	10	6,936,195	3,757,710
Property, plant and equipment	11	13,122,297	13,770,792
Intangibles	12	80,665	114,719
Total non-current assets		20,139,157	17,643,221
Total assets		28,299,723	26,492,237
Liabilities			
Current liabilities			
Trade and other payables	13	1,237,674	2,495,024
Contract liabilities	14	93,245	213,589
Lease liabilities	15	60,664	90,185
Employee benefits	16	2,400,554	2,283,869
Total current liabilities		3,792,137	5,082,667
Non-current liabilities			
Lease liabilities	15	244,941	305,652
Employee benefits	16	254,585	204,693
Total non-current liabilities		499,526	510,345
Total liabilities		4,291,663	5,593,012
Net assets		24,008,060	20,899,225
Equity			
Reserves	17	1,246,822	1,040,380
Accumulated funds		22,761,238	19,858,845
Total equity		24,008,060	20,899,225

The above statement of financial position should be read in conjunction with the accompanying notes

OC Connections Limited
Statement of changes in equity
For the year ended 30 June 2021

	Reserves	Accumulated funds	Total equity
	$	$	$
Balance at 1 July 2019	622,419	17,723,496	18,345,915
Adjustment for change in accounting policy (note 3)	-	(143,583)	(143,583)
Balance at 1 July 2019 - restated	622,419	17,579,913	18,202,332
Surplus after income tax expense for the year	-	2,696,893	2,696,893
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	2,696,893	2,696,893
Transactions recorded directly in equity:			
Transfer to special purpose reserve	432,618	(432,618)	-
Transfer from special purpose reserve	(14,657)	14,657	-
Balance at 30 June 2020	1,040,380	19,858,845	20,899,225

	Reserves	Accumulated funds	Total equity
	$	$	$
Balance at 1 July 2020	1,040,380	19,858,845	20,899,225
Surplus after income tax expense for the year	-	3,108,835	3,108,835
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	3,108,835	3,108,835
Transactions recorded directly in equity:			
Transfer to special purpose reserve	207,608	(207,608)	-
Transfer from special purpose reserve	(1,166)	1,166	-
Balance at 30 June 2021	1,246,822	22,761,238	24,008,060

The above statement of changes in equity should be read in conjunction with the accompanying notes

OC Connections Limited
Statement of cash flows
For the year ended 30 June 2021

	Note	2021 $	2020 Restated $
Cash flows from operating activities			
Receipts from customers and government bodies (inclusive of GST)		26,103,923	21,059,357
Proceeds from donations and bequests		237,145	629,848
Payments to suppliers and employees (inclusive of GST)		(22,430,627)	(21,410,408)
Net cash from operating activities		3,910,441	278,797
Cash flows from investing activities			
Interest and investment income received		174,894	87,658
Payments for property, plant and equipment	11	(102,298)	(187,024)
Payments for intangibles		-	(117,931)
Receipts from short-term bank deposits		-	2,026,000
Payments for investments		(2,350,603)	(3,695,379)
Net cash used in investing activities		(2,278,007)	(1,886,676)
Cash flows from financing activities			
Repayments/(advances received) to/(from) NDIA in relation to NDIS COVID-19 response		(1,160,000)	1,160,000
Repayment of lease liabilities		(90,232)	(115,939)
Net cash from/(used in) financing activities		(1,250,232)	1,044,061
Net increase/(decrease) in cash and cash equivalents		382,202	(563,818)
Cash and cash equivalents at the beginning of the financial year		6,318,526	6,882,344
Cash and cash equivalents at the end of the financial year	8	6,700,728	6,318,526

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

IFRIC Agenda Decision - Configuration or Customisation Costs in a Cloud Computing Arrangement (AASB 138 Intangible Assets)
The Company has adopted the IFRIC Agenda Decision from 1 July 2020. The Agenda Decision provides clarification on the elements of expenditure that meet the definition of an Intangible Asset as defined by AASB 138 Intangible Assets. Refer to Note 3 for the impact of the adoption of the IFRIC Agenda Decision.

Going concern

The financial report has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Basis of preparation

These Tier 2 general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), the Australian Charities and Not-for-profits Commission Act 2012, Australian Charities and Not-for-profit Commission Regulation 2013, as appropriate for not-for-profit oriented entities.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

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.

Current and non-current classification

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

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

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

Note 1. Significant accounting policies (continued)

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

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

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Investments
Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the Company has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

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

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

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Note 1. Significant accounting policies (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Estimation of useful lives of assets
The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

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

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

Note 3. Restatement of comparatives

Software-as-a-Service (SaaS) arrangements (change in accounting policy)
The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements:

Note 3. Restatement of comparatives (continued)

- Customer's right to receive access to the supplier's software hosted on cloud (March 2019) - this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
- Configuration or customisation costs in a cloud computing arrangement (April 2021) - this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Company's accounting policy has historically been to capitalise all costs relating to SaaS arrangements as intangible assets in the Statement of Financial Position. The adoption of the above agenda decisions has resulted in a reclassification of these intangible assets to recognition as an expense in the Statement of profit or loss and other comprehensive income, impacting both the current and prior periods presented. The new accounting policy is presented in Note 12.

Consolidated statement of financial position	Previously reported $	Adjustments $	Restated $
30 June 2020			
Intangibles	-	114,719	114,719
Property, plant and equipment	14,087,311	(316,519)	13,770,792
Total non-current assets	**17,845,021**	**(201,800)**	**17,643,221**
Total assets	**26,694,037**	**(201,800)**	**26,492,237**
Net assets	**21,101,025**	**(201,800)**	**20,899,225**
Accumulated funds	20,060,645	(201,800)	19,858,845
Total equity	**21,101,025**	**(201,800)**	**20,899,225**
30 June 2019			
Intangibles	-	31,607	31,607
Property, plant and equipment	14,118,050	(175,191)	13,942,859
Total non-current assets	**14,118,050**	**(143,584)**	**13,974,466**
Total assets	**24,257,977**	**(143,584)**	**24,115,393**
Accumulated finds	17,723,496	(143,584)	17,579,912
Total equity	**18,345,915**	**(143,584)**	**18,202,331**

Consolidated statement of profit or loss and other comprehensive income	Previously reported $	Adjustments $	Restated $
30 June 2020			
Depreciation expense	877,113	(58,287)	818,826
Administration and other expenses	1,263,666	136,134	1,399,800
(Impairment loss)/reversal of impairment loss on trade receivables	19,630	(19,630)	**-**
Surplus before income tax	**2,755,110**	**58,217**	**2,696,893**
Surplus for the year	**2,755,110**	**58,217**	**2,696,893**
Total comprehensive income for the year	**2,755,110**	**58,217**	**2,696,893**

Statement of cash flows	Previously reported $	Adjustments $	Restated $
30 June 2020			
Cash payments to suppliers and employees	(21,293,905)	(116,503)	(21,410,408)
Net cash from operating activities	**395,300**	**(116,503)**	**278,797**
Payments for intangibles	-	(117,931)	(117,931)
Payments for property, plant and equipment	(421,458)	234,434	(187,024)
Net cash used in investing activities	**(2,003,179)**	**116,503**	**(1,886,676)**

Note 4. Revenue

	2021 $	2020 Restated $
Government grants and subsidies - federal and state	1,912,885	1,981,648
Sales income	653,707	717,828
Revenue from rendering of services - NDIA	14,794,144	16,094,596
Revenue from rendering of services - other sources	1,063,581	1,491,543
	18,424,317	20,285,615

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 where 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.

Sales income - 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 probably, 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 profit or loss and other comprehensive income 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 obligation 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 unexpected 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 profit or loss and other comprehensive income on receipt of those funds.

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

Note 4. Revenue (continued)

Revenue Streams	Nature and timing of satisfaction of performance obligations
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 and performance obligations are fulfilled.
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 from rendering of services - other sources	This revenue stream comprise various other serviced. Revenue is recognised in line with AASB 15 as the services are provided to the customers over a period of time and as performance obligations are satisfied.
Sales income	Sales income recognised when the products or services are provided, at a point in time.

Note 5. Other income

	2021 $	2020 Restated $
Members' contributions	840	1,260
Donations and bequests	237,145	629,848
Fundraising activities	56,776	130,989
JobKeeper income	5,521,800	2,245,000
Grants	122,886	192,672
Net gain on sale of property, plant and equipment	21,263	-
	5,960,710	3,199,769

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 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.

JobKeeper income
JobKeeper income represents payments received/receivable from the government in response to the ongoing novel coronavirus (COVID-19) pandemic. JobKeeper income is recognised as income, in accordance with AASB 1058, at fair value when there is a reasonable assurance that the Company has complied with the requirements of the JobKeeper payment scheme and that the assistance will be received, if not yet received by reporting date.

Donations, bequests and fundraising
Donations and revenue generated from fundraising activities are recognised in the Statement of profit or loss and other comprehensive income when received.

Bequests from deceased estates are recognised in the Statement of profit or loss and other comprehensive income when received.

Note 5. Other income (continued)

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 revenues or expenses.

Nature and timing of satisfaction of performance obligations
The following table provides information about the nature and timing of income recognition.

Income stream	Nature and timing of income recognition
Members' contributions, donations and bequests, fundraising activities and JobKeeper income	Revenue is recognised upon receipt.
Grants	Unconditional government grants are recognised in the Statement of profit or loss and other comprehensive income when they become receivable.

Note 6. Expenses

	2021 $	2020 Restated $
Surplus before income tax includes the following specific expenses:		
Depreciation and amortisation		
Property, plant & equipment	750,793	784,007
Intangibles	34,054	34,819
	784,847	818,826
Finance costs		
Interest and finance charges paid/payable on lease liabilities	11,848	15,656

Note 7. Finance income

	2021 $	2020 Restated $
Interest and dividend income	137,500	47,418
Interest and distributions from other investments	37,394	40,240
Fair value market movements of investments and managed funds	806,619	62,331
	981,513	149,989

Accounting policy for finance income
Finance income comprises of interest income on funds invested and cash and cash equivalents and distributions received. Interest income is recognised as it accrues in the Statement of profit or loss and other comprehensive income, using the effective interest method. Distribution income is recognised when received.

Note 8. Cash and cash equivalents

	2021 $	2020 Restated $
Current assets		
Cash on hand	33,920	34,620
Cash at bank and short term deposits	6,666,808	6,283,906
	6,700,728	6,318,526

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 9. Trade and other receivables

	2021 $	2020 Restated $
Current assets		
Trade receivables	846,763	941,098
Less: Allowance for expected credit losses	(12,933)	(16,346)
	833,830	924,752
Contract assets	350,177	656,162
Other receivables and prepayments	215,964	849,893
	1,399,971	2,430,807

Accounting policy for contract assets
Contract assets represent supply of services which have not yet been invoiced to clients with reference to the revenue recognised under the company's revenue recognition policy.

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

Note 10. Investments

	2021 $	2020 Restated $
Non-current assets		
Listed Shares	2,579,242	1,449,532
Unlisted units in managed funds	4,356,953	2,308,178
	6,936,195	3,757,710

Note 10. Investments (continued)

Fair value measurement

Fair value hierarchy

The following tables detail the company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 $	Level 2 $	Level 3 $	Total $
2021				
Assets				
Ordinary shares	2,579,242	4,356,953	-	6,936,195
Total assets	2,579,242	4,356,953	-	6,936,195

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Ordinary shares	1,449,532	2,308,178	-	3,757,710
Total assets	1,449,532	2,308,178	-	3,757,710

There were no transfers between levels during the financial year.

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 11. Property, plant and equipment

	2021 $	2020 Restated $
Non-current assets		
Land - at cost	6,915,434	6,915,433
Owned buildings and building improvements - at cost	8,482,249	8,487,049
Less: Accumulated depreciation	(3,297,246)	(2,863,000)
	5,185,003	5,624,049
Leased buildings (right-of-use assets) - at cost	424,916	424,916
Less: Accumulated depreciation	(128,362)	(64,181)
	296,554	360,735
Furniture & equipment - at cost	2,631,921	2,440,015
Less: Accumulated depreciation	(2,088,247)	(1,941,252)
	543,674	498,763
Motor vehicles - at cost	1,016,331	1,102,778
Less: Accumulated depreciation	(852,162)	(833,238)
	164,169	269,540
Work in progress	17,463	102,272
	13,122,297	13,770,792

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Land $	Owned buildings and building improvements $	Leased buildings $	Furniture & equipment $	Motor vehicles $	Work in progress $	Total $
Balance at 1 July 2020	6,915,434	5,624,048	360,735	498,763	269,540	102,272	13,770,792
Additions	-	-	-	84,835	-	17,463	102,298
Transfers in/(out)	-	-	-	102,272	-	(102,272)	-
Depreciation expense	-	(439,045)	(64,181)	(142,196)	(105,371)	-	(750,793)
Balance at 30 June 2021	6,915,434	5,185,003	296,554	543,674	164,169	17,463	13,122,297

Accounting policy for property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Owned buildings and building improvements	10 - 30 years
Leased buildings (right-of-use assets)	Shorter of lease period and 8 - 17 years
Furniture and equipment	4 - 10 years
Motor vehicles	5 - 8 years

Note 11. Property, plant and equipment (continued)

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

The Company commissioned Mark Murray FAPI, Director of O'Brien's Valuers & Property Consultants to assess the market value of the properties owned by the Company in May 2021. The accumulated market value of the properties held by the Company, excluding right-of-use assets, based on the valuations performed totalled $32,405,000, which has not been recognised in the financial statements.

Leased buildings (right-of-use assets)
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 12. Intangibles

	2021 **$**	**2020** **Restated** **$**
Non-current assets		
Software - at cost	165,120	165,120
Less: Accumulated amortisation	(84,455)	(50,401)
	80,665	114,719

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Software $	Total $
Balance at 1 July 2020	114,719	114,719
Amortisation expense	(34,054)	(34,054)
Balance at 30 June 2021	80,665	80,665

Note 12. Intangibles (continued)

Accounting policy for intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 - 10 years.

Software-as-a-Service (SaaS) arrangements
SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. As such the Company does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

Recognise as an operating expense over the term of the service contract	• Fee for use of application software
Recognise as an operating expense as the service is received	• Configuration costs • Data migration costs • Training costs

Note 13. Trade and other payables

	2021 $	2020 Restated $
Current liabilities		
Trade payables	320,409	161,950
Other creditors and accruals	917,265	2,333,074
	1,237,674	2,495,024

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

Note 14. Contract liabilities

	2021 $	2020 Restated $
Current liabilities		
Grants received in advance - capital	-	9,886
Grants received in advance - other	58,882	185,123
Rent received in advance	34,363	18,580
	93,245	213,589

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

Note 15. Lease liabilities

	2021 $	2020 Restated $
Current liabilities		
Lease liabilities	60,664	90,185
Non-current liabilities		
Lease liabilities	244,941	305,652

Accounting policy for lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 16. Employee benefits

	2021 $	2020 Restated $
Current liabilities		
Annual leave	1,366,741	1,142,473
Long service leave	1,033,813	1,141,396
	2,400,554	2,283,869
Non-current liabilities		
Long service leave	254,585	204,693

Note 16. Employee benefits (continued)

Accounting policy for employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 17. Reserves

	2021 $	2020 Restated $
Fundraising reserve	356,564	416,846
Specialist Disability Accommodation reserve	890,258	623,534
	1,246,822	1,040,380

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 18. Contingent liabilities

In prior financial years, the Company received interest free loans from Singleton Equity Housing and Director of Housing. The loans are repayable in the event that the Company sells 23 Atkinson Street, Chadstone. This property is an integral part of the Company's operations and, as a result, the directors have no intention to dispose of the property. It is therefore not probable that a future sacrifice of economic benefits will be required. In the event of the sale of the property, the formula that would be used to calculate the amount repayable is based on the sales price and a valuation made by the Valuer-General.

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 the Company:

- 28 Delia Street, South Oakleigh, entitling it to 56.84% of any proceeds from the sale of that property; and
- 13 George Street, Ashwood, entitling it to 54.9% of any proceeds from the sale of that property.

The Delia and George Street properties are an integral part of the Company's operations and, as a result, the directors have no intention to dispose of the property. It is therefore not probable that a future sacrifice of economic benefits will be required.

At the date of signing these financial statements, the directors are not aware of any other contingent liabilities or contingent assets of the Company.

Note 19. Related party transactions

Key management personnel
The key management personnel compensation was $1,141,348 for the year ended 30 June 2021 (2020: $1,040,663).

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

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

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

Note 20. 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 21. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has impacted the Company up to 30 June 2021, it is not practicable to estimate the potential impact after the reporting date. The Company continues to comply with all Government regulations and advice, as well as working closely with its clients and employees to minimise any impact on its operations. The Company is committed to ensuring that its employees and communities it operates within are kept safe. This is achieved by the Company's senior managers regularly communicating with their teams and keeping them informed about the evolving situation.

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

OC Connections Limited
Directors' declaration
30 June 2021

The directors declare that the attached financial statements are in accordance with the Australia Charities and Not-for-Profits Commission Act 2012 and:

- comply with the, the Australian Accounting Standards - Reduced Disclosure Requirements and the Australian Charities and Not-for-Profits Commission Regulation 2013; and

- give a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

In the opinion of the directors there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the directors

Tom Baxter Director	Michael Dillon Director

13 October 2021

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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 OC Connections Limited (the Company), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Company's financial position at 30 June 2021 and of its financial performance for the year then ended; and

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

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor's report thereon

The Directors responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the ACNC Act, and for such internal controls as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A C Pitts
Partner – Audit & Assurance

Melbourne, 13 October 2021

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