Connections
Opportunity & Choice

2021 | 22 FINANCIAL REPORT

OC Connections Limited

ABN 91 480 733 899

Annual Report - 30 June 2022

OC Connections Limited
Directors' report
30 June 2022

The directors present their report, together with the financial statements, on the Company for the year ended 30 June 2022.

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 (resigned September 2022)
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 seventy 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 356 staff (permanent 283, casual 73) as at 30 June 2022 (2021: 361 staff (permanent 288, casual 73)).

Review of operations

The deficit for the Company amounted to $2,930,619 (2021: surplus of $3,108,835).

Operations were severely impacted by the pandemic in both FY21 and FY22. Underlying operating revenue across the two years is consistent although material savings in expenditures were achieved in FY22. The significant reduction in profitability when comparing the two years is mainly due to the phasing out of the JobKeeper program with a net reduction in income of $5.5m.

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

Subsequent to year end the Company acquired:
- Property at Madeleine Road, Clayton for total consideration of $1,200,000. A deposit of $120,000 was paid in June 2022; and
- Property at View Street, Clayton for total consideration of $1,195,000. A deposit of $119,500 was paid in August 2022.

No other matter or circumstance has arisen since 30 June 2022 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 2022

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

On behalf of the directors

Tom Baxter	Michael Dillon
Director	Director

7 October 2022

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
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Melbourne VIC 3008
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Melbourne VIC 3001

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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 2022, 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

J D Vasiliou
Partner - Audit & Assurance

Melbourne, 7 October 2022

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 (the "Company") is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

773 Warrigal Road
Oakleigh, Victoria, 3166

A description of the nature of the Company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 7 October 2022.

OC Connections Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue			
Revenue	3	18,239,982	18,424,317
Other income	4	288,350	5,960,710
		18,528,332	24,385,027
Expenses			
Employee expenses		(17,521,205)	(18,483,139)
Direct service and program expenses		(341,593)	(345,829)
Motor vehicle expenses		(100,206)	(132,014)
Repairs and maintenance expenses		(148,595)	(146,528)
Property occupancy expenses		(657,510)	(623,425)
Depreciation and amortisation expense	5	(768,582)	(784,847)
Administration and other expenses		(1,510,467)	(1,730,075)
Operating (deficit)/surplus		(2,519,826)	2,139,170
Finance income	6	297,072	981,513
Finance costs	5	(707,865)	(11,848)
(Deficit)/surplus before income tax expense		(2,930,619)	3,108,835
Income tax expense		-	-
(Deficit)/surplus after income tax expense for the year		(2,930,619)	3,108,835
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss)/income for the year		(2,930,619)	3,108,835

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 2022

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	7	2,306,908	6,700,728
Trade and other receivables	8	1,183,026	1,049,794
Contract assets	9	731,021	350,177
Consumables		158,761	59,867
Total current assets		4,379,716	8,160,566
Non-current assets			
Other financial assets	10	7,410,442	6,936,195
Property, plant and equipment	11	13,104,183	13,122,297
Intangibles	12	47,248	80,665
Total non-current assets		20,561,873	20,139,157
Total assets		24,941,589	28,299,723
Liabilities			
Current liabilities			
Trade and other payables	13	901,755	1,237,674
Contract liabilities	14	135,245	93,245
Lease liabilities	16	60,664	60,664
Employee benefits	17	2,306,171	2,400,554
Total current liabilities		3,403,835	3,792,137
Non-current liabilities			
Lease liabilities	16	181,677	244,941
Employee benefits	17	278,636	254,585
Total non-current liabilities		460,313	499,526
Total liabilities		3,864,148	4,291,663
Net assets		21,077,441	24,008,060
Equity			
Reserves	18	1,017,878	1,246,822
Accumulated funds		20,059,563	22,761,238
Total equity		21,077,441	24,008,060

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 2022

	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 reserves	207,608	(207,608)	-
Transfer from reserves	(1,166)	1,166	-
Balance at 30 June 2021	1,246,822	22,761,238	24,008,060

	Reserves $	Accumulated funds $	Total equity $
Balance at 1 July 2021	1,246,822	22,761,238	24,008,060
Deficit after income tax expense for the year	-	(2,930,619)	(2,930,619)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(2,930,619)	(2,930,619)
Transactions recorded directly in equity:			
Transfer from reserves	(228,944)	228,944	-
Balance at 30 June 2022	1,017,878	20,059,563	21,077,441

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 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers and government bodies (inclusive of GST)		18,234,608	26,103,923
Proceeds from donations and bequests		71,647	237,145
Payments to suppliers and employees (inclusive of GST)		(21,117,800)	(22,430,627)
Net cash (used in)/from operating activities		(2,811,545)	3,910,441
Cash flows from investing activities			
Interest and investment income received		297,072	174,894
Payments for property, plant and equipment	11	(717,051)	(102,298)
Net investment in other financial assets		(1,172,896)	(2,350,603)
Proceeds from sale of property, plant and equipment		83,080	-
Net cash used in investing activities		(1,509,795)	(2,278,007)
Cash flows from financing activities			
Repayments to NDIA in relation to NDIS COVID-19 response		-	(1,160,000)
Repayment of lease liabilities		(72,480)	(90,232)
Net cash used in financing activities		(72,480)	(1,250,232)
Net movement in cash and cash equivalents		(4,393,820)	382,202
Cash and cash equivalents at the beginning of the financial year		6,700,728	6,318,526
Cash and cash equivalents at the end of the financial year	7	2,306,908	6,700,728

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

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

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

AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities
The Company has adopted AASB 1060 from 1 July 2021. The standard provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs. As a result, disclosures within the notes of these financial statements have been amended to align with the requirements of AASB 1060. The Company has applied Australian Accounting Standards - Simplified Disclosures retrospectively in accordance with AASB 108.

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 general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, 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.

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

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.

Note 1. Significant accounting policies (continued)

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.

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.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

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.

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.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

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

Note 3. Revenue

	2022 $	2021 $
Government grants and subsidies - federal and state	1,927,809	1,912,885
Sales income	744,263	653,707
Revenue from rendering of services - NDIA	14,570,738	14,794,144
Revenue from rendering of services - other sources	997,172	1,063,581
	18,239,982	18,424,317

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.

Note 3. Revenue (continued)

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 sufficiently 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.

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.

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

Note 3. Revenue (continued)

	2022 $	2021 $
Timing of revenue recognition		
Sales income at a point in time	744,263	653,707
Services transferred over time	17,495,719	17,770,610
	18,239,982	18,424,317
Geographical regions		
Australia	18,239,982	18,424,317

Note 4. Other income

	2022 $	2021 $
Members' contributions	680	840
Donations and bequests	71,647	237,145
Fundraising activities	24,688	56,776
JobKeeper income	43,200	5,521,800
Grants	65,055	122,886
Profit on sale of property, plant and equipment	83,080	21,263
	288,350	5,960,710

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.

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.

Note 4. Other income (continued)

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 5. Expenses

	2022 $	2021 $
(Deficit)/surplus before income tax includes the following specific expenses:		
Depreciation and amortisation		
Property, plant & equipment	735,165	750,793
Intangibles	33,417	34,054
	768,582	784,847
Finance costs		
Interest and finance charges paid/payable on lease liabilities	9,216	11,848
Fair value market loss on other financial assets	698,649	-
Finance costs expensed	707,865	11,848
Superannuation expense		
Defined contribution superannuation expense	1,469,185	1,384,592

Fair value market movements of investments and managed funds are recognised in the Statement of profit or loss in accordance with the Company's investment accounting policies.

Note 6. Finance income

	2022 $	2021 $
Interest and dividend/distribution income from financial assets	297,072	174,894
Fair value market gain on other financial assets	-	806,619
	297,072	981,513

Accounting policy for finance income
Interest income is recognised as it accrues in the Statement of profit or loss and other comprehensive income, using the effective interest method.

Dividend/distribution income is recognised when received or a right to receipt is established.

Fair value market movements of investments and managed funds are recognised in the Statement of profit or loss in accordance with the Company's investment accounting policies.

Note 7. Cash and cash equivalents

	2022 $	2021 $
Current assets		
Cash on hand	24,920	33,920
Cash at bank and short term deposits	2,281,988	6,666,808
	2,306,908	6,700,728

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 8. Trade and other receivables

	2022 $	2021 $
Current assets		
Trade receivables	885,046	846,763
Less: Allowance for expected credit losses	-	(12,933)
	885,046	833,830
Other receivables and prepayments	297,980	215,964
	1,183,026	1,049,794

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 9. Contract assets

	2022 $	2021 $
Current assets		
Contract assets	731,021	350,177

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

Note 10. Other financial assets

	2022 $	2021 $
Non-current assets		
Listed shares - FVTPL	4,891,929	2,579,242
Unlisted units in managed funds - FVTPL	2,518,513	4,356,953
	7,410,442	6,936,195

The listed shares have been valued based on their quoted market prices in active markets. The unlisted units have been valued based on the present value of net cash inflows from expected future dividends and subsequent disposal of the shares.

Accounting policy for other financial assets
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.

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.

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

Note 11. Property, plant and equipment

	2022 $	2021 $
Non-current assets		
Land - at cost	6,915,434	6,915,434
Owned buildings and building improvements - at cost	8,728,819	8,482,249
Less: Accumulated depreciation	(3,725,755)	(3,297,246)
	5,003,064	5,185,003
Leased buildings (right-of-use assets) - at cost	424,916	424,916
Less: Accumulated depreciation	(192,543)	(128,362)
	232,373	296,554
Furniture & equipment - at cost	2,830,167	2,631,921
Less: Accumulated depreciation	(2,238,815)	(2,088,247)
	591,352	543,674
Motor vehicles - at cost	704,276	1,016,331
Less: Accumulated depreciation	(632,013)	(852,162)
	72,263	164,169
Work in progress	289,697	17,463
	13,104,183	13,122,297

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 2021	6,915,434	5,185,003	296,554	543,674	164,169	17,463	13,122,297
Additions	-	-	-	-	-	717,051	717,051
Transfers in/(out)	-	246,570	-	198,247	-	(444,817)	-
Depreciation expense	-	(428,509)	(64,181)	(150,569)	(91,906)	-	(735,165)
Balance at 30 June 2022	6,915,434	5,003,064	232,373	591,352	72,263	289,697	13,104,183

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.

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.

Note 11. Property, plant and equipment (continued)

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	20 - 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 years

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.

Leased buildings (right-of-use assets)
The Company leases certain buildings for its operations under agreements with various lease periods with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

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

	2022 **$**	**2021** **$**
Non-current assets		
Software - at cost	165,120	165,120
Less: Accumulated amortisation	(117,872)	(84,455)
	47,248	80,665

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

	Software $
Balance at 1 July 2021	80,665
Amortisation expense	(33,417)
Balance at 30 June 2022	47,248

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

	2022 $	2021 $
Current liabilities		
Trade payables	390,812	320,409
Other creditors and accruals	510,943	917,265
	901,755	1,237,674

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

	2022 $	2021 $
Current liabilities		
Amounts received in advance - government	87,149	58,882
Amounts received in advance - non-government sources	48,096	34,363
	135,245	93,245

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. Bank facilities

Assets pledged as security
The bank loans are secured by mortgages over certain land and buildings of the Company.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	2022 $	2021 $
Total facilities		
Bank loans	5,350,000	-
Used at the reporting date		
Bank loans	-	-
Unused at the reporting date		
Bank loans	5,350,000	-

Note 16. Lease liabilities

	2022 $	2021 $
Current liabilities		
Lease liabilities	60,664	60,664
Non-current liabilities		
Lease liabilities	181,677	244,941
Future lease payments		
Future lease payments, being the gross cash outflows that will occur in future years, are as follows:		
Within one year	71,976	72,480
One to five years	185,668	257,140
	257,644	329,620

Note 16. Lease liabilities (continued)

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 17. Employee benefits

	2022 $	2021 $
Current liabilities		
Annual leave	1,409,046	1,366,741
Long service leave	897,125	1,033,813
	2,306,171	2,400,554
Non-current liabilities		
Long service leave	278,636	254,585

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.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 18. Reserves

	2022 $	2021 $
Fundraising reserve	373,255	356,564
Specialist Disability Accommodation reserve	644,623	890,258
	1,017,878	1,246,822

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 19. Contingent assets

On 22 June 2022, the National Disability Insurance Agency (NDIA) announced that it will make up to an extra $514 million available to registered providers of activities of daily living and community participant supports to recognise costs of keeping participants safe, particularly during COVID, and the significant overhead costs incurred by providers. This will be a one-off payment made to eligible participants.

The Company's share of the additional funding is $449,533, which was received by the Company subsequent to 30 June 2022 after execution of a deed with the NDIA and after the Company had concluded that it had met all of the eligibility criteria set out by the NDIA in the deed.

The Company did not recognise the income or a receivable for the additional funding at 30 June 2022 on the basis that the Company was not virtually certain at 30 June 2022 that it had met all of the eligibility criteria set out by the NDIA in the deed at 30 June 2022.

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

Note 20. 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 of the Company.

Note 21. Commitments

	2022 $	2021 $
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	1,080,000	-

The above commitments relate to land at Madeline Road, Clayton. A deposit for the land totalling $120,000 was paid by the Company in June 2022. Subsequent to year end the Company acquired the land for the remaining balance of the purchase agreement for $1,080,000.

Note 22. Related party transactions

Parent entity
OC Connections Limited is the parent entity.

Key management personnel
The key management personnel compensation was $1,121,408 for the year ended 30 June 2022 (2021: $1,141,348).

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 23. 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 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Company:

	2022 $	2021 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit of the financial statements	33,075	31,500
Other services - Grant Thornton Audit Pty Ltd		
Preparation of the financial statements	3,150	3,000
System configuration and payroll reviews	42,472	-
	45,622	3,000
	78,697	34,500

Note 25. Events after the reporting period

Subsequent to year end the Company acquired:
- Property at Madeleine Road, Clayton for total consideration of $1,200,000. A deposit of $120,000 was paid in June 2022; and
- Property at View Street, Clayton for total consideration of $1,195,000. A deposit of $119,500 was paid in August 2022.

No other matter or circumstance has arisen since 30 June 2022 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 2022

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 - Simplified Disclosures 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 2022 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

Mick Dillon

Tom Baxter
Director

Michael Dillon
Director

7 October 2022

Grant Thornton

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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 2022, and 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 as at 30 June 2022 and of its financial performance for the year then ended; and

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

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2022, 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 - *AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and the ACNC Act, and for such internal control 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 intend to liquidate the Company or to cease operations, or have 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

J Vasiliou

J D Vasiliou
Partner – Audit & Assurance
Registration No. 195547

Melbourne, 7 October 2022

OC Connections
Opportunity & Choice

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