



INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

For the year ended 30 June 2021

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

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INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

DIRECTORS' REPORT

The Directors of Redundancy Payment Central Fund Ltd trading as Incolink (the Company) present their report together with the Combined Special Purpose Accounts of the Incolink Group of Entities (the Group) for the financial year ended 30 June 2021 and the auditor's report thereon.

1. Directors

The Directors of the Company (all non-executive) at any time during the financial year and until the date of this report are as follows:

Mr Ralph Edwards
Mr Noel Washington
Mr Earle Setches
Mr Hedley Davis
Mr Kenneth Gardner
Mr William Oliver
Mr Michael O'Neill
Ms Michaela Lihou (appointed 30 April 2021)
Mr Saeed Mirbagher (appointed 1 June 2021)
Mr Radley de Silva (resigned 30 April 2021)
Ms Louise Hansen (resigned 31 May 2021)

2. Chairman

Mr Brian Boyd

3. Company secretary

Mr Tri Duc Nguyen

4. Directors' meetings

The number of Board meetings attended by each Director of the Company, whilst in office, during the financial year was:

Director	Board Meetings Eligible to Attend	Board Meetings Attended
Mr Ralph Edwards	11	11
Mr Noel Washington	11	11
Mr Earle Setches	11	11
Mr Hedley Davis	11	10
Mr Ken Gardner	11	11
Mr Michael O'Neill	11	11
Mr William Oliver	11	11
Ms Michaela Lihou	2	2
Mr Saeed Mirbagher	1	1
Ms Louise Hansen	10	8
Mr Radley de Silva	9	9

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

DIRECTORS' REPORT (CONTINUED)

5. Principal activities

The principal activity of the Company during the course of the financial year was to act as trustee for the following trusts:

- Redundancy Payment Central Fund
- Redundancy Payment Central Fund No. 2
- Redundancy Payment Approved Worker Entitlement Fund 1
- Redundancy Payment Approved Worker Entitlement Fund 2
- Construction Industry Complying Portable Sick Leave Pay Scheme
- Metal and Engineering Construction and Contracting Industries Complying Portable Sick Leave Pay Scheme

The Company is also the ultimate holding company of the following companies:

- IPT Agency Co. Ltd
- IPT Agency Co (No. 2) Ltd
- Incolink Foundation Ltd
- Red (4) Investments Pty Ltd
- Red (5) Investments Pty Ltd

The Company's objective is to act as Trustee and administer those industry funds that provide a range of benefits and services to members of the above schemes.

6. Operating results

The net profit of the Group for the financial year after providing for income tax was \$68.96 million (2020: loss \$7.11 million). The Company generated a net profit after tax of \$Nil (2020: \$Nil).

7. Distributions/Dividends

Distributions have been disbursed by Redundancy Payment Central Fund and Redundancy Payment Central Fund No. 2 in line with the appropriate Trust Deeds. No dividends were declared or paid during the year ended 30 June 2021 and the Directors do not recommend that a dividend should be paid.

8. Likely developments

The *Fair Work Laws Amendment (Proper Use of Worker Benefits) Bill 2019* is currently before Parliament. If passed, the Bill will have regulatory compliance implications for Incolink in terms of staff resourcing and compliance reporting obligations. The Bill is unlikely to be passed within the next 12 months.

9. Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify all current and former Directors of the Company against all liabilities to another person that may arise from their position as Directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has agreed to indemnify all senior executives for all liabilities to another person that may arise from their position in the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including legal fees.

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

DIRECTORS' REPORT (CONTINUED)

11. Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). The indemnity does not extend to any liability resulting from a negligent, wrongful or wilful act or omission by Ernst & Young. No payment has been made to indemnify Ernst & Young during or since the financial year.

12. Events after the reporting date

Please refer to Note 21 of the Combined Special Purpose Accounts for details on events after the reporting date.

13. Significant changes in state of affairs

The COVID-19 pandemic continued to have an impact on the operational activities of Incolink during FY21.

Equity investment markets recovered strongly during the year due to the significant policy stimulus measures deployed in response to the crisis together with increased optimism around economic re-openings and vaccinations. However, there remains uncertainty as to the ongoing impacts of COVID-19 on the economy as a whole and more specifically, the Victorian building and construction industry. Together with recurrent government-imposed restrictions on worksite capacity limits due to COVID-19 outbreaks, this has increased the focus on portfolio liquidity levels in order to meet anticipated member claim payments.

Operationally, Incolink has continued to provide COVID-19 hardship payments to qualifying members and has also provided more options to members around the quantum of their termination payments. The business remains committed to being pro-active in working with government and construction industry stakeholders to facilitate the continuity of safe working conditions and practices on construction sites. This has involved facilitating onsite asymptomatic COVID-19 testing for our members, providing extra support and counselling services for members and advocating for the delivery of Incolink led onsite COVID-19 vaccinations for members.

Incolink continues to monitor the COVID-19 pandemic situation and will take further action as necessary in response to this health and economic crisis.

Also, during the financial year Incolink entered into a service level agreement with a third-party redundancy fund scheme to provide set-up and ongoing administration services to that fund.

This report is made out in accordance with a Resolution of the Board of Directors and is signed for and on behalf of the Directors.



Earle Setches, Director



Ken Gardner, Director

Melbourne,
15 September 2021

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

COMBINED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$	2020 \$
Revenue			
Investment income	2	109,143,095	17,614,192
Other income	3	11,114,368	10,360,037
Expenses			
Operating expenses	4	(15,092,442)	(15,889,006)
Operating profit for the year		105,165,021	12,085,223
Income tax expense	18	(22,543,142)	(3,332,268)
Operating profit after income tax		82,621,879	8,752,955
Non-beneficiary industry grants		(4,791,638)	(4,849,957)
Scheme insurances		(6,489,213)	(7,300,205)
Other non-operating expenses	5	(2,381,354)	(3,709,114)
Total non-operating expenses		(13,662,205)	(15,859,276)
Net profit/(loss) after income tax		68,959,674	(7,106,321)
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year		68,959,674	(7,106,321)

The above statement of comprehensive income should be read in conjunction with the accompanying notes which form part of the Combined Special Purpose Accounts

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

COMBINED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2021 \$	2020 \$
Assets			
Cash and cash equivalents	6	61,096,974	80,145,433
Trade receivable and other assets	7	3,393,182	1,386,718
Financial assets at amortised cost	8	70,125,044	-
Financial assets at fair value through profit or loss	9	853,189,407	811,583,944
Right-of-use assets	14	535,608	697,825
Intangible assets	10	1,615,894	2,033,708
Property, plant and equipment	11	30,180,196	29,353,222
Total Assets		1,020,136,305	925,200,850
Trading Liabilities			
Trade and other payables	12	13,063,880	10,693,261
Employee benefits	13	1,392,734	1,058,392
Lease liabilities	14	553,490	708,362
Income taxes payable		19,264,791	5,387,524
Deferred tax liability		9,251,589	10,723,349
Total Trading Liabilities		43,526,484	28,570,888
Member Liabilities			
Worker member liability balances	15	779,533,581	746,256,418
Apprentice member liability provision	16	12,856,283	12,046,399
Total Member Liabilities		792,389,864	758,302,817
Total Liabilities		835,916,348	786,873,705
Net Assets		184,219,957	138,327,145
Equity			
Retained earnings		41,696,688	(13,326,703)
Distributable capital		46,084,053	66,122,161
Reserves	17	96,439,216	85,531,687
Total Equity		184,219,957	138,327,145

The above statement of financial position should be read in conjunction with the accompanying notes which form part of the Combined Special Purpose Accounts

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

NOTES TO THE COMBINED SPECIAL PURPOSE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2021

1. Statement of significant accounting policies

(a) Basis of preparation

In the opinion of the Directors, the Incolink Group is not a reporting entity. The Combined Special Purpose Accounts have been prepared to satisfy the needs of the members.

The Combined Special Purpose Accounts have been prepared in accordance with the accounting policies disclosed below, which the Directors have determined are appropriate to meet the needs of the users. Such accounting policies are consistent with the previous period unless stated otherwise.

The Combined Special Purpose Accounts have been prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes.

Principles of combination

The Combined Special Purpose Accounts are that of the Incolink Group, comprising the Company and the following entities:

- Redundancy Payment Central Fund
- Redundancy Payment Central Fund No. 2
- Redundancy Payment Approved Worker Entitlement Fund 1
- Redundancy Payment Approved Worker Entitlement Fund 2
- Red (4) Investments Pty Ltd
- Red (5) Investments Pty Ltd
- Construction Industry Complying Portable Sick Leave Scheme
- Metal and Engineering Construction and Contracting Industries Complying Portable Sick Leave Pay Scheme
- IPT Agency Co. Ltd
- IPT Agency Co (No. 2) Ltd
- Incolink Foundation Ltd
- Red Property Management Pty Ltd*

*Red Property Management is included in the comparative figures for 30 June 2020 financial year as it was part of the Incolink Group at this time. The company was voluntarily deregistered during 2021 and therefore does not form part of the Group as at 30 June 2021.

The entities combined to form the Incolink Group do not represent a single economic entity and therefore the principles of consolidation do not apply. These Combined Special Purpose Accounts are an aggregation of the financial information of the above entities. The financial information of the combined entities is prepared for the same reporting period and using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist. All inter-group balances and transactions, including any unrealised profits or losses have been eliminated.

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

The Combined Special Purpose Accounts are presented in Australian dollars which is the Group's functional and presentation currency.

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

NOTES TO THE COMBINED SPECIAL PURPOSE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

In determining the appropriate basis of preparation of the Combined Special Purpose Accounts, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Directors have considered the plans, forecasts and all available information, including the significant COVID-19 consequences as detailed in the Directors' Report. Whilst significant estimates and judgements including the impacts of the wider economic environment are always required, in the opinion of the Directors the going concern assumption is appropriate in the preparation of the Combined Special Purpose Accounts.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank and deposits held at call with banks.

(c) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and the income can be reliably measured.

Revenue is measured at the value of the consideration received or receivable.

All revenue is stated net of the amount of goods and services tax (GST).

Investment income

Investment income is derived by obtaining the movement in market value of the investments from period to period, using the closing unit price provided by all applicable investment fund managers. Distributions from investments are recognised in the period in which they are received or, if applicable, when the units are reinvested in the relevant fund.

Interest revenue

Interest earned on financial assets classified as at amortised cost and fair value through profit and loss is recorded in interest revenue according to the terms of the applicable contract.

Other income

Training levy contributions retained

Training fund contributions are collected from employers on behalf of their workers at a rate stipulated in an Enterprise Bargaining Agreement (EBA). Contributions are recognised as they are collected. The contributions are to be directed towards ongoing training in the building industry and to improve employee work skills. The Group retains contributions in order to facilitate such training grants to the industry.

Occupational health & safety grant income

Funding is received from the State Government of Victoria in order to jointly support occupational health and safety (OH&S) projects in the Victorian commercial building and civil construction industry. OH&S grant

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

NOTES TO THE COMBINED SPECIAL PURPOSE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

income is recognised as the grant is accrued over the period of the agreement. This funding is then forwarded to stakeholders to facilitate the abovementioned purpose.

Government stimulus income

Payments have been received from the Australian Taxation Office as part of the government stimulus measures available for businesses during the COVID-19 pandemic. Monies have been received as part of the JobKeeper payment scheme and the tax-free cashflow boost. Income is recognised in the period to which it is attributed.

Revenue from contracts with customers

Under AASB 15 *Revenue from Contracts with Customers*, revenue received as part of a contract is required to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has identified a single revenue stream which incorporates investment income, and which is not linked to a contract with a customer. An assessment performed of the applicable aspects under the relevant standard has determined that they are not applicable to investment income.

(d) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, to the extent that GST incurred is recoverable from the Australian Taxation Office. Where GST is not recoverable, the GST is recognised as a separate operating expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(e) Income tax

Income tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the Australian Taxation Office, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The Group recognises a deferred tax liability (DTL) on the unrealised mark to market gains on financial assets at fair value through profit and loss. This is measured by calculating the temporary differences arising between the tax (cost) base and the fair value of each investment asset and applying the relevant tax rates expected to apply in future periods when the assets are realised.

(f) Trust net income distributions

In accordance with the relevant Trust Deeds, Trusts within the group distribute net income to beneficiaries. Distributions are payable/credited to the beneficiaries after the end of each financial year. The distribution amount is transferred to the beneficiaries account pursuant to a Heads of Agreement between the parties and used to fund grants to the beneficiaries. Any amount unapplied to grants remains in the beneficiaries account to be applied as such in the following years.

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

NOTES TO THE COMBINED SPECIAL PURPOSE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

(g) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, or fair value through profit or loss. The Group does not hold financial assets classified as at fair value through comprehensive income (OCI), which is the third possible category.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

NOTES TO THE COMBINED SPECIAL PURPOSE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

And;

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment of financial assets

Impairment on financial assets is recognised on an expected credit loss (ECL) model at the time of introduction of the financial asset. A simplified approach is used to determine impairment of financial assets which include trade receivables and sundry debtors.

The Group has applied the expected credit loss model and considered the relevant judgement in relation to the requirements of impairment. Based on all available factors the Group has assessed an expected credit loss as close to zero and, being immaterial, no amount is taken up for impairment.

The general approach is applied to inter-company receivables and loans. This requires an ECL to be recognised in two stages: 1) For those credit exposures with no significant increase in credit risk since initial recognition, entities are required to provide for default events that are possible in the next 12 months and 2) for those with a significant increase in exposure since initial recognition, a loss allowance is also required for credit losses expected over the remaining life of the exposure.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

At initial recognition, financial liabilities are measured at fair value less any directly attributable transaction costs.

Subsequent measurement

All financial liabilities are classified by the Group as subsequently measured at amortised cost using the effective interest method.

Any gain or loss on a financial liability that is measured at amortised cost shall be recognised in profit or loss when the liability is derecognised and through the amortisation process.

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

NOTES TO THE COMBINED SPECIAL PURPOSE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(h) Intangible assets

The Group recognises internally developed software and software purchases as intangible assets.

Intangible assets are measured on initial recognition at cost. Following initial recognition intangible assets are varied at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period for intangible assets with a finite useful life is reviewed at least at the end of each reporting period.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset is included in the statement of comprehensive income.

Software development costs

Internally generated software development costs are capitalised until such time as the project is complete. Thereon the software is considered available for use and amortisation begins to be applied.

A summary of the policies applied to the Group's intangible assets is as follows:

	Internally Developed Software	IT Software
Useful lives	Finite (7 years)	Finite (4 years)
Amortisation method used	Amortised on a straight- line basis over the period of use	Amortised on a straight- line basis over the period of use
Internally generated or acquired	Internally generated	Acquired

(i) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction).

Independent property valuations are performed at least every three years by a certified property valuer, or more often if the market is assessed as having changed materially.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against the related

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

NOTES TO THE COMBINED SPECIAL PURPOSE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment and other fixed assets are measured at cost less depreciation and impairment losses.

Depreciation

The depreciable amount of all property, plant and equipment including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leased assets and leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

The depreciation rates used for each class of depreciable assets are:

<i>Class of property, plant & equipment</i>	<i>Depreciation rate</i>	<i>Useful life (Years)</i>
Plant and equipment	20.00%	5
Furniture and fittings	10.00%	10
Motor vehicles	22.50%	4.4
IT/Communications equipment	14% to 33%	3 to 7
Buildings*	3.70%	27

*From 1 July 2021, this rate will update to 3.85% due to revaluation and remaining existing useful life of 26 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(j) Trade and other payables

Trade and other payables are measured at amortised cost and represent liabilities for goods and services provided to the Group during the financial year that remain unpaid at year end. The Group is obligated to make future payments in respect of the purchase of these goods and services.

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of amounts required to settle the obligation at the end of the reporting period.

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

NOTES TO THE COMBINED SPECIAL PURPOSE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

Grants payable are recognised when a Grant Finance Agreement (GFA) has been duly executed and the Group (as Grantor) is legally required to fulfil its obligations under the contract to the Grantee. The liability for GFAs executed between the Group and a beneficiary to one of the Trusts is drawn against the beneficiaries account or capital reserve of the applicable Trust. All other GFAs are taken to the statement of comprehensive income as non-beneficiary industry grants. The liability for grants payable is extinguished as each reporting milestone is met by the relevant grant recipient.

(k) Employee benefits

Short-term employee benefits

Short-term employee benefits, other than termination benefits, are benefits that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related services. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Long-term employee benefits

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements.

(l) Member liabilities

Worker member liability balances

This liability represents the balance of redundancy contributions held in trust on behalf of worker members of the Fund.

Apprentice member liability provision

This liability represents a provision for financial redundancy obligations to apprentice workers based on Trust Deed provisions. At least every three years an independent external actuary evaluates the methodology and assumptions underpinning this liability valuation.

(m) Leases

The Group assesses at contract inception, whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

NOTES TO THE COMBINED SPECIAL PURPOSE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying assets is available for use). Right-of-use assets are measured at cost, less any accumulated amortisation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are amortised on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- | | |
|---|--------------|
| - Right to use premises (office leases) | 3 to 5 years |
| - Equipment lease | 7.6 years |

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. These lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses the government bond yield rate applicable to the average lease terms for the group of assets. The interest rate implicit in the lease is not readily determinable and the Group is unable to use an incremental borrowing rate as the Group does not have any such borrowings to which it can refer.

After the commencement date, subsequent payments for the lease are separated into principal and interest components. The liability is extinguished as payments are made and the interest component on the lease is taken to the statement of comprehensive income. In addition, the carrying amount of the lease liability is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases i.e. those leases that have a lease term of 12 months or less from commencement date that do not contain a purchase option.

The Group applies the low value lease recognition exemption to leases determined to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

NOTES TO THE COMBINED SPECIAL PURPOSE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

(n) Significant judgements and estimates – valuation of land and building

As outlined in the accounting policies, the land and building are measured initially at cost, including transaction costs. Subsequent to initial recognition, the land and building are stated at the revalued carrying amount, which reflects market conditions at the reporting date. Adjustments to the revalued carrying amount arising from changes in the valuation of the land and building are included in the revaluation reserve in the period in which the revaluation is undertaken.

Revalued amounts are determined based on the valuation performed by a qualified external independent valuer. The independent property valuation is performed at least every three years, or more often if the market is assessed as having changed materially.

At 30 June 2020 and continuing to 30 June 2021 there was significant valuation uncertainty relating to the land and building valuation. This uncertainty affects our valuer's ability and therefore our ability to reliably determine the key judgements and assumptions used in the property valuations.

Two property valuation approaches are generally adopted by valuer: The Income Capitalisation approach and the Discounted Cash Flow approach to arrive at a range of valuation outcomes, from which a best estimate of fair value is derived at a point in time.

The COVID-19 situation is causing significant economic and social uncertainty both globally and locally. The property valuers expect this to negatively impact commercial real estate in the short term and assumptions have been made given the lack of market sales and leasing evidence as a result.

Due to the valuation uncertainty, the property value may change significantly and unexpectedly over a relatively short period of time. The property valuation has been prepared based on the information that is available at 30 June 2021.

	2021	2020
	\$	\$
2. Investment income		
Net mark to market movement in fair value	65,026,826	(18,489,629)
Distributions received	33,302,954	23,498,913
Interest revenue	7,152,761	9,418,013
Other	3,660,554	3,186,895
	<u>109,143,095</u>	<u>17,614,192</u>
3. Other income		
Training levy contributions retained	6,161,941	6,299,162
Occupational health and safety grant income	2,000,000	2,000,000
Late payment fees	442,175	601,247
Management fee income	621,234	690,902
Government stimulus income	601,650	647,850
Other	1,287,368	120,876
	<u>11,114,368</u>	<u>10,360,037</u>

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

NOTES TO THE COMBINED SPECIAL PURPOSE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$	2020 \$
4. Operating expenses		
Audit, tax and accounting fees	549,413	503,807
Staff & related expenses	8,675,282	9,096,720
Depreciation & amortisation	1,411,344	1,368,226
Occupancy expenses	1,006,238	1,147,306
Industry sponsorships & donations	522,094	464,158
Printing, stationery & postage	14,395	57,548
Legal fees	80,567	53,988
Consultancy fees	439,703	498,584
Marketing expenses	449,475	565,658
IT expenses	596,275	533,428
Corporate insurances	193,936	189,242
GST expense	353,669	450,689
Depreciation of right-of-use assets	152,025	156,238
Interest on lease liabilities	7,105	8,642
Other operating expenses	640,921	794,772
	<u>15,092,442</u>	<u>15,889,006</u>
5. Other non-operating expenses		
Forfeited balances reinstated	80,945	521,754
Member balance adjustments	-	(90,797)
Apprentice liability expense	2,300,409	3,278,157
	<u>2,381,354</u>	<u>3,709,114</u>
6. Cash and cash equivalents		
Cash at bank	<u>61,096,974</u>	<u>80,145,433</u>
7. Trade receivable and other assets		
Related party receivables	15,965	30,303
Trade receivables	2,052,132	855,264
Sundry debtors	169,877	214,190
Prepayments	1,155,208	286,961
	<u>3,393,182</u>	<u>1,386,718</u>
8. Financial assets at amortised cost		
Unlisted property debt	67,477,703	-
Interest receivable on unlisted property	2,647,341	-
	<u>70,125,044</u>	<u>-</u>

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

NOTES TO THE COMBINED SPECIAL PURPOSE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$	2020 \$
9. Financial assets at fair value through profit or loss		
Cash and fixed interest	196,581,343	212,665,229
Alternative credit	135,180,591	57,032,050
Diversifying alternatives	101,482,386	133,568,345
Australian and international equities	301,297,451	231,743,163
Property and infrastructure	118,647,636	176,575,157
	<u>853,189,407</u>	<u>811,583,944</u>
10. Intangible assets		
IT software and development costs	5,005,540	4,899,098
Less: accumulated depreciation	<u>(3,389,646)</u>	<u>(2,865,390)</u>
Total intangible assets	<u>1,615,894</u>	<u>2,033,708</u>
11. Property, plant and equipment		
Land and buildings – at revalued amount	29,900,000	29,000,000
Less: accumulated depreciation	<u>-</u>	<u>-</u>
Total land and buildings	<u>29,900,000</u>	<u>29,000,000</u>
Plant and equipment – at cost	1,580,430	1,508,077
Less: accumulated depreciation	<u>(1,300,234)</u>	<u>(1,154,855)</u>
Total plant and equipment	<u>280,196</u>	<u>353,222</u>
Total property, plant and equipment	<u>30,180,196</u>	<u>29,353,222</u>
12. Trade and other payables		
Accounts payable	657,877	821,108
Sundry creditors and accrued expenses	5,375,361	5,887,729
Industry grants payable	7,030,642	3,984,424
	<u>13,063,880</u>	<u>10,693,261</u>
13. Employee benefits		
Annual leave	544,704	425,392
Personal leave	442,819	319,880
Long service leave	405,211	313,120
	<u>1,392,734</u>	<u>1,058,392</u>

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

NOTES TO THE COMBINED SPECIAL PURPOSE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

14. Leases

Right-of-use assets

Set out below are the carrying amounts of right-of-use assets and the movements during the period:

	Property leases	Equipment Leases	Total
	\$	\$	\$
As at 1 July 2019	155,464	-	155,464
Additions	-	704,328	704,328
Adjustment for lease modification	(5,729)	-	(5,729)
Depreciation expense	(63,360)	(92,878)	(156,238)
As at 30 June 2020	<u>86,375</u>	<u>611,450</u>	<u>697,825</u>
Adjustment for lease modification	-	(10,192)	(10,192)
Depreciation expense	(60,695)	(91,330)	(152,025)
As at 30 June 2021	<u>25,680</u>	<u>509,928</u>	<u>535,608</u>

Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Property leases	Equipment Leases	Total
	\$	\$	\$
As at 1 July 2019	159,846	-	159,846
Additions	-	704,328	704,328
Adjustment for lease modification	(5,729)	-	(5,729)
Payments	(60,191)	(89,893)	(150,083)
As at 30 June 2020	<u>93,926</u>	<u>614,436</u>	<u>708,362</u>
Adjustment for lease modification	-	(10,192)	(10,192)
Payments	(64,108)	(80,572)	(144,680)
As at 30 June 2021	<u>29,818</u>	<u>523,672</u>	<u>553,490</u>

Maturity analysis – contractual undiscounted cash flows

	2021	2020
	\$	\$
Less than one year	127,061	161,338
One to five years	387,660	417,813
More than five years	56,588	153,496
Total undiscounted lease liabilities at 30 June 2021	<u>571,309</u>	<u>732,647</u>
Lease liabilities included in the statement of financial position	<u>553,490</u>	<u>708,362</u>
Current	121,489	154,872
Non-current	432,001	553,490

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

NOTES TO THE COMBINED SPECIAL PURPOSE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

14. Leases continued

Amounts recognised in profit or loss

The following are the amounts recognised in profit or loss in relation to operating leases:

	2021	2020
	\$	\$
Depreciation of right-of-use assets	152,025	156,238
Interest on lease liabilities	7,105	8,642
Expenses relating to short-term leases	4,546	4,546
Expenses relating to leases of low-value assets	95,002	94,096
Total amount recognised in profit or loss	258,678	263,522
15. Worker member liability balances		
Opening balance	746,256,418	698,980,368
Employer redundancy contributions	167,106,982	158,080,640
Forfeited balances reinstated	80,945	521,754
Apprentice credits rolled over	3,599,075	3,884,200
Claims and transfers	(137,509,839)	(115,210,544)
Closing balance	779,533,581	746,256,418
16. Apprentice member liability provision		
Opening balance	12,046,399	10,623,630
Apprentice levy collected	2,108,551	2,028,812
Apprentice liability expense	2,300,409	3,278,157
Apprentice credits rolled over	(3,599,076)	(3,884,200)
Closing balance	12,856,283	12,046,399

In line with the policy outlined in Note 1, the Group engaged Finity Actuarial & Insurance Consultants to perform an actuarial assessment of the assumptions and methodologies underpinning the apprentice member liability provision as at 30 June 2020. Following that valuation, the claim rates for members in some cohorts were reduced to more accurately reflect the current data. The liability was discounted based on the implied government bond yield for a weighted average term until claim of 21 months. In order to provide the highest level of confidence that the provision is large enough to cover all future claims, the valuation is recognised to the 95% percentile. At 30 June 2021 the Group revised the discount rate from 0.27% to 0.06% to reflect the relevant government bond yield applicable at that date.

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

NOTES TO THE COMBINED SPECIAL PURPOSE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$	2020 \$
17. Reserves		
Asset revaluation reserve (i)	16,700,727	15,059,987
Beneficiaries account	31,514,945	7,758,481
Capital reserve	48,223,544	62,713,219
Total reserves closing balance	<u>96,439,216</u>	<u>85,531,687</u>
 (i) Asset revaluation reserve		
Opening balance	15,059,987	13,584,125
Property revaluation	1,640,740	1,475,862
Closing balance	<u>16,700,727</u>	<u>15,059,987</u>

Property revaluations are based upon reports prepared by m3property (Vic) Pty Ltd, an independent, certified property valuer, as to the market value of the property at 151 Rathdowne Street as at 30 June in the relevant year. Valuations are to be performed at least every three years, or more often if the market is assessed as having changed materially. As at 30 June 2020 and 30 June 2021 it was determined appropriate for a valuation to be performed.

As at 30 June 2021 the independent valuation has been impacted by the market uncertainty that the COVID-19 pandemic has caused. Consequently, the valuer noted that their assessed value may change significantly and unexpectedly over a relatively short period of time. Given the valuation uncertainty noted, the 30 June 2021 valuation should be considered appropriate for the date of valuation only.

	2021 \$	2020 \$
18. Income tax expense		
Current income tax expense		
Current income tax charge	24,098,979	5,700,728
Adjustment in respect of current income tax of previous year	(84,077)	446,883
Deferred income tax expense		
Relating to origination and reversal of temporary differences	(1,471,760)	(3,325,567)
Unwinding of deferred tax adjustment in other capital reserve	-	510,224
	<u>22,543,142</u>	<u>3,332,268</u>

19. Forfeited balances reinstated contingent liability

The trusts within the Group reinstate forfeited member balances on an ad-hoc basis upon application by the member. The Trustee is under no obligation, under the trust deed or otherwise, to reverse a previously forfeited amount. Typically, applications to reverse forfeited balances have not been denied.

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

NOTES TO THE COMBINED SPECIAL PURPOSE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

19. Forfeited balances reinstated contingent liability continued

These reinstatements are subject to the receipt of an application from the member and are not within the control of the trust fund. Therefore, it is not practicable to determine or state the timing or amount of any potential payment. Accordingly, no provision for any liability has been made in these Combined Special Purpose Accounts.

20. Segment Information

The Incolink Group operates solely within Australia in one industry segment.

21. Events after the reporting period – COVID-19 pandemic

The COVID-19 pandemic continues to impact business and the economy in Australia. Government imposed lockdown restrictions have been implemented in Victoria (and other Australian states) throughout FY21 and this has continued into FY22.

Incolink continues to monitor the situation as it affects the building and construction industry with site capacity/density limits having been re-introduced to building sites in the most recent announcement. The impact of these restrictions is considered a non-adjusting event as they relate to circumstances that arose after the reporting period.

INCOLINK COMBINED SPECIAL PURPOSE ACCOUNTS

DIRECTORS' DECLARATION

Directors' declaration for the year ended 30 June 2021

The Directors of the entities within the combined Group declare that:

- a) In the Directors' opinion, the attached Combined Special Purpose Accounts and notes are in accordance with the accounting policies outlined in Note 1 to the Combined Special Purpose Accounts and present fairly the financial position and performance of the combined Group as at 30 June 2021; and
- b) In the Directors' opinion, there are reasonable grounds to believe that each entity within the combined Group as at 30 June 2021 will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board



Earle Setches, Director

**Melbourne,
15 September 2021**



Ken Gardner, Director



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working world**

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Independent Auditor's Report to the Directors of Incolink Group

Opinion

We have audited the accompanying combined special purpose accounts of Incolink Group (collectively the Group), which comprises the combined statement of financial position as at 30 June 2021, the combined statement of comprehensive income and notes to the combined special purpose accounts, including a summary of significant accounting policies, and the directors' declaration. The Group comprises the entities specified in Note 1 to the combined special purpose accounts

In our opinion, the accompanying combined special purpose accounts have been prepared, in all material respects, in accordance with the accounting policies described in Note 1 to the combined special purpose accounts.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the combined special purpose accounts 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.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Reliance

We draw attention to Note 1 to the combined special purpose accounts which describes the basis of accounting. The combined special purpose accounts are prepared to assist the Group to meet the requirements of the members. As a result, the combined special purpose accounts may not be suitable for another purpose. Our report is intended solely for the Group and members of the Incolink Group (collectively the Recipients) and should not be distributed to parties other than the Recipients. A party other than the Recipients accessing this report does so at their own risk and Ernst & Young expressly disclaims all liability to a party other than the Recipients for any costs, loss, damage, injury or other consequence which may arise directly or indirectly from their use of, or reliance on the report. Our opinion is not modified in respect of this matter.

Information Other than the Combined Special Purpose Accounts and Auditor's Report Thereon

The directors are responsible for the other information. The other information are the Directors' Report and the Annual Report accompanying the combined special purpose accounts.

Our opinion on the combined special purpose accounts 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 combined special purpose accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the combined special purpose accounts 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 Combined Special Purpose Accounts

The directors of the Group are responsible for the preparation of the combined special purpose accounts in accordance with accounting policies described in Note 1 to the combined special purpose accounts and for such internal control as the directors determine is necessary to enable the preparation of the combined special purpose accounts that is free from material misstatement, whether due to fraud or error.

In preparing the combined special purpose accounts, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Combined Special Purpose Accounts

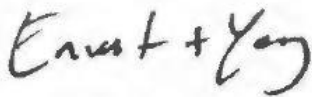
Our objectives are to obtain reasonable assurance about whether the combined special purpose accounts as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not 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 combined special purpose accounts.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined special purpose accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined special purpose accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined special purpose accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young
Melbourne
15 September 2021