

Ability Works Australia Ltd

ACN 075 933 612

Annual Report - 30 June 2021

Ability Works Australia Ltd
Directors' report
30 June 2021

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

Directors

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

Qualifications, Experience and Special Responsibilities

Frederick Woods
(Director since 1996)

Self-employed; over twenty years management experience both within the disability field and mainstream manufacturing. Special responsibilities as employee advocate on the Board.

Clive Lavery
(Director since 1997, Resigned 19 October 2020)

Business Consultant; twenty years senior management experience in commerce and manufacturing.

Trevor White
(Director since 2003)

Bachelor Commerce (Accounting and Financial Management), Master Business Administration. Fifteen years' experience in Managing Director and General Management positions in multi-site, industrial product businesses with operations throughout Australia, NZ and SE Asia.

David McMillan
(Director since 2010)

Director of McMillan Property Advisory P/L, property advisers to buyers and sellers. Director of Aldig Contracting P/L, civil excavation and contracting. David is a former Registered Building Contractor.

Caroline Evans
(Director since November 2017)

Caroline is currently CEO, of the Yarra Valley Winegrowers Association and joined the Board in November 2017. Caroline brings 22 years of marketing, financial, manufacturing, business strategy and governance experience to the Board. Her former roles have included CEO, Yarra Valley Dairy and sales, marketing and communications management roles. She has completed the Australian Institute of Company Directors course and is on the Ability Works Audit & Risk management committee

James Edmonds
(Director since November 2017)

As Managing Director of Rogers Seller & Myhill Pty. Ltd, James brings commercial strengths of strategy & innovation, marketing and logistics expertise to the Board. James joined the Board in Nov 2017 and is using his expertise to assist the organisation build a unique strategic proposition.

Russell Jones
(Director since November 2017)

Russell has recently retired as General Manager, People & Safety at MEGT Ltd, a not for profit organisation that supports apprentices, jobseekers and students, by providing employment, training and education solutions. Russell's former roles include Human Resources Management at Wesley Mission, City of Boroondara, City of Casey and Box Hill Hospital over 20 years. Russell's greatest strengths are in human resource management and risk management and is currently on the Ability Works Audit & Risk Management committee.

Marcus Best
(Director since August 2019, Resigned 20 May 2021)

Marcus has been a Corporate Partner with Minter Ellison Lawyers for over 20 years. As a trusted adviser and respected leader in his field, Marcus brings a broad range of commercial and strategic experience and passion to assist Ability Works on its sustainable growth trajectory. With a strong commercial and legal background and currently a leading executive with Westpac Banking

Julia Shtepa
(Director since August 2019)

Corporation, Julia brings strong IT skills to Ability Works. With specialist knowledge in digital, licensing rights, sponsorships and corporate sustainability, Julia's expertise will be invaluable for the Ability Works' engagement with internal and external stakeholders.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal activity of the entity during the financial year was the provision of employment to people living with disabilities and people experiencing disadvantage.

There was no significant change in the nature of the company's principle activities during the financial year.

Short-term and Long-term Objectives

The entity's short-term objectives

- The organisations social mission is to provide "Purpose, pride and belonging through inclusive employment".

The entity's long-term objectives

- Provide long term meaningful employment to members of our community with a disability and those experiencing social disadvantage

Strategy for achieving the objectives

The services we will provide are:

- Records Management: scanning, testing, digitising, coding, destruction, mailroom
- Wire and metal fabrication: Fence repair, manufacture, wire products (high volume, low margin), wire products (bespoke, high margin), 3D printing, robotic welding, bending, drilling, cutting
- Packing and Rework: Pick, pack, assemble, label, heat seal, collate, sort, quality check
- Inclusive Design Services: provide quick access to people with vision, hearing, cognitive, physical, gender, culture & age differences, to design of infrastructure, facilities & mainstream products & services

We will achieve our financial goals by:

- Seeking to balance the needs of our employees & customers and avoid peaks and troughs
- Combine high value services (which require a higher cognitive load) with low value services (which require a lower cognitive load) to meet the needs of our employees
- Use our influential board members to secure additional capital from government and philanthropy to expand our premises
- Keeping overheads/operating expenditure to below that of commercial equivalent organisations:
 - Zero cost to purchase a new facility
 - Lean and continuous improvement principles across all operations (lowest cost to operate)
 - Robotics, artificial intelligence and machine learning to assist employees into work and enable a person centred approach and lowest cost to operate

We will win by

- Aligning our efforts to customers who see value in our unique approach of empowering those who live with a disability in our community to provide services
- Developing deep enduring relationships with fewer customers (those that can provide long term ongoing work, that better cater for the needs of our employees)
- Presenting prices for our goods and services which reflect market rates and the positive social impact we generate

The organisation will also continue to maintain appropriate quality accreditation; including Disability Services Standards whilst maintaining a continuous improvement focus.

Value Proposition

Value Proposition – for Employees (living with disability & those from socially disadvantaged backgrounds)

- Special commitment to providing opportunities for those who present with high or complex support needs (including those excluded from other disability enterprises (key point of difference))
- Proven record of providing employment, training, social connections and purpose for our employees
- Varied and interesting work opportunities, tailored to meet individual needs and underpinned by specialist supervisory, training and support staff, helping to build real skills and assist with transition to open employment where appropriate

Value Proposition – for Customers

- Partnering with Ability Works buys social credit (key point of difference)
- Proven record of invention and ingenuity, tailoring commercial solutions for clients
- Deliver timely, quality outcomes at commercially competitive prices

Key Performance measures

The company measures its own performance through the use of both quantitative and qualitative benchmarks. These benchmarks are used by the directors to assess the financial sustainability of the company and whether the company's short-term and long-term objectives are being achieved.

Long term sustainability

Ability Works will be focusing on growth from two business units namely Wire and Metal Fabrication and Record Scanning & Management. It is anticipated the largest growth will be from Records Management.

Our goal is to be employing 260 employees with a disability by 30 June 2023 (up from 124 employees at 30 June 2019). Employees from a disadvantaged background will be employed on a needs and project basis, with numbers depending on specific project requirements. There will be an increased focus on recruiting younger employees via schools and special schools in a 20 km radius of Ability Works

OH&S practices are closely monitored by the Board to gauge level of continuous improvement, including a regular third-party audit of these practices.

Nil LTI* recorded in 2019 (2018; nil)

* Lost Time Injury (LTI) is defined as one complete day's absence from work.

Maintain appropriate quality accreditation; including National Standards for Disability Services whilst maintaining a continuous improvement focus.

The annual surveillance audit against ISO 9001:2015 Standards and NDIS certification was successfully undertaken during the first half of 2021. The audit report from SAI Global highlighted the focus and commitment that the organisation has to the well-being of its employee cohort across all facets of its operations as demonstrated through work practices that provide a safe, engaging and fulfilling work environment.

Maintain a strong corporate governance framework.

The Board carries out its responsibilities through a policy governance framework which clearly identifies its role and responsibilities; it's interactions with and the limitations placed upon the Chief Executive in managing the organisation and to achieve the Board's approved outcomes.

The Board has an established risk management program which it monitors at Board meetings every second month, reviews and implements changes as required. During Covid additional meetings were held, so instead of the usual 6 meetings, 9 were held.

Ability Works Australia Ltd
Directors' report
30 June 2021

Meetings of directors

During the financial year 30 June 2021, 9 meetings of directors were held. Attendance by each director was as follows:

	Number Attended	Number eligible to attend
Frederick Woods	8	9
Clive Lavery	4	4
Trevor White	9	9
David McMillan	9	9
Caroline Evans	7	9
James Edmonds	9	9
Russell Jones	9	9
Marcus Best	6	8
Julia Shtepa	9	9

Contributions on winding up

The entity is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the entity. At 30 June 2020, the total amount that members of the company are liable to contribute if the company is wound up is \$160 (2021: \$70).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Russell Jones

RUSSELL JONES
Director

19 February 2022

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 60-40 OF THE
AUSTRALIAN CHARITIES AND NOT FOR PROFITS COMMISSION ACT 2012 TO THE
DIRECTORS OF ABILITY WORKS AUSTRALIA LTD**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2021 there have been:

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

A handwritten signature in blue ink that reads 'William Buck'.

William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136

A handwritten signature in blue ink that reads 'C. L. Siddles'.

C. L. Siddles
Director

Dated: Melbourne 19th February, 2022

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

Ability Works Australia Ltd

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General information

The financial statements cover Ability Works Australia Ltd as an individual entity. The financial statements are presented in Australian dollars, which is Ability Works Australia Ltd's functional and presentation currency.

Ability Works Australia Ltd is a not-for-profit unlisted public company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of directors, on ____ February 2022. The directors have the power to amend and reissue the financial statements.

Ability Works Australia Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Revenue			
Sales revenue		1,493,292	1,354,949
Interest income		4,740	25,216
Government subsidies received		3,120,494	3,110,743
Other revenue		267,709	5,844
Philanthropic grants		138,591	316,846
		<u>5,024,826</u>	<u>4,813,598</u>
Expenses			
Other expenses	3	(570,009)	(383,119)
Raw materials and consumables used		(130,819)	(133,003)
Employee benefits expense		(3,807,609)	(3,669,168)
Depreciation and amortisation expense		(224,685)	(131,113)
Finance costs		(8,511)	(8,182)
		<u>(5,741,633)</u>	<u>(5,324,525)</u>
Surplus before income tax expense		283,193	489,013
Income tax expense		-	-
		<u>283,193</u>	<u>489,013</u>
Surplus after income tax expense for the year attributable to the members of Ability Works Australia Ltd		283,193	489,013
Other comprehensive income for the year, net of tax		-	-
		<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to the members of Ability Works Australia Ltd		<u><u>283,193</u></u>	<u><u>489,013</u></u>

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

Ability Works Australia Ltd
Statement of financial position
As at 30 June 2021

	Note	2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	4	2,839,011	2,162,186
Trade and other receivables	5	297,902	879,495
Inventories	6	56,107	79,776
Other assets		21,590	10,501
Total current assets		<u>3,214,610</u>	<u>3,131,958</u>
Non-current assets			
Plant and equipment	8	467,841	314,427
Right-of-use assets	7	122,416	172,048
Intangible assets	9	-	36,415
Total non-current assets		<u>590,257</u>	<u>522,890</u>
Total assets		<u>3,804,867</u>	<u>3,654,848</u>
Liabilities			
Current liabilities			
Trade and other payables	10	334,873	360,400
Lease liabilities	11	63,926	28,433
Provisions	12	455,030	508,149
Other	13	107,964	134,638
Total current liabilities		<u>961,793</u>	<u>1,031,620</u>
Non-current liabilities			
Lease liabilities	11	101,354	164,701
Provisions	12	21,236	21,236
Total non-current liabilities		<u>122,590</u>	<u>185,937</u>
Total liabilities		<u>1,084,383</u>	<u>1,217,557</u>
Net assets		<u>2,720,484</u>	<u>2,437,291</u>
Equity			
Retained surpluses		<u>2,720,484</u>	<u>2,437,291</u>
Total equity		<u>2,720,484</u>	<u>2,437,291</u>

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

Ability Works Australia Ltd
Statement of changes in equity
For the year ended 30 June 2021

	Retained earnings \$	Total equity \$
Balance at 1 July 2019	1,948,278	1,948,278
Surplus after income tax expense for the year	489,013	489,013
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	<u>489,013</u>	<u>489,013</u>
Balance at 30 June 2020	<u><u>2,437,291</u></u>	<u><u>2,437,291</u></u>
	Retained earnings \$	Total equity \$
Balance at 1 July 2020	2,437,291	2,437,291
Surplus after income tax expense for the year	283,193	283,193
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	<u>283,193</u>	<u>283,193</u>
Balance at 30 June 2021	<u><u>2,720,484</u></u>	<u><u>2,720,484</u></u>

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

Ability Works Australia Ltd
Statement of cash flows
For the year ended 30 June 2021

	Note	2021	2020
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,491,923	1,529,215
Proceeds from grant income		3,232,411	2,919,918
Interest received		4,740	25,216
Payments to suppliers and employees (inclusive of GST)		<u>(4,674,201)</u>	<u>(4,044,503)</u>
Net cash from operating activities		<u>1,054,873</u>	<u>429,846</u>
Cash flows from investing activities			
Payments for property, plant and equipment	8	<u>(341,683)</u>	<u>(301,019)</u>
Net cash used in investing activities		<u>(341,683)</u>	<u>(301,019)</u>
Cash flows from financing activities			
Repayment of lease liabilities		<u>(36,365)</u>	<u>(36,460)</u>
Net cash used in financing activities		<u>(36,365)</u>	<u>(36,460)</u>
Net increase in cash and cash equivalents		676,825	92,367
Cash and cash equivalents at the beginning of the financial year		<u>2,162,186</u>	<u>2,069,819</u>
Cash and cash equivalents at the end of the financial year	4	<u><u>2,839,011</u></u>	<u><u>2,162,186</u></u>

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 below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations 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.

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

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'), the Australian Charities and Not-for-profits Commission Act 2012 and Victorian legislation the Fundraising Act 1998 and associated regulations 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.

Revenue recognition

The company recognises revenue as follows:

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Income tax

As the company is a charitable institution in terms of subsection 50-5 of the Income Tax Assessment Act 1997, as amended, it is exempt from paying income tax.

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.

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.

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

Note 1. Significant accounting policies (continued)

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments and other financial assets

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

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

Financial assets at amortised cost

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

Property, plant and equipment

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

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

Office Equipment	40%
Plant and Equipment	10%
Motor Vehicles	20%
Computer Equipment	40%
Leasehold Improvements	10%

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

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.

Right-of-use assets

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

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

Note 1. Significant accounting policies (continued)

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.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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.

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.

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.

Provisions

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 1. Significant accounting policies (continued)

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.

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.

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.

Goodwill and other indefinite life intangible assets

The company tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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.

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Notes to the financial statements
30 June 2021

Note 3. Other expenses

	2021	2020
	\$	\$
Cleaning & related consumables	46,033	47,467
Audit & accounting fees	25,015	13,500
Electricity & utilities	36,274	35,507
Kitchen food costs	10,484	10,408
Repairs & maintenance	31,286	16,431
Consultant fees	58,737	23,562
Information technology	106,051	96,236
Other administration expenses	256,129	140,008
	<u>570,009</u>	<u>383,119</u>

Note 4. Cash and cash equivalents

	2021	2020
	\$	\$
<i>Current assets</i>		
Cash on hand	6	94
Cash at bank	1,429,663	757,490
Deposits (at call)	1,409,342	1,404,602
	<u>2,839,011</u>	<u>2,162,186</u>

Note 5. Trade and other receivables

	2021	2020
	\$	\$
<i>Current assets</i>		
Trade receivables	245,951	141,066
Other receivables	51,951	125,011
Government grant receivables	-	613,418
	<u>297,902</u>	<u>879,495</u>

Note 6. Inventories

	2021	2020
	\$	\$
<i>Current assets</i>		
Raw materials	50,294	65,235
Finished goods	5,813	14,541
	<u>56,107</u>	<u>79,776</u>

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Note 7. Right-of-use assets

	2021 \$	2020 \$
<i>Non-current assets</i>		
Land and buildings - right-of-use	202,523	202,523
Less: Accumulated depreciation	(90,005)	(45,005)
	<u>112,518</u>	<u>157,518</u>
Office equipment - right-of-use	18,889	18,889
Less: Accumulated depreciation	(8,991)	(4,359)
	<u>9,898</u>	<u>14,530</u>
	<u><u>122,416</u></u>	<u><u>172,048</u></u>

Note 8. Plant and equipment

	2021 \$	2020 \$
<i>Non-current assets</i>		
Leasehold improvements - at cost	413,794	372,123
Less: Accumulated depreciation	(377,739)	(354,471)
	<u>36,055</u>	<u>17,652</u>
Plant and equipment - at cost	735,911	682,366
Less: Accumulated depreciation	(538,967)	(516,915)
	<u>196,944</u>	<u>165,451</u>
Motor vehicles - at cost	104,758	104,758
Less: Accumulated depreciation	(104,758)	(104,758)
	<u>-</u>	<u>-</u>
Computer equipment - at cost	514,375	320,924
Less: Accumulated depreciation	(311,143)	(255,219)
	<u>203,232</u>	<u>65,705</u>
Office equipment - at cost	173,289	164,776
Less: Accumulated depreciation	(141,679)	(99,157)
	<u>31,610</u>	<u>65,619</u>
	<u><u>467,841</u></u>	<u><u>314,427</u></u>

Reconciliations

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

	Leasehold Improvements	Plant and Equipment	Motor Vehicles	Computer Equipment	Office Equipment	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	17,652	165,451	-	65,705	65,619	314,427
Additions	36,543	55,274	-	191,721	8,513	292,051
Depreciation expense	(18,139)	(21,649)	-	(61,910)	(36,939)	(138,637)
Balance at 30 June 2021	<u><u>36,056</u></u>	<u><u>199,076</u></u>	<u><u>-</u></u>	<u><u>195,516</u></u>	<u><u>37,193</u></u>	<u><u>467,841</u></u>

Ability Works Australia Ltd
Notes to the financial statements
30 June 2021

Note 9. Intangible assets

	2021	2020
	\$	\$
<i>Non-current assets</i>		
Goodwill	36,415	36,415
Less: Accumulated amortisation	<u>(36,415)</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>36,415</u></u>

Reconciliations

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

	Goodwill	Total
	\$	\$
Balance at 1 July 2020	36,415	36,415
Amortisation expense	<u>(36,415)</u>	<u>(36,415)</u>
Balance at 30 June 2021	<u><u>-</u></u>	<u><u>-</u></u>

Note 10. Trade and other payables

	2021	2020
	\$	\$
<i>Current liabilities</i>		
Trade payables	118,231	40,624
Accrued expenses	118,414	192,599
GST payable	30,367	35,132
Other payables	<u>67,861</u>	<u>92,045</u>
	<u><u>334,873</u></u>	<u><u>360,400</u></u>

Note 11. Lease liabilities

	2021	2020
	\$	\$
<i>Current liabilities</i>		
Lease liability	<u>63,926</u>	<u>28,433</u>
<i>Non-current liabilities</i>		
Lease liability	<u>101,354</u>	<u>164,701</u>
	<u><u>165,280</u></u>	<u><u>193,134</u></u>

Note 12. Provisions

	2021 \$	2020 \$
<i>Current liabilities</i>		
Employee benefits - annual leave	174,079	178,953
Employee benefits - long service leave	279,849	314,920
Employee benefits - RDO	1,102	14,276
	<u>455,030</u>	<u>508,149</u>
<i>Non-current liabilities</i>		
Employee benefits - long service leave	<u>21,236</u>	<u>21,236</u>
	<u><u>476,266</u></u>	<u><u>529,385</u></u>

Note 13. Other

	2021 \$	2020 \$
<i>Current liabilities</i>		
Revenue received in advance	<u>107,964</u>	<u>134,638</u>

Note 14. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2021 \$	2020 \$
Aggregate compensation	<u>-</u>	<u>439,568</u>

Note 15. Contingent liabilities and contingent assets

The Directors are not aware of any contingent liabilities or contingent assets which require disclosure in the financial report.

Note 16. Commitments

With the exception of matters disclosed in Note 14, Ability Works does not have any contracted capital commitments at 30 June 2021.

Note 17. Related party transactions

Parent entity

Ability Works Australia Ltd is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in note 14.

Transactions with related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel individually or collectively with their close family members.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated.

Ability Works Australia Ltd
Directors' declaration
30 June 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, the Australian Charities and Not-for-profits Commission Act 2012, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

On behalf of the directors

Russell Jones

RUSSELL JONES
Director

19 February 2022

Ability Works Australia Ltd

Independent auditor's report to members

Report on the Audit of the Financial Statements

Opinion

We have audited the financial report of Ability Works Australia Ltd, which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and director's declaration.

In our opinion the financial report of Ability Works Australia Ltd has been prepared in accordance with the Division 60 of the Australian Charities and Not-for-profits Commission Act 2012, including:

- a. giving a true and fair view of the entity's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- b. complying with Australian Accounting Standards – Simplified Disclosures.

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 Ability Works Australia Ltd in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the Ability Works Australia Ltd's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

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 Management and Those Charged with Governance for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Simplified Disclosures and the Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act) and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Ability Works Australia Ltd'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 Ability Works Australia Ltd or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Ability Works Australia Ltd's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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 these financial statements is located at the Auditing and Assurance Standards Board website at:
<http://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards/Auditors-Responsibilities.aspx>

This description forms part of our independent auditor's report.



William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



C. L. Siddles

Director

Dated: Melbourne 19th February, 2022