



Annual Report 2018

Incolink is supported by organisations that understand the commercial building and construction industry.

EMPLOYER ASSOCIATIONS



MBAV
Master Builders Association of Victoria



AWCIV
Association of Wall & Ceiling Industries Victoria



CCF
Civil Contractors Federation Victorian Branch



MP&MSAA
Master Plumbers and Mechanical Services Association of Australia



MPAV
Master Painters Association of Victoria



CICA
Crane Industry Council of Australia



NFIA
National Fire Industry Association



AMCA
Air Conditioning & Mechanical Contractors' Association of Victoria



FAV
Floorcovering Association of Victoria Inc.

INDUSTRY UNIONS



CEPU (Plumbing Division) – PPTEU
Communications, Electrical and Plumbing Union (Plumbing Division) – Plumbing & Pipe Trades Employees Union



AMWU
Australian Manufacturing Workers Union



VTHC
Victorian Trades Hall Council



CFMEU Construction
Construction, Forestry, Maritime, Mining & Energy Union – Construction Division Victorian/Tasmanian Branch



CFMEU Manufacturing
Construction, Forestry, Maritime, Mining & Energy Union – Manufacturing Division Victorian Branch



RTBU
Rail, Tram and Bus Union



AWU
The Australian Workers' Union

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**There's
probably
not a
better
service
to any
industry**

Brett
Incolink member

About Incolink

Incolink is Australia's oldest and largest manager of redundancy entitlements for workers in the building and construction industry. We commenced operations in Victoria in 1988 and expanded into Tasmania in 2013.

Incolink is a joint enterprise of employer associations and industry unions. Importantly, we are a respected and impartial voice for our industry. We have over 82,000* members who span a range of specialisations including commercial building, construction, plumbing, transport, mechanical services and manufacturing.

Incolink's core value proposition is the administration of redundancy funds, portable sick leave and income protection insurance schemes for our members. In addition, membership includes access to a range of health and wellbeing benefits such as counselling services, financial rights counselling, job seeker support and preventative education programs on topics such as responsible gambling and alcohol and other drugs. We are also active on site with our health check program and in 2017/2018 have responded to industry demands and launched a skin check program for workers in construction.

Our full range of benefits and services include:

- Secure, sustainable management of worker entitlements
- Direct investment in industry skills training and OH&S programs
- Income protection, accident and illness insurance
- Accidental dental, ambulance and funeral covers
- Portable sick leave insurance program
- Exclusive wellbeing and support services for members such as counselling, health checks and financial rights counselling
- Preventative education programs
- Apprentice support programs
- Corporate social responsibility initiatives
- Job support services including employment, training and careers advice
- Participation in and support of key industry events
- Investment in the sustainability of our industry and job creation through the Incolink Mezzanine Fund

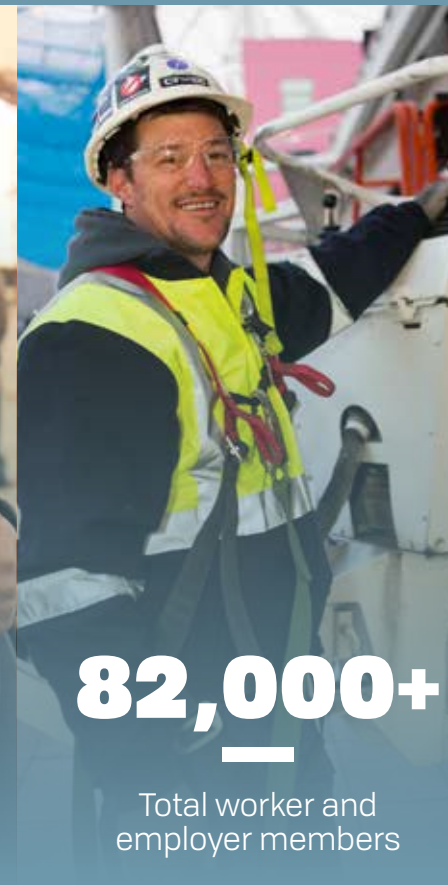
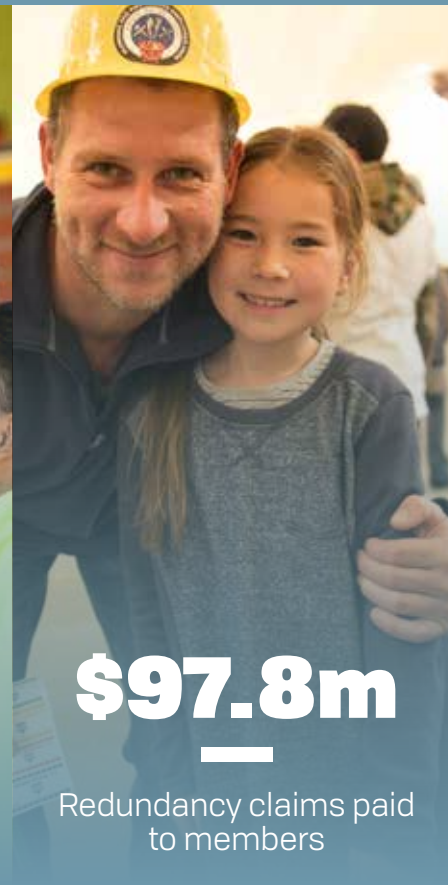
We are a respected and impartial voice for our industry. We have over 82,000* members who span a range of specialisations including commercial building, construction, plumbing, transport, mechanical services and manufacturing.

* Worker members with a current positive balance at 30 June 2018, and employer members.



Snapshot FY18

Key Stats





\$21.3m

Invested back
into industry training
and OH&S



\$8m

Government
commitment to OH&S
(over four years)




3,078

On site health
& skin checks
delivered to workers



3,417

Counselling & brief
intervention sessions to
workers & their families



10,283

Workers participated
in 82 toolbox sessions

Strategy

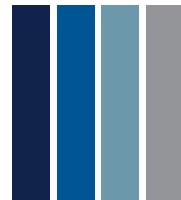


Vision

To support and contribute to a vibrant building and construction industry by enabling a skilled, productive and available workforce.

Purpose

To be an industry-led organisation that supports the health and financial wellbeing of construction workers and their families in a sustainable way.



Strategic Objectives

Incolink's strategic objectives are built on four pillars aimed at benefiting our industry and our members by providing education and training opportunities, redundancy and insurance safety nets and health and wellbeing services.



Pillar One

Make the business sustainable

Pillar Two

Drive operational excellence

Pillar Three

Focus on the member

Pillar Four

Find new opportunities

Pillar One Make the business sustainable

Objective

Invest in organisational resources to deliver on our aspirations and secure Incolink as an enduring enterprise.

Our performance

Incolink delivered another year of very solid returns from its investment portfolio. These returns fund ongoing core initiatives back into the commercial construction industry. As at 30 June 2018, our worker member liability funding coverage stood at a healthy 124%.

In response to a recent change to the tax treatment of our two worker entitlement funds, we proactively engaged with the ATO and external advisors on optimum tax structures to implement for the group.

We used funding secured from Primary Health Networks (PHNs), Victorian Responsible Gambling Foundation, Worksafe Tasmania and CBUS to continue to deliver our Life Care Suicide Awareness, Gambling Harms and Alcohol and Other Drugs Preventative Education Programs.

We completed a comprehensive review of our Business Continuity Plan to ensure we continue to be there for our members. Critical to this was the implementation of a reliable Disaster Recovery Plan with a highly credentialed service provider.

We conducted an in-depth review of our insurance program, collating and centralising key data as part of our program of continuous improvement.

Ongoing performance reviews of our key service providers ensured we continue to derive value for both Incolink and our members.

Strategy (cont.)

Pillar Two Drive operational excellence

Objective

To ensure services are delivered efficiently, risks are managed, and systems, policies and procedures are effective.

Our performance

We continued to strengthen our operational controls framework, supplemented by a comprehensive internal audit program overseen by PwC.

Improved clinical governance for our counsellors, through implementation of an electronic case management system, has enhanced service, board reporting and risk mitigation.

We strengthened our IT capability to more efficiently manage our internal data systems which are critical to providing service and security to our members.

We built internal capacity and resources to manage our complex technology mix and mitigate risk around corporate Intellectual Property.

We completed a worker member data cleansing project that helped us increase legacy email capture for worker members* to 80%.

We changed to electronic delivery of our quarterly member statements, removing the need to print and post 160,000 statements annually.

*Members who made a contribution over the last three months of FY18.

Pillar Three Focus on the member

Objective

To deliver on the health, wellbeing and financial needs of members in an evidence-based way.

Our performance

New investments in high quality property development projects delivered risk-adjusted returns for Incolink whilst providing job opportunities for our worker members.

We successfully delivered 3,078 Incolink Health and Skin Checks, as well as extensive preventative education, intervention and support services and critical incident response.

We delivered 3,417 counselling and brief intervention sessions to members and their families during the year.

We launched a 24/7 centralised helpline for crisis counselling and critical response to ensure provision of round the clock support for members and their families.

We employed a Business Development Officer to support and build deeper relationships with our Employer members.

We undertook a member service user experience research survey to better understand the needs and priorities of our members. This information will directly inform our strategy going forward.

Pillar Four Find new opportunities

Objective

To explore new business opportunities that capitalise on Incolink's strengths to reinvest back in the industry.

Our performance

We implemented an onsite Skin Check program for members and delivered awareness sessions on skin cancer prevention using a cost recovery model.

We achieved 10% growth in Tasmanian worker members year-on-year.

We actively managed our Fund investment portfolio during the year making significant changes to both our Unlisted Property portfolio and Global Equities allocation in order to deliver improved risk-adjusted returns for the Fund.

We identified, and have commenced work on, a new industry-wide suicide awareness initiative that will be rolled out across Victorian construction sites in FY19.

Chairman's Report

Incolink enjoyed another successful year of service to the industry, continuing to refine and improve funds administration and service delivery for the benefit of members.

The Board and management were also called on to deal with the prospect of federal legislative reform that could change our operations and service offering.

As our members know, Incolink does much more than administer the redundancy entitlements of workers. During my time on the Board, I have seen the organisation grow from being purely a Trustee redundancy fund administrator to being a pivotal player in the commercial building and construction industry. The breadth of Incolink's activity now spans from protecting worker entitlements and safeguarding worker wellbeing, to being a major corporate investor in industry-based training in Australia.

This year, the federal government introduced legislation to govern worker entitlement funds. In the developmental phase of the Bill, many rough edges were removed through consultation. If this legislation is to proceed, many aspects will require further clarification. Current indicators suggest its introduction may be delayed until after the next federal election.

What should be of interest to Incolink members is how well the industry parties came together to deal with these circumstances. Although not as one on all issues, their cooperation demonstrated a common desire to see Incolink continue for the benefit of construction workers and their employers.

Although legislative intervention may be behind us, other issues continue to emerge. A change to our tax status will see Incolink potentially incurring significant additional tax liabilities, which would inevitably affect our programs. On the plus side, two successive years of good returns have enabled us to continue our services and increase the money available for industry training initiatives.

Recognising the valuable role Incolink plays in supporting occupational health and safety training in our industry, this year the Victorian government committed \$8M over four years to match Incolink's funding of the OHS education and awareness programs delivered by key unions and employer

associations. The Board applauds the Victorian government's investment and acknowledges its wisdom given the considerable pipeline of building and construction activity that has been driven by major infrastructure projects.

The financial position of the business is in good shape due to strong investment returns during FY18. Our target funding buffer of 110% was well and truly exceeded (now sitting at 124%) and the overall investment portfolio delivered a strong 8% return. This result, combined with stable scheme expenses, enabled us to achieve a net profit of almost \$38m.

Our FY18 performance may be a high-tide mark for the next few years as investment returns and activity levels in some sections of the industry soften. I congratulate Board members and the work of Incolink's executive team for their combined efforts in finding ways to more efficiently deliver services and reduce our operational costs.

In my assessment, Incolink is well positioned to deal with the challenges and opportunities that arise in the future, buoyed by our highly capable executive team under the leadership of Chief Executive, Dan O'Brien.

From a governance perspective, we welcomed Ken Gardner (formerly CEO of the MPMSAA) to the Board in October 2017. In his role, Ken represents the collective interests of participating employer associations – Master Painters Association of Victoria, Association of Wall and Ceiling Industries, Airconditioning and Mechanical Contractors Association, National Fire Industry Association and the Master Plumbers and Mechanical Services Association exercising one vote at board meetings. He brings many years of experience and understanding of the training needs of our industry.

Brian Welch
Incolink Chairman



Chief Executive's Report

Financial year 2018 saw strong progress in delivering against all our stated strategic aims.

At the end of 2018 Incolink has a stronger worker membership base, more funds under management, a more diverse offering of services, and has invested more in industry training than ever before. At the same time we have invested heavily in our IT systems and people to ensure we are able to adapt and grow as the industry changes.

Commercial building and construction in both Victoria and Tasmania continues to see unprecedented levels of activity resulting in a greater job stability for our worker members. For Incolink that translated into a 11.4 per cent increase in worker members, a 12 per cent drop in claims and a nine per cent increase in funds under management – now standing at \$812 million.

While these results enabled us to invest \$21.3 million back into industry training and OHS, we are always mindful that we are here to make sure our members have a financial and wellbeing safety net when they need it. With a robust investment strategy (ably guided by Wills Towers Watson) and prudent financial management in place, our members' funds are well protected. The ratio of our investment portfolio compared to our member liabilities at June 30 was a healthy 124 per cent.

This strong financial position enabled us to invest more in new initiatives such as:

- Launching a 24/7 centralised helpline for crisis counselling and critical response to ensure round the clock support for members and their families
- Implementing an onsite skin check program for members and delivering awareness sessions on skin cancer prevention on a cost recovery basis
- Collaborating with key unions and employers to develop a new industry approach to suicide prevention called the Bluehats program, which we look forward to rolling out in the coming year

This year we also invested heavily in our people. We strengthened our IT capability to ensure our claims and payments processing capability is both adaptable and scalable. We also created stronger data analytics functionality to enable us to improve compliance – making sure our employer members are paying in line with their obligations and our worker members are receiving their entitlements.

In 2018, worker entitlement funds were the focus of our current Federal Government. The proposed legislation is yet to pass through the Parliament. Whilst there are still a number of concerns that we have with the Bill in its current form, we do recognise that with the assistance of all our key stakeholders (employers and unions) we were able to achieve considerable changes to what was an unworkable Draft Bill.

As CEO it was great to see the cooperative spirit that created Incolink almost 30 years ago is alive and well. I take this opportunity to thank the entire Incolink Board – and in particular the Chairman, Brian Welch – for their stewardship over the course of FY18. With the rapid pace of change continuing to create new expectations and opportunities for Incolink, it is imperative that our Board remains connected to Incolink's original intent to "create a better industry".

Dan O'Brien
Incolink Chief Executive



Board & Governance

Incolink Board & Committees

The Incolink Board is comprised of 10 members:

- Mr Brian Welch, independent non-voting Chair since 2017
- Mr Brian Boyd, Non-Executive Director since 1992 (CFMEU Nominee)
- Mr Hedley Davis, Non-Executive Director since 2012 (MBAV Nominee)
- Mr Radley de Silva, Non-Executive Director since 2016 (MBAV Nominee)
- Mr Ralph Edwards, Non-Executive Director since 2016 (CFMEU Nominee)
- Mr Michael O'Neill, Non-Executive Independent non-voting Finance Director since 2013
- Mr Earl Setches, Non-Executive Director since 2002 (CEPU Nominee)
- Mr Robert Whitwell, Non-Executive Director since 2002 (MBAV Nominee)
- Mr Noel Washington, Non-Executive Director since 2017 (CFMEU Nominee)
- Mr Ken Gardner, appointed October 2017 (for Participating Associations' members)

The Board is assisted in its stewardship duties by several committees which meet quarterly and/or when required:

- Audit & Risk Committee
- Investment Committee
- Member Services Committee
- Remuneration Committee

Incolink Group

Incolink is the corporate trustee of the following trusts which govern member redundancy and portable sick leave insurance contributions and payments:

- 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 Scheme

Incolink, MBAV, CEPU and CFMEU are the founding members of two related entities being IPT Agency Co Ltd and IPT Agency Co (No 2) Ltd. Employer members are also non-voting members of these two entities.

The two IPT companies provide for the collection of premium contributions toward, and the arrangement of, tailored insurance programs for Incolink members.

Incolink via a Delegate Agreement is the Delegate for the two IPT entities, as permitted under their respective constitutions. Under the agreement Incolink carries out the management of members' tailored Incolink Insurance Program. Members' contributions held in trust are prudently managed via a disciplined investment framework overseen by the Investments Committee.

A wholly owned subsidiary, Red Property Management Pty Ltd, provides property management services in respect of Incolink's direct property portfolio. Incolink is the sole member of Incolink Foundation Ltd, a charitable foundation with deductible gift recipient status. Its objective is to provide harm prevention services for workers and their families in the building, construction and allied industries.

Incolink provides back office and general administrative support to these Industry owned entities:

- Victorian Building and Construction Industry Training Fund
- Victorian Building Industry Disputes Panel Foundation.

Risk

Incolink has a robust system of risk oversight that includes management and internal controls to identify, assess, monitor and mitigate risks related to our activities and strategies.

The Board, management and staff actively participate in and contribute to our risk management framework, which is overseen by the Audit and Risk Committee which in turn directly reports to the Board.

Incolink is committed to the following risk principles in line with our vision, values and culture:

- Manage our financial resources to ensure adequate returns and maintain the ability to pay out member redundancy benefits when required.
- Meet our obligations under our trust deeds and administer the underlying schemes in accordance with our agreed service delivery promises, minimising the impact of any disruption on our services.
- Accept that we operate in an environment where there will be a range of opinions different to ours and promote our achievements and fight to protect our reputation.
- Recognise the importance of our people and aim to be an employer of choice.
- We will always act in the best interest of Incolink members. We will strive to create and uphold a culture of compliance at all levels across the organisation. As our Board is represented by nominee directors we recognise potential conflicts of interest arise, so we act with transparency and clarity in resolving them.

The Board and Chief Executive of Incolink (left to right)

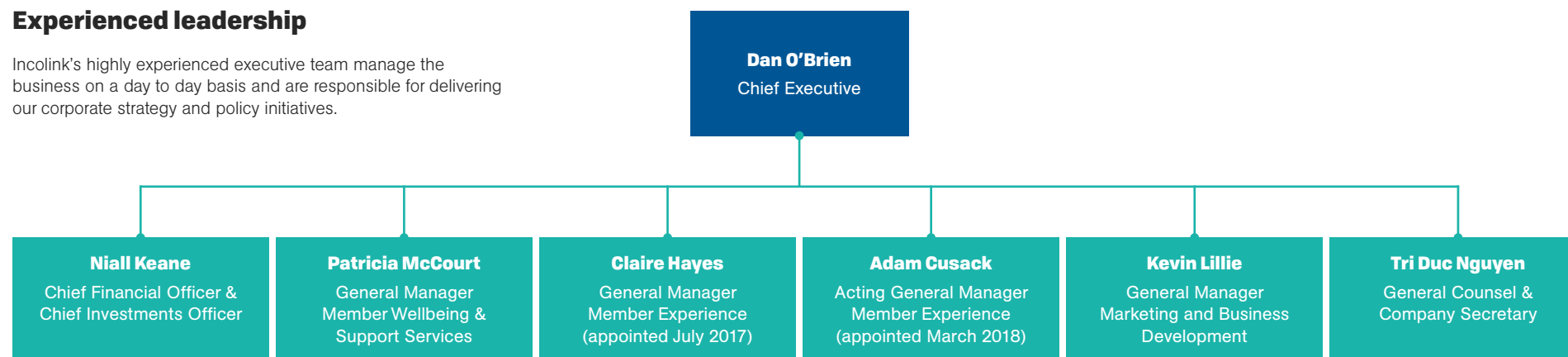
Ken Gardner, Radley de Silva, Robert Whitwell, Hedley Davis, Michael O'Neill, Brian Boyd, Brian Welch, Earl Setches, Dan O'Brien (Chief Executive), Ralph Edwards, Noel Washington



People & Culture

Experienced leadership

Incolink's highly experienced executive team manage the business on a day to day basis and are responsible for delivering our corporate strategy and policy initiatives.



Dedicated staff

Incolink is an equal opportunity employer. We strive to be an employer of choice. This is demonstrated via the range of workplace benefits we provide such as a 5% employer superannuation co-contribution, vested sick leave, annual leave loading, office close-down leave, clothing allowance, free parking, free cover under the corporate and members tailored Incolink Insurance programs, and associated discretionary covers.

Gender Diversity

	Male	Female
Chief Executive	1	0
Executives	4	2
Managers	3	3
All other staff	18	30

Length of Tenure

Time	No. of Staff
<5yrs	45
5-10yrs	8
10+yrs	8

Our approach and commitment to staff is demonstrated in our Redundancy Payment Central Fund Ltd (Incolink) Agreement 2015.

At Incolink, our people are not just here to provide a safety net for our members. They are also part of the Incolink community which encourages participation in social activities that promote teamwork and reinforce our values and culture. Regular events like Christmas in July and the Incolink Lunchbox Games encourage our people to bond with workmates and raise money for charity.

People & Culture (cont.)

At Incolink, we know our people are our biggest asset.

Their dedication and commitment to guiding members, through what can be highly stressful circumstances, is why we are the industry's biggest and most respected redundancy fund.

We asked some of our people why they chose us and what they value about working with a member-based organisation like Incolink. Here's what they said.



Tori Garcia
iLink Product Owner

With Incolink: 17 years

I translate business needs from users of our online member management system, iLink, into business requirements. I work closely with our developers and external vendors to build, test and deliver improvements. There is great satisfaction working with key stakeholders to improve our systems and give members and staff a better user experience. I enjoy the variety in my role and working with a professional and experienced digital development team. Incolink has allowed me to develop my career while receiving great staff benefits and keeping my work/life balance.



John Peyton
Finance Manager

With Incolink: 2 years

In Finance & Investments we have a major fiscal responsibility to safeguard member funds and ensure our Investment Portfolio provides the best possible returns. This is vital to maintain the services that we offer to our members. My role gives me the opportunity to make continuous improvements, work with high calibre professionals and be a business partner to our various functions. Ultimately, it is nice to know that our collective efforts directly benefit our members in many positive ways.



Kimberley Crusell
Grants Administration
& Executive Support

With Incolink: 11 years

Incolink is a good employer that really looks after its staff and provides a great environment to work in. Nothing is ever mundane, and I enjoy immensely all that I do. I am glad to be able to contribute to the team and collaborate with a talented bunch of people.



Michal deWilloughby
Counsellor &
Support Worker

With Incolink: 2 years


I feel very strongly that to help individuals, we need to be supportive of every aspect of their wellbeing, including creating a sense of community, and for me Incolink works hard to do this. I admire how Incolink supports worker members; physically, emotionally, cognitively and financially. I find my role fulfilling and enjoy, as a wife and mother, being involved in such a masculine industry. I can contribute to men's health and wellbeing, as well as help change paradigms and old stigmas around what it means to be a man and mental health.



Ben Kelly
Digital Marketing
Specialist

With Incolink: 2 years

While working at Incolink I have seen the positive impact of giving a member financial stability or aiding their physical or mental health and wellbeing. It is a unique opportunity. In the office or out on site, the passion from everyone in the building and construction industry really inspires me.

A close-up portrait of a middle-aged man with grey hair, wearing a dark blue button-down shirt. He is looking directly at the camera with a serious expression. The background is blurred, showing what appears to be a workshop or industrial setting.

Incolink has helped me find work many times over the years

Keith
Incolink member

Financial Performance Snapshot

Operating Financial Performance Overview

Combined Special Purpose Accounts for the Incolink Group in respect of the year ended 30 June 2018 (FY18) are set out on pages 37-52. These accounts have been extracted from the individual statutory financial statements of the Scheme entities, which have been independently audited. A summary of these results is included in the table below:

FY18 Financial Performance Result	\$'000s
Revenues	
Investment income	56,751
Other income	7,092
Operating expenses	(14,706)
Operating profit before income tax	49,137
Income tax (expense)/benefit	9
Operating profit after tax	49,146
Scheme insurances subsidy	(8,761)
Non-beneficiary industry grants	(1,822)
Other non-operating costs	(788)
Non-operating expenses	(11,371)
Net profit after income tax	37,775
Net profit after income tax (before beneficiary grants)	37,775

Incolink's financial performance largely depends on the returns earned from our investment portfolio. These investment revenues fund our Scheme outlays which include:

- the ongoing costs of administering our worker entitlement funds
- delivering a comprehensive member wellbeing and support services program offering for members
- making significant grant funding available for industry training and OHS initiatives
- providing a tailored suite of insurance benefits for our members.

Our investment revenues for FY18 amounted to \$56.7m compared to \$56.2m for FY17.

We continued to be diligent over the course of FY18 in managing the Scheme's cost base while at the same time making targeted investments in digital technologies and other strategic initiatives to deliver value-add to our members and stakeholders.

Incolink targets a funding buffer (investment portfolio compared to member balances) for its Scheme with a view to ensuring we can ride out the inevitable volatility in investment markets. This is designed to ensure we can always fund our worker member balance entitlements, a primary investment risk objective. At 30 June 2018 our member balances funding coverage stood at a healthy 124 per cent.

On the back of strengthened conditions for the construction industry, Incolink's Redundancy Funds attracted strong contribution inflows during the year of \$131.4m, the highest yearly level of contributions in our history. Claims outlays to worker members amounted to \$97.8m for the same period, resulting in net cash inflows for the year of \$33.6m.

Grant Distribution Funding for approved industry activities

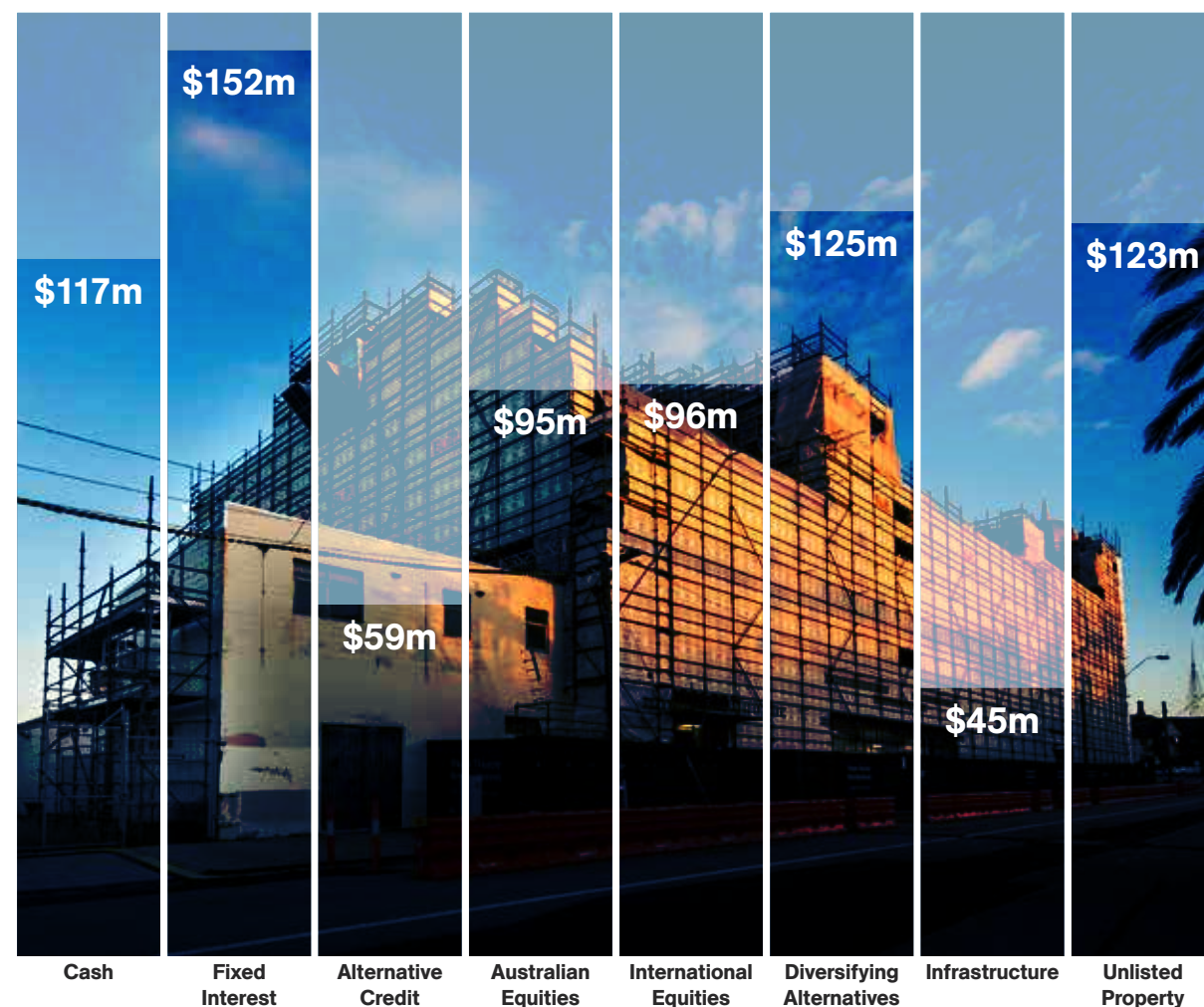
A cornerstone of Incolink's vision is to contribute to a vibrant building and construction industry.

A key component in helping realise this goal is through the ongoing distribution of significant grant funding to industry stakeholders for projects and activities that are considered beneficial to the interests of the industry, having regard to the interests of our employer members and workers.

Total discretionary grant funding approved by Incolink for construction industry training and OHS purposes for FY18 amounted to \$21.3m.

Investment Portfolio

The value of Incolink's investment portfolio at 30 June 2018 was \$812m across a diversified portfolio of asset classes.



Actual asset allocation weightings at 30 June 2018:

Asset Class	30 June 2018 Allocation (%)
Cash	14.3%
Fixed Interest	18.7%
Alternative Credit	7.3%
Total Risk-Controlling	40.3%
Unlisted Property	15.1%
Infrastructure	5.5%
International Equities (Unhedged)	8.2%
International Equities (Hedged)	3.7%
Australian Equities	11.8%
Diversifying Alternatives	15.4%
Total Return-Seeking	59.7%
Total Fund	100.0%

Investment Commentary

The key objective of Incolink's investment portfolio is to ensure there are sufficient assets to meet Incolink's financial obligations when they fall due. To achieve this aim, Incolink has established a return objective of 5.5 per cent net of tax and fees (which equates to approximately 7.5-8 per cent per annum on a gross of tax and fees basis).

In addition, the Board targets a funding ratio of 110 per cent (ratio of investment assets to aggregate member liabilities) in order that a reserve buffer is available should adverse investment market movements take place. At 30 June 2018 this funding ratio coverage stood at 124 per cent. Willis Towers Watson is engaged as the Fund's asset consultant to assist the Board in formulating and implementing its investment strategy, including the monitoring and appointment of external fund managers.

The current strategic asset allocation for the Fund is to invest 60 per cent in return seeking/growth assets, with the remaining 40 per cent invested in risk-controlling/defensive assets.

Incolink had another strong year from an investment return perspective, driven by strong returns from equities over FY18, with volatility remaining subdued.

The investment portfolio returned 8 per cent for the year ended 30 June 2018 (gross of fees and taxes), compared to a market benchmark of 6.8 per cent (gross of tax). Therefore, Incolink has:

1. Outperformed the market benchmark by 1.2 per cent over the year (before fees), meaning Incolink's investment managers have added value over the year; and
2. More importantly, the Scheme outperformed its gross of tax and fees performance objective outlined above.

The key drivers of Incolink's return outcomes over the past financial year were:

- Equities, which are the primary driver of return in Incolink's portfolio, experienced strong returns despite escalating global trade risk and increased geopolitical risk, particularly in the European Union. The MSCI World Ex Australia (unhedged) Index returned 15.4 per cent for the year, while the Australian share market experienced returns of 13.2 per cent.
- Incolink's property portfolio, which is a combination of debt and equity, returned 12.4 per cent for the year, outperforming its benchmark by 2.9 per cent.
- Incolink's active managers outperformed over the year (this means the managers selected on average were able to add value over and above their respective passive benchmarks). This was particularly true for Incolink's active Australian equity and infrastructure managers.

Incolink measures the success of investment performance against the return objective over rolling four-year periods. The portfolio has returned 7.3 per cent per annum over the past four years, which is in line with the desired performance objective.

This is a strong return given the environment over the past few years which has been impacted by low cash rates and bond yields (relative to historical levels). The four-year return is also comfortably ahead of the market benchmark for our portfolio, which has returned 6.2 per cent per annum over this period.

External Fund Manager Mandates

As at 30 June 2018

Cash — BlackRock Cash Fund CFS Premium Enhanced Cash Fund	Fixed Interest — Macquarie Enhanced Australian Fixed Interest Fund QIC Australian Fixed Interest Fund AMP Wholesale Australian Bond Fund	Alternative Credit — Oakhill Diversified Credit Strategies Fund Brigade Opportunistic Credit Strategies Fund	Australian Equities — Vanguard Australian Shares Index Fund Alphinity Australian Shares Fund Northcape Capital Australian Core Shares Fund	International Equities — Vanguard International Shares Index Fund (Hedged) Vanguard International Shares Index Fund (Unhedged) Arrowstreet Global Equity Fund Polaris Global Equity Fund GQG Partners Global Equity Fund	Diversifying Alternatives — Fulcrum Diversified Absolute Return Fund Bridgewater All Weather Fund Schroders Real Return Fund	Infrastructure — Magellan Infrastructure Fund (Listed)	Unlisted Property — MaxCap Group CVS Lane Internally Managed
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Incolink Unlisted Property Debt Portfolio

Incolink's Unlisted Property Debt Portfolio is another of the key ways we give back to the industry.

We do this by allocating investment funds (via secured debt funding) to quality property projects – and in the process creating jobs for our members, contributing to the sustainability of our industry and generating attractive risk-adjusted investment returns for our scheme.

During FY18, our Mezzanine Property Debt sub-portfolio comprised the following construction developments.

Flagstaff Green West Melbourne, 3003

Flagstaff Green is located at the north-west corner of Melbourne's CBD, opposite Flagstaff Gardens. Construction of the 20 storey tower commenced on 17 July 2017 and comprises of 244 residential apartments. The building will include a private lounge with a kitchen, dining area, media room, roof top garden, teppanyaki bar, gym with a heated pool, as well as a spa exclusively for residents. The project has pre-sold 97% of the apartments with completion expected by November 2019.

224

Active Days

8,827

Days of Work Created

Kings Domain South Melbourne, 3205

Kings Domain achieved completion in April 2018 with residents of the 24-storey building with 238 apartments moving-in after that date. Located just off St Kilda Road and opposite the Royal Botanic Gardens, the building features a distinctive oval design with a crown on the roof. Amenities also include ground level retail space with communal areas on Level 5 that have facilities such as a private dining room, cinema, gymnasium and lap pool.

202

Active Days

33,236

Days of Work Created

Opera St Kilda, Melbourne, 3004

Project Opera achieved completion on 3rd August 2018 with 67% of the residents for the 226 apartments moving in within three weeks of calling for settlements. Opera is a premium residential development located less than 3km from the CBD on St Kilda Road. The building features a distinctive curved façade, pool, wine cellar and gymnasium over 19-levels. The project was designed by leading architects Bates Smart with 100% of the project pre-sold prior to completion.

248

Active Days

24,597

Days of Work Created

Victoria One Melbourne CBD, 3000


Victoria One was completed in June 2018 by Probuild, the builders. Standing at 280 metres high and 76 storeys, the building is currently the 6th tallest building in Victoria and 10th tallest in Australia. Residents of the lower apartments in the 75 storey tower were allowed to move in as early as November 2017 based on a staged completion timeline adopted by the developer- Golden Age. Designed by award-winning architects Elenberg Fraser the communal facilities include a large health club, lap pool, private lounge and dining areas for residents.

251

Active Days

43,441

Days of Work Created



**If it wasn't
for Incolink,
my family
member
would
probably
be dead on
the street
by now**

Jacqui
Incolink member

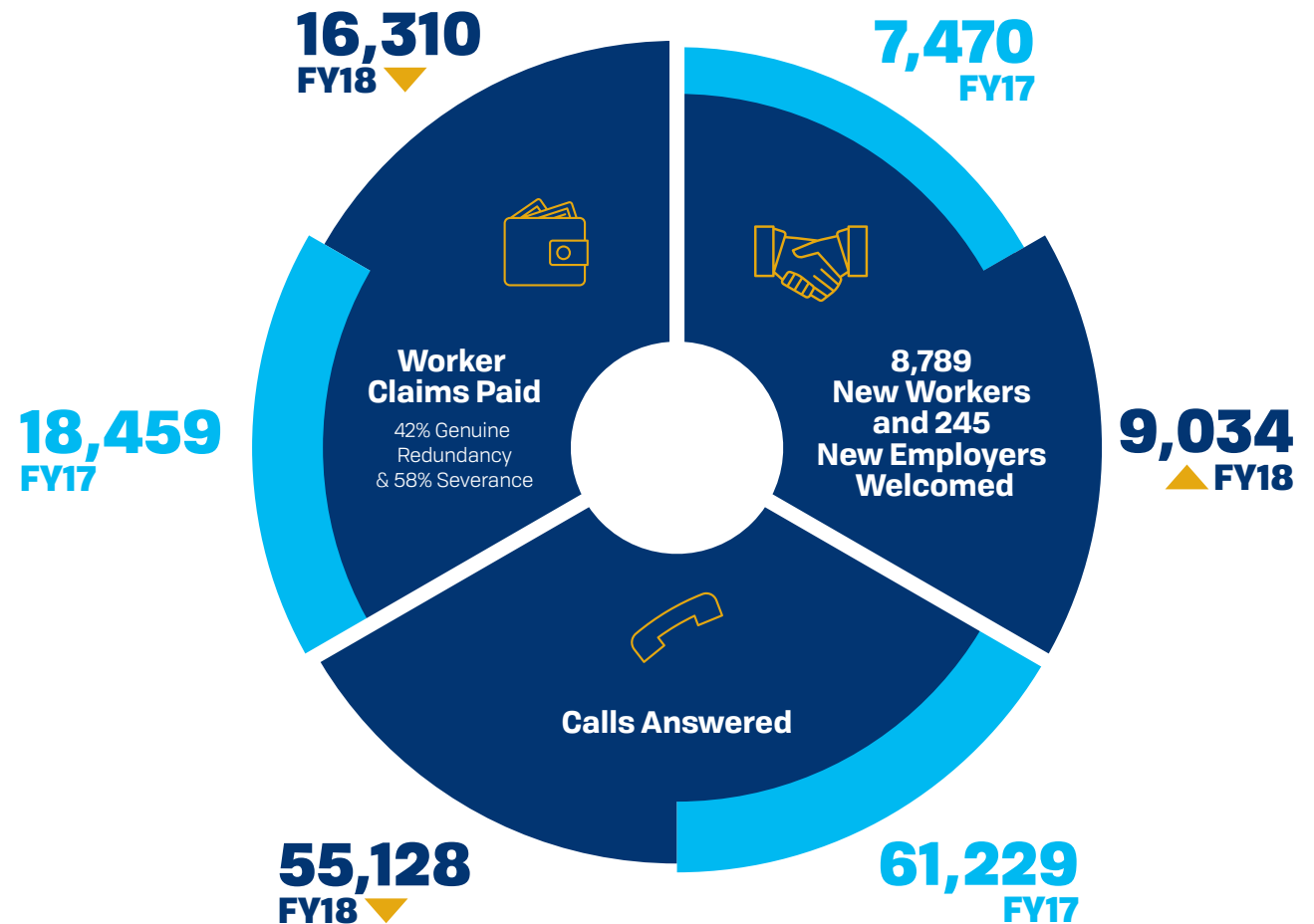
Member Experience

Our Member Experience team delivers a diverse array of functions which are all geared toward enhancing the experience of our members when they interact with Incolink.

As well as handling enquiries from members about their redundancy claims, Income Protection and Portable Sick Leave insurances, our knowledgeable in-house customer service team work alongside specialist liaison officers who can meet with members on site.

Supported by administrative and IT personnel, we all work together to maintain the high standards of service that our members expect from Incolink.

Incolink has over 82,000 worker and employer members.



Member Research

Worker Members

In February 2018, Incolink engaged EY Sweeney Research to conduct a detailed member survey to understand worker and employer member perceptions about Incolink and our services. A similar survey had previously been done in 2015.

“It is hard to fault them. They’ve helped me out a few times over the years and I can’t speak badly of them. They are fantastic.”

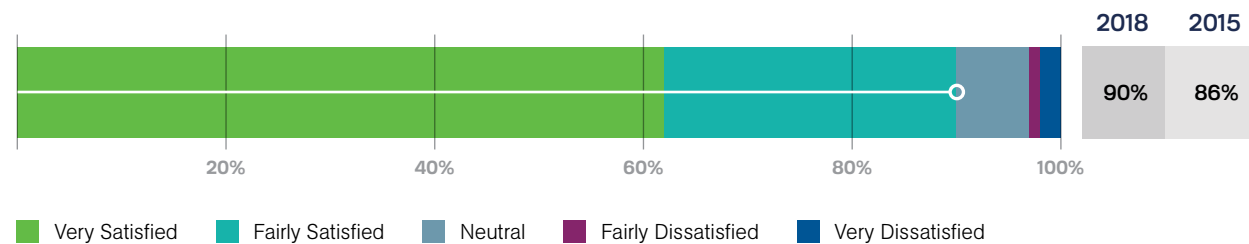
“It gave me some confidence at a time of uncertainty.”

Worker member satisfaction with Incolink overall is very high and has improved since 2015. Nine in ten worker members are 'very' or 'fairly' satisfied with the service provided by us (90%, up from 86% in 2015).

All Member Wellbeing & Support Services are very highly regarded. Each considered 'excellent' or 'very good' by at least seven in ten worker members.

Incolink 24/7 Counselling sits just ahead of other services - evaluated favourably by eight in ten worker members. Evaluation of all Member Wellbeing & Support Services has improved since 2015.

How satisfied are our Worker Members with the service provided by Incolink?



How do our Worker Members rate Incolink's Wellbeing & Support Services?



Member Research (cont.)

Employer Members

Overall, employer member satisfaction with Incolink remains high. Around 80 per cent of Employer Members are satisfied and only five per cent are dissatisfied.

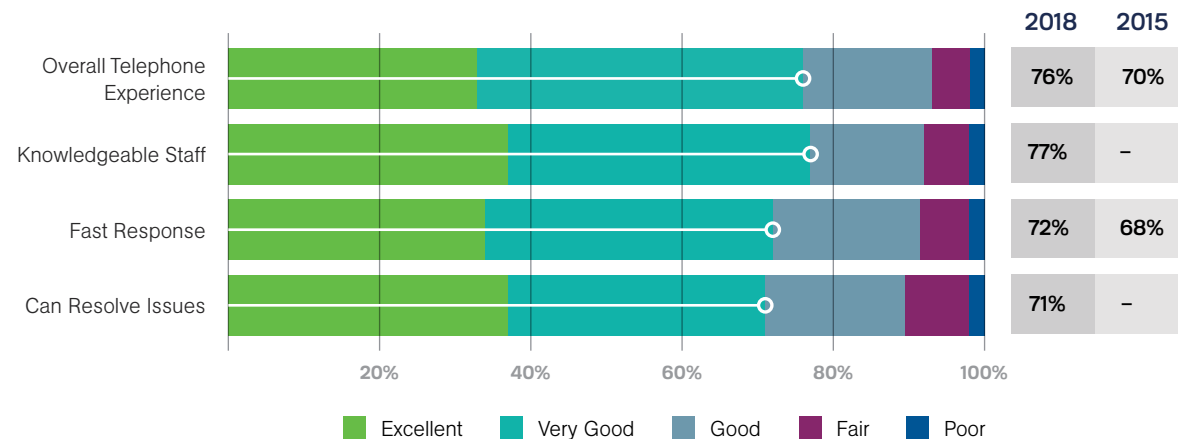
The survey showed us that satisfaction levels were higher for employers who'd been members for longer, and those with greater volumes of redundancy contributions. This demonstrates that we're living up to our core promise of providing a simple and efficient way for employers to manage their worker entitlements.

"We have a good, easy relationship with (Incolink)."

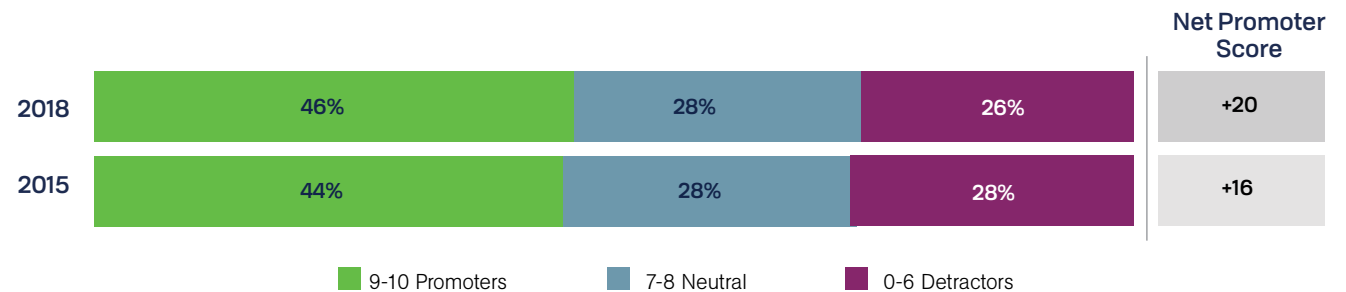
"It's the easiest website we use – much better than the others..."

Since 2015, the number of employers who are considered to be promoters of Incolink – meaning they rated their likelihood of recommending Incolink to other organisations a '9' or '10' out of 10 – has risen. Likewise, the number of employers who are not likely to recommend Incolink to others, has fallen.

How do our Employer Members rate our Call Centre?



How likely are our Employer Members to recommend Incolink to other companies?



**Whether
there's an
incident
on site,
or things
aren't right
at home,
Incolink has
your back**



Member Wellbeing & Support

Working in the building and construction industry is as rewarding as it is physically demanding.

We are shaping the future of Australia and helping create the world our children will inherit. It's quite a privilege.

On the flipside, ours is a tough industry where accidents can – and do – happen. Work can be irregular, causing financial and emotional strain, and suicide is a well publicised issue across our industry.

Incolink's Member Wellbeing & Support team offers 24/7 support to members and their families. Here's a snapshot of what we do.

Prevention Services

Preventative Education

Incolink's team of Support Workers deliver mental health and wellbeing preventative education sessions on site, at employer offices, at union training centres and TAFE institutions. These sessions are designed to provide early intervention and general awareness on issues such as alcohol and other drugs, mental health and wellbeing, suicide awareness and responsible gambling.

Apprentice Support

Apprentices are the most vulnerable group in the construction industry. They tend to be young; for many this is their first job, and they sometimes struggle with the transition from school to work.

During their apprenticeship they are newly challenged by learning how to manage work, money, their career path, their social lives and maintaining good physical and mental health.

Incolink works with the TAFEs to offer preventative education and support for construction apprentices helping them navigate through these and other issues which may arise during their apprenticeship.

Life Care – Incolink Suicide Prevention

"Construction workers, miners and tradies have the highest suicide rates of all occupations in Australia. Lower skilled labourers in mining and construction have a suicide rate double that of other occupations"^{*}

Since 2006, Incolink has been a passionate advocate of suicide prevention for construction apprentices. Our Life Care Program aims to reduce suicide among apprentices and young workers by promoting life skills, raising awareness about suicide risk factors and offering support to those who need it.

Generous support from Victorian Primary Health Networks and CBUS.

This year Incolink delivered:

138 sessions

2,005 participants

232 referrals*

* National Coronial Information – Alison Milner, Humaira Maheen, Dianne Currier and Anthony D LaMotagne 2017

* Referrals may include external agencies, interventions or other general supports

Gambling Harms Awareness

Incolink's Problem Gambling preventative education program is designed to raise awareness about the risks of gambling among workers and apprentices. The program helps them understand harms related to gambling, learn strategies to help them gamble responsibly and find out where to get support if they need it.

The continued funding from the Victorian Responsible Gambling Foundation has meant we are able to continue this successful program.

This year Incolink delivered:

97 sessions

1,281 participants

144 referrals

Member Wellbeing & Support (cont.)

Prevention Services		Intervention Services		
Alcohol and Other Drugs Program, Tasmania	RegionalLink Mental Health Awareness Initiative	Counselling & Mental Health	24/7 Counselling Service	Alcohol and Other Drugs
<p>Incolink delivers Alcohol and Other Drugs (AOD) preventative education sessions to workers and apprentices across Tasmania generously supported by WorkSafe Tasmania.</p> <p>We partner with employers, unions, community health organisations, local resource network of support, TAFEs and training centres to build capacity within the workplace and across the community at large.</p> <p>Incolink counsellors support workers and their families, and we also refer them to other community services when additional support is required.</p> <p>This year Incolink delivered:</p> <p>49 sessions</p> <p>551 participants</p> <p>4 referrals</p>	<p>In response to industry needs and following on from our successful Contact+Connect program in 2016-17, Incolink rolled out the first of a series of smartphone-based mental health awareness programs – TasLink and GippslandLink – to our regional members.</p> <p>Participants could opt out at any time, but most chose to remain in the program. They received a weekly email or SMS for nine weeks with information about a range of mental health-related topics. Messages were tailored to construction workers and used various types of content to engage the audience – including written info, videos and infographics.</p> <p>Incolink plans to deliver the RegionalLink program to other locations in regional Victoria during FY19.</p>	<p>Incolink membership includes confidential counselling support for members and their families. Incolink's professional counselling team provided support to workers and their families, discussing issues like relationship difficulties, stress from work or home, mental health issues, grief and suicidal ideation.</p> <p>This year Incolink delivered:</p> <p>3,417 counselling sessions and brief interventions to members and their families</p>	<p>The construction industry is characterised by long hours, making it difficult for workers to receive support.</p> <p>Incolink responded to the industry by establishing a 24/7 counselling service to assist in reducing the stress and anxiety often experienced by people seeking support.</p> <p>With this service launched in October 2017 Incolink members and their families can now access counselling support whenever they are in need.</p> <p>During FY18:</p> <p>191 members contacted our new 24/7 telephone counselling service</p>	<p>Our Alcohol and Drug Counsellors offer assistance with drug and alcohol related issues.</p> <p>The Alcohol and Drug Program is designed for workers in the building and construction industry. Many members were assisted by referral and access to specialised services and peer support groups.</p>

Member Wellbeing & Support (cont.)

Intervention Services

Critical Incident Support	Incolink Financial Rights	Incolink Job Support	Incolink Health Checks	Incolink Skin Checks
<p>Incolink's counselling and support team continue to provide prompt, informed and effective response to any critical incident on a construction site.</p> <p>Working with site managers and union officials, Incolink has established a set of Critical Incident Response Guidelines to provide debriefing and/or counselling sessions to groups or individual workers after an incident.</p> <p>During FY18 Incolink attended:</p> <p>38 critical incidents on sites across Victoria</p>	<p>Incolink provides confidential debt crisis support and can assist members to understand their rights and manage a wide range of financial matters, including rules and laws relating to bills and debts, mortgage or rental payments, personal advocacy, bankruptcy and whether members might qualify for government assistance.</p>	<p>Our Job Support team provide a range of services to employers and workers.</p> <p>For employers, we assist in the search for suitably qualified workers.</p> <p>For workers, we provide advice to help them to develop their careers in construction.</p> <p>During FY18:</p> <p>3,366 members received support</p> <p>467 members were referred to employers</p> <p>117 members obtained work through the Job Support service</p>	<p>Our Health Checks program delivers the best of Incolink's Wellbeing & Support services to workers on site through preventative education toolbox sessions, voluntary medical health checks and follow up sessions that include direct links to Incolink counselling and support services.</p> <p>The program covers physical wellbeing, financial security and mental health. The aim of the program is to promote healthy lifestyles that reduce worker absenteeism and improve the long-term health and wellbeing of workers.</p> <p>During FY18:</p> <p>7,090 workers participated in introductory toolbox sessions</p> <p>2,698 workers completed a workplace Health Check</p> <p>10,283 workers participated in 82 preventative education toolbox sessions</p> <p>275 additional support services were provided</p>	<p>Skin Cancer Prevention has long been an issue for the construction industry where workers spend long hours outside.</p> <p>Skin cancer prevention best practice advocates for early detection and preventative education as a main priority for prevention programs. Due to the sometimes short onset of the disease, individual responsibility for detection using education and a self-detection tool is recommended.</p> <p>In 2017/2018 Incolink launched Skin Checks which includes a preventative education component. After the initial trial period, 380 skin checks and 4 education sessions were delivered and 19 people have been referred on to other practitioners to have suspicious growths assessed.</p> <p>During FY18 Incolink provided:</p> <p>380 Skin Checks</p> <p>4 education sessions</p> <p>19 referrals</p>



**Incolink's
investment
in industry
training helped
upskill almost
17,000 workers
last year**
—

Investment in our Industry

Industry Training Grants

Incolink's core responsibility is to preserve and invest funds and make redundancy payments on behalf of our worker members. In accordance with our charter, Incolink can distribute surplus funds to participating industry associations for the purposes of supporting industry training and development as well as funding initiatives that improve safety within the industry.

Incolink invests back into the industry to strengthen the commercial construction industry as a whole. The building and construction industry is one of the more dangerous industries in which to work.

Organisations must formally apply for funding and, in accordance with established guidelines, outline the proposed purpose and benefits to the industry. All funding applications are subject to Board approval and the processes for grant applications and disbursements are independently audited.

During 2017/18, Incolink committed grants totalling \$21,347,205 from fund reserves. This includes funding industry training undertaken by sponsoring organisations such as Master Builders Association of Victoria, the Construction, Forestry, Maritime, Mining and Energy Union – Construction & General Division, and the Plumbing Joint Training Fund. We also support occupational health and safety officers across the industry. The disbursement of grants fell into three categories.

Training and Development – \$16.2 million

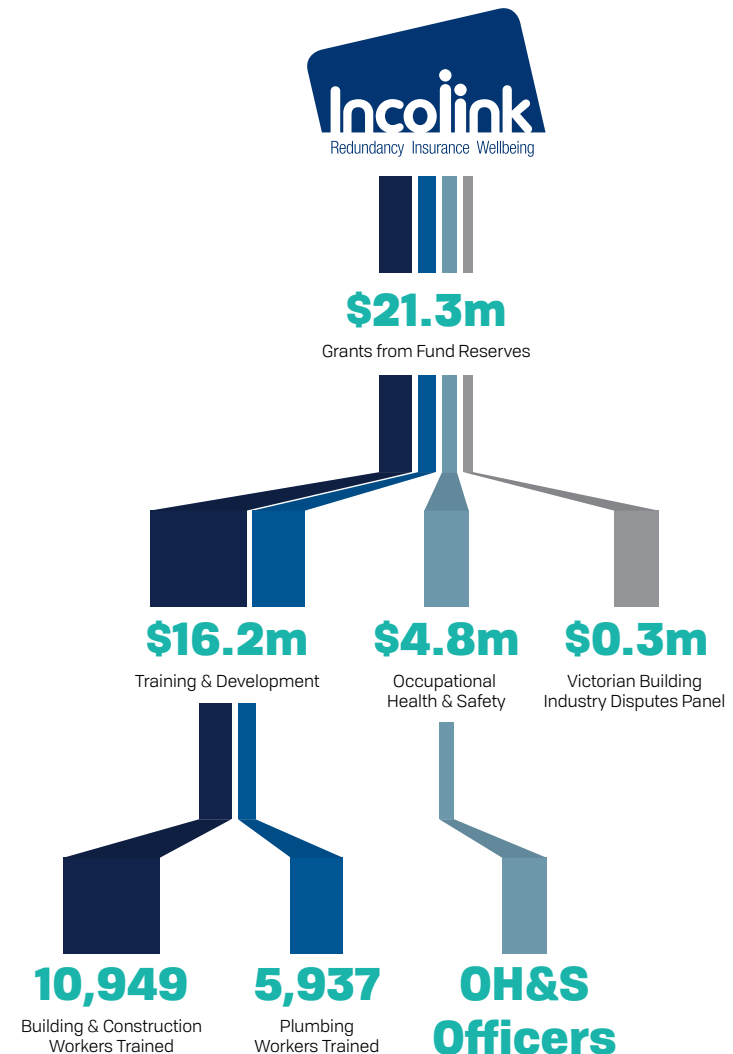
Occupational Health and Safety – \$4.8 million

Victorian Building Industry Disputes Panel – \$0.3 million

Industry Training Outcomes

With the generous support of Incolink, the industry provides a wide range of training courses to building and construction workers. In FY18, Incolink training grants funded the following:

	MBAV	CFMEU	PJTF	Total
Types of courses	91	49	104	244
Learners	3,949	7,000	5,937	16,886



Investment in our Industry (cont.)

Training and Development

Incolink administers the Victorian Building Construction Industry Training Fund together with members who are eligible to apply for funding for training and development initiatives for the benefit of the industry.

Employers who are party to an industrial instrument that reflects the terms of the certified agreement are required to contribute to the Co-managed Training Levy (CTP).

The CTP contribution is included in monthly contribution payments to Incolink and used to defray the grant funding made available by Incolink.

In recent years, the Training Fund has supported the following industry training organisations.



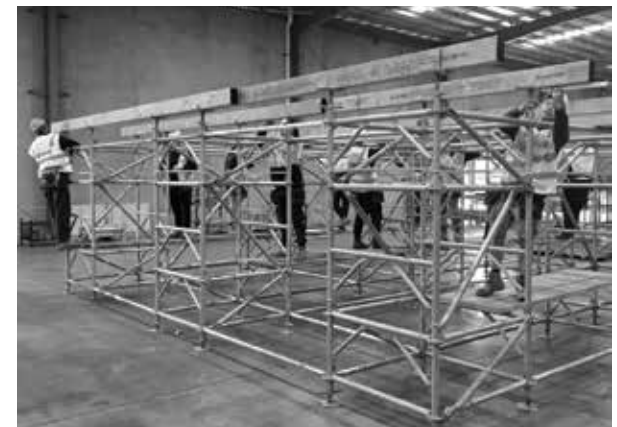
Master Builders Association of Victoria (MBAV) – Building Leadership Simulation Centre (BLSC)

The MBAV offer a unique training facility to construction and building managers and future managers with the Building Leadership Simulation Centre (BLSC). The BLSC utilises state-of-the-art simulation technology which immerses attendees in a virtual worksite to target decision making, problem-solving and leadership skills. Participants confront the challenges faced on a real building site but without the risks of delays, defects, cost blow outs or injuries.



Construction, Forestry, Mining and Energy Union (CFMEU) – CFMEU Education and Training Unit

The CFMEU provides a range of integrated competency-based, nationally accredited courses. They are delivered by skilled teachers and industry trainers who all have experience in the building and construction industry. The CFMEU is a registered training provider with the Australian Skills Quality Authority and provides attendees with qualifications that are recognised throughout Australia.



Investment in our Industry (cont.)



Plumbing Joint Training Fund Ltd (PJTF)

The plumbing industry offers high quality plumbing courses to the many trades that fall under its banner at the Plumbing Industry Climate Action Centre. The centre is a 5 Star Green Star rated building and is a working example of innovative design and sustainable plumbing. PICAC users include the Pipe and Plumbing Trades Employees Union (PPTU), Master Plumbers and Mechanical Services Association Australia (MPMSAA) Air Conditioning and Mechanical Contractors' Association (AMCA), and National Fire Industry Association (NFIA).

Industry Occupational Health and Safety

Incolink worked alongside industry associations to establish a range of industry Occupational Health and Safety (OH&S) grants when WorkSafe removed funding for these roles back in 2002. Funding OH&S officer-related roles creates jobs for our industry and assists promotion of the importance of OH&S across the commercial building and construction industry. In FY18 Incolink was successful in their application to the Victorian Government for a financial commitment to support the OH&S training.



A close-up photograph of a man and a young girl. The man, on the left, is wearing a yellow hard hat and a dark blue jacket. He has a light beard and is smiling warmly at the camera. The young girl, on the right, is wearing a dark blue sweater with a grey collar and is also smiling. They are both looking directly at the camera. The background is slightly blurred, showing other people in a public setting.

**Incolink
insurance
gives
members
and their
families
protection
and peace
of mind**

Industry Leading Insurance

Incolink's Accident & Illness Benefits Program sets an industry benchmark for protecting building and construction workers.

If a worker sustains an illness or injury in their leisure time, this can impact their ability to do their job. Incolink's range of insurances and discretionary covers are designed to support workers and their families through the tough times.

Windsor Management Insurance Brokers service all insurance and discretionary cover matters, with the exception of Funeral cover which is handled by Incolink. Total Claims Solutions manages all claims except Funeral.

Incolink's Work Injury Management Service (WIMS) assists workers and employers to navigate the entire WorkCover process. This service is provided by Total Claims Solutions.

During FY18, Incolink's Accident & Illness Benefits Program supported members by paying out 2,047 claims to the value of \$21,796,375.

Insurance Cover

	Claims	Paid
Leisure Time Accident & Illness Benefits Program; TAC Top-Up; WorkCover Top-Up; Workplace Trauma	827	\$18,710,009
Portable Sick Leave	387	\$1,842,746
TOTAL	1,214	\$20,552,755

Discretionary Cover

	Claims	Paid
Ambulance	655	\$763,929
Accidental Dental	140	\$107,431
Funeral	38	\$372,260
TOTAL	833	\$1,243,620

Testimonial

Incolink member, Andrew*, had been suffering from depression for 12 months and was unable to work. Because Andrew had Leisure Time Accident & Illness cover, he received \$1,400 gross per week to support him and his family through his recovery. Once he was back to work, his wife Liz*, took the time to contact our claims partner Total Claims Solutions to say thanks.

"I just wanted to once again express to you how deeply grateful Andrew and I have been with your support, kindness and understanding that you have shown to (him) throughout his recovery and getting him back to work. Your support has also been extended to me in our dealings and regular contact, something I am very grateful for.

(It) has made all the difference for Andrew's recovery and for my own stress levels ...when someone becomes unwell and finds themselves in these situations this has an effect on the whole family...thank you so much for being such an amazing professional."

* Names have been changed at the member's request.

Our Commitment to the Community

The Victorian Building Industry Picnic Day

Working in the construction industry often means long hours and weekend work. The annual Victorian Building and Construction Industry Picnic Day is held each December as a thank you to workers and their families for all the hard work they put in during the year.

Picnics are held across Victoria and in FY18 over 18,000 workers and their families joined in the fun. Incolink contributed \$110,000 to the cost of running the annual picnics which is one of the most anticipated social events for workers in our industry.



Brodie's Law Foundation

Incolink supports the right for all construction workers to feel safe at work and is proud to support Brodie's Law Foundation. Damian and Rae Panlock established the Foundation in memory of their 19-year-old daughter, Brodie, who tragically took her own life in September 2006 after being relentlessly bullied at work. Victoria's anti-bullying legislation, known as Brodie's Law, commenced in June 2011.

Incolink continued its long-term support of the Foundation this year with a donation of \$10,000 which helped them develop the Brodie's Law website.



Our Commitment to the Community (cont.)



Lynall Hall Community College – The Island Campus

In FY18 Incolink continued its support of The Island Work Education and Training Unit at Lynall Hall Secondary College. The Island provides vocational education and training to 15-18 year olds, many of whom have experienced adversity in their short lives.

Our donation of \$100,000 means The Island can continue to deliver its popular Certificate II in Building and Construction. Our donation will also fund the purchase and maintenance of quality equipment and experienced teaching staff. Incolink is proud to support the education excellence and life-changing opportunities offered by The Island.



Kids Under Cover

Incolink has been proud to support Kids Under Cover for almost 30 years, as they accomplish real outcomes for Australian youth. We wish them great success in the future. This was our final donation to Kids Under Cover. In total we have donated \$850,000 over 29 years.

Incolink donated \$100,000 to Kids Under Cover to provide support and assistance to young people affected by homelessness, poverty and complex family situations.

Through the construction of studios in the backyards of overcrowded family or carers' homes, and through scholarships, Kids Under Cover seeks to prevent young people leaving their home and their school, and keep them connected to family, education and community.

During FY18 Kids Under Cover awarded 180 scholarships and built 55 new studios. To date more than 900 scholarships have been awarded and over 3,000 young people have been supported through the Kids Under Cover Studio Program.

Incolink is trusted

Rob
CFMEU Delegate and OH&S Rep

Combined Special Purpose Accounts

For the year ended 30 June 2018

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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 2018 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 Brian Boyd
- Mr Hedley Davis
- Mr Radley de Silva
- Mr Ralph Edwards
- Mr Michael O'Neill
- Mr Earl Setches
- Mr Robert Whitwell
- Mr Noel Washington
- Mr Ken Gardner (appointed October 2017)

2. Chairman

Mr Brian Welch

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 Held	Board Meetings Attended
Mr Brian Boyd	11	11
Mr Hedley Davis	11	11
Mr Radley de Silva	11	11
Mr Ralph Edwards	11	11
Mr Michael O'Neill	11	11
Mr Earl Setches	11	7
Mr Robert Whitwell	11	11
Mr Noel Washington	11	11
Mr Ken Gardner	8	6

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

Directors' Report (cont.)

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 Property Management Pty Ltd

The Company's objective is to 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 \$37.78 million (2017: \$15.43 million). The Company generated a profit after tax of \$Nil (2017: \$Nil).

7. Distributions/Dividends

Distributions have been dispersed 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 2018 and the Directors do not recommend that a dividend should be paid.

8. Likely developments

There are no likely developments to report impacting the company's future operations.

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.

10. 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.

11. Events after the reporting date

There were no matters or circumstances arising since the end of the financial year that have significantly affected or may significantly affect the operations of the Company or Group, the results of those operations or the state of affairs of the Company or Group in future financial years.

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.



Hedley Davis
Director



Ralph Edwards
Director

Melbourne, 17 October 2018

Combined Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	2018 \$	2017* \$
Revenue			
Investment revenue	2	56,751,291	56,150,512
Other income	3	7,091,799	7,353,483
Operating expenses	4	(14,706,093)	(13,181,468)
Operating profit for the year		49,136,997	50,322,527
Income tax (expense)/benefit	16	8,622	(21,356,263)
Operating profit after income tax		49,145,619	28,966,264
Non-beneficiary industry grants		(1,821,967)	(1,854,071)
Scheme insurances		(8,760,877)	(9,281,658)
Other non-operating expenses	5	(787,591)	(2,396,639)
Total non-operating expenses		(11,370,435)	(13,532,368)
Net profit after income tax		37,775,184	15,433,896
Other comprehensive income for the year		-	-
Total comprehensive income for the year		37,775,184	15,433,896

* Certain amounts shown here do not correspond to the 2017 Combined Special Purpose Accounts and reflect adjustments made, refer to Note 1 (e).

The above statement of comprehensive income should be read in conjunction with the accompanying notes which form part of the combined special purpose accounts

Combined Statement of Financial Position

For the year ended 30 June 2018

	Note	2018 \$	2017* \$
Assets			
Cash and cash equivalents	6	36,380,633	10,095,477
Trade receivable and other assets	7	1,082,877	5,923,052
Financial assets at fair value through profit or loss	8	756,772,689	725,650,572
Property, plant and equipment	9	21,625,250	21,774,602
Total Assets		815,861,449	763,443,703
Trading Liabilities			
Trade and other payables	10	7,337,831	6,458,459
Employee benefits	11	1,029,976	969,215
Income taxes payable		4,461,248	672,326
Deferred tax liability		11,925,580	18,735,530
Total Trading Liabilities		24,754,635	26,835,530
Member Liabilities			
Worker member liability balances	12	645,735,539	608,682,427
Apprentice member liability provision	13	9,460,551	10,359,110
Total Member Liabilities		655,196,090	619,041,537
Total Liabilities		679,950,725	645,877,067
Net Assets		135,910,724	117,566,636

	Note	2018 \$	2017* \$
Equity			
Retained earnings		31,173,108	10,155,421
Distributable capital		10,038,474	7,786,149
Other capital reserves	15	94,699,142	99,625,066
Total Equity		135,910,724	117,566,636

* Certain amounts shown here do not correspond to the 2017 Combined Special Purpose Accounts and reflect adjustments made, refer to Note 1 (e)

The above statement of financial position should be read in conjunction with the accompanying notes which form part of the combined special purpose accounts

Notes to the Combined Special Purpose Accounts

For the year ended 30 June 2018

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
- 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

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.

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 and forecasts, including all available information, and 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 revenue

Investment revenue is derived by obtaining the movement in market value of the investments from period to period, using the closing Net Asset Value (NAV) unit price provided by all applicable investment fund managers. Cash distributions from investments are recognised in the period in which they are earned.

Notes to the Combined Special Purpose Accounts (cont.)

(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 part of the cost of acquisition of the asset or as part of an item of the 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.

Prior period restatement

During 2018 the Group undertook a review of its income tax position and concluded that it was appropriate that the Group should recognise a DTL on the unrealised mark to market gains on the Group's investments and that this should be applied retrospectively.

As a result, each of the affected line items for prior periods have been restated as follows:

	Previous Amount \$	Opening Balance 1/07/16 Adjustment \$	Adjustment \$	Restated Amount \$
2017 Statement of financial position (extract)				
Deferred tax liability	-	17,621,697	1,113,833	18,735,530
Retained earnings	28,890,951	(17,621,697)	(1,113,833)	10,155,421

	Previous Amount \$	Adjustment \$	Restated Amount \$
2017 Statement of comprehensive income (extract)			
Income tax expense	20,242,430	1,113,833	21,356,263
Operating profit after income tax	30,080,097	(1,113,833)	28,966,264
Total comprehensive income for the year	16,547,729	(1,113,833)	15,433,896

(f) Financial assets

Initial recognition and measurement

Financial assets are initially measured at cost on trade date, which includes transaction costs when the entity becomes a party to the contractual provisions of the instrument. Financial assets are classified and measured as set out below.

Classification and subsequent measurement

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in the fair value are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Notes to the Combined Special Purpose Accounts (cont.)

Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments are stated at amortised cost using the effective interest rate method. At 30 June 2018, the Group does not hold any investments in this category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any other categories. They are held at fair value with changes in fair value taken through the financial assets reserve directly to other comprehensive income. At 30 June 2018, the Group does not hold any investments in this category.

Impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

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.

(g) 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 on a triennial basis by a certified property valuer.

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 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:

Class of property, plant & equipment	Depreciation Rate	Useful Life (Years)
Plant and equipment	20.00%	5
Furniture and fittings	20.00%	5
Software development costs	14.29%	7
Motor vehicles	22.50%	4.4
IT/Communications equipment	25.00%	4
Buildings	3.33%	30

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.

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.

Notes to the Combined Special Purpose Accounts (cont.)

(h) 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.

Industry 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 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 industry grants payable is extinguished as each reporting milestone is met by the relevant grant recipient.

(i) 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.

(j) 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.

(k) Standards issued but not yet effective

AASB 9 – Financial Instruments

In December 2014, the AASB issued the final version of AASB 9 Financial Instruments that replaces AASB 139 Financial Instruments: Recognition and Measurement and all previous versions of AASB 9. AASB 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

AASB 9 is applicable to the Group from 1 July 2018 and includes a principles-based approach to classify financial instruments based upon 1) the objective of the entity's business model for managing the financial instrument and 2) the characteristics of the contractual cash flows. It also includes a single 'expected credit loss' impairment model and a substantially redesigned approach to hedge accounting.

The Group has considered the implications of AASB 9 and applied the relevant judgement in relation to the requirements of the new standard based on currently available information. On adoption of the new standard, the Group does not expect a significant impact on its statement of financial position and equity and will not restate comparative information.

The Group has identified and will implement changes to the classification of certain financial instruments. It expects to continue measuring at fair value all financial assets currently held at fair value, with the exception of unithold cash fund investments and mezzanine property debt which will be reclassified as at amortised cost. No change is expected in the measurement of these financial instruments.

Similarly, in relation to impairment, the simplified approach will be adopted which is not expected to result in any material changes. Hedge accounting is not adopted by the Group.

Notes to the Combined Special Purpose Accounts (cont.)

Impact of the new standard on the statement of financial position as at 30 June 2018:

Current classification

Financial assets at fair value through profit and loss	\$751,663,873
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Classification from 1 July 2018

Financial assets at fair value through profit and loss	\$661,755,279
Financial assets at amortised cost	\$89,908,594

AASB 15 – Revenue from Contracts with Customers

AASB 15 was issued in December 2014, amended in May 2016 is applicable from 1 July 2018 and establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is 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 new revenue standard will supersede all current revenue recognition requirements under Australian Accounting Standards.

Guidance is provided on aspects such as the point at which revenue is recognised, rendering of services, accounting for variable consideration, costs of fulfilling and obtaining a contract and other related matters.

The Group has identified a single revenue stream which incorporates investment revenue, which is not linked to a contract with a customer. An assessment performed of the applicable aspects under the new standard has determined that they are not applicable to investment revenue. All other income is not expected to be materially impacted upon adoption of the new standard as it falls outside the scope of this new standard.

The Group has considered the implications of AASB 15 and applied the relevant judgement in relation to the requirements of the new revenue standard. Revenue recognition is not expected to be materially affected upon adoption of the new standard.

2. Investment revenue

	2018 \$	2017 \$
Mark to market movement in value	19,122,782	2,784,617
Cash distributions received	25,583,297	44,150,637
Interest revenue	10,701,286	8,037,585
Net other investment revenue	1,343,926	1,177,673
	56,751,291	56,150,512

3. Other income

	2018 \$	2017 \$
Training levy contributions retained	5,503,260	5,418,979
Late payment fees	539,715	687,658
Management fee income	595,606	567,557
Other	453,218	679,289
	7,091,799	7,353,483

Notes to the Combined Special Purpose Accounts (cont.)

4. Operating expenses	2018 \$	2017 \$
Audit, tax and accounting fees	479,686	343,066
Staff & related expenses	8,893,099	7,995,072
Depreciation	942,421	949,647
Occupancy expenses	1,051,329	933,883
Industry sponsorships & donations	582,316	449,240
Printing, stationery & postage	238,766	398,005
Legal fees	51,408	21,908
Consultancy fees	404,801	415,481
Marketing expenses	438,806	270,461
IT expenses	302,115	218,603
Corporate insurances	177,216	175,929
GST expense	455,131	397,319
Other operating expenses	688,999	612,854
	14,706,093	13,181,468

5. Other non-operating expenses	2018 \$	2017 \$
Forfeited balances reinstated	(759,234)	(822,396)
Member liability expense	-	94
Apprentice liability expense	(28,357)	(1,574,337)
	(787,591)	(2,396,639)

6. Cash and cash equivalents	2018 \$	2017 \$
Cash at bank	36,380,633	10,095,477

7. Trade receivable and other assets	2018 \$	2017 \$
Related party receivables	349,631	446,614
Trade receivables	206,074	345,274
Sundry debtors	290,230	645,959
Prepayments	236,942	4,485,205
	1,082,877	5,923,052

8. Financial assets at fair value through profit or loss	2018 \$	2017 \$
Cash	80,505,610	77,278,034
Fixed interest	152,047,087	147,317,052
Alternative credit	59,264,446	57,272,059
Diversifying alternatives	124,891,823	112,383,517
International equities	96,241,539	123,053,912
Australian equities	95,709,499	89,018,570
Infrastructure	44,746,806	52,796,050
Unlisted property	98,257,063	56,900,000
Interest receivable on unlisted property	5,108,816	9,631,378
	756,772,689	725,650,572

Notes to the Combined Special Purpose Accounts (cont.)

9. Property, plant and equipment	2018 \$	2017 \$
Land and buildings – at fair value	20,000,000	20,000,000
Less: accumulated depreciation	(404,245)	-
Total land and buildings	19,595,755	20,000,000
Plant and equipment – at cost	5,588,304	5,079,026
Less: accumulated depreciation	(3,558,809)	(3,304,424)
Total plant and equipment	2,029,495	1,774,602
Total property, plant and equipment	21,625,250	21,774,602

10. Trade and other payables	2018 \$	2017 \$
Accounts payable	503,745	1,950,160
Sundry creditors and accrued expenses	2,606,047	1,461,441
Industry grants payable	4,228,039	3,046,858
	7,337,831	6,458,459

11. Employee benefits	2018 \$	2017 \$
Annual leave	386,981	383,026
Personal leave	301,842	283,197
Long service leave	341,153	302,992
	1,029,976	969,215

12. Worker member liability balances	2018 \$	2017 \$
Opening balance	608,682,427	592,877,129
Employer redundancy contributions	131,178,804	125,899,042
Forfeited balances reinstated	759,234	845,511
Apprentice credits rolled over	2,643,372	2,898,013
Claims and transfers	(97,528,298)	(113,837,268)
Closing balance	645,735,539	608,682,427

13. Apprentice member liability provision	2018 \$	2017 \$
Opening balance	10,359,110	10,028,532
Apprentice levy collected	1,716,456	1,654,251
Apprentice liability expense	28,357	1,574,340
Apprentice credits rolled over	(2,643,372)	(2,898,013)
Closing balance	9,460,551	10,359,110

14. Beneficiary unpaid present entitlements	2018 \$	2017 \$
Opening balance	-	-
Distribution of profit for the year	17,412,054	15,419,605
Transferred pursuant to Heads of Agreement and offset against grants paid	(17,412,054)	(15,419,605)
Balance at end of the financial year	-	-

Notes to the Combined Special Purpose Accounts (cont.)

15. Reserves

	2018 \$	2017 \$
Asset revaluation reserve (i)	5,131,377	5,131,377
Capital reserve	89,567,765	94,493,689
Total reserves closing balance	94,699,142	99,625,066
(i) Asset revaluation reserve		
Opening balance	5,131,377	3,683,189
Property revaluation	-	1,448,188
Closing balance	5,131,377	5,131,377

The revaluation in 2017 was based upon a report 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 2017. Valuations are performed on a triennial basis.

16. Income tax expense

	2018 \$	2017 \$
Current income tax expense		
Current income tax charge	7,037,228	6,888,412
Adjustment in respect of current income tax of previous year	(235,900)	(4,267,679)
Deferred income tax expense		
Relating to origination and reversal of temporary differences	(6,809,950)	18,735,530
	(8,622)	21,356,263

During 2018 the Group undertook a review of its income tax position and concluded that it was appropriate that the Group should recognise a DTL on the unrealised mark to market gains on the Group's investments and that this should be applied retrospectively.

As a result, income tax expense for 2017 has been restated as follows:

	Previous Amount \$	Adjustment \$	Restated Amount \$
2017 Statement of comprehensive income (extract)			
Income tax expense	20,242,430	1,113,833	21,356,263

17. Segment Information

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

Directors' Declaration

For the year ended 30 June 2018

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 present fairly the financial position and performance of the combined Group as at 30 June 2018; and
- b) In the Directors' opinion, there are reasonable grounds to believe that each entity within the combined Group as at 30 June 2018 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



Hedley Davis
Director



Ralph Edwards
Director

Melbourne, 17 October 2018

Independent Auditor's Report



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To the Directors of Incolink Group

Opinion

We have audited the accompanying combined special purpose accounts of Incolink Group ("the Group"), which comprises the combined statement of financial position as at 30 June 2018, the combined statement of comprehensive income for the year then ended, 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 (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 its 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 (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 obtained at the date of this auditor's report 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 the 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.

Independent Auditor's Report (cont.)



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 are 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.

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
17 October 2018

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Directory

Chairman

Mr Brian Welch

Directors

Mr Earl Setches

Mr Robert Whitwell

Mr Hedley Davis

Mr Brian Boyd

Mr Michael O'Neill

Mr Ralph Edwards

Mr Noel Washington

Mr Radley de Silva

Mr Ken Gardner (from October 2017)

Incolink Executive

Chief Executive | Dan O'Brien

Chief Financial & Investment Officer | Niall Keane

General Counsel & Company Secretary | Tri Duc Nguyen

General Manager, Marketing & Business Development | Kevin Lillie

General Manager, Member Experience | Claire Hayes (mat. leave), Adam Cusack (from March 2018)

General Manager, Member Wellbeing & Support | Patricia McCourt

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Internal auditor | PwC

Banker | Westpac Banking Corporation

Investment consultant | Willis Towers Watson

Insurance brokers | Windsor Management Insurance Brokers

Insurance underwriter | QBE Insurance (Australia) Limited

Designer and printer | Intelligent Media/Southern Colour

Mailhouse | Blue Star

Incolink Fund No. 2 Advisory Committee

Australian Manufacturing Workers' Union

Toby Paterson, Construction Organiser for the CBD

The Australian Workers' Union

Craig Winter, Industrial Director

Civil Contractors Federation Victorian Branch

John Kilgour, CEO

Concept Engineering

Luke Wearn, Victorian Branch Manager

Construction, Forestry, Maritime, Mining and Energy Union Victoria & Tasmania Construction & General Division

Ralph Edwards, President

Construction, Forestry, Maritime, Mining and Energy Union Manufacturing Division

Frank Vari, Secretary, Victorian District

Floorcovering Association of Victoria Inc

Ben Vander Veen, President

The Crane Industry Council of Australia Victorian & Tasmanian Branch

Tracey Watson, Secretariat

Incolink thanks the following organisations and individuals for their contributions to this publication.

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Tori, John, Kimberley, Michal and Ben for their team spirit.

Design by Intelligent Media.

Printing by Southern Colour.



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