



# Annual Report 2019

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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A woman wearing a white hard hat with 'PLEX' and 'FENELLA REID' on it, and an orange safety vest over a black jacket, is smiling and writing on a clipboard. In the background, another person in a yellow safety vest is visible, and the setting appears to be a construction site.

**Our vision is to support and contribute to a vibrant building and construction industry by enabling a skilled, productive and available workforce.**

# About Incolink

Incolink is Australia's oldest and largest manager of redundancy entitlements for workers in the commercial building and construction industry. We have operated in Victoria since 1988 and Tasmania from 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 84,277\* members who span a range of specialisations including commercial building, construction, plumbing, transport, mechanical services and manufacturing.

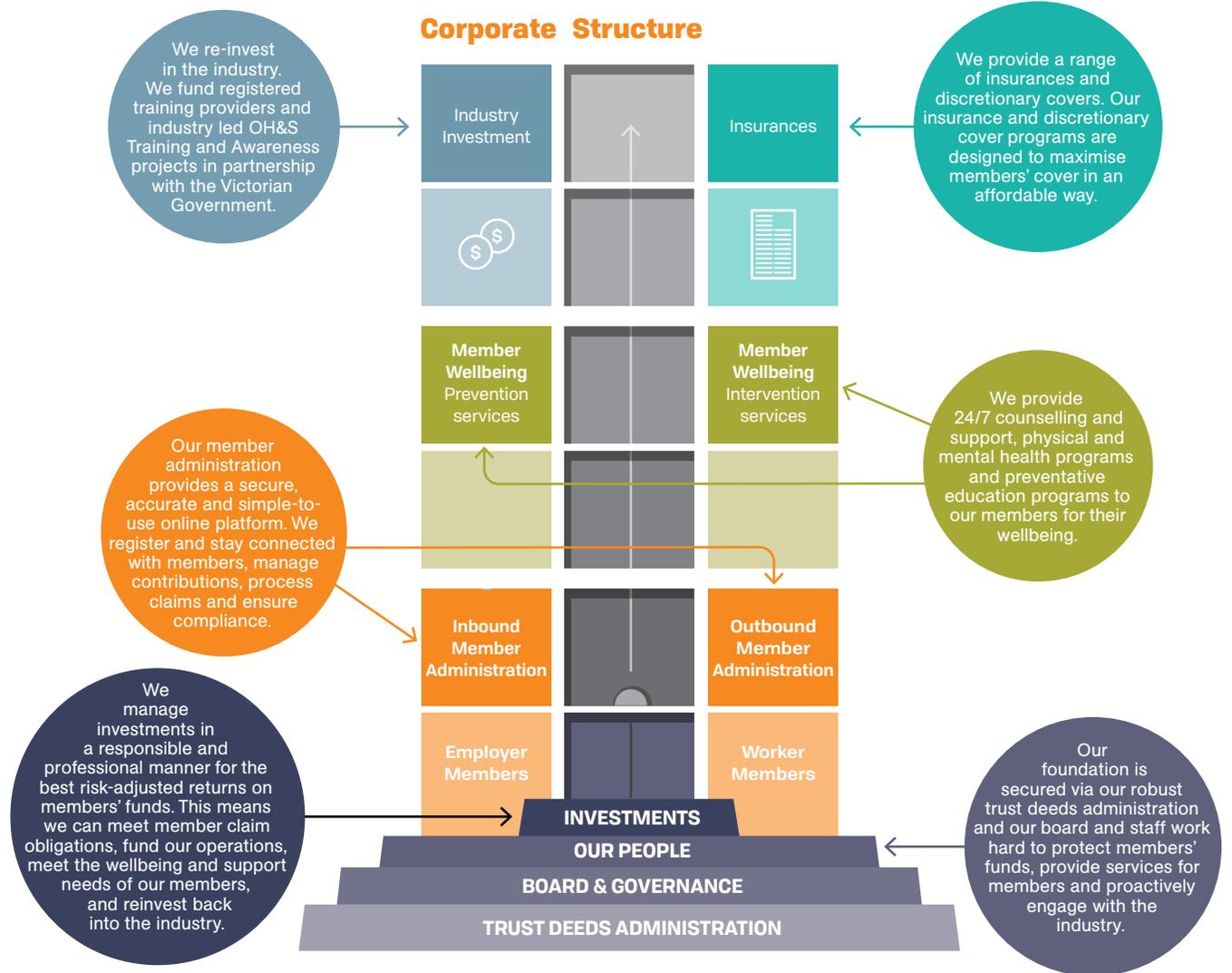
## Our vision

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

## Our key purpose

Incolink's core value proposition is the administration of redundancy funds, portable sick leave and income protection insurance schemes and discretionary covers for our members. Over time, at the request of our stakeholders, we have added services that offer health and wellbeing benefits to our members. Incolink offers 24/7 counselling, physical health programs, financial rights counselling, job seeker support and preventative education programs on topics such as mental health, suicide prevention, responsible gambling and alcohol and other drugs.

We are also active on site and in 2019 have responded to industry demands and enhanced our Health Checks by adding General Practitioners and nursing staff for a more comprehensive service for members.



\* Workers with a positive balance and employer members at 30/6/2019.

# Snapshot FY19

**\$35.6m**

net profit after income tax



**126%**

member balances  
funding coverage



**\$891.4m**

funds under  
management



**3,795**

counselling sessions  
and brief interventions



**84,277**

worker and employer  
members



**2,073**

Health and Skin Checks



**16,429**

workers participating in  
Preventative Education  
on work sites



**\$146m**

redundancy contributions



**\$96.3m**

redundancy  
claim payments



# Innovation

## IncolinkBus - An Onsite GP Service

The IncolinkBus delivers innovative physical health programs to screen construction workers on site for prostate cancer, skin cancer and chronic illnesses. It was launched in June 2019.

The service is fully funded by Incolink and aims to help tackle the rate of prostate cancer, as well as other health issues, among men in the construction industry.

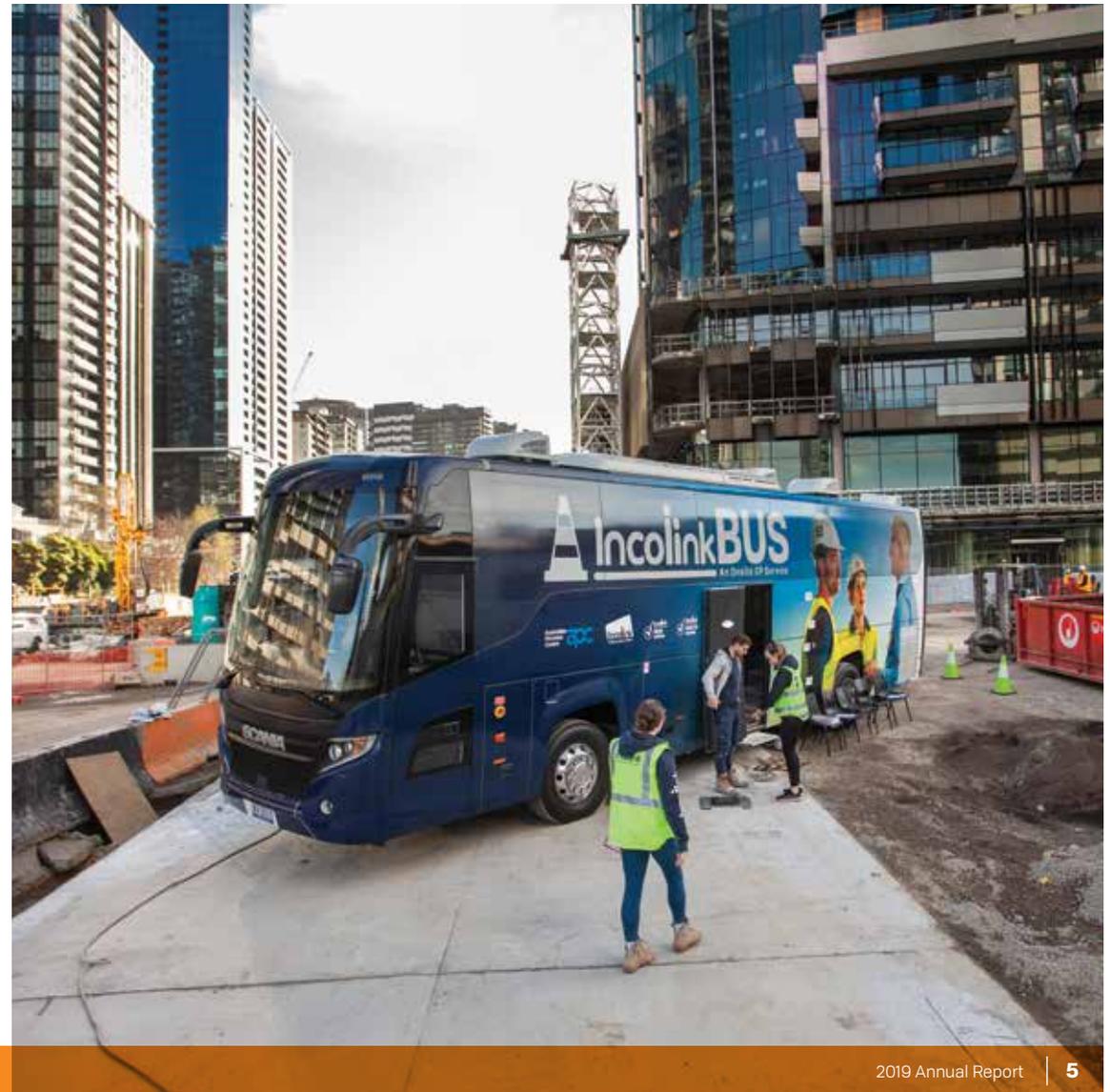
Prostate cancer is the most common cancer diagnosed in Australian men (excluding non-melanoma skin cancer), and the third most common cause of all cancer deaths. Incolink has partnered with the Australian Prostate Centre to promote awareness and early detection of the disease, which is diagnosed in over 20,000 Australian men each year.

The IncolinkBus – staffed by two GPs and a nurse – has begun visiting Victorian construction sites giving workers free health checks monitoring blood pressure, BMI (body mass index) and diabetes risk. A check for prostate cancer is provided if believed necessary.

This means the bus plays an important role in improving construction workers' health and wellbeing, with Incolink committed to ensuring workers are fit and healthy as well as safe on site.

The checks are voluntary and confidential and help put workers in touch with other support services when needed – important factors given the reluctance of men to visit their GP.

The IncolinkBus serviced two large commercial worksites during its first month in June 2019 and will check over 3,000 workers annually.



# Innovation

## Digital Transformation

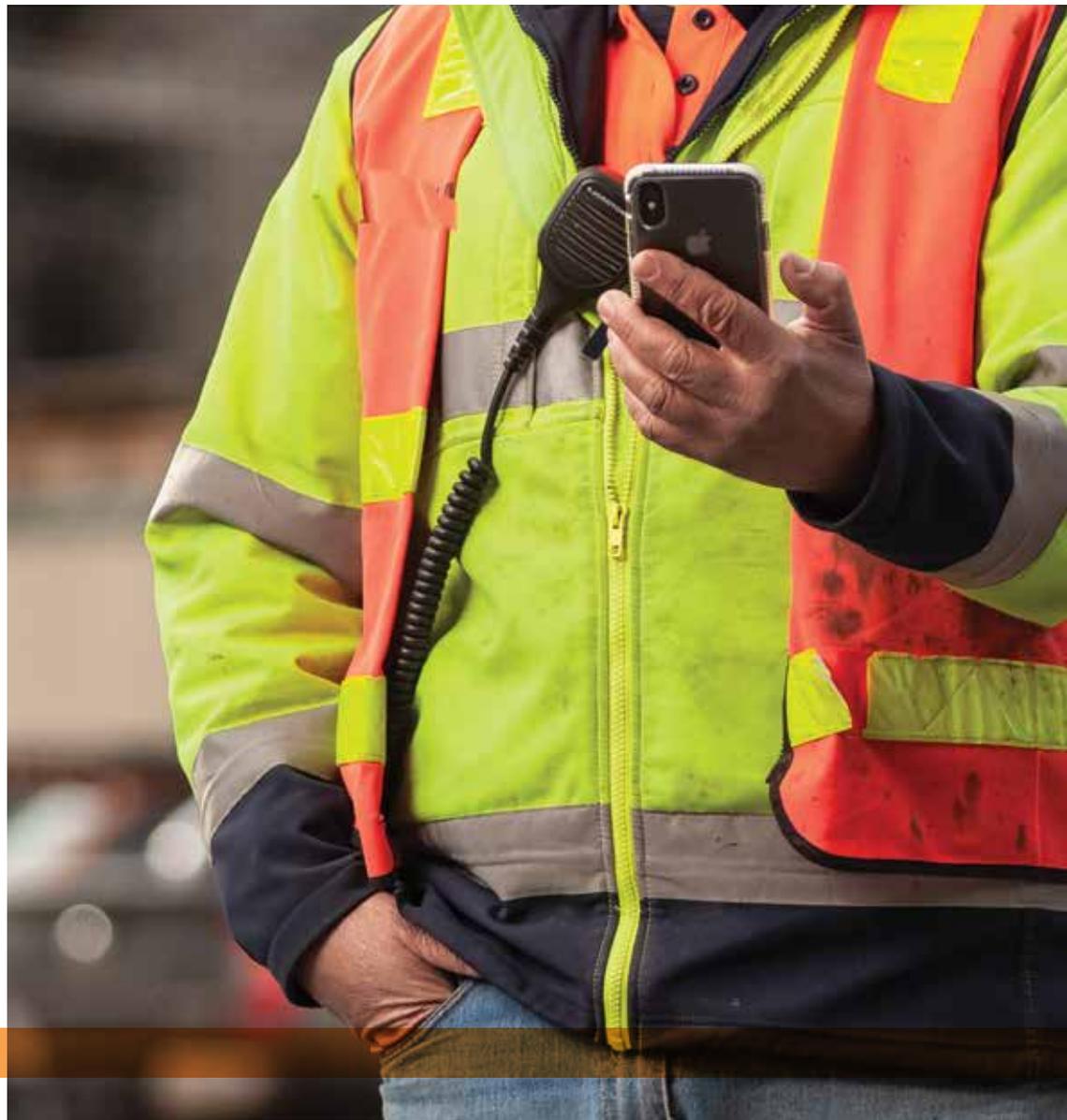
Incolink has been building key digital processes that meet members' needs and improve the efficiency of operations.

Workers leaving their jobs often have many other life pressures, so it is important for them to be able to claim redundancy funds quickly.

Improvements have been made by introducing digital claims to the smartphone app and online portals. This functionality has built-in ID checks so a claim made on a smartphone can be checked, processed and paid at once. Most members will now receive their funds within 24 hours - depending on the time taken by the bank. This innovation has been extremely popular among members, with 65 per cent of claims being made online in FY19.

Incolink collects contributions from over 3,200 employers and, by utilising technology, an improved automated procedure now auto-receipts, processes and balances the funds into workers' accounts. This innovation cut the average processing time from eight days to one, allowing workers quick access to funds. Additionally, many Incolink employer members have become more digitally savvy with 99.2 per cent using the digital portal to submit invoices. By automating this procedure employers see that the funds have been processed and are immediately available to workers. This increases employer confidence that workers will be supported as soon as their employment ends.

Over the coming year more processes will be digitised to help Incolink members and increase the speed of administration.



## Bluehats – Let’s Talk

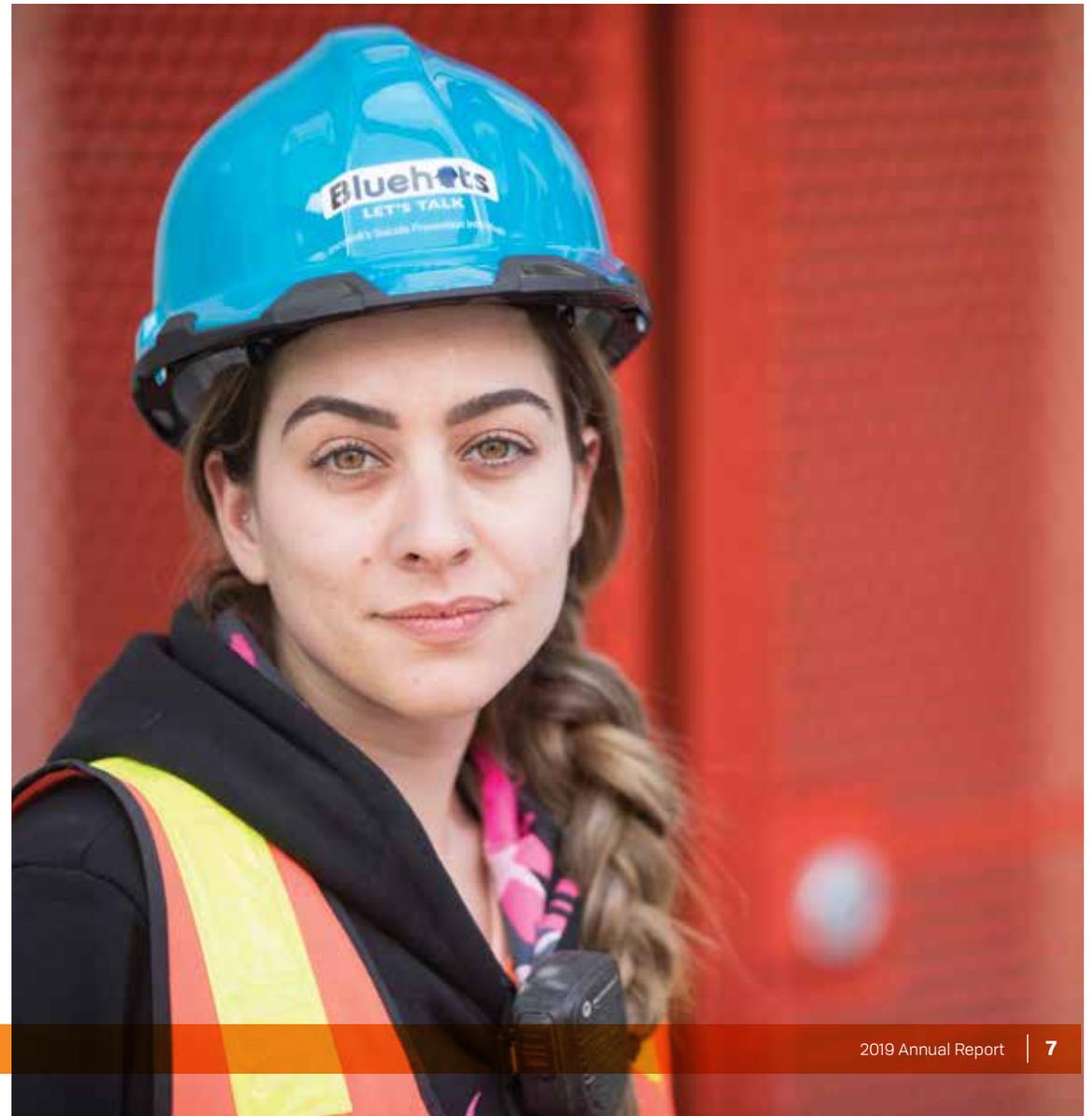
*“Construction workers, miners and tradies have the highest suicide rates of all occupations in Australia. Lower skilled labourers in mining and construction have a suicide rate double that of other occupations”\**

Since 2016/2017 the building and construction industry has been troubled by an increasing number of reported suicides. Incolink’s Critical Incident response service saw an increase in critical incidents due to suicide from one every six months in 2016, to around one every month by late 2018.

By working with the construction industry Incolink developed the Bluehats Suicide Prevention Initiative. The goal of the program is to help workers who are experiencing suicidal thoughts by creating a culture of talking about the issue. Employers, stakeholders and unions have shown strong support for the program and commitment to encouraging all workers to participate.

The program involves Incolink delivering a General Awareness Session at construction sites. General Awareness Sessions inform workers about the triggers that may cause poor mental health, with a focus on suicide prevention awareness and encouraging help-seeking behaviour.

Workers who wish to then become a Bluehat volunteer are invited to attend an in-depth one-day training course. They learn how to talk safely about suicide to someone who has indicated they are struggling, provide immediate support to workers on site and practice good self-care. They also learn to refer someone to the right support person or service. The Bluehats wear easily recognisable blue hard hats on site and, importantly, will receive ongoing support from the Incolink counselling team.



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

# Strategy

## Pillar One Make the business sustainable

### Our achievements

Incolink investment portfolio return for the financial year ended 30 June 2019 came in at an industry-leading 9.2 per cent (gross). These investment returns are the primary revenue source to fund all Incolink Scheme outlays. At 30 June 2019, our worker member liability funding coverage stood at a healthy 126 per cent.

Several investment strategy changes were made during the year, contributing to this investment return outcome. These included the introduction of a Portfolio Quality Scorecard, together with a number of asset class reviews and implementation of associated portfolio changes.

Strategic options were formulated to address the issue of funding shortfalls for key components of Incolink services.

Invested 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 & Other Drugs Preventative Education programs.

## Pillar Two Drive operational excellence

### Our achievements

Acting on member feedback we introduced online claims functionality which reduced payment times to members. By the end of the year 65 per cent of our claims were made online.

Cutting down our processing time from eight days to one has improved our cash receipting of contributions from employer members.

Implemented ID verification technology to enhance controls around member claim payments.

Streamlined our employer portal, EmployerLink, making it easier for our employer members to pay their workers contributions.

Implemented a paperless workflow system to streamline our end to end accounts payable processes.

Extended our clinical governance framework to our regional counselling service which included their utilisation of the electronic case management system. This resulted in enhanced services to our regional members, improved board reporting and understanding of regional needs.

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

Further built internal capacity and resources to manage our complex technology mix and protect against cyber security risks.

## Pillar Three Focus on the member

### Our achievements

Delivered 2,073 Incolink Health and Skin Checks, as well as extensive preventative education, intervention and support services and critical incident response.

Delivered 3,795 brief interventions and counselling sessions to members and their families.

The 24/7 centralised helpline for crisis counselling and critical response received over 410 calls from workers.

Took steps to insource our debt collection function to ensure outstanding member contributions are managed sensitively and appropriately for the industry.

Digitised some of our key member forms to make them easier for members to use.

Launched a new Work Injury Management Service (WIMS) to employer members at no cost, assisting workers and employers through the WorkCover process to assist recovery and return to work more quickly.

## Pillar Four Find new opportunities

### Our achievements

Increased overall member base by over 10 per cent, with Tasmanian worker members increasing by 82 per cent year-on-year.

Launched the IncolinkBus - An Onsite GP Service in partnership with the Australian Prostate Centre. The IncolinkBus is staffed with GPs and nurses and provides an innovative physical health program to screen construction workers and employers on site for prostate cancer and a range of chronic illnesses. The IncolinkBus featured in an extended Channel 9 news story helping build awareness for this important service.

After extensive consultation with the industry, Incolink launched Bluehats, a suicide prevention initiative. The 60-minute General Awareness Session was delivered across multiple sites to almost 3,000 workers during the year. We trained the 146 volunteers from these sessions to act as Bluehats and provide peer support to their workmates on site. Bluehats volunteers are recognisable on site by their distinctive blue hard hats. The Incolink Bluehats launch event attracted extensive TV, online, radio and print media coverage across commercial networks and the ABC.

Secured funding to provide job support services for women as part of the Victorian government Women in Construction Strategy to recruit and retain women into the building trades.

Successfully restructured our corporate group which in turn, allowed us to increase our services to members.

# Chairman's Report

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After we bade farewell to Dan O'Brien in July 2019, the board oversaw the search for a new CEO who could take the organisation to an even higher level than achieved in this past financial year. Recently, the Board was proud to announce the appointment of Erik Locke, who they believe achieve this goal and translate this success into greater benefits and services for the industry.

Over the last three years, redundancy funds around Australia have been under legislative scrutiny now crystallised in a draft Bill, titled "Fair Work Laws Amendment (Proper Use of Workers Benefits) Bill 2019". We have tried to impress upon legislators and their advisers the value Incolink and other redundancy funds offer our industry, and how the loss of services or benefits could negatively impact construction workers and employers. As Incolink is the largest fund, with the broadest range of service offerings, the potential implications of this proposed legislation are highest here in Victoria. As ever, while recognising that some form of change is inevitable, the Board is working in the best interests of members to limit adverse outcomes.

The CEO's Report speaks to key measurables, with our impressive performance as an organisation and the many ways in which we have lifted our service offerings over the past year. Collaboration between Board members and the stakeholders they represent over recent years has been at the heart of these improvements. Not listed, but crucial, has been a focus on compliance - ensuring those who should be paying according to their industrial instruments are doing so. Now more than ever, this is a shared responsibility at Board and committee level. Better systems monitoring every aspect of collection, reporting and protection of workers' funds is the result.

In this environment, our highly skilled and enthusiastic staff have helped craft new tools, systems and programs. These are innovative and ground breaking, such as members being able to easily claim their funds on their smartphones and new services, such as Bluehats and the IncolinkBus - An Onsite GP Service.

From a governance perspective, I'm delighted Louise Hansen has joined the Board. Louise replaced Rob Whitwell, who was an active contributor, in particular to our property investment portfolio. Louise's credentials as a leader and director of both Hansen Yuncken, one of the few remaining long-term building companies in Australia, as well as past national director and Victorian President of NAWIC (National Association of Women in Construction), speaks to her competencies and commitment to the industry to undertake this role.

I would like to pay tribute to Dan O'Brien, who has left Incolink to take on an important role with the State Government. On behalf of the Board, I wish Dan well and thank him for his efforts and success in ensuring Incolink continues delivering first rate services every day for the Victorian and Tasmanian building industries.

To conclude, I too am leaving Incolink at the end of 2019, taking with me many memories and much pride in being part of its success in servicing the industry. I thank my fellow Board members and our Incolink staff for your efforts and support and wish you all well.

**Brian Welch**  
Incolink Chairman



# Chief Executive's report

In July 2019 Incolink said goodbye to Dan O'Brien who has moved onto an important role with the Victorian Government. Dan made a transformative contribution to the organisation during his tenure as CEO leaving Incolink in great shape and I plan to build on these achievements.

Financial year 2019 was an outstanding year for Incolink. There was a significant jump in the number of worker members (10 per cent) and an increase in funds under management (now sitting at \$891.4m) as an outstanding return was delivered on investments (9.2 per cent gross). A number of exciting programs were launched and Incolink embarked on a digital transformation.

March 2019 also marked the 30th anniversary of Incolink. Thirty years is a long time for any business involved in servicing the commercial construction industry. Incolink was set up to provide the continuity and certainty that the industry lacked when it came to protecting worker entitlements. Consider the turnover in the industry - while each year we work with around 3,000 employer members, over the 30-year journey almost 50,000 different employer members have been part of the scheme.

Today, Incolink is a highly trusted service provider and the largest approved worker entitlement fund in Australia. This is mainly due to the Board building an outstanding management team and maintaining a program of continuous improvement. Through a process of critical self-examination, new ways to deliver better services were identified.

Over FY19, Incolink has:

- Developed new digital payments processing capability – with over 65 per cent of claims now submitted & processed digitally
- Introduced a range of initiatives that will improve payment compliance and reduce fraudulent behaviour
- Implemented a number of important strategic investment changes whilst delivering an industry leading return of 9.2 per cent for the year and meeting investment return objectives over a rolling four-year timeframe
- Introduced a 24/7 counselling service
- Designed and deployed the highly successful Bluehats Suicide Prevention program, and
- Launched the IncolinkBus – a mobile health check program purpose-built for the construction industry in partnership with the Australian Prostate Centre.

These achievements required a strong united backing from the Incolink Board, which is a key component of why Incolink continues to be a uniquely successful business model. In a year where legislation to govern the industry is again being debated it is important to reflect on the reasons for Incolink's success. It was set up to solve the lack of income security in an industry of high turnover. Whilst turnover will always be a feature of the industry, lack of income security does not have to be, which is why it is important Worker Entitlement Funds, like Incolink, are embraced.

**Erik Locke**  
CEO



# Board and Governance

## Incolink Board and Committees

The Incolink Board is comprised of 10 members:

- Mr Brian Welch, Chair
- Mr Brian Boyd
- Mr Hedley Davis
- Mr Radley de Silva
- Mr Ralph Edwards
- Mr Kenneth Gardner
- Mr Michael O'Neill
- Mr Earl Setches
- Mr Noel Washington
- Ms Louise Hansen – appointed 24 November 2018
- Mr Robert Whitwell – resigned 23 November 2018

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

- Audit and Risk Committee
- Investments Committee
- Member Services Committee
- Remuneration Committee

Incolink is ably assisted in its operation and strategy via inputs received from Incolink Fund 2 Advisory Committee represented by:

- Toby Paterson, Construction Organiser, AMWU
- Ben Davis, Branch Secretary, AWU
- John Kilgour, CEO, CCF Victoria
- Luke Wearn, Victorian Branch Manager, Concept Engineering
- Ralph Edwards, President CFMEU C&G Division Vic/Tas
- Denise Campbell-Burns, Secretary, Pulp & Paper Workers District, CFMEU Manufacturing Division
- Ben Vander Veen, President, FAV Inc
- Brandon Hitch, CEO, CICA Vic & Tas Branch

## Incolink Group

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

- Redundancy Payment Central Fund (Fund 1)
- Redundancy Payment Central Fund No. 2 (Fund 2)
- Redundancy Payment Approved Worker Entitlement Fund 1 (Fund 4)
- Redundancy Payment Approved Worker Entitlement Fund 2 (Fund 5)
- 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 manages the 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.

Red (4) Investments Pty Ltd and Red (5) Investments Pty Ltd are wholly owned subsidiaries of Fund 4 and Fund 5 respectively and are responsible for the prudent investments of the relevant parent fund's assets.

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.
- 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 comprised of nominee Directors, we recognise that potential conflicts of interest arise, so we act with transparency and clarity in resolving them.



**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 – Nov 2018  
(MBAV Nominee)



**Ms Louise Hansen**  
Non-Executive Director  
since Nov 2018  
(MBAV Nominee)



**Mr Noel Washington**  
Non-Executive Director  
since 2017  
(CFMEU Nominee)

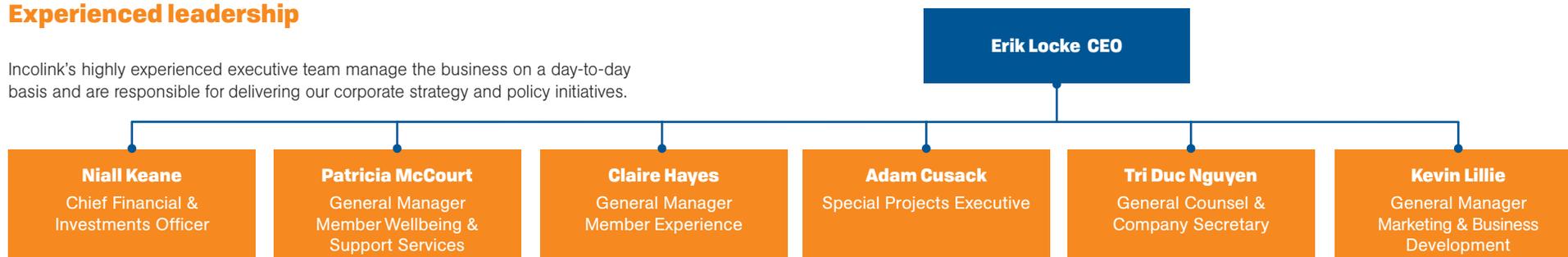


**Mr Ken Gardner**  
Non-Executive  
Director since 2017  
(for Participating  
Associations' members)

# 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.



Niall joined Incolink in 2014 as CFO and is responsible for managing all the group's financial management functions and investment portfolio. His key accountabilities include managing the implementation of Incolink's investment strategy to meet risk/return objectives and ensuring the group's financial function processes are operating effectively. Niall has over 25 years' experience across several organisations in the financial services sector, both here and overseas.



Patricia joined Incolink as General Manager Member Wellbeing & Support Services in 2015. Patricia has executive and board level expertise in large NGO and NFP organisations with particular skills in business and administration process development, implementation and continuous improvement; member-based organisations and implementing innovative wellbeing initiatives.



Claire joined Incolink in 2017 to lead our Member Experience team. Claire has significant expertise delivering digital transformation programs for large, issues-rich organisations. Claire has expertise in digital customer experience strategy, which is a core aspect of Incolink's growth objectives.



Adam joined Incolink in early 2018 and has leveraged 20 years of operational, customer and transformation leadership experience to advance the member experience and operational transformation program. By introducing Human Centred Design capabilities Adam is redesigning core operational processes and developing new, innovative digital services.



Tri is a highly experienced corporate lawyer who joined Incolink as General Counsel and Company Secretary in 2016. Reporting to our Chief Executive and Board, Tri manages the critical portfolios of legal, risk, human resources, members insurance, governance and compliance. His diverse legal, commercial and people management expertise gained from senior roles in ASX listed entities and Government make him a key contributor to the development and implementation of Incolink's strategic objectives and long-term vision. Tri is a Fellow of Institute of Chartered Secretaries and Administrators.



Kevin joined Incolink in 2017 to lead our Marketing and Business Development team. Kevin brings to the organisation significant executive-level expertise gained in the automotive and retail industries. Kevin's core accountabilities include developing and implementing the marketing strategy, brand positioning and integrated communications planning and execution. Business development activity focuses on managing relationships with employer members and identifying growth opportunities for Incolink in Victoria and Tasmania.



**Clare Fleming**  
Administration Assistant  
*With Incolink: 2 years*

I provide administrative support to the Executive Office predominantly, working closely with the CEO and Leadership Team. The role is fulfilling because of the wide range of challenges and expectations to keep the shared office areas organised and functional. My daily tasks are always changing and sometimes they take me out of my comfort zone. I am thankful to be working at Incolink as it prioritises a good work ethic, which I wholeheartedly believe in. The supportive environment allows collaboration of skills and ideas and encourages professional growth. It is wonderful to be part of a place that is both principled and visionary.



**Hannah Petrucci**  
Senior Financial Accountant  
*With Incolink: 7 years*

My role at Incolink has evolved and developed over time but continues to provide new and interesting challenges. It now involves taxation, quality control and statutory reporting, and I like working within the supportive and friendly Finance team. While at Incolink I have also become a mum to two beautiful boys, and I am grateful that Incolink provides me with the flexibility to work part-time and enable true work/life balance.



**Charlie Singco**  
Member Experience  
*With Incolink: 8 years*

Since starting at Incolink I have been exposed to all areas in the Member Experience department which registers new members, collects employer contributions and pays out claims. These experiences, along with daily interaction with worker and employer members, have helped me learn how the business and our system works. I was also proud to contribute to the development of the new automation system of cash receipting and invoicing. I enjoy the variety and the opportunity to work alongside, and be mentored by, experienced team members. Incolink is a great place to work as it offers opportunities, great benefits and wellbeing support.



**Colleen Farrell**  
Intake & Administration Worker  
*With Incolink: 4.5 years*

I am the first point of contact and triage for members and their families seeking counselling support. Callers may be in crisis or distress following a critical incident or life-changing event. Often it is the first time a worker has reached out to a counselling service. My role is to actively listen and decide on a service best suited to their needs. This may mean organising a site visit or referring the caller to a counsellor in a metropolitan or regional area. It is a busy role, with frequent challenges.



**Alison Manton**  
Marketing Communications Specialist  
*With Incolink: 8 years*

I enjoy working to communicate with our various audiences in the best way possible. Our tagline of 'Redundancy Insurance Wellbeing' means the Marketing team has to learn about three complex areas so we can confidently and accurately promote them. Luckily, Incolink is a work environment that encourages curiosity and values individual opinions. The core of my role focuses on print communication, including the Annual Report and the industry magazine ONSITE. However, with a lean Marketing department, we all work together on branding, new product and service launches and events, which adds variety and interest.

# People & Culture

## Dedicated staff

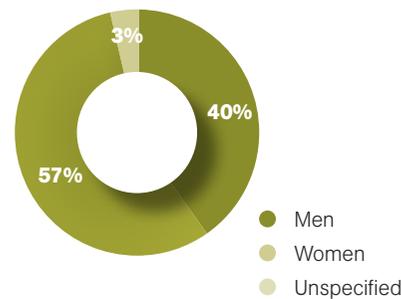
Incolink is an equal opportunity employer. We strive to be an employer of choice. This is demonstrated via the range of workplace benefits we provide such as 14.5 per cent superannuation, vested sick leave, annual leave loading, office close-down leave, clothing allowance, free parking, free cover under the corporate and members tailored Incolink Insurance programs, and associated discretionary covers.

Understanding our staff's personal circumstances, we provide flexible working arrangements as required to allow them to fulfil their carer's responsibilities. Striving always to be ahead of the curve as an employer of choice and to ensure we have a highly skilled workforce to properly service our members' needs, we provide learning and development opportunities relevant to roles and responsibilities but with a focus on future skills needs. These include customised privacy training to ensure we respect and keep safe members' personal information; mentoring and coaching, training in Microsoft Suite, managerial and business development, workplace rights awareness, team productivity and engagement, analytical and project management skills and mental health awareness.

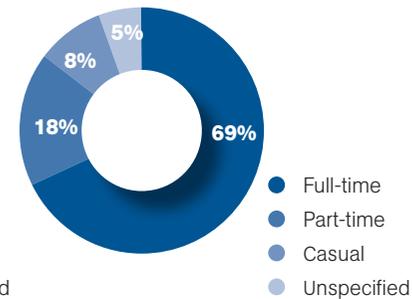
Reflecting the membership we service, our people come from many other cultures with 14 languages other than English spoken at home. With Incolink support our people contribute to the community, participating in September to raise "important funds to support people living with cerebral palsy" and Share the Dignity to help make "real, on-the-ground difference to homeless women and victims of domestic violence". Members of staff can also take a day a year to volunteer for the registered charity of their choosing. Our approach and commitment to staff is demonstrated in our Redundancy Payment Central Fund Ltd (Incolink) Agreement 2018.

## Workforce snapshot

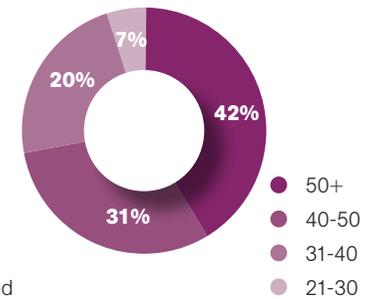
Gender diversity



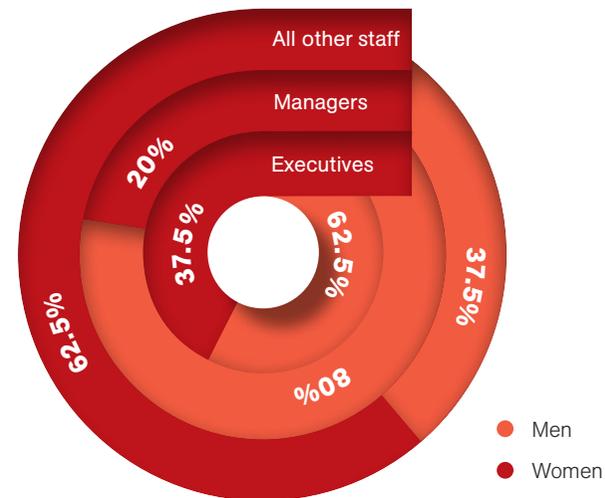
Employment status



Age diversity



Staff gender ratio



# Financial Performance Snapshot

## Operating Financial Performance Overview

Combined Special Purpose Accounts for Incolink in respect of the financial year ended 30 June 2019 (FY19) are set out from page 37. These accounts have been extracted from the individual statutory financial statements of the Incolink group entities that have been independently audited. A summary of these results is included in the table below:

<b>FY19 Financial Performance Result</b>	<b>\$ '000</b>
<b>Revenue</b>	
Investment income	64,132
Other income	9,391
Operating expenses	(14,789)
<b>Operating profit before income tax</b>	<b>58,734</b>
Income tax expense	(7,655)
<b>Operating profit after income tax</b>	<b>51,079</b>
Scheme insurances subsidy	(7,789)
Non-beneficiary industry grants	(4,905)
Other non-operating expenses	(2,760)
<b>Non-operating expenses</b>	<b>(15,454)</b>
<b>Net profit after income tax</b>	<b>35,625</b>

The financial performance of Incolink is primarily dependent on the returns from our investment portfolio. These investment revenues are used to fund Scheme outlays including:

- the ongoing costs of administering our worker entitlement funds
- delivering a comprehensive suite of member wellbeing and support services
- making significant grant funding available for essential industry-based training for our members, and investing in industry OH&S initiatives to ensure safer workplaces
- providing a wide range of tailored insurance benefits for our members

### Our investment revenues for FY19 amounted to \$64.1m

We continued to be diligent in our administration of the Scheme over the course of FY19 in managing the cost base within the Board's budget parameters. At the same time, we continued to invest targeted financial resources in several key digital transformation initiatives to provide our worker and employer members with a better administration platform experience. In addition, during the year we funded the rollout to members of our Bluehats Suicide Prevention initiative and launched the IncolinkBus - An Onsite GP Service, to take our health check offering directly to our worker member sites.

Incolink targets a funding buffer (investment portfolio compared to member balances) for its Funds with a view to ensuring we can ride out the inevitable volatility in investment markets over shorter time horizons. This is designed to ensure that we can always meet our worker member balance entitlements, a primary investment risk objective. At 30 June 2019, our member balances funding coverage was a healthy 126 per cent.

On the back of strengthened conditions for the construction industry, Incolink's Redundancy Funds attracted our best year of redundancy contribution flows in our history – for FY19, contribution inflows totalled \$146m, while member claims outlays amounted to \$96.3m, resulting in net redundancy cash inflows for the year of \$49.7m.

### Industry Grant Distribution Funding for approved activities

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

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

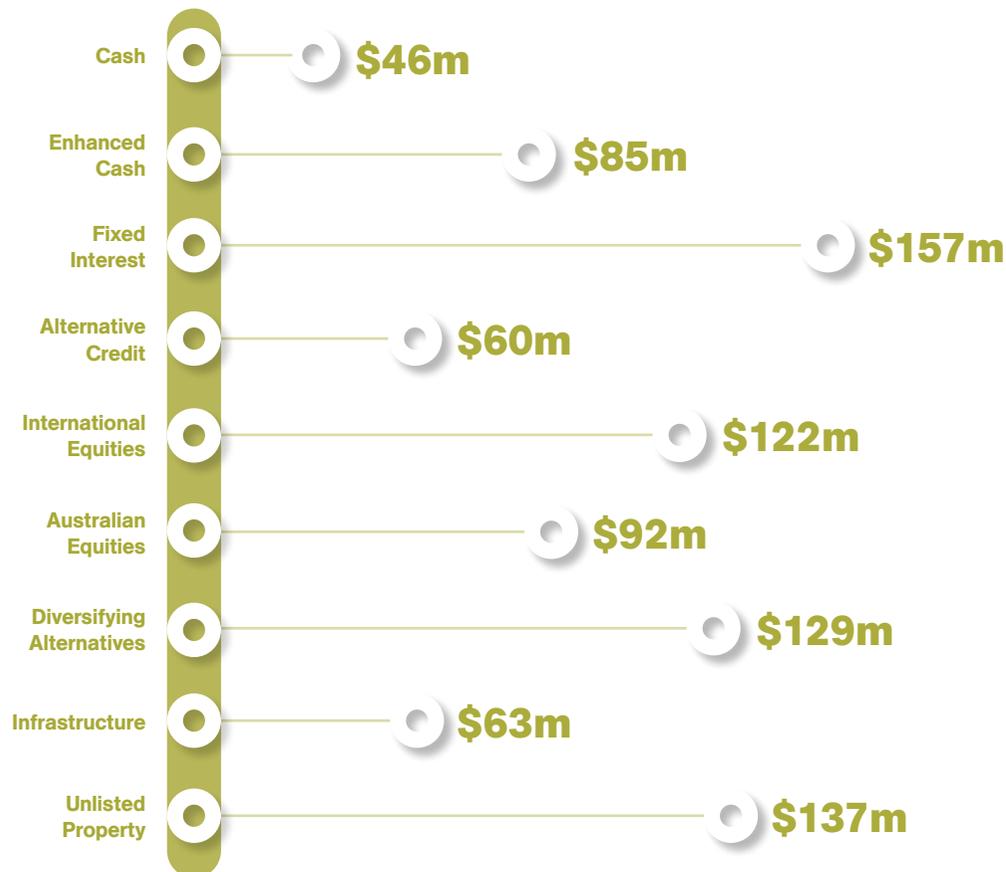
Total discretionary grant funding approved by Incolink for construction industry training OH&S and other purposes for FY19 amounted to \$22.8m.

# Investment Portfolio Details

The total value of Incolink’s investment portfolio at 30 June 2019 was \$891m.

Incolink constructs its portfolio by investing in a broad range of diversified asset classes with the required blended risk and return characteristics. The composition of our portfolio is set out in the chart and table below:

**Investment Portfolio Breakdown at 30 June 2019**



**Asset Allocation at 30 June 2019**

Asset Class	Actual Allocation (%)	Strategic Allocation (%)
Cash (inc. Enhanced Cash)	14.6	12.5
Fixed Interest	17.6	18.0
Alternative Credit	6.7	7.5
<b>Total Risk-Controlling</b>	<b>38.9</b>	<b>38.0</b>
International Equities	13.8	14.0
Australian Equities	10.3	10.0
Diversifying Alternatives	14.5	15.0
Infrastructure	7.1	7.0
Unlisted Property	15.4	16.0
<b>Total Return-Seeking</b>	<b>61.1</b>	<b>62.0</b>
<b>Total Fund</b>	<b>100.0</b>	<b>100.0</b>

# Investment Commentary

The key objective for Incolink’s investment portfolio is to ensure there are sufficient funds to meet Incolink’s financial obligations, primarily making payments to members, when they fall due.

In order to achieve this key objective, Incolink has set a return objective and funding target. Effective as at 1 January 2019, Incolink reduced its annual return objective from 5.5 per cent after tax and fees to 4.5 per cent after tax and fees, in response to changes in market conditions, particularly the significant decreases in global cash rates and bond yields.

Return objective (ie, what the investment portfolio should achieve)	Funding target (ie, the amount of investment assets compared to member liabilities)
4.5% after tax and fees (or approximately 6.5% before tax and fees)	110% (or assets are 10% more than the liabilities)

For financial year 2019, Incolink has met its return objective and remains above its funding target.

- Incolink’s investment return (before fees and taxes): 9.2 per cent for the year to 30 June 2019
- Incolink’s funding ratio as at 30 June 2019: 126 per cent

### Incolink’s investment portfolio performance for the period ended 30 June 2019

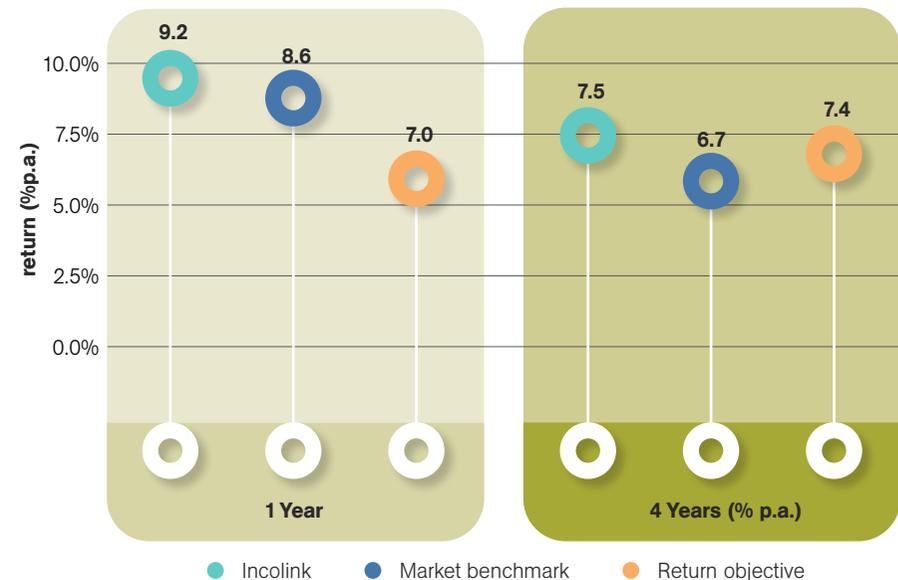
Over the financial year to 30 June 2019, Incolink’s investment portfolio outperformed both the market benchmark (9.2 per cent vs 8.6 per cent) and the return objective (9.2 per cent vs 7.0 per cent).

Incolink measures the true success of investment performance against the return objective over rolling four-year periods. Over the four years to 30 June 2019, Incolink’s investment portfolio outperformed both the market benchmark (7.5 per cent vs 6.7 per cent) and the return objective (7.5 per cent vs 7.4 per cent).

Time frame (to 30 June 2019)	Incolink’s return	Market benchmark	Market outperformance?	Return objective	Objective met?
One year	9.2%	8.6%	✓	7.0%	✓
Four years	7.5%	6.7%	✓	7.4%	✓

In an interesting year in which all asset sectors produced positive returns, the following were the key drivers of Incolink’s return outcomes:

- Equities, which are an important driver of return in Incolink’s portfolio, experienced strong returns despite increasing economic headwinds and escalating global trade (US/China) risks. Our Global Equities portfolio returned 10.9 per cent while our Australian Equities portfolio returned 11.5 per cent for the financial year.
- Unlisted Property is also a key return driver for Incolink’s portfolio. Incolink has a mix of unlisted debt and equity property investments which returned 16.9 per cent for the financial year.
- Infrastructure returned 17.7 per cent for the financial year.
- Even our primary defensive asset allocation, Fixed Interest, returned 9.9 per cent for the financial year.
- The majority of Incolink’s active managers were able to add value over and above their respective benchmarks for the financial year.



# Investment Managers

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## Funded Mandates At 30 June 2019

### Cash

BlackRock Cash Fund  
CFS Premium Enhanced Cash Fund

### Fixed Interest

Macquarie Enhanced Australian Fixed Interest Fund  
QIC Australian Fixed Interest Fund

### Alternative Credit

WTW Alternative Credit Fund

### Unlisted Property

MaxCap Group  
CVS Lane  
Internally Managed

### Infrastructure

Magellan Infrastructure Fund (Listed)

### International Equities

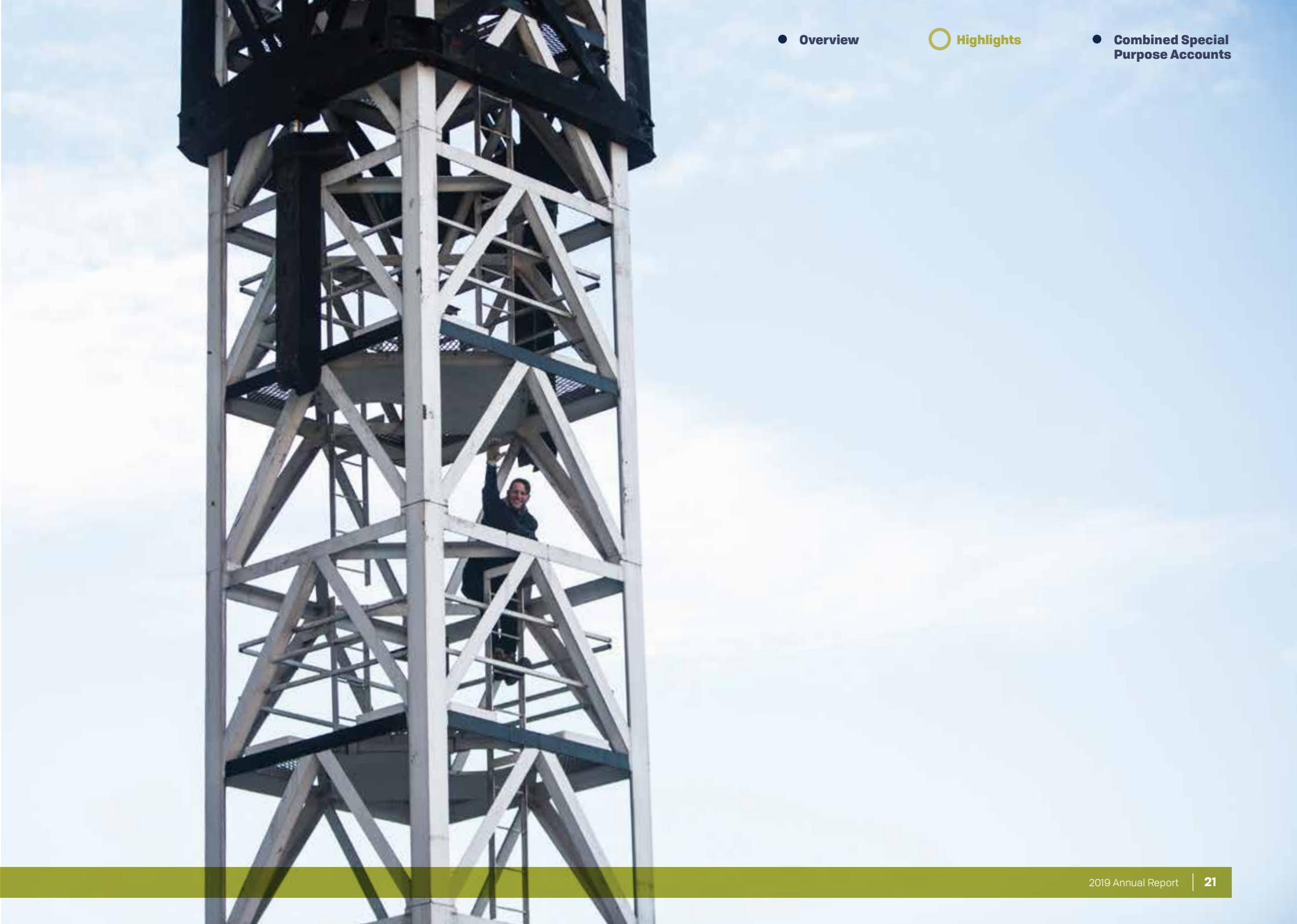
Vanguard International Shares Index Fund (Hedged)  
Vanguard International Shares Index Fund (Unhedged)  
Arrowstreet Global Equity Fund  
Polaris Global Equity Fund  
GQG Partners Global Equity Fund

### Australian Equities

Vanguard Australian Shares Index Fund  
Alphinity Australian Shares Fund  
Northcape Capital Australian Core Shares Fund

### Diversifying Alternatives

Fulcrum Diversified Absolute Return Fund  
Bridgewater All Weather Fund  
Schroders Real Return Fund





**Ongoing investment to provide digital touch points has resulted in an increased level of digital interaction with members.**

# Member Experience

The Member Experience Team manages most interactions our members have with Incolink. In person or online, from contributions to claims or general enquiries, we are here to help and make it easy for our members to claim their entitlements. Member Experience is a cross-functional team that includes customer service consultants managing the contact centre and claims processing, digital specialists overseeing our digital portals and apps, and field liaison officers answering member queries on site.

Using the Incolink digital self-service tools - WorkerLink, EmployerLink and ComplianceLink for union representatives on site, members can get information about their accounts at any time.

In FY19 Member Experience:

- Received over 80,000 member calls and emails
- Collected \$204m in redundancy, training and insurance contributions
- Processed 14,918 redundancy claims equalling \$96.3m. The average claim was \$6,455.

## Digital transformation

We are constantly evolving and improving the service we provide our members. In FY19 we delivered the following:

- Introduced online claims, resulting in 65 per cent of our claims being made online
- Cut down our processing time from eight days to one which has improved our cash receipting of contributions from employer members
- Started insourcing our debt collection function to ensure our short-term debt is managed sensitively and is appropriate to the industry
- Implemented ID verification technology to reduce the opportunity of fraudulent claims
- Streamlined EmployerLink, making it easier for our employer members to pay their workers' contributions
- Researched, engaged and implemented a new multi-channel digital communication platform in June 2019. This platform enables automated programs so that members receive triggered communications that are timely and relevant to their previous interactions with Incolink. This communication strategy will be fully rolled out in FY20.
- Digitised some of our key member forms to make them easier for members to use

Ongoing investment to provide digital touch points has resulted in an increased level of digital interaction with members.

# 23,145

unique worker members accessed WorkerLink\*

# 60%

of Genuine Redundancy Account applications are made online

# 13,096

unique worker members accessed our mobile app\*

# 99%

of employer members using EmployerLink

# 65%

of our redundancy claims are made via WorkerLink or the smartphone app

# 80%

of union delegates use our digital compliance tools to check member status on a day-to-day basis

# 30%

of our members contact us using email

**Not only do these activities improve our connection with all our members and streamline the overall member experience, they also create operational efficiencies.**

\* at least once during FY19



**Incolink provides a range of physical and mental health and wellbeing services for our members and their families**

# Member Wellbeing & Support

Working in the building and construction industry is as rewarding as it is physically demanding. Every day Incolink members are working to shape where we live, providing essential infrastructure and impacting our lives on many levels.

At the same time, it is a tough industry where accidents can – and do – happen. Work can also be irregular, causing both financial and emotional strain, and suicide is a well-publicised reality 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 delivered in FY19.

## 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 challenged for the first time with learning how to manage work, money, their career path, their social lives and keeping good physical and mental health. Incolink works with the TAFEs to offer preventative education and support, helping construction apprentices navigate through these and other issues that may arise during their apprenticeship.

### Life Care – Incolink Suicide Prevention

Since 2006, Incolink has delivered suicide prevention education sessions for construction apprentices. Our Life Care program promotes life skills, raises awareness about suicide risk factors and offers support to those who need it.

Incolink received generous support from Victorian Primary Health Networks and Cbus for this program.

This year Incolink delivered:

**34 sessions**  
**547 participants**  
**29 referrals\***

### Gambling Harms Awareness

Incolink's Problem Gambling preventative education program is designed to raise awareness among workers and apprentices about the risks of gambling. 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 Incolink was able to continue this successful program in FY19.

This year Incolink delivered:

**167 sessions**  
**1,876 participants**  
**214 referrals\***

### Alcohol and Other Drugs program, Tasmania

Incolink delivers Alcohol and Other Drugs (AOD) preventative education sessions to workers and apprentices across Tasmania, generously supported by WorkSafe Tasmania.

We partner with employers, unions, community health organisations, local resource networks of support, TAFEs and training centres to build capacity within the workplace and across the community.

Incolink counsellors support workers and their families, who we also refer to other community services when more support is required.

This year Incolink delivered:

**29 sessions**  
**388 participants**  
**4 referrals\***

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

# Member Wellbeing & Support

## Intervention Services

### Counselling

Incolink offers confidential counselling support for members and their families. Our professional counselling team provides support to workers and their families, discussing issues like mental health, suicidal ideation, relationship difficulties, stress from work or home and grief and bereavement.

This year Incolink delivered:

**3,795 counselling sessions and brief interventions to members and their families.**

### 24/7 Counselling Service

The construction industry is characterised by long hours, making it difficult for some workers to receive support during 'business hours'. Incolink offers a 24/7 counselling service so our members and their families can access counselling support whenever they are in need.

During FY19:

**415 members contacted our new 24/7 telephone counselling service.**

### Bluehats program

Launched in October 2018, the Bluehats program encourages employers to commit each of their sites to attend a 60-minute General Awareness Session. The session covers information about suicide prevention awareness including the triggers that can cause poor mental health. From these sessions, workers may volunteer to become a 'Bluehat' in their workplace and receive more in-depth training. They learn how to talk safely about suicide, practise good self-care, and provide immediate support. They also learn to refer someone to the right support person or service. The Bluehats wear easily recognisable blue hard hats on site and, importantly, will receive ongoing support from the Incolink counselling team

Since the start of the program Incolink has:

**Delivered 115 General Awareness Sessions to 2,925 workers**

**Trained 146 volunteers to act as Bluehats on site and provide support to their work mates.**

### Alcohol and Other Drugs

Incolink's Alcohol and Drug program is designed for workers in the building and construction industry.

The Incolink Alcohol and Drug Counsellor offers assistance with drug and alcohol related issues.

In FY19 our members were aided by referral and access to specialised services and peer support groups.

### Critical Incident Support

Incolink's counselling and support team continue to provide prompt, informed and effective responses to critical incidents on a construction site.

Working with site managers and union officials, Incolink has developed Critical Incident Response Guidelines to provide debriefing and/or counselling sessions to groups or individual workers after an incident.

During FY19 Incolink attended:

**37 critical incidents on sites across Victoria.**

### Incolink Financial Rights

Incolink provides confidential debt crisis support and can assist members to understand their rights and how to manage a wide range of financial matters.

These include rules and laws relating to bills and debts, mortgage or rental payments, personal advocacy, bankruptcy and whether members might qualify for government assistance.

### Incolink Job Support

Our Job Support team provides a range of services to employers and workers. For employers, we aid in the search for suitably qualified workers.

For workers, we offer advice to help them to develop their careers in construction and provide job matching services.

During FY19:

**3,669 members received support**

**640 members were referred to employers**

**133 members obtained work.**

### Incolink Health and Skin Checks

The Health and Skin Check\* program delivers the best of Incolink's Wellbeing & Support services to workers on site. We offer preventative education toolbox sessions, voluntary medical health and skin checks and follow-up sessions that include referral to Incolink counselling and other support services. The Incolink Health and Skin Checks are delivered by a General Practitioner and nursing staff, allowing workers presenting with indicators of chronic disease to be given immediate referral to specialist medical practitioners.

In the case of Skin Checks, a digital record of any suspicious growth is created and the worker given a direct referral to a specialist practitioner for assessment.

From June 2019 onwards all Incolink checks are performed in the IncolinkBus which has been fitted out to offer 2 consulting rooms. Incolink has partnered with The Australian Prostate Centre to bring this service to the industry and prostate checks are offered to at-risk workers.

Incolink Health Check and Skin Checks programs aim to promote healthier lifestyles and improve the long term health and wellbeing of workers.

During FY19:

**2,073 workers completed a workplace Health or Skin Check**

**10,513 workers attended 138 tool box sessions**

**207 additional support services were provided.**

\* Incolink subsidises 50% of the cost of each Skin Check with the employer responsible for the balance.



**Through sound financial management Incolink is able to allocate returns from investment and invest significantly back into the industry**

# 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. Through sound financial management Incolink is able to allocate returns from investment and invest significantly back into the industry. This is achieved via a robust grant process that provides crucial funding for industry skills training and development, as well as funding initiatives that improve safety within the industry.

In addition, recognising a technical skills shortage in some sectors of the industry, Incolink provided additional skills training via special project grants subject to strict guidelines and criteria.

Organisations must formally apply for funding and, in accordance with established guidelines, criteria and deliverables, outline the proposed purpose and benefits to the industry. Importantly, they must demonstrate and then achieve key deliverables/outcomes that are derived from utilisation of the grant funds. OH&S funding guidelines and deliverables are developed in consultation with the Victorian State Government. All funding applications are subject to Board approval, followed by periodic reporting and review, as well as independent audits.

During FY19, Incolink committed grants totalling \$20.8 million from fund reserves. This includes funding industry training undertaken by sponsoring organisations such as Master Builders Association of Victoria, the Construction, Forestry, Mining and Energy Union – Construction & General Division, Vic/Tas, and the Plumbing Joint Training Fund. We also support occupational health and safety officers across the industry. The disbursement of grants, totalling \$22.8 million, fell into four categories.

- Training and Development – \$17.9 million
- Special Projects – \$222k
- Occupational Health and Safety – \$4.5 million\*
- Victorian Building Industry Disputes Panel – \$208k



\* Victorian State Government contribution \$2 million.

# Investment in our industry

## Industry Skills Training Outcomes

With the generous support of Incolink, the industry can provide a wide range of training courses to building and construction workers. In FY19, Incolink training grants funded the following:

	MBAV	CFMEU	PJTF	Special Project	Total
<b>Types of courses</b>	92	53	85	1	231
<b>Learners</b>	3,315	7,200	7,150	8	17,673

## Industry OH&S Training and Awareness Projects

Our industry stakeholders, consisting of employer representative and worker representative organisations, use vital grant funding from Incolink and the Victorian State Government to keep the industry informed of OH&S issues. These include important compliance obligations, so the industry remains vigilant on safety requirements.

Projects funded	Workers reached	Employers reached
11	93,277*	8,185*

## Training and Development

Incolink administers the Victorian Building and 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 these industry training organisations:

### 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.



\* Refers to the number of contacts with workers including those in commercial and domestic construction and those sites that received repeat sessions.

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

The MBAV offers 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 that 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.



### 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 (PICAC). 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 (PPTUE), Master Plumbers and Mechanical Services Association Australia (MPMSAA) Air Conditioning and Mechanical Contractors' Association (AMCA), and National Fire Industry Association (NFIA).





# Incolink Insurance

Incolink offers financial assistance to our members with Incolink Insurances and discretionary covers. Our members work in roles that are very physical and an injury or illness can prevent them from being able to work and provide for their families.

Incolink has a tailored suite of insurances and discretionary covers which, in addition to redundancy benefits, provides a highly valued financial safety net for members.

## Incolink support to members in FY19

**\$7,789,112**

Paid by Incolink to subsidise insurances/discretionary covers

**2,473**

successful claims

**\$30,257,838**

paid out in claims

The chart below details the insurance related programs and payments for FY19.

Incolink Insurance program	Number of claims	Value of payments
Leisure Time Accident & Illness program; TAC Top Up; WorkCover Top Up; Workplace Trauma	1220	\$27,045,339
Portable Sick Leave	331	\$1,728,223
<b>Total</b>	<b>1551</b>	<b>\$28,773,562</b>
Discretionary program		
Ambulance	718	\$930,711
Accidental Dental	152	\$122,228
Funeral	52	\$431,337
<b>Total</b>	<b>922</b>	<b>\$1,484,276</b>

**“Thank you so much for arranging Mel’s\* payment for over the Christmas period. It takes a lot of stress off him. Thank you for being amazing with Mel and myself over the past 18 months, your support and guidance is unmeasurable (sic)...”**

Sylvia\*

**“Things look a lot more positive (as) have had meeting with employer and they have as much info (as) I can give them. (So)... employer will discuss the situation and hopefully give me an answer next week, fingers crossed. Once again, I can’t thank you enough for all your support, you have treated me like a person and not an alien, which means so much when you are down.”**

John\*

\* Names changed to protect confidentiality

# Commitment to Community

## Lynall Hall Community College – The Island Campus

In FY19 Incolink continued its support of The Island Work Education and Training Unit at Lynall Hall Secondary College, Coburg. The future of the construction industry is important and Incolink recognises that people who choose construction as a career often learn by doing and like being active and outdoors. Incolink has supported The Island since 2002 and to date has contributed \$1,100,000.

The Island is a unique trade-based educational environment for students aged 15-18 who are more likely to thrive away from the traditional classroom setting. Incolink's FY19 donation of \$100,000 means the students can complete the popular Building and Construction Certificate II along with their VCAL subjects in the supportive environment of The Island's Coburg campus. This course is considered a pre-apprenticeship, and students can go on to secure an apprenticeship and enrol at TAFE to complete their education.

The other courses offered at The Island are Automotive, Furniture Making, Horticulture and Hospitality.

## Volunteering

Social justice and community engagement have always been central to Incolink, and we are committed to encouraging staff to make a direct practical difference to the world we live in.

Workplace volunteering complements this commitment by providing an opportunity for Incolink staff to gain an understanding of how non-government organisations and/or not-for-profit organisations make a difference in the world. Our volunteers provide these organisations with unpaid assistance across a range of diverse activities. Incolink is willing to release staff at the organisation's expense by encouraging them to volunteer in activities that occur during their regular working hours.



The leadership team at Incolink proudly take possession of four beautiful tables crafted by the students at The Island.



A man with a beard and mustache, wearing a black jacket and a high-visibility orange and yellow vest with "MULTIPLEX" written on it, is sitting in a control room. He is smiling and looking towards the camera. In the background, other people are working at desks with computer monitors. The room is dimly lit, with the primary light source being the computer screens.

**We manage investments in a responsible and professional manner for the best risk-adjusted returns on members' funds.**

# Combined Special Purpose Accounts

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For the year ended 30 June 2019

## ○ Combined Special Purpose Accounts

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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 2019 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 Kenneth Gardner
- Mr Michael O'Neill
- Mr Earl Setches
- Mr Noel Washington
- Ms Louise Hansen – appointed 24 November 2018
- Mr Robert Whitwell – resigned 23 November 2018

## 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	12	11
Mr Hedley Davis	12	12
Mr Radley de Silva	12	12
Mr Ralph Edwards	12	8
Mr Kenneth Gardner	12	12
Mr Michael O'Neill	12	10
Mr Earl Setches	12	9
Mr Noel Washington	12	12
Ms Louise Hansen	8	7
Mr Robert Whitwell	4	4

## 5. Principal activities

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

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

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

- IPT Agency Co. Ltd
- IPT Agency Co (No. 2) Ltd
- Incolink Foundation Ltd
- Red Property Management Pty Ltd
- Red (4) Investments Pty Ltd
- Red (5) Investments 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 \$35.63 million (2018: \$37.78 million). The Company generated a net profit after tax of \$Nil (2018: \$Nil).

#### 7. Distributions/Dividends

Distributions have been disbursed by Redundancy Payment Central Fund and Redundancy Payment Central Fund No. 2 in line with the appropriate Trust Deeds. No dividends were declared or paid during the year ended 30 June 2019 and the Directors do not recommend that a dividend should be paid.

#### 8. Transfer of financial assets restructure

On 28 June 2019 Redundancy Payment Approved Worker Entitlement Fund 1 (RPAWEF1) & Redundancy Payment Approved Worker Entitlement Fund 2 (RPAWEF2) entered into an agreement with Red (4) Investments Pty Ltd [Red (4)] and Red (5) Investments Pty Ltd [Red (5)]. The agreement resulted in all holdings of financial assets at amortised cost and financial assets at fair value through profit and loss being transferred from RPAWEF1 and RPAWEF2 to Red (4) and Red (5) in exchange for consideration of debt and issued shares. The resulting loan receivable/loan payable and investment in subsidiary/issued shares are eliminated for the purposes of this Group report.

#### 9. Likely developments

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

#### 10. 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.

#### 11. Indemnification of auditors

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

#### 12. Events after the reporting date

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, 16 October 2019

# Combined Statement of Comprehensive Income

## For the year ended 30 June 2019

	Note	2019 \$	2018 \$
<b>Revenue</b>			
Investment income	2	64,132,020	56,751,291
Other income	3	9,391,345	7,091,799
Operating expenses	4	(14,789,058)	(14,706,093)
<b>Operating profit for the year</b>		<b>58,734,307</b>	<b>49,136,997</b>
Income tax (expense)/benefit	17	(7,655,386)	8,622
<b>Operating profit after income tax</b>		<b>51,078,921</b>	<b>49,145,619</b>
Non-beneficiary industry grants		(4,904,790)	(1,821,967)
Scheme insurances		(7,789,112)	(8,760,877)
Other non-operating expenses	5	(2,759,760)	(787,591)
<b>Total non-operating expenses</b>		<b>(15,453,662)</b>	<b>(11,370,435)</b>
<b>Net profit after income tax</b>		<b>35,625,259</b>	<b>37,775,184</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>35,625,259</b>	<b>37,775,184</b>

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

## As at 30 June 2019

	Note	2019 \$	2018 \$
<b>Assets</b>			
Cash and cash equivalents	6	17,903,340	36,380,633
Trade receivable and other assets	7	3,379,506	1,082,877
Financial assets at amortised cost	8	24,078,411	36,151,382
Financial assets at fair value through profit or loss	9	821,319,953	720,621,307
Property, plant and equipment	10	30,106,932	21,625,250
<b>Total Assets</b>		<b>896,788,142</b>	<b>815,861,449</b>
<b>Trading Liabilities</b>			
Trade and other payables	11	6,372,756	7,337,831
Employee benefits	12	1,052,820	1,029,976
Income taxes payable		3,631,219	4,461,248
Deferred tax liability		14,048,916	11,925,580
<b>Total Trading Liabilities</b>		<b>25,105,711</b>	<b>24,754,635</b>
<b>Member Liabilities</b>			
Worker member liability balances	13	698,980,368	645,735,539
Apprentice member liability provision	14	10,623,630	9,460,551
<b>Total Member Liabilities</b>		<b>709,603,998</b>	<b>655,196,090</b>
<b>Total Liabilities</b>		<b>734,709,709</b>	<b>679,950,725</b>
<b>Net Assets</b>		<b>162,078,433</b>	<b>135,910,724</b>

	Note	2019 \$	2018 \$
<b>Equity</b>			
Retained earnings		20,931,901	31,173,108
Distributable capital		41,099,406	10,038,474
Reserves	16	100,047,126	94,699,142
<b>Total Equity</b>		<b>162,078,433</b>	<b>135,910,724</b>

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 2019

### 1. Statement of significant accounting policies

#### (a) Basis of preparation

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

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

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

#### Principles of combination

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

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

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 income

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

## Other income

### *Training levy contributions retained*

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

### *Occupational health & safety grant income*

Funding is received from the State Government of Victoria in order to jointly support occupational health and safety (OH&S) projects in the Victorian commercial building and civil construction industry. OH&S grant income is recognised as the grant is accrued over the period of the agreement. This funding is then forwarded to stakeholders to facilitate the abovementioned purpose.

## Revenue from contracts with customers

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

### (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.

### (f) Financial instruments

#### **Financial assets**

##### **Initial recognition and measurement**

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

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

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

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

##### **Subsequent measurement**

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

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

##### **Financial assets at fair value through profit or loss**

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

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

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

# Notes to the Combined Special Purpose Accounts

## *Financial assets at amortised cost (debt instruments)*

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

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

And;

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

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

The Group's financial assets at amortised cost include mezzanine finance debt and interest received on unlisted property.

### **Impairment of financial assets**

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

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

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

### **Derecognition**

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

## **Financial liabilities**

### **Initial recognition and measurement**

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

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

The Group's financial liabilities comprise trade and other payables.

### **Subsequent measurement**

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

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

### **Derecognition**

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

### **(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, or more often if the market indicates significant variation.

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:

<b>Class of property, plant &amp; equipment</b>	<b>Depreciation rate</b>	<b>Useful life (Years)</b>
Plant and equipment	20.00%	5
Furniture and fittings	10.00%	10
Software development costs	14.29%	7
Motor vehicles	22.50%	4.4
IT software	25.00%	4
IT/Communications equipment	25.00%	4
Buildings*	3.33%	30

\*From 1 July 2019, this rate will update to 3.57% due to revaluation and remaining existing useful life of 28 years.

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

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.

### **(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.

# Notes to the Combined Special Purpose Accounts

**(k) Standards issued but not yet effective**

**AASB 16 – Leases**

The Australian Accounting Standards Board has issued AASB 16 *Leases* which will supersede the current leases standard AASB 117 *Leases*. AASB 16 is applicable to the Group from 1 July 2019 and introduces changes to the definition of a lease that will be used to identify whether a contract is, or contains, a lease.

The standard also contains the requirement to now recognise operating leases on the balance sheet and involves the recognition of a 'right-of-use' asset and a lease liability, measured as the present value of future lease payments.

Subsequent payments for the lease are then separated into principal and interest components, and the right-of-use asset is amortised over the period of use.

Certain reliefs or exemptions may apply for short-term or low value leases. These are expensed over the term of the lease on a straight line or other systematic basis.

Accounting requirements for lessors are largely unchanged.

The Group has considered the implications of AASB 16 and applied the relevant judgement in relation to the requirements of the new standard. The Group has identified several leases that would fall under the scope of AASB 16, some resulting in right-of-use assets and lease liabilities and some that would be considered low value leases and not expected to result in material changes.

Impact on the Statement of Financial Position of the Group upon adoption of the new standard on 1 July 2019:

Right-of-use asset	Lease liability	Retained earnings
\$	\$	\$
155,464	159,846	(4,382)

	2019 \$	2018 \$
<b>2. Investment income</b>		
Mark to market movement in value	33,592,245	19,122,782
Distributions received	16,221,719	25,583,297
Interest revenue	12,389,414	10,701,286
Net other investment income	1,928,642	1,343,926
	<b>64,132,020</b>	<b>56,751,291</b>

	2019 \$	2018 \$
<b>3. Other income</b>		
Training levy contributions retained	6,042,311	5,503,260
Occupational health and safety grant income	2,000,000	-
Late payment fees	550,795	539,715
Management fee income	660,959	595,606
Other	137,280	453,218
	<b>9,391,345</b>	<b>7,091,799</b>

<b>4. Operating expenses</b>	<b>2019</b> \$	<b>2018</b> \$
Audit, tax and accounting fees	487,999	479,686
Staff & related expenses	8,909,267	8,893,099
Depreciation	1,025,511	942,421
Occupancy expenses	1,156,381	1,051,329
Industry sponsorships & donations	438,226	582,316
Printing, stationery & postage	81,338	238,766
Legal fees	124,061	51,408
Consultancy fees	515,980	360,667
Marketing expenses	493,570	438,806
IT expenses	323,871	346,249
Corporate insurances	187,006	177,216
GST expense	441,546	455,131
Other operating expenses	604,302	688,999
	<b>14,789,058</b>	<b>14,706,093</b>

<b>5. Other non-operating expenses</b>	<b>2019</b> \$	<b>2018</b> \$
Forfeited balances reinstated	628,620	759,234
Apprentice liability expense	2,131,140	28,357
	<b>2,759,760</b>	<b>787,591</b>

<b>6. Cash and cash equivalents</b>	<b>2019</b> \$	<b>2018</b> \$
Cash at bank	<b>17,903,340</b>	<b>36,380,633</b>

<b>7. Trade receivable and other assets</b>	<b>2019</b> \$	<b>2018</b> \$
Related party receivables	297,096	349,631
Trade receivables	727,055	206,074
Sundry debtors	527,787	290,230
Prepayments	321,612	236,942
Investment redemption pending settlement	1,505,956	-
	<b>3,379,506</b>	<b>1,082,877</b>

<b>8. Financial assets at amortised cost</b>	<b>2019</b> \$	<b>2018</b> \$
Mezzanine finance debt	18,142,563	31,042,566
Interest receivable on unlisted property	5,935,848	5,108,816
	<b>24,078,411</b>	<b>36,151,382</b>

<b>9. Financial assets at fair value through profit or loss</b>	<b>2019</b> \$	<b>2018</b> \$
Cash and fixed interest	268,753,338	232,552,696
Alternative credit	60,153,864	59,264,446
Diversifying alternatives	129,604,611	124,891,823
Australian and international equities	214,375,149	191,951,038
Property and infrastructure	148,432,991	111,961,304
	<b>821,319,953</b>	<b>720,621,307</b>

# Notes to the Combined Special Purpose Accounts

<b>10. Property, plant and equipment</b>	<b>2019</b> \$	<b>2018</b> \$
Land and buildings – at fair value	27,800,000	20,000,000
Less: accumulated depreciation	-	(404,245)
Total land and buildings	27,800,000	19,595,755
Plant and equipment – at cost	6,021,426	5,588,304
Less: accumulated depreciation	(3,714,494)	(3,558,809)
Total plant and equipment	2,306,932	2,029,495
<b>Total property, plant and equipment</b>	<b>30,106,932</b>	<b>21,625,250</b>

Fair value of the land and buildings was determined at 30 June 2019 based on a valuation performed by m3property (Vic) Pty Ltd, an accredited independent valuer, using a discounted cash flow approach. A net gain from the revaluation of \$8,452,748 was recognised in equity.

<b>11. Trade and other payables</b>	<b>2019</b> \$	<b>2018</b> \$
Accounts payable	1,018,046	503,745
Sundry creditors and accrued expenses	2,645,652	2,606,047
Industry grants payable	2,709,058	4,228,039
	<b>6,372,756</b>	<b>7,337,831</b>

<b>12. Employee benefits</b>	<b>2019</b> \$	<b>2018</b> \$
Annual leave	396,167	386,981
Personal leave	335,323	301,842
Long service leave	321,330	341,153
	<b>1,052,820</b>	<b>1,029,976</b>

<b>13. Worker member liability balances</b>	<b>2019</b> \$	<b>2018</b> \$
Opening balance	645,735,539	608,682,427
Employer redundancy contributions	145,920,657	131,178,804
Forfeited balances reinstated	628,620	759,234
Apprentice credits rolled over	2,879,299	2,643,372
Claims and transfers	(96,183,747)	(97,528,298)
Closing balance	<b>698,980,368</b>	<b>645,735,539</b>

<b>14. Apprentice member liability provision</b>	<b>2019</b> \$	<b>2018</b> \$
Opening balance	9,460,551	10,359,110
Apprentice levy collected	1,911,238	1,716,456
Apprentice liability expense	2,131,140	28,357
Apprentice credits rolled over	(2,879,299)	(2,643,372)
Closing balance	<b>10,623,630</b>	<b>9,460,551</b>

<b>15. Beneficiary unpaid present entitlements</b>	<b>2019</b> \$	<b>2018</b> \$
Opening balance	-	-
Distribution of profit for the year	18,617,460	17,412,054
Transferred pursuant to Heads of Agreement and offset against grants paid	(18,617,460)	(17,412,054)
Balance at end of the financial year	<b>-</b>	<b>-</b>

<b>16. Reserves</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Asset revaluation reserve (i)	13,584,125	5,131,377
Capital reserve	86,463,001	89,567,765
<b>Total reserves closing balance</b>	<b>100,047,126</b>	<b>94,699,142</b>
<b>(i) Asset revaluation reserve</b>		
Opening balance	5,131,377	5,131,377
Property revaluation	8,452,748	-
<b>Closing balance</b>	<b>13,584,125</b>	<b>5,131,377</b>

The revaluation in 2019 is 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 2019. Valuations are performed on a triennial basis, or more often if the market indicates significant variation.

<b>17. Income tax expense</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Current income tax expense</b>		
Current income tax charge	5,129,775	7,037,228
Adjustment in respect of current income tax of previous year	402,275	(235,900)
<b>Deferred income tax expense</b>		
Relating to origination and reversal of temporary differences	2,123,336	(6,809,950)
	<b>7,655,386</b>	<b>(8,622)</b>

## 18. Forfeited balances reinstated contingent liability

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

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

## 19. Segment Information

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

# Directors' Declaration

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## For the year ended 30 June 2019

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

- a) In the Directors' opinion, the attached Combined Special Purpose Accounts and notes are in accordance with the accounting policies outlined in Note 1 to the Combined Special Purpose Accounts and present fairly the financial position and performance of the combined Group as at 30 June 2019; and
- b) In the Directors' opinion, there are reasonable grounds to believe that each entity within the combined Group as at 30 June 2019 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,  
16 October 2019

# Independent Auditor's Report

## Independent Auditor's Report to the Directors of Incolink Group



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Standards Legislation

### 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 2019, 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.

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.

# Independent Auditor's Report



## 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  
16 October 2019

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# Directory

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## Chairman

Mr Brian Welch

## Directors

Mr Brian Boyd

Mr Hedley Davis

Mr Radley de Silva

Mr Ralph Edwards

Mr Kenneth Gardner

Mr Michael O'Neill

Mr Earl Setches

Mr Noel Washington

Ms Louise Hansen – appointed 24 November 2018

Mr Robert Whitwell – resigned 23 November 2018

## Incolink Executive

### Chief Executive |

Dan O'Brien (resigned 31 July 2019)

Erik Locke (appointed November 2019)

### Chief Financial & Investments Officer |

Niall Keane

### General Counsel & Company Secretary |

Tri Duc Nguyen

### General Manager, Marketing & Business Development |

Kevin Lillie

### General Manager, Member Experience |

Claire Hayes

### General Manager, Member Wellbeing & Support |

Patricia McCourt

### Special Projects Executive |

Adam Cusack

## Principal Office

1 Pelham Street, Carlton, Vic 3053

## Other Office Locations

80 Federal Street, North Hobart, Tas 7000  
Suite 3, 200 Malop Street, Geelong, Vic 3220

**External auditor** | Ernst & Young

**Internal auditor** | PwC

**Banker** | Westpac Banking Corporation

**Investment consultant** | Willis Towers Watson

**Solicitors** | Hall & Wilcox

**Insurance brokers** | Windsor Management Insurance Brokers

**Insurance underwriter** | QBE Insurance (Australia) Limited

**Designer and printer** | Southern Colour

**Mailhouse** | Blue Star

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