NOVITA SERVICES

(Formerly Novita Children's Services)

FINANCIAL REPORT 2021 - 2022

Novita Services

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	30 June 2022 $	30 June 2021 $
CURRENT ASSETS			
Cash and Cash Equivalents	2	15,503,354	21,207,412
Trade and Other Receivables	3	5,207,661	3,801,291
Inventories	4	529,900	91,753
Prepayments	5	348,887	350,383
Total Current Assets		21,589,802	25,450,839
NON-CURRENT ASSETS			
Trade and Other Receivables	3	-	28,798
Investments			
Hybrids & Managed Funds	6	2,239,031	4,033,805
Shares in Listed Companies	6	20,817,461	22,980,897
Property, Plant and Equipment	7	7,654,739	6,239,177
Intangible Assets	8	3,487	-
Right of Use Lease Assets	19	33,861,177	27,456,625
Total Non-Current Assets		64,575,895	60,739,302
TOTAL ASSETS		86,165,697	86,190,141
CURRENT LIABILITIES			
Trade and Other Payables	9	2,040,754	3,159,421
Revenue Received in Advance	10	1,037,501	740,193
Employee Benefits	11	5,645,359	5,268,177
Lease Liabilities	19	3,420,428	2,847,725
Total Current Liabilities		12,144,042	12,015,516
NON-CURRENT LIABILITIES			
Employee Benefits	11	398,550	758,927
Lease Liabilities	19	32,607,831	25,569,962
Total Non-Current Liabilities		33,006,381	26,328,889
TOTAL LIABILITIES		45,150,423	38,344,405
NET ASSETS		41,015,274	47,845,736
EQUITY			
Contributed Equity		31,350,200	31,350,200
Accumulated Profits		7,736,830	10,943,869
Reserves		1,928,244	5,551,667
TOTAL EQUITY		41,015,274	47,845,736

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes set out on pages 6 to 24.

Novita Services

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	30 June 2022	30 June 2021
INCOME		**$**	**$**
Government Funding	12	1,903,207	10,666,704
Grant Income	12	728,555	650,590
Revenue from Sale of Goods		73,345	1,841,444
Revenue from Rendering of Services		57,803,476	53,039,709
Revenue from Bequests and Donations		3,006,913	3,979,481
Other Income		1,329,703	1,271,870
Profit on Sale of Regency Park Property		-	6,573,430
Total Income		64,845,199	78,023,228
EXPENSES			
Employee Expenses	13	54,525,108	50,516,761
Client Expenses		193,971	550,052
Facilities, IT and Maintenance		3,623,189	3,633,745
Depreciation and Amortisation Expense	7,8,19	5,486,293	4,838,161
Cost of Sales		1,760,729	1,512,315
Motor Vehicle Expenses		554,151	484,575
Other Expenses		2,705,923	3,926,595
Total Expenses		68,849,364	65,462,204
Profit/(Loss) from Operating Activities		(4,004,165)	12,561,024
Finance Income	14	2,029,086	1,787,440
Finance Costs Leases	14,19	(1,231,960)	(1,214,577)
Net Finance Income	14	797,126	572,863
Profit/(Loss) Before Tax for the Year		(3,207,039)	13,133,887
Tax Expense	1(d)	-	-
Profit/(Loss) for the Year		**(3,207,039)**	**13,133,887**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Equity investments in Fair Value through Other Comprehensive Income – Net Change in Fair Value		(3,623,423)	3,873,743
Total Other Comprehensive Income for the Year, Net of Tax		(3,623,423)	3,873,743
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(6,830,462)	17,007,630

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes set out on pages 6 to 24.

Novita Services

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Fair Value Reserve	Retained Earnings	Contributed Equity	Total Equity
	$	$	$	$
Balance at 1 July 2020	1,677,924	(2,190,018)	31,350,200	30,838,106
Total Comprehensive income for the year				
Profit for the year		13,133,887		13,133,887
Total Other Comprehensive Income	3,873,743			3,873,743
Total comprehensive income/(loss) for the year	3,873,743	13,133,887	-	17,007,630
Balance at 30 June 2021	5,551,667	10,943,869	31,350,200	47,845,736
Balance at 1 July 2021	5,551,667	10,943,869	31,350,200	47,845,736
Total Comprehensive income for the year				
Loss for the year		(3,207,039)		(3,207,039)
Total Other Comprehensive Income	(3,623,423)			(3,623,423)
Total comprehensive income for the year	(3,623,423)	(3,207,039)	-	(6,830,462)
Balance at 30 June 2022	1,928,244	7,736,830	31,350,200	41,015,274

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes set out on pages 6 to 24.

Novita Services

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	30 June 2022 $	30 June 2021 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		69,449,540	68,087,460
Cash receipts from Federal Government (Job Keeper)		728,555	6,546,000
Cash payments in the course of operations		(71,314,745)	(59,887,968)
Interest received	14	124,194	83,984
Net cash from/(used in) operating activities	18	(1,012,456)	14,829,476
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for investments	6	(1,459,986)	(8,887,111)
Payments for PP&E	7	(2,865,888)	(2,368,058)
Disposal of Regency Park Property		-	12,194,342
Proceeds from sale of investments	6	3,699,666	2,204,281
Proceeds from sale of PP&E	7	17,480	-
Payments for intangible assets	8	(3,487)	-
Net cash from/(used in) investing activities		(612,215)	3,143,454
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on leases	19	(1,231,960)	(1,214,557)
Lease payments	19	(2,847,428)	(2,848,327)
Repayments of borrowings		-	(1,882,106)
Net cash from/(used in) financing activities		(4,079,388)	(5,944,990)
Net increase/(decrease) in cash held		(5,704,059)	12,027,940
Cash and cash equivalents at 1 July		21,207,413	9,179,473
Cash and cash equivalents at 30 June	2	15,503,354	21,207,413

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes set out on pages 6 to 24.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Novita Services (the Company) is a company domiciled in Australia. The address of the Company's registered office is 341 Port Road, Hindmarsh, South Australia. The consolidated financial statements comprise the Company and its controlled entities, collectively the 'Group' and individually 'Group entities' and are as at and for the year ended 30 June 2022.

The principal activities of the Group are the provision of child development, rehabilitation, community programs and disability services to clients of all ages. The Group is a not-for-profit entity for the purpose of preparing the financial statements.

These consolidated financial statements were authorised for issue by the Board of Directors on the date of the Directors' Declaration.

a) Basis of Accounting:

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards – Simplified Disclosures issued by Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-profits Commission Act 2012.

b) Basis of Preparation:

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

The consolidated financial statements are prepared on the historical cost basis, except for debt and equity securities which are measured at fair value through other comprehensive income. Other assets are stated at the lower of carrying amount and recoverable amount.

The financial statements have been prepared on a going concern basis, which contemplates continuity of business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors consider that there are reasonable grounds to believe the Group will be able to pay its debts as and when they fall due as forecast operating cash flows for the merged group indicate that cash reserves and investments (refer to Note 6) to be sufficient to fund operations.

c) Use of Judgements and Estimates:

In preparing these consolidated financial statements management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised prospectively.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

(i) **Note 1(j)**: Measurement of Expected Credit Losses allowance for trade receivables

(ii) **Note1(o)**: Lease term: whether Novita is reasonably certain to exercise extension options

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Taxation:

The Company is exempt from paying income tax due to being a charitable institution in terms of Section 50(5) of the Income Tax Assessment Act 1997. The non-operating subsidiary of the Group, CareFirst Pty Ltd, is a tax paying entity (see accounting policy Note 1(q)).

e) Basis of Consolidation:

(i) **Subsidiaries:** Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) **Loss of Control:** When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained on the former subsidiary is measured at fair value when control is lost.

(iii) **Acquisitions from entities under common control:** Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements.

The components of equity of the acquired entities are added to the same components within Group equity. Any cash paid for the acquisition is recognised directly in equity.

(iv) **Transactions eliminated on consolidation:** Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements.

f) Inventories:

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Property, Plant and Equipment:

(i) Recognition and Measurement: Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy Note 1(j)). Cost includes expenditure that is directly attributable to the acquisition of the asset.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent expenditure: Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation: Depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative year are as follows:

• Buildings	20-40 years
• Plant, Equipment and Vehicles	3-10 years
• Leasehold improvements	10 years

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

h) Intangible Assets:

(i) **Computer software:** Significant items of computer software which are not an integral part of computer hardware are stated at cost less accumulated amortisation and impairment losses. Minor expenditure on computer software is expensed as incurred.

(ii) **Subsequent expenditure:** Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, is recognised in profit or loss as incurred.

(iii) **Amortisation:** Amortisation is charged to the profit or loss on a straight line basis over the estimated useful life of each item of computer software from the date it is acquired and is ready for use.

Estimated useful lives of computer software in the current year and comparative are deemed to be 2-3 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. No residual value is assumed.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial Instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial assets (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

(i) Financial Instruments:

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that re held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- term that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial Instruments (continued):

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

j) Impairment:

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Impairment (cont'd)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. All requests for financial write-offs undergo a process of management review and approval. The Group expects no significant recovery from the amount written off.

k) Provisions:

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

l) Revenue:

AASB 15 Revenue from Contracts with Customers

AASB 15 requires identification of performance obligations within a contract and an associated transaction price that is allocated to these performance obligations. Revenue is recognised upon satisfaction of these performance obligations, which occurs when a customer obtains control of the goods or services. The control may be transferred at a point in time or over a period of time.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Revenue: (continued)

AASB 1058 Income for Not-for-Profit Entities

The Group has utilised the practical expedient of applying the requirements of AASB 15 to portfolios of individual contracts with similar characteristics. The Group's revenue from contracts with customers primarily consists of other income presented on the Statements of Profit or Loss.

(i) Government funding and grant income: Grant income arising from an agreement which contains enforceable and sufficiently specific performance obligations is recognised when control of each performance obligations is satisfied. The performance obligations are varied based on the agreement but may include management of events. Within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract. Where control is transferred over time, generally the revenue is recognition based on either cost or time incurred which best reflects the transfer of control.

Assets arising from grants in the scope of AASB 1058 are recognised at their fair value when the asset is received. These assets are generally cash but maybe property which has been donated or sold to the Group at significantly below its fair value. Once the asset has been recognised, the Group recognises any related liability amounts (e.g. provisions, financial liabilities). Once the assets and liabilities have been recognised then income is recognised for any difference between the recorded asset and liability.

(ii) Sale of goods: Revenue from the sale of goods is measured at the fair value of the consideration received and recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income when the significant risks and rewards of ownership have been transferred to the buyer and the recovery of the consideration is probable.

(iii) Rendering of Services: The Group is involved in the provision of child development, rehabilitation, community programs, accommodation support and disability services to clients of all ages.

The Group recognises revenue from rendering of services over the service delivery period.

(iv) Bequest and donations: Revenue is received from fundraising events, legacies and bequests and is brought to account when right to the cash is established. When assets, such as investments or properties, are received from a bequest or donation, an asset is recognised at fair value, with a corresponding amount of revenue, when the Group gains control of such assets.

(v) Dividends Received: The Group recognises its dividend income for the financial period in which when the dividend is declared.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Employee Benefits:

(i) Wages, salaries and annual leave: Liabilities for wages, salaries and annual leave that are expected to be settled within 12 months of reporting date, represent present obligations resulting from employees' services provided to reporting date and are measured as the undiscounted amounts based on wage and salary rates that the Group expects to pay as at reporting date including related on-costs.

(ii) Other long-term service benefits: The Group's net obligation in respect of long-term employee benefits is the amount of the future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group's obligations.

n) Finance Income and Finance Costs:

The Group's finance income and finance costs include:

- interest income
- interest expense
- dividend income
- the net gain or loss on the disposal of available-for-sale financial assets
- impairment losses recognised on financial assets (other than trade receivables)
- the reclassification of net gains previously recognised in OCI.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

o) Leases:

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, Novita allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of the property Novita has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Novita recognises a right-of-use asset and a lease liability at the lease commencement date. The right-to-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is allocated, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless transfer of ownership of the underlying asset to Novita by the end of the lease term or the cost of the right-to-use asset reflects that the group will exercise a purchase option. In that case the right-to-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-to-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Leases: (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Novita's incremental borrowing rate. Generally, Novita uses its incremental rate as the discount rate.

Novita determines its incremental borrowing rate by obtaining interest rated from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

Lease payments included in the measurement of the lease lability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that Novita is reasonably certain to exercise, lease payments in an optional renewal period if Novita is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Novita is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from change in an index or rate, if there is a change in Novita's estimate of the amount expected to be payable under a residual value guarantee, if Novita changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

p) Goods and Services Tax:

Revenues, expenses and assets are recognised net of the amount of the Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows. The net amount of GST recoverable from or payable to the ATO is included as part of receivables or payables.

q) Tax:

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Changes in significant accounting policies

There have been no significant changes in accounting policies impacting the current financial year.

s) Equity:

The entity is a company limited by guarantee. Equity represents the net assets of other not-for-profit entities acquired in business combinations.

t) Reserves:

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of FVOCI financial assets and no reclassification to profit or loss upon derecognition.

u) New or Amended Accounting Standards and Interpretations Adopted:

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

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

AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

The consolidated entity has adopted AASB 1060 from 1 July 2021. The standard provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs. As a result, there are minor disclosure changes in these financial statements.

		30 June 2022	30 June 2021
		$	$
2.	**CASH AND CASH EQUIVALENTS**		
	Cash at Call	15,503,354	21,207,412
	Total Cash and Cash Equivalents	15,503,354	21,207,412
3.	**TRADE AND OTHER RECEIVABLES**		
	Trade Receivables	3,553,244	3,410,558
	Expected Credit Loss Provision	(115,551)	(770,260)
		3,437,693	2,640,298
	Other Receivables	1,769,968	1,160,993
	Total Trade and Other Receivables	5,207,661	3,801,291
	Non-Current receivable	-	28,798
		-	28,798
	INVENTORIES		
4.	Work In Progress	529,900	91,753
	Total Inventories	529,900	91,753
5.	**PREPAYMENTS**		
	Prepayments	348,887	350,383
	Total Prepayments	348,887	350,383
6.	**INVESTMENTS**		
	Investments at fair value through profit or loss	2,239,031	4,033,805
	Investments in equity instruments designated as measured through other comprehensive income upon initial recognition	20,817,461	22,980,897
	Total Investments	23,056,492	27,014,702

Investments are valued at quoted market price in an active market

7. PROPERTY PLANT & EQUIPMENT

	Land	Buildings	Leasehold Improvements	Plant and Equipment	Capital WIP	Total
	$	$	$	$	$	$
Cost						
Balance 1 July 2020	342,544	2,287,804	2,414,846	4,032,724	563,956	9,641,874
Transfers	-	563,956	-	-	(563,956)	-
Additions	-	4,983	1,531,855	794,925	63,757	2,395,520
Disposals	-	(272,502)	-	(8,972)	-	(281,474)
Balance at 30 June 2021	342,544	2,584,241	3,946,701	4,818,677	63,757	11,755,920
Balance 1 July 2021	342,544	2,584,241	3,946,701	4,818,677	63,757	11,755,920
Transfers						
Additions	-	-	2,185,451	648,497	31,940	2,865,888
Disposals	-	-	(12,144)	(5,344)	-	(17,488)
Balance at 30 June 2022	342,544	2,584,241	6,120,008	5,461,830	95,697	14,604,320
Accumulated Depreciation						
Balance 1 July 2020	-	364,963	1,191,209	2,853,521	-	4,409,693
Depreciation Charge for the Period	-	65,134	562,349	540,508	-	1,167,991
Disposals	-	(60,487)		(454)	-	(60,941)
Balance at 30 June 2021	-	369,610	1,753,558	3,393,575	-	5,516,743
Balance 1 July 2021	-	369,610	1,753,558	3,393,575	-	5,516,743
Depreciation Charge for the Period		69,417	749,019	614,409		1,432,845
Disposals		-	(7)	-	-	(7)
Balance at 30 June 2022		439,027	2,502,570	4,007,984		6,949,581
Carrying Amounts						
At 30 June 2021	342,544	2,214,631	2,193,143	1,425,102	63,757	6,239,177
At 30 June 2022	342,544	2,145,214	3,617,438	1,453,846	95,697	7,654,739

8. INTANGIBLE ASSETS

	Computer software and licensing $	Patents and Trademarks $	Total $
Cost			
Balance at 1 July 2020	362,419	-	362.419
Additions	-	-	-
Balance at 30 June 2021	362,419	-	362.419
Balance at 1 July 2021	362,419	-	362.419
Additions	-	3,487	3,487
Balance at 30 June 2022	362,419	3,487	365,906
Amortisation and Impairment Losses			
Balance at 1 July 2020	326,892	-	326,892
Amortisation Charge for the Period *	35,527	-	35,527
Balance at 30 June 2021	362,419	-	362,419
Balance at 1 July 2021	362,419	-	362,419
Amortisation Charge for the Period *	-	-	-
Balance at 30 June 2022	362,419	-	362,419
Carrying Amounts			
At 30 June 2021	-	-	-
At 30 June 2022	-	3,487	3,487

* The amortisation of intangible assets are included in the profit or loss.

		30 June 2022	30 June 2021
9.	**TRADE AND OTHER PAYABLES**	**$**	**$**
	Trade Payables	1,464,961	2,743,412
	Accrued Expenses	369,524	416,009
	Other Payables	206,269	-
	Total Trade and Other Payables	2,040,754	3,159,421
10.	**CONTRACT LIABILITIES**		
	Current		
	Operational Grant Money Received in Advance	1,037,501	740,193
	Total Revenue Received in Advance	1,037,501	740,193
11.	**EMPLOYEE BENEFITS**		
	Current		
	Liability for Annual Leave	3,437,961	3,206,715
	Liability for Long Service Leave	2,207,398	2,061,462
	Total Current Employee Benefits	5,645,359	5,268,177
	Non-Current		
	Liability for Long Service Leave	398,550	758,927
	Total Non-Current Employee Benefits	398,550	758,927
	Total Employee Benefits	6,043,909	6,027,104
12.	**GOVERNMENT FUNDING & GRANT INCOME**		
	State Government		
	Recurrent and One-Off Grant Funding	982,427	3,343,395
	Ministerial Advisory Committee: Students with Disabilities Special Education Program	709,768	550,000
		1,692,195	3,893,395
	Commonwealth Government		
	Department of Social Services	211,012	227,309
	Job Keeper	-	6,546,000
		211,012	6,773,309
	Total Government Funding	1,903,207	10,666,704
	Grant Income		
	Brotherhood of St Laurence: Home Interaction Program for Parents and Youngsters	633,946	624,590
	Other Grant income	94,609	26,000
	Total Grant Funding	728,555	650,590

	30 June 2022	30 June 2021
	$	$
13. EMPLOYEE EXPENSES		
Wages and Salaries	48,163,406	41,981,711
Increase/(Decrease) in Liability for Employee Benefits	31,958	2,794,999
Superannuation Payments	4,676,930	4,002,936
Other Employee Expenses	1,652,814	1,737,115
Total Employee Expenses	54,525,108	50,516,761
14. NET FINANCE INCOME		
Dividend Income from Investments	2,374,963	854,686
Interest Income from Deposits Carried at Amortised Cost	124,194	100,497
Changes in market value recognised through profit & loss	(470,071)	832,257
Finance Income	2,029,086	1,787,440
Finance Lease Interest Costs	(1,231,960)	(1,214,577)
Net Finance Income	797,126	572,863
15. AUDITORS REMUNERATION		
Audit Services:		
- Audit of the Group and related entities – BDO (2021 – KPMG)	67,000	96,500
- Regulatory and Grant Audits – BDO (2021 – KPMG)	5,500	20,700
Other Services:		
- Non Audit Services Provided – BDO (2021 – KPMG)	3,000	15,525
Total Auditors' Remuneration:	75,500	132,725

17. LIST OF CONTROLLED ENTITIES

Set out below is a list of the controlled entities of the Group.

		Ownership Interest	
Name	**Principal Place of Business**	**2022**	**2021**
CareFirst Pty Ltd	South Australia	100%	100%
Novita Housing Ltd	South Australia	100%	-

18. RECONCILIATION OF OPERATING ACTIVITIES

	30 June 2022	30 June 2021
	$	$
Profit/(Loss) from Operating Activities		
Profit/(Loss) for the year	(3,207,040)	13,133,887
Non-Cash Items		
Unrealised (Profit)/Loss on Investments	470,071	(832,257)
Lease Interest Expense	1,231,960	1,214,576
Depreciation/Amortisation	5,486,293	5,030,174
	7,188,324	5,412,493
Less Items Classified as Investing Activities		
Dividends Received	(2,374,963)	(854,686)
Profit on Sale of Non-Current Assets	-	(6,589,944)
Income from Investing Activities	(2,374,963)	(7,444,630)
Net Cash From Operating Activities before Changes in Assets and Liabilities	1,606,321	11,101,750
Change in Assets and Liabilities		
Decrease/(Increase) in Inventories	(438,147)	4,189
Decrease/(Increase) in Receivables	(1,376,075)	3,081,437
Decrease/(Increase) in Deferred Income	297,308	(248,351)
(Increase)/Decrease in Trade and Other Payables	(1,118,667)	(227,038)
Decrease in Employee Benefits	16,804	1,117,489
Total change in assets and liabilities	(2,618,777)	3,727,726
Net Cash From/(Used in) Operating Activities	(1,012,456)	14,829,476

19. LEASES

	30 June 2022	30 June 2021
IT assets – right of use	8,948	16,618
Motor Vehicles – right of use	2,410,093	1,958,122
Land and Buildings – right of use	31,442,136	25,481,885
	33,861,177	27,456,625

Novita leases a number of buildings and motor vehicles under operating leases. The leases typically run for an average period of 5 years for buildings and 3 years for motor vehicles, with options to renew the lease after that date. Lease payments for buildings are renegotiated every several years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, Novita is restricted from entering into any sublease arrangements.

Some property leases contain extension options exercisable by Novita prior to the end of the non-cancellable period. Novita has only recognised extensions on properties where it is likely the lease would be extended.

Additions to the right-of-use assets during the year were $9,150,433 (2021 - $18,148,108)

19. LEASES (CONTINUED)

Lease payments maturity analysis

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be made after the reporting date:

	30 June 2022
	$
Less than one year	3,420,428
Between one and five years	13,555,496
Greater than five years	19,052,336
Total	36,028,260

20. RELATED PARTIES – KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were key management personnel of the Group at any time during the reporting period and, unless otherwise indicated, held office for the entire period:

Non-Executive Directors	Executive Staff	
K Scarce, President	G Ward	Chief Executive Officer
G Richards (resigned March21)	J Brown	Chief Operating Officer
A Daniels	J Grant	Chief Financial Officer
S Bolzon	A Collett	Chief People Officer
E Balan-Vnuk		
A Jones		
G Ward		
A Morrison		
D Caudrey		
V Toovey		

Company Secretary

J Grant

The non-executive directors have not received any remuneration during the period.

Key Management Personnel Compensation

The key management personnel compensation was $1,055,594 for the year ended 30 June 2022 (2021: $1,141,931).

The Group has no other related party relationship with its Directors and executives.

21. NDIS LOAN

On 21 March 2020, the Minister for the NDIS announced a number of new measures to support participants and providers during the COVID-19 pandemic. This included an advance payment to eligible registered NDIS providers such as Novita. The advance payment received by Novita of $1,882,106, represented approximately one-third of Novita's claims processed via the NDIS portal between December 2019 and February 2021.

The loan was offered on interest free terms and the NDIS planned to recover the payment by offsetting NDIS portal claims from 1 October 2021. Novita elected to repay the entire loan balance back to the NDIS on 9 October 2021.

23. SUBSEQUENT EVENTS

There are no events subsequent to the end of the financial year that would materially impact the financial statements.

24. CONTINGENT LIABILITIES

The group has three bank guarantees associated with the commercial lease of Novita offices. Novita has three term deposits held with the Commonwealth Bank which act as security over these bank guarantees.

Novita Services
DIRECTORS' DECLARATION

In the opinion of the Directors of Novita Services (the Company):

a) the Group is not publicly accountable;

b) the consolidated financial statements and notes that are set out on pages 5 to 24 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Regulation 2013; and

c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Dated at Adelaide this 3rd day of November 2022.

………………………………………..	………………………………………..
KEVIN SCARCE	AMY JONES
PRESIDENT	BOARD DIRECTOR

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INDEPENDENT AUDITOR'S REPORT

To the members of Novita Services

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Novita Services (the registered entity) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the responsible entities' declaration.

In our opinion the accompanying financial report of Novita Services, is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and

(ii) Complying with Australian Accounting Standards – Simplified Disclosures and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2012*.

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 auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of responsible entities for the Financial Report

The responsible entities of the registered entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Simplified Disclosures and the ACNC Act, and for such internal control as the responsible entities determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, responsible entities are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible entities either intends to liquidate the registered entity or to cease operations, or has no realistic alternative but to do so.

The responsible entities of the registered entity are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO

BDO Audit Pty Ltd

G K Edwards
Director

Adelaide, 15 November 2022