NOVITA CHILDREN'S SERVICES

FINANCIAL REPORT 2018 - 2019

Novita Children's Services
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Note	30 June 2019 $	30 June 2018 $
CURRENT ASSETS			
Cash and Cash Equivalents	2	1,114,876	320,567
Trade and Other Receivables	3	2,660,388	2,232,631
Inventories	4	84,368	77,773
Total Current Assets		3,859,632	2,630,971
NON-CURRENT ASSETS			
Trade and Other Receivables	3	44,407	48,892
Investments			
Debentures	5	402,968	816,588
Shares in Listed Companies	5	11,815,326	11,879,243
Property, Plant and Equipment	6	9,014,069	10,323,296
Intangible Assets	7	99,977	171,019
Total Non-Current Assets		21,376,747	23,239,038
TOTAL ASSETS		25,236,379	25,870,009
CURRENT LIABILITIES			
Trade and Other Payables	8	2,149,572	2,457,008
Deferred Income	9	868,110	1,568,715
Employee Benefits	10	2,370,749	2,390,605
Total Current Liabilities		5,388,431	6,416,328
NON-CURRENT LIABILITIES			
Employee Benefits	10	472,629	329,633
Total Non-Current Liabilities		472,629	329,633
TOTAL LIABILITIES		5,861,060	6,745,961
NET ASSETS		19,375,319	19,124,048
EQUITY			
Contributed Equity		23,521,193	23,521,193
Accumulated Losses		(7,483,925)	(8,182,257)
Reserves		3,338,051	3,785,112
TOTAL EQUITY		19,375,319	19,124,048

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes set out on pages 5 to 27.

Novita Children's Services
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2019

	Note	30 June 2019	30 June 2018
INCOME		$	$
Government Funding	11	6,886,022	11,734,302
Grant Income	11	718,757	1,116,273
Revenue from Sale of Goods		817,802	563,653
Revenue from Rendering of Services		22,644,483	15,822,589
Revenue from Bequests and Donations		1,215,376	1,355,623
Other Income		1,708,865	1,892,390
Total Income		33,991,305	32,484,830
EXPENSES			
Employee Expenses	12	27,453,455	27,539,207
Client Expenses		369,967	550,950
Facilities, IT and Maintenance		2,817,867	2,797,387
Depreciation and Amortisation Expense	6,7	1,066,260	1,096,730
Cost of Sales		643,531	338,488
Motor Vehicle Expenses		424,021	502,490
Other Expenses		2,166,699	1,997,377
Total Expenses		34,941,800	34,822,629
Loss from Operating Activities		(950,495)	(2,337,799)
Finance Income	13	1,648,827	1,089,483
Finance Costs	13	-	-
Net Finance Income	13	1,648,827	1,089,483
Profit/(Loss) Before Tax for the Year		698,332	(1,248,316)
Tax Expense	1(d)	-	-
Profit/(Loss) for the Year		**698,332**	**(1,248,316)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Investments reclassified to Profit or Loss		-	(157,550)
Investments – Net Change in Fair Value		-	912,988
Items that will never be reclassified to profit or loss:			
Equity investments in Fair Value through Other Comprehensive Income – Net Change in Fair Value		(447,061)	-
Total Other Comprehensive Income for the Year, Net of Tax	5	(447,061)	755,438
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		251,271	(492,878)

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 5 to 27.

Novita Children's Services
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019

	Fair Value Reserve $	Accumulated Losses $	Contributed Equity $	Total Equity $
Balance at 1 July 2017	3,029,674	(6,933,941)	23,521,193	19,616,926
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
Loss for the Year	-	(1,248,316)	-	(1,248,316)
Total Other Comprehensive Income	755,438	-	-	755,438
Total Comprehensive Loss for the Year	755,438	(1,248,316)	-	(492,878)
Balance at 30 June 2018	3,785,112	(8,182,257)	23,521,193	19,124,048
Balance at 1 July 2018	3,785,112	(8,182,257)	23,521,193	19,124,048
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the Year	-	698,332	-	698,332
Total Other Comprehensive Income	(447,061)	-	-	(447,061)
Total Comprehensive Profit for the Year	(447,061)	698,332	-	251,271
Balance at 30 June 2019	3,338,051	(7,483,925)	23,521,193	19,375,319

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes set out on pages 5 to 27.

Novita Children's Services
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2019

	Note	30 June 2019 $	30 June 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts in the Course of Operations		36,032,633	31,008,033
Cash Payments in the Course of Operations		(37,376,279)	(36,280,739)
Net Cash used in Operating Activities	17	(1,343,646)	(5,272,706)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends Received	13	1,646,136	1,000,885
Interest Received	13	2,691	8,369
Payments for Investments	5	(1,363,674)	(413,267)
Proceeds from Sale of Investments	5	1,394,150	2,726,605
Acquisition of Property, Plant and Equipment and Intangibles	6,7	(569,706)	(852,210)
Proceeds from Sale of Property, Plant and Equipment		1,028,358	6,839
Net Cash from Investing Activities		2,137,955	2,477,221
Net Increase / (Decrease) in Cash and Cash Equivalents		794,309	(2,795,485)
Cash and Cash Equivalents at 1 July		320,567	3,116,049
Cash and Cash Equivalents at 30 June	2	1,114,876	320,567

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes set out on pages 5 to 27.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Novita Children's Services (the Company) is a company domiciled in Australia. The address of the Company's registered office is 171 Days Road, Regency Park, 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 2019.

The principal activities of the Group are the provision of child development, rehabilitation and disability services to children and young people. 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 17th October 2019.

(a) Basis of Accounting:

In the opinion of the Directors, the Group is a reporting entity but not publicly accountable. These consolidated financial statements are Tier 2 general purpose consolidated financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board (AASB) and the *Australian Charities and Not-for-profits Commission Act 2012 and Australian Charities and Not-for-profits Commission Regulation 2013 (ACNC)*. These consolidated financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements.

(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 non-current assets are stated at the lower of carrying amount and recoverable amount.

The Group has a net deficiency of current assets over current liabilities of $1,528,799 as at 30 June 2019 (2018: $3,785,357) and net operating cash outflow of $1,343,645 (2018: $5,272,706). In October 2019, Novita and Spastic Centres of South Australia Incorporated ("SCOSA") completed a merger. Directors anticipate that the merger, amongst other benefits, will provide synergies in operating costs and improve the ability of the merged group to invest in new facilities, develop professional capabilities and offer greater product or service choice to customers.

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 5) to be sufficient to fund operations. Subsequent, to the merger with SCOSA, the Board has also implemented a strategic review focused on implementing revenue generating and cost containment initiatives so as to achieve a profit in the next 12-24 months.

(c) Use of Judgements and Estimates:

In preparing these consolidated financial statements in conformity with Australian Accounting Standards - Reduced Disclosure Requirements 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Use of Judgements and Estimates (continued):

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(g):** Property Plant and Equipment

(ii) **Note 1(h):** Intangible Assets

(iii) **Note 1(i):** Investments

(iv) **Note 1(m):** Employee Benefits

(v) **Note 1(j):** Impairment

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

(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 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.

(i) Financial Instruments: (Policy applicable before 1 July 2018)

The Group classifies non-derivative financial assets into the following categories: loans, and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they originated. All other financial assets and financial liabilities are initially recognised on the trade date.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial Instruments (continued): (Policy applicable before 1 July 2018)

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition (continued)

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which sustainably all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measure at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Group in the management of short-term commitments.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less impairment losses (see accounting policy note (j)).

Available-for-sale financial assets
These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments are recognised in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss in equity is reclassified to profit or loss.

(iii) Non-derivative financial liabilities – measurement
Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial Instruments (continued): (Policy applicable after 1 July 2018)

(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 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; 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)

(i) Financial Instruments (continued): (Policy applicable after 1 July 2018)

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.

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 par amount, 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): (Policy applicable after 1 July 2018)

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: (Policy before 1 July 2018)

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued): (Policy before 1 July 2018)

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% or more to be significant and a period of nine months or more to be prolonged.

(i) *Financial assets measured at amortised cost.*

The Group considers evidence of impairment for these assets measured at both an individual asset and a collective level. All individually significant assets are individually assessed for specific impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(ii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

(iii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or

CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued): (Policy before 1 July 2018)

(iii) Non-financial assets (continued)

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment: (Policy after 1 July 2018)

The Group recognises loss allowances for 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.

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 determental 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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:

(i) **Government funding and grant income:** Grants constituting non-reciprocal transfers received from the Government are recognised as income when the Group obtains control of the benefit. A non-reciprocal transfer is one in which the Group receives assets and services or has liabilities extinguished without giving approximately equal value in exchange to the other party or parties to the transfer. Grants in which the Group is required to repay unutilised funding are treated as reciprocal transfers and income is recognised by reference to the stage of completion of the transaction.

Grants that compensate the group for expenses incurred are recognised in the profit and loss on a systematic basis in the same periods in which the expenses are incurred.

(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 and disability services to children and young people.

The Group recognises revenue from rendering of services at the time of service delivery.

(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.

(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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

(ii) *Leased assets*

Assets held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(iii) *Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Tax:

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that is probable that they will not reverse in the foreseeable future or;
- temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that is it probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time as the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

(r) Capital management:

The Board's policy is to maintain a strong capital base so as to maintain Government, creditor and market confidence and to sustain future development of the business. The Group has a share portfolio in which it buys and sells shares. Buy and sell decisions are made on a specific transaction basis authorised by the Board based on broker advice.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Changes in significant accounting policies

The Group has initially applied AASB 9 Financial Instruments from 1 July 2018.

Due to the transition method chosen by the Group in applying this standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard.

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instrument: Recognition and Measurement.

The Group has assessed the potential impact on its financial statements resulting from the application of AASB 9 by applying historical credit loss data with consideration of current and future expectations including macro-economic factors.

The adoption of AASB 9 did not have a significant impact on impairment of financial assets. The Group has not had an opening balance sheet adjustment.

(i) Classification and measurement of financial assets and financial liabilities

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. Under AASB 9, where the host is a financial asset in scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets and financial liabilities as at 1 July 2018.

Financial Assets	**Original classification under AASB 139**	**New classification under AASB 9**	**Original carrying amount under AASB 139 (30 June 2018)**	**New carrying amount under AASB 9 (1 July 2019)**
Trade and Receivables	Loans and receivables	Amortised cost	2,281,523	2,281,523
Cash and Cash Equivalents	Loans and receivables	Amortised cost	320,567	320,567
Equity Securities	Available-for-sale	FVOCI – equity instruments	11,879,243	11,879,243
Debentures	Available-for-sale	FVOCI – debt instruments	816,588	816,588
Financial Liabilities				
Trade and other Payables	Other financial liabilities	Other financial liabilities	2,457,008	2,457,008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Changes in significant accounting policies (continued)

(ii) Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments.

The adoption of AASB 9 did not have a significant impact on impairment of financial assets. The Group has not had an opening balance sheet adjustment.

(t) Reserves:

(i) 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.

(ii) Acquisitions under common control

Assets and liabilities are recognised upon acquisition at their carrying amount. Any difference between the fair value of the consideration paid and the amounts at which assets and liabilities are recorded is recognised directly in equity under contributed equity reserve.

(u) Australian Accounting Standards issued and not yet effective:

The Group has not early adopted and applied any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory for the year ended 30 June 2019.

New, revised or amending Accounting Standards and Interpretations will be adopted by the Association in the operating year commencing 1 July after the effective date of these standards and interpretations as set out in the table below.

Title	Description	Effective date	Operating year	Note
AASB 15	Revenue from Contracts with Customers and the relevant amending standards	1 January 2019	30 June 2020	(i)
AASB 16	Leases	1 January 2019	30 June 2020	(ii)

Table notes

i. The Group does not expect a material impact on its financial statements resulting from the application of either accounting standard.
ii. The potential effect of this standard is yet to be determined.

	30 June 2019	30 June 2018
	$	$
2. CASH AND CASH EQUIVALENTS		
Cash at Call	1,114,876	320,567
Total Cash and Cash Equivalents	1,114,876	320,567
3. TRADE AND OTHER RECEIVABLES		
Trade Receivables	2,551,596	1,936,563
Less: Impairment Loss	(483,885)	(160,863)
	2,067,711	1,775,700
Other Receivables	574,814	441,437
Prepayments	62,270	64,386
Total Trade and Other Receivables	2,704,795	2,281,523
Current	2,660,388	2,232,631
Non-Current	44,407	48,892
	2,704,795	2,281,523
4. INVENTORIES		
Work In Progress	30,435	-
Raw Materials	53,933	77,773
Total Inventories	84,368	77,773

5. INVESTMENTS

	Debentures	Shares in Listed Companies	Total
	$	$	$
Balance at 1 July 2017	2,086,902	12,086,600	14,173,502
Purchases	-	413,267	413,267
Disposal	(1,236,680)	(1,489,925)	(2,726,605)
Profit/(Loss) Realised on Sale	(33,064)	113,293	80,229
Changes in Fair Value	(570)	756,008	755,438
Balance at 30 June 2018	816,588	11,879,243	12,695,831
Balance at 1 July 2018	816,588	11,879,243	12,695,831
Purchases	-	1,363,674	1,363,674
Disposal	(410,001)	(984,149)	(1,394,150)
Changes in Fair Value	(3,619)	(443,442)	(447,061)
Balance at 30 June 2019	402,968	11,815,326	12,218,294

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold Improvements	Plant and Equipment	Capital WIP	Total
	$	$	$	$	$	$
Cost						
Balance 1 July 2017	266,914	11,664,371	1,170,183	3,828,286	493,008	17,422,762
Additions	-	50,805	352,390	474,975	-	878,170
Disposals	-	-	-	(31,137)	(211,830)	(242,967)
Balance at 30 June 2018	266,914	11,715,176	1,522,573	4,272,124	281,178	18,057,965
Balance 1 July 2018	266,914	11,715,176	1,522,573	4,272,124	281,178	18,057,965
Additions	-	276,152	67,347	226,207	-	569,706
Disposals	-	-	-	(1,173,079)	(281,178)	(1,454,257)
Balance at 30 June 2019	266,914	11,991,328	1,589,920	3,325,252	-	17,173,414
Accumulated Depreciation						
Balance 1 July 2017	-	4,308,441	517,221	1,852,080	-	6,677,742
Depreciation Charge for the Period	-	252,257	189,717	617,239	-	1,059,213
Disposals	-	-	-	(2,286)	-	(2,286)
Balance at 30 June 2018	-	4,560,698	706,938	2,467,033	-	7,734,669
Balance 1 July 2018	-	4,560,698	706,938	2,467,033	-	7,734,669
Depreciation Charge for the Period	-	253,869	225,273	516,076	-	995,218
Disposals	-	-	-	(570,542)	-	(570,542)
Balance at 30 June 2019	-	4,814,567	932,211	2,412,567	-	8,159,345
Carrying Amounts						
At 1 July 2017	266,914	7,355,930	652,962	1,976,207	493,008	10,745,021
At 30 June 2018	266,914	7,154,478	815,635	1,805,091	281,178	10,323,296
At 1 July 2018	266,914	7,154,478	815,635	1,805,091	281,178	10,323,296
At 30 June 2019	266,914	7,176,761	657,709	912,685	-	9,014,069

7. INTANGIBLE ASSETS

	Computer software and licensing $	Software WIP $	Goodwill $	Total $
Cost				
Balance at 1 July 2017	178,835	810,648	958,012	1,947,495
Additions	183,584	-	-	183,584
Balance at 30 June 2018	362,419	810,648	958,012	2,131,079
Balance at 1 July 2018	362,419	810,648	958,012	2,131,079
Additions	-	-	-	-
Balance at 30 June 2019	362,419	810,648	958,012	2,131,079
Amortisation and Impairment Losses				
Balance at 1 July 2017	153,884	810,648	958,012	1,922,544
Amortisation Charge for the Period *	37,516	-	-	37,516
Balance at 30 June 2018	191,400	810,648	958,012	1,960,060
Balance at 1 July 2018	191,400	810,648	958,012	1,960,060
Amortisation Charge for the Period *	71,042	-	-	71,042
Balance at 30 June 2019	262,442	810,648	958,012	2,031,102
Carrying Amounts				
At 1 July 2017	24,951	-	-	24,951
At 30 June 2018	171,019	-	-	171,019
At 1 July 2018	171,019	-	-	171,019
At 30 June 2019	99,977	-	-	99,977

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

		30 June 2019 $	30 June 2018 $
8.	**TRADE AND OTHER PAYABLES**		
	Trade Payables	1,767,605	1,398,867
	Accrued Expenses	381,967	1,058,141
	Total Trade and Other Payables	2,149,572	2,457,008
9.	**DEFERRED INCOME**		
	Current		
	Income in Advance	868,110	996,378
	Operational Grants	-	572,337
	Total Current Deferred Income	868,110	1,568,715
10	**EMPLOYEE BENEFITS**		
	Current		
	Liability for Annual Leave	1,221,142	1,157,852
	Liability for Long Service Leave	1,149,607	1,232,753
	Total Current Employee Benefits	2,370,749	2,390,605
	Non-Current		
	Liability for Long Service Leave	472,629	329,633
	Total Employee Benefits	2,843,378	2,720,238
11.	**GOVERNMENT FUNDING & GRANT INCOME**		
	State Government		
	Recurrent and One-Off Grant Funding	6,168,488	10,547,749
	Home and Community Care Grant	-	20,353
	Ministerial Advisory Committee: Students with Disabilities Special Education Program	527,950	940,617
		6,696,438	11,508,719
	Commonwealth Government		
	Department of Social Services	189,584	225,583
		189,584	225,583
	Total Government Funding	6,886,022	11,734,302
	Grant Income		
	Brotherhood of St Laurence: Home Interaction Program for Parents and Youngsters	616,513	715,034
	Other Grant income	102,244	401,239
		718,757	1,116,273
12.	**EMPLOYEE EXPENSES**		
	Wages and Salaries	24,480,425	24,270,885
	Decrease in Liability for Employee Benefits	(56,742)	(83,888)
	Superannuation Payments	2,302,850	2,170,656
	Other Employee Expenses	726,922	1,181,554
	Total Employee Expenses	27,453,455	27,539,207

		30 June 2019	30 June 2018
		$	$
13.	**NET FINANCE INCOME**		
	Dividend Income from Investments	1,646,136	1,000,885
	Interest Income from Deposits Carried at Amortised Cost	2,691	8,369
	Net Gain or (Loss) on Disposal of Investments	-	80,229
	Finance Income	1,648,827	1,089,483
	Finance Costs	-	-
	Net Finance Income	1,648,827	1,089,483
14.	**AUDITORS REMUNERATION**		
	Audit Services:		
	Auditors of the Group - KPMG	83,250	76,600
	Regulatory and Grant Audits - KPMG	14,500	27,000
	Other Services:		
	Non Audit Services Provided - KPMG	26,016	3,000
	Total Auditors' Remuneration:	123,766	106,600

15. FINANCIAL INSTRUMENTS

Accounting classifications and fair value

The following table shows the carrying amounts compared to fair values of financial assets and financial liabilities by classification.

			Carrying Value	
	Fair Value Through OCI	Held to Maturity	Loans and Receivables	Other Financial Liabilities
30 June 2019	$	$	$	$
Financial Assets Measured at Fair Value				
Investments - FVOCI	12,218,294	-	-	-
	12,218,294	-	-	-
Financial Assets Not Measured at Fair Value				
Trade and Receivables	-	-	2,704,795	-
Cash and Cash Equivalents	-	-	1,114,876	-
	-	-	3,819,671	-
Financial Liabilities Not Measured at Fair Value				
Trade and Other Payables	-	-	-	2,149,572
	-	-	-	2,149,572
30 June 2018				
Financial Assets Measured at Fair Value				
Available for-sale Investments	12,695,831	-	-	-
	12,695,831	-	-	-
Financial Assets Not Measured at Fair Value				
Trade and Receivables	-	-	2,281,523	-
Cash and Cash Equivalents	-	-	320,567	-
	-	-	2,602,090	-
Financial Liabilities Not Measured at Fair Value				
Trade and Other Payables	-	-	-	2,457,008
	-	-	-	2,457,008

16. LIST OF CONTROLLED ENTITIES

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

		Ownership Interest	
Name	**Principal Place of Business**	**2019**	**2018**
CareFirst Pty Ltd	South Australia	100%	100%
Carols by Candlelight (SA) Inc.	South Australia	-	-

17. RECONCILIATION OF OPERATING ACTIVITIES

	30 June 2019	30 June 2018
Profit/(Loss) from Operating Activities	$	$
Profit/(Loss) for the year	698,332	(1,248,316)
Non-Cash Items		
Depreciation/Amortisation	1,066,260	1,121,027
	1,764,592	(127,289)
Less Items Classified as Investing Activities		
Dividends Received	(1,646,136)	(1,000,885)
Interest Received	(2,691)	(8,369)
Profit on Sale of Non-Current Assets	(144,642)	-
(Profit)/Loss on Sale of Investments	-	(80,229)
Income from Investing Activities	(1,793,469)	(1,089,483)
Net Cash Used in Operating Activities before Changes in Assets and Liabilities	(28,877)	(1,216,772)
Change in Assets and Liabilities		
(Increase)/Decrease in Inventories	(6,595)	1,524
Increase in Trade and Other Receivables	(423,272)	(190,780)
Decrease in Deferred Income	(700,605)	(4,022,533)
Increase in Trade and Other Payables	(307,436)	244,942
Decrease in Employee Benefits	123,140	(89,088)
Total change in assets and liabilities	(1,314,768)	(4,055,935)
Net Cash Used in Operating Activities	(1,343,645)	(5,272,706)

18. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	30 June 2019	30 June 2018
	$	$
Within One year	943,542	595,130
One Year or Later and No Later than Five Years	1,064,582	1,535,058
Later than Five Years	-	-
	2,008,124	2,130,188

The Group leases office premises and motor vehicles under operating leases. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or other operating criteria. During the year an amount of $939,959 was recognised as an expense in profit or loss in respect of operating leases (2018: $779,088).

19. 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		J Brown	Chief Operating Officer	
G Richards		C Francis	Chief Marketing Officer	
A Daniels		G Ward	Chief Executive Officer	
S Bolzon		J Grant	Chief Financial Officer	
E Balan-Vnuk		L Gassner	Executive Manager Knowledge & Strategic Projects	
J Fereday		L Williams	General Manager, Therapy	(left 24/8/18)
A Jones	(elected Nov18)	IF Thompson	Chief People Officer	(left 1/3/19)
J Beilby	(resigned Jun19)	A Collett	Executive Manager, People	(from 14/1/19)
T Roberts	(resigned Feb19)			
G de Cure	(expired Nov18)			
G Ward	(appointed Nov18)			

Company Secretary

IF Thompson	Company Secretary (left 1/3/19)
J Grant	Company Secretary (appointed 2/3/19)

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

Key management personnel compensation
The key management personnel compensation was $1,170,486 for the year ended 30 June 2019 (2018: $1,235,880).

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

20. PARENT ENTITY DISCLOSURES

Parent Entity Financial Information
The individual financial statements for the Company show the following aggregate amounts:

	30 June 2019 $	30 June 2018 $
Financial Position of Parent Entity at Year End		
Current Assets	3,859,632	2,625,820
Non-Current Assets	21,376,747	23,239,040
Total Assets	25,236,379	25,864,860
Current Liabilities	5,388,431	6,420,954
Non-Current Liabilities	472,629	329,633
Total Liabilities	5,861,060	6,750,587
Net Assets	19,375,319	19,114,273
Shareholders' Equity		
Contributed Equity	23,521,193	23,521,193
Accumulated Losses	(7,483,925)	(8,192,003)
Fair Value Reserve	3,338,051	3,785,112
Total Equity	19,375,319	19,114,273
Result of Parent Entity		
Profit/(Loss) for the Year	698,332	(1,351,538)
Other Comprehensive Income	(447,061)	755,438
Total Comprehensive Income/(Loss) for the Year	251,271	(596,100)

21. SUBSEQUENT EVENTS

Following the general meetings of Novita Children's Services and SCOSA on 19 August 2019, the members of both organisations have voted in favour of a merger of the entities. SCOSA will cease operations with its assets, liabilities and operations integrated into Novita from 1 October 2019.

22. CONTINGENT LIABILITIES

The group has a half million dollar bank guarantee from the Commonwealth Bank of Australia which was taken out as part of the contractual arrangements with the builder of Novita's new corporate headquarters which is currently being constructed in Hindmarsh, South Australia.

Novita Children's Services
DIRECTORS' DECLARATION

In the opinion of the Directors of Novita Children's 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 27 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 2019 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 17th day of October 2019.

KEVIN SCARCE
PRESIDENT

ANDREW DANIELS
BOARD DIRECTOR

KPMG

Independent Auditor's Report

To the Members of Novita Children's Services

Opinion

We have audited the ***Financial Report*** of Novita Children's Services (the Company).

In our opinion, the accompanying ***Financial Report*** of the Company is in accordance with the *Division 60 of the Australian Charities and Not-for-profits Commission (ACNC) Act 2012,* including:

- giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance and its cash flow for the year ended on that date; and
- complying with *Australian Accounting Standards - Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulations 2013*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019;
- Consolidated statement of profit or loss and other comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- *Directors' Declaration.*

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audits in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 and Company in accordance with the auditor independence requirements of the *ACNC Act 2012* and 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Novita Children's Services's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

i preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *ACNC;*

ii implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error;

iii assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

i to obtain reasonable assurance about whether each of the Financial Report as a whole are free from material misstatement, whether due to fraud or error; and

ii 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

i Identify and assess the risks of material misstatement of the Financial Report, 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;

ii 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 registered Company's internal control;

iii Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

iv 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 registered Company'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 Financial Report 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 registered Company to cease to continue as a going concern; and v Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the registered Company 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.

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KPMG

Sheenagh Edwards

Partner

Adelaide

17 October 2019

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Auditor's Independence Declaration under Subdivision 60-C Section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To the Directors of Novita Children's Services

I declare that, to the best of my knowledge and belief, in relation to the audit of Novita Children's Services for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

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KPMG

Sheenagh Edwards

Partner

Adelaide

17 October 2019