NOVITA CHILDREN'S SERVICES

FINANCIAL REPORT 2016 - 2017

Novita Children's Services
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	30 June 2017 $	30 June 2016 $
CURRENT ASSETS			
Cash and Cash Equivalents	2	3,116,049	7,250,315
Trade and Other Receivables	3	2,042,643	1,622,967
Inventories	4	79,297	75,556
Total Current Assets		5,237,989	8,948,838
NON-CURRENT ASSETS			
Trade and Other Receivables	3	48,103	52,456
Available-for-Sale Investments			
Debentures	5	2,086,902	2,014,943
Shares in Listed Companies	5	12,086,600	10,939,391
Property, Plant and Equipment	6	10,745,021	10,154,251
Intangible Assets	7	24,951	600,176
Total Non-Current Assets		24,991,577	23,761,217
TOTAL ASSETS		30,229,566	32,710,055
CURRENT LIABILITIES			
Trade and Other Payables	8	2,212,016	1,701,554
Deferred Income	9	2,285,541	2,264,172
Employee Benefits	10	2,524,933	2,712,790
Total Current Liabilities		7,022,490	6,678,516
NON-CURRENT LIABILITIES			
Deferred Income	9	3,305,757	3,305,757
Employee Benefits	10	284,393	266,927
Total Non-Current Liabilities		3,590,150	3,572,684
TOTAL LIABILITIES		10,612,640	10,251,200
NET ASSETS		19,616,926	22,458,855
EQUITY			
Contributed Equity		23,521,193	23,521,193
Accumulated Losses		(6,933,941)	(2,969,839)
Reserves	11	3,029,674	1,907,501
TOTAL EQUITY		19,616,926	22,458,855

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes set out on pages 6 to 23.

Novita Children's Services
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2017

	Note	30 June 2017	30 June 2016
INCOME		**$**	**$**
Government Funding	12	10,422,827	15,725,445
Grant Income	12	760,641	846,723
Revenue from Sale of Goods		1,269,001	1,059,222
Revenue from Rendering of Services		12,119,927	11,252,348
Revenue from Bequests and Donations		1,992,468	1,449,610
Other Income		1,748,544	2,098,272
Total Income		28,313,408	32,431,620
EXPENSES			
Employee Expenses	13	25,495,206	24,918,978
Client Expenses		1,163,055	2,732,284
Facilities, IT and Maintenance		2,433,372	2,920,970
Depreciation and Amortisation Expense		884,712	877,844
Cost of Sales		386,846	238,266
Motor Vehicle Expenses		363,428	350,581
Impairment of Goodwill		595,771	270,069
Other Expenses		2,119,542	2,114,552
Total Expenses		33,441,932	34,423,544
Loss from Operating Activities		(5,128,524)	(1,991,924)
Finance Income	14	1,263,563	1,300,557
Finance Costs	14	(99,141)	(1,111,167)
Net Finance Income	14	1,164,422	189,390
Loss Before Tax for the Year		(3,964,102)	(1,802,534)
Tax Expense	1(d)	-	-
Loss for the Year		(3,964,102)	(1,802,534)

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 23.

Novita Children's Services
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the year ended 30 June 2017

	30 June 2017 $	30 June 2016 $
Loss for the Year	(3,964,102)	(1,802,534)
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Available-for-Sale Investments reclassified to Profit or Loss	(125,496)	(116,191)
Available-for-Sale Investments – Net Change in Fair Value	1,247,669	(559,784)
Total Other Comprehensive (Loss) for the Year, Net of Tax	1,122,173	(675,975)
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR	(2,841,929)	(2,478,509)

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 23.

Novita Children's Services
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2017

	Fair Value Reserve $	Accumulated Losses $	Contributed Equity $	Total Equity $
Balance as at 1 July 2015	2,583,476	(1,167,305)	23,521,193	24,937,364
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
Loss for the Year	-	(1,802,534)	-	(1,802,534)
Total Other Comprehensive Income	(675,975)	-	-	(675,975)
Total Comprehensive Income for the Year	(675,975)	(1,802,534)	-	(2,478,509)
Balance at 30 June 2016	1,907,501	(2,969,839)	23,521,193	22,458,855
Balance at 1 July 2016	1,907,501	(2,969,839)	23,521,193	22,458,855
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
Loss for the Year	-	(3,964,102)	-	(3,964,102)
Total Other Comprehensive Income	1,122,173	-	-	1,122,173
Total Comprehensive Loss for the Year	1,122,173	(3,964,102)	-	(2,841,929)
Balance at 30 June 2017	3,029,674	(6,933,941)	23,521,193	19,616,926

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes set out on pages 6 to 23.

Novita Children's Services
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2017

	Note	30 June 2017 $	30 June 2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts in the Course of Operations		29,608,017	36,137,491
Cash Payments in the Course of Operations		(33,417,340)	(35,040,037)
Net Cash used in Operating Activities	18	(3,809,323)	1,097,454
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Dividends Received	14	995,104	986,623
Interest Received	14	171,131	209,022
Payments for Investments	5	(753,179)	(763,668)
Proceeds from Sale of Investments		654,371	565,214
Net Cash provided by Investments		1,067,427	997,191
Acquisition of Property, Plant and Equipment and Intangibles	6,7	(1,850,968)	(1,146,653)
Proceeds from Sale of Property, Plant and Equipment		458,598	283,229
Acquisition of Subsidiary		-	-
Net Cash from Investing Activities		(324,943)	133,767
Net Decrease in Cash and Cash Equivalents		(4,134,266)	1,231,221
Cash and Cash Equivalents at 1 July		7,250,315	6,019,094
Cash and Cash Equivalents at 30 June	2	3,116,049	7,250,315

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes set out on pages 6 to 23.

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 2017.

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 26th October 2017.

(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 available-for-sale equity investments which are measured at fair value. 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 $1,784,501 as at 30 June 2017 and net operating cash outflow of $3,809,323. The financial statements have been prepared on a going concern basis, which contemplate 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 indicate that cash reserves and investments should be sufficient to fund operations. The Board has 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.

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 and Goodwill

(iii) **Note 1(i):** Available-for Sale Financial Assets.

(iv) **Note 1(n):** Employee Benefits.

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 subsidiary of the Group, CareFirst Pty Ltd, is a tax paying entity (see accounting policy Note 1(r)).

(e) Basis of Consolidation:

(i) **Business combinations**: The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (e)(ii)). The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested for impairment annually (see (k)(ii)). Any gain or a bargain purchase is recognised in profit and loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in fair value of the contingent consideration are recognised in profit & loss.

(ii) **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.

(iii) **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.

(iv) **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.

(v) **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(k)). 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 and Goodwill:

(i) **Goodwill:** Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see accounting policy Note 1(e) (i). Goodwill is measured at cost less impairment losses (see accounting policy Note 1(k)).

(ii) **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.

(iii) **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, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) **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. Goodwill is not amortised.

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:

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 (k)).

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)

(j) Contributed Equity:

(i) Share Capital

(a) Ordinary Shares

The Group does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid up.

The holders of these shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Group.

(ii) Nature and purpose of reserves

(a) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

(b) Profits reserve

The profits reserve comprises the transfer of net profit for the year and characterises profits available for distribution as dividends in future years. No dividends were distributed from the profits reserve during the year.

(k) Impairment:

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.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 biological assets, investment property, 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. Goodwill is tested annually for impairment.

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.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) 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.

(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.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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) **Defined contribution plans** Obligations for contributions to defined plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) **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.

(o) 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
- the net gain or loss on financial assets at fair value through profit or loss
- the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination
- the fair value loss of contingent consideration classified as financial liability
- 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.

(p) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(q) 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.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Consolidated Statement of Financial Position.

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.

(r) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(s) 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.

(t) Australian Accounting Standards issued and not yet effective:
The Company 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 2017.
New, revised or amending Accounting Standards and Interpretations will be adopted by the Company 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 9	Financial Instruments and the relevant amending standards	1 January 2018	30 June 2019	(i)
AASB 15	Revenue from Contracts with Customers and the relevant amending standards	1 January 2018	30 June 2019	(ii)
AASB 16	Leases	1 January 2019	30 June 2020	(ii)
AASB 1057	Application of Australian Accounting Standards	1 January 2016	30 June 2017	(i)

Table notes

i. These changes are not expected to have a significant financial impact.
ii. The potential effect of this standard is yet to be determined.

Novita Children's Services
Notes to the Consolidated Financial Statements
For the year ended 30 June 2017

		30 June 2017	30 June 2016
		$	$
2.	**CASH AND CASH EQUIVALENTS**		
	Cash at Call	1,716,049	2,166,964
	Term Deposits	1,400,000	5,083,351
	Total Cash and Cash Equivalents	3,116,049	7,250,315
3.	**TRADE AND OTHER RECEIVABLES**		
	Trade Receivables	1,855,150	1,207,585
	Less: Impairment Loss	255,521	74,913
		1,599,629	1,132,672
	Other Receivables	462,369	486,371
	Prepayments	28,748	56,380
	Total Trade and Other Receivables	2,090,746	1,675,423
	Current	2,042,643	1,622,967
	Non-Current	48,103	52,456
		2,090,746	1,675,423
4.	**INVENTORIES**		
	Raw Materials	79,297	75,556
	Total Inventories	79,297	75,556

5. AVAILABLE-FOR-SALE INVESTMENTS

	Debentures	Shares in Listed Companies	Total
	$	$	$
Balance at 1 July 2015	2,043,322	12,394,789	14,438,111
Purchases	-	763,668	763,668
Disposals	-	(576,494)	(576,494)
Impairment	(72,859)	(1,038,308)	(1,111,167)
Changes in Fair Value	44,480	(604,264)	(559,784)
Balance at 30 June 2016	2,014,943	10,939,391	12,954,334
Balance at 1 July 2016	2,014,943	10,939,391	12,954,334
Purchases	-	753,179	753,179
Disposal	-	(682,539)	(682,539)
Impairment	-	(99,141)	(99,141)
Changes in Fair Value	71,959	1,175,710	1,247,669
Balance at 30 June 2017	2,086,902	12,086,600	14,173,502

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold Improvements	Plant and Equipment	Capital WIP	Total
	$	$	$	$	$	$
Cost						
Balance 1 July 2015	266,914	11,583,501	982,452	5,233,824	158,391	18,225,082
Additions	-	56,619	-	880,592	85,179	1,022,390
Disposals	-	-	-	(437,636)	-	(437,636)
Balance at 30 June 2016	266,914	11,640,120	982,452	5,676,780	243,570	18,809,836
Balance 1 July 2016	266,914	11,640,120	982,452	5,676,780	243,570	18,809,836
Additions	-	24,251	321,013	1,224,478	249,438	1,819,180
Disposals	-	-	(133,282)	(3,072,971)	-	(3,206,253)
Balance at 30 June 2017	266,914	11,664,371	1,170,183	3,828,286	493,008	17,422,763
Accumulated Depreciation						
Balance 1 July 2015	-	3,766,510	470,735	3,767,289	-	8,004,534
Depreciation Charge for the Period	-	289,980	90,220	493,352	-	873,552
Disposals	-	-	-	(222,501)	-	(222,501)
Balance at 30 June 2016	-	4,056,490	560,955	4,038,140	-	8,655,585
Balance 1 July 2016	-	4,056,490	560,955	4,038,140	-	8,655,585
Depreciation Charge for the Period	-	251,951	89,455	512,350	-	853,756
Disposals	-	-	(133,189)	(2,698,410)	-	(2,831,599)
Balance at 30 June 2017	-	4,308,441	517,221	1,852,080	-	6,677,742
Carrying Amounts						
At 1 July 2015	266,914	7,816,991	511,717	1,466,535	158,391	10,220,548
At 30 June 2016	266,914	7,583,630	421,497	1,638,640	243,570	10,154,251
At 1 July 2016	266,914	7,583,630	421,497	1,638,640	243,570	10,154,251
At 30 June 2017	266,914	7,355,930	652,962	1,976,206	493,008	10,745,021

7. INTANGIBLE ASSETS AND GOODWILL

	Computer software and licensing $	Software WIP $	Goodwill $	Total $
Cost				
Balance at 1 July 2015	145,977	687,455	958,012	1,791,444
Additions Through Business Combination	-	-	-	-
Additions	1,070	123,193	-	124,263
Balance at 30 June 2016	147,047	810,648	958,012	1,915,707
Balance at 1 July 2016	147,047	810,648	958,012	1,915,707
Additions Through Business Combination	-	-	-	-
Additions	31,788	-	-	31,788
Balance at 30 June 2017	178,835	810,648	958,012	1,947,495
Amortisation and Impairment Losses				
Balance at 1 July 2015	138,350	-	92,172	230,522
Amortisation Charge for the Period *	4,292	-	-	4,292
Impairment Charge for the Period **	-	810,648	270,069	1,080,717
Balance at 30 June 2016	142,642	810,648	362,241	1,315,531
Balance at 1 July 2016	142,642	810,648	362,241	1,315,531
Amortisation Charge for the Period *	11,242	-	-	11,242
Impairment Charge for the Period **	-	-	595,771	595,771
Balance at 30 June 2017	153,884	810,648	958,012	1,922,544
Carrying Amounts				
At 1 July 2015	7,627	687,455	865,840	1,560,922
At 30 June 2016	4,405	-	595,771	600,176
At 1 July 2016	4,405	-	595,771	600,176
At 30 June 2017	24,951	-	-	24,951

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

** During FY17, an impairment of $595,771 was recognised on the Rehabilitation & Performance Health and Write Intervention cash generating units (CGU) which represents the entire goodwill allocated to these CGU's.

Impairment testing for cash generating units containing goodwill
The goodwill impairment tests are based on the net present values of future cash flows from the relevant cash generating unit and Earnings Before Interest and Tax (EBIT) analysis. The key assumptions and the approach to determining their value in the previous period are:

- The cash flow projections included specific estimates for 5 years and a terminal growth rate thereafter. The terminal growth rate 2% was determined based on management's estimates of the long term EBIT growth rate.
- Discount rates of 7%
- Growth rate 2%.

		30 June 2017	30 June 2016
		$	$
8.	**TRADE AND OTHER PAYABLES**		
	Trade Payables	1,625,121	581,226
	Accrued Expenses	586,895	1,095,328
	Other Payables	-	25,000
	Total Trade and Other Payables	2,212,016	1,701,554
9.	**DEFERRED INCOME**		
	Current		
	Income in Advance	1,598,838	1,017,907
	Operational Grants	686,703	1,246,265
	Total Current Deferred Income	2,285,541	2,264,172
	Non-Current		
	Specific Grants	3,305,757	3,305,757
	Total Deferred Income	5,591,298	5,569,929
10	**EMPLOYEE BENEFITS**		
	Current		
	Liability for Annual Leave	1,271,288	1,227,649
	Liability for Long Service Leave	1,253,645	1,485,141
	Total Current Employee Benefits	2,524,933	2,712,790
	Non-Current		
	Liability for Long Service Leave	284,393	266,927
	Total Employee Benefits	2,809,326	2,979,717

11. RESERVES

Nature and purpose of reserves

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

The profits reserve comprises the transfer of net profit for the year and characterises profits available for distribution as dividends in future years.

		30 June 2017	30 June 2016
12.	**GOVERNMENT FUNDING & GRANT INCOME**		
	State Government	**$**	**$**
	Recurrent and One-Off Grant Funding	8,579,214	12,602,926
	Home and Community Care Grant	461,144	884,341
	Ministerial Advisory Committee: Students with Disabilities Special Education Program	993,339	1,482,544
		10,033,697	14,969,811
	Commonwealth Government		
	Department of Social Services	389,130	487,822
	Department of Education and Training	-	267,812
		389,130	755,634
	Total Government Funding	10,422,827	15,725,445
	Grant Income		
	Brotherhood of St Laurence: Home Interaction Program for Parents and Youngsters	592,077	577,725
	Other Grant income	168,564	268,998
		760,641	846,723
13.	**EMPLOYEE EXPENSES**		
	Wages and Salaries	22,553,767	21,377,547
	Increase/(decrease) in Liability for Employee Benefits	(166,353)	(428,310)
	Superannuation Payments	1,976,751	1,971,156
	Other Employee Expenses	1,131,041	1,998,585
	Total Employee Expenses	25,495,206	24,918,978
14.	**NET FINANCE INCOME**		
	Dividend Income from Available-for-Sale Investments	995,104	986,623
	Interest Income from Deposits Carried at Amortised Cost	171,131	209,022
	Net Gain/(Loss) on Disposal of Available-for-Sale Investments	97,328	104,912
	Finance Income	1,263,563	1,300,557
	Impairment of Available–for–Sale-Investments	(99,141)	(1,111,167)
	Finance Costs	(99,141)	(1,111,167)
	Net Finance Income	1,164,422	189,390
15.	**AUDITORS REMUNERATION**		
	Audit Services:		
	Auditors of the Group - KPMG	83,750	70,000
	Regulatory and Grant Audits - KPMG	13,600	12,800
	Other Services:		
	Non Audit Services Provided - KPMG	-	52,000
	Total Auditors' Remuneration:	97,350	114,800

16. 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	
	Available for Sale	**Loans and Receivables**	**Other Financial Liabilities**
30 June 2017	**$**	**$**	**$**
Financial Assets Measured at Fair Value			
Available for-sale Investments	14,173,501	-	-
Financial Assets Not Measured at Fair Value			
Trade and Receivables	-	2,090,746	-
Cash and Cash Equivalents	-	3,116,049	-
	-	5,206,795	-
Financial Liabilities Not Measured at Fair Value			
Trade and Other Payables	-	-	2,212,016
	-	-	2,212,016
30 June 2016			
Financial Assets Measured at Fair Value			
Available for-sale Investments	12,954,334	-	-
Financial Assets Not Measured at Fair Value			
Trade and Receivables	-	1,675,423	-
Cash and Cash Equivalents	-	7,250,315	-
	-	8,925,738	-
Financial Liabilities Not Measured at Fair Value			
Trade and Other Payables	-	-	1,701,554
	-	-	1,701,554

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**	**2017**	**2016**
CareFirst Pty Ltd	South Australia	100%	100%
Carols by Candlelight (SA) Inc.	South Australia	-	-

18. RECONCILIATION OF OPERATING ACTIVITIES

	30 June 2017	30 June 2016
Profit / (Loss) from Operating Activities	**$**	**$**
Loss for the Period	(3,964,102)	(1,802,534)
Non-Cash Items		
Depreciation/Amortisation	864,998	877,844
Impairment of Investments	99,141	1,111,167
Impairment of Intangible Assets	595,771	1,080,717
	(2,404,192)	1,267,194
Less Items Classified as Investment Activities		
Dividends Received	(995,104)	(986,623)
Interest Received	(171,131)	(209,022)
Profit on Sale of Non-Current Assets	(83,944)	(68,093)
(Profit)/Loss on Sale of Investments	(97,328)	(104,912)
Income from Investment Activities	(1,347,507)	(1,368,650)
Net Cash Used in Operating Activities before Changes in Assets and Liabilities	(3,751,699)	(101,456)
Change in Assets and Liabilities		
(Increase)/Decrease in Inventories	(3,741)	45,706
(Increase)/Decrease in Trade and Other Receivables	(415,323)	31,763
Increase in Deferred Income	21,369	709,691
Increase/(Decrease) in Trade and Other Payables	510,462	(16,560)
Increase/(Decrease) in Employee Benefits	(170,391)	428,310
Total change in assets and liabilities	(57,624)	1,198,910
Net Cash Used in Operating Activities	(3,809,323)	1,097,454

19. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	30 June 2017	30 June 2016
	$	**$**
Within One year	795,430	452,206
One Year or Later and No Later than Five Years	2,122,695	1,337,164
Later than Five Years	171,667	484,365
	3,089,792	2,273,735

The Group leases office premises 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 $636,756 was recognised as an expense in profit or loss in respect of operating leases (2016: $731,079).

Leases as lessor

The Group leases out part of its property at Days Road, Regency Park held under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	30 June 2017	30 June 2016
	$	$
Within One year	256,925	335,888
One Year or Later and No Later than Five Years	127,546	387,096
Later than Five Years	-	-
	384,471	722,984

During the year, $336,227 was recognised as rental income in profit or loss (2016: $366,876).

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	
J Beilby	J Brown	Operations (Client Services) (from 6 March 2017)
GJ de Cure	L Williams	Executive Manager Therapy & Family Services
A Daniels	IF Thompson	Governance and People
S Bolzon	C Francis	Marketing and Strategic Relationships (From 27 March 2017)
E Balan-Vnuk	G Ward	Chief Executive Officer (from 6 July 2016)
J Fereday	J Grant	Chief Financial Officer (from 03 September 2016)
T Roberts	J Shearer	Executive Manager Community Inclusion (left 20 Sept 2017)
G Richards	T Lyons	Executive Manager Knowledge & Learning (left 1 Sept 2017)
K Scarce, President		

Executive Director		
G Rappensberg	Chief Executive	(Resigned 5 July 2016)
Company Secretary		
IF Thompson	Company Secretary	

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

Key management personnel compensation

The key management personnel compensation was $1,068,337 for the year ended 30 June 2017 (2016: $948,770).

The following transactions occurred between the parent and subsidiary (Care First Pty Ltd) during the year.

- Loans from the parent entity to the subsidiary were Nil (2016: $914,744) as at year end, and
- Interest paid by the subsidiary on this loan during the year was $42,164 (2016: $45,519).

Loans and borrowings to subsidiaries are charged interest at rates no more favourable than current market rates. All transactions between entities within the Group are eliminated on consolidation. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

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

21. PARENT ENTITY DISCLOSURES

Parent Entity Financial Information

The individual financial statements for the Company show the following aggregate amounts:

	30 June 2017 $	30 June 2016 $
Financial Position of Parent Entity at Year End		
Current Assets	5,258,389	8,754,997
Non-Current Assets	24,967,279	24,060,080
Total Assets	30,225,668	32,815,077
Current Liabilities	6,917,148	6,760,151
Non-Current Liabilities	3,590,150	3,305,757
Total Liabilities	10,507,298	10,065,908
Net Assets	19,718,370	22,749,169
Shareholders' Equity		
Contributed Equity	23,521,193	23,521,193
Accumulated Losses	(6,832,497)	(2,679,525)
Fair Value Reserve	3,029,674	1,907,501
Total Equity	19,718,370	22,749,169
Result of Parent Entity		
Loss for the Year	(4,152,971)	(1,541,918)
Other Comprehensive Income	1,122,173	(675,975)
Total Comprehensive (Loss) for the Year	(3,030,798)	(2,217,893)

22. SUBSEQUENT EVENTS

No matter or circumstance has occurred subsequent to the reporting date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

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 6 to 23 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 2017 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 26th day of October 2017.

BOARD DIRECTOR

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 Group).

In our opinion, the accompanying Financial Report of the Group is in accordance with 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 2017 and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- 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 audit 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 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 annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Directors' 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 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.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *ACNC*.
- 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
- assessing the Group's ability to continue as a going concern. 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:

- 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 *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 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 at: http://www.auasb.gov.au/auditors_files/ar7.pdf. This description forms part of our Auditor's Report.

KPMG

Darren Ball
Partner

Adelaide

26 October 2017

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 for the financial year ended 30 June 2017 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.

KPMG

Darren Ball
Partner

Adelaide

26 October 2017