

Wellways Australia Limited
(A Company Limited by Guarantee)

Consolidated financial statements and reports

For the year ended 30 June 2017

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

DIRECTORS' REPORT
30 JUNE 2017

The Directors present their report, together with the consolidated financial statements, on the consolidated entity (referred to hereafter as the “consolidated entity” or “the Group”) consisting of Wellways Australia Limited (referred to hereafter as “the Company”, “Wellways”, or “the Parent”) and the entity it controlled at the end of, or during, the financial year ended 30 June 2017.

Directors

The names and details of the Directors in office at any stage during the year and to the date of signing this report are:

Mr Paul Montgomery	Ms Julie Babineau (Appointed 27.02.2017)
Mr Kevin Abrahamson	Ms Kay Toshach (Appointed 27.02.2017)
Mr Darrel Driberg	Ms Jennifer King (Resigned 28.11.2016)
Dr Julian Freidin	Dr Neil Cowen (Resigned 12.12.2016)
Mr Theophanis Krambias	Mr Robert Hughes (Resigned 26.06.2017)
Ms Reba Meagher (Appointed 27.02.2017)	

No Director has an interest in any contract or proposed contract with the Company or controlled entity declared since the last Directors' Report.

Directors' Meetings

During the financial year ended 30 June 2017, 11 meetings of the Company's Directors were held in respect of which, each Director of the Company attended the following number:

Name of Director	Date Appointed	Date Resigned	Board of Director Meetings	Board Committee Meetings				
				Appointments & Governance	Finance, Audit, Risk & Resource Management	Clinical Governance	Carer & Consumer	Merger & Acquisition
Paul Montgomery (President)			11 of 11	3 of 3			1 of 2	2 of 2
Kevin Abrahamson (Vice President)			9 of 11	3 of 3			1 of 2	2 of 2
Darrel Driberg			10 of 11		5 of 6			2 of 2
Julian Freidin			11 of 11			4 of 4		2 of 2
Theo Krambias			11 of 11		5 of 6			
Reba Meagher	27/02/2017		5 of 5			1 of 1		
Julie Babineau	27/02/2017		5 of 5		4 of 4			
Kay Toshach	27/02/2017		5 of 5	*				
Jenny King		28/11/2016	3 of 5		2 of 2			
Neil Cowen		12/12/2016	3 of 6					
Rob Hughes		26/06/2017	9 of 11			3 of 4		

* None convened since being appointed

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

DIRECTORS' REPORT
30 JUNE 2017

Operating Result

The net deficit of the Group for the year after capital items was \$946,735 (2016: net deficit \$171,123). The deficit from ordinary activities before capital items was \$821,787 (2016: \$27,340 deficit).

Review of Operations

Wellways has materially grown its service offering through a number of successful tenders and the acquisition of HealthCall Pty Ltd (referred to hereafter as “Healthcall” or “the Subsidiary”). The deficit for the year is the result of investment in infrastructure to further develop and support diversification and growth of the Company’s service offering. Also contributing to this deficit was an impairment of the goodwill in HealthCall.

Other than the matters described above, it is the opinion of the Directors that the results of the Group’s operations during the year were not substantially affected by any other item, transaction or event of a material and unusual nature.

The Group’s operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

State of Affairs

Other than the matters described above in Review of Operations, there have been no other significant changes in the state of affairs of the Group during the financial year.

Likely Developments

At a time of significant ongoing reform in the mental health sector, the Group is continuing to grow its services organically and through a merger strategy, increasing services in existing states and territories.

Other than the matters described above, the likely future developments in the operations of the Group are the continuation of the principal activities set out in this report.

Events Subsequent To Balance Date

Subsequent to the 30 June 2017 year end, Wellways was successful in a number of tenders resulting in additional annual revenue of over \$11m to deliver the HASI and RRSP programs in a number of areas throughout New South Wales, the delivery of the Way Back services in New South Wales and Low Intensity Interventions in Tasmania.

Other than the above, no other matters or circumstances have arisen since the end of the financial year that 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, not otherwise disclosed in this report.

Directors’ Benefits

Since the end of the previous financial year, Directors of the Company have received or become entitled to receive benefits totalling \$162,346 (see Note 19).

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

DIRECTORS' REPORT
30 JUNE 2017

Directors' & Auditors' Indemnification


The Group has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

All Directors of the Company are covered by a Directors' and Officers' liability insurance policy covering third party claims in respect of actual or alleged breach of duty, breach of trust, neglect, error, misstatement, misleading statement, omission, breach or warranty or authority, or other act wrongfully committed. The premium for this policy in Victoria was paid for by the Department of Health and Human Services. All other States are paid for by the Company.

Auditor's Declaration

A copy of the auditor's independence declaration as required under section 60-40 of the *Australian Charities and Not for Profits Commission Act 2012* is set out on the following page.

On behalf of the Board



PAUL MONTGOMERY - DIRECTOR



DARREL DRIEBERG - DIRECTOR

Signed at Fairfield on the 10th day of November 2017

AUDITOR'S INDEPENDENCE DECLARATION

To Wellways Australia Limited,

In accordance with the requirements of section 60-40 of the *Australian Charities and Not for Profits Commission Act 2012*, as lead auditor for the audit of Wellways Australia Limited for the year ended 30 June 2017, we declare that, to the best of our knowledge and belief, there have been:

- i) No contraventions of the independence requirements of 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.

Dated at Frankston on the 10th of November 2017



SHEPARD WEBSTER & O'NEILL AUDIT PTY LTD

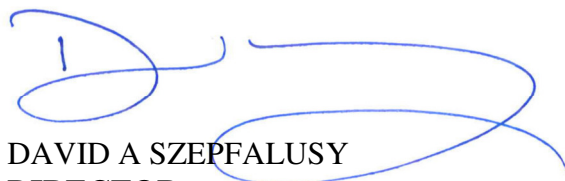
Certified Practising Accountant

Authorised Audit Company No 415478

434 Nepean Highway Frankston 3199, PO Box 309 Frankston Victoria 3199

Telephone (03) 9781 2633 – Fax (03) 9781 3073

Email – szepfalusy@shepard.com.au



DAVID A SZEPEFALUSY
DIRECTOR

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

NOTE	2017 \$	2016 \$
	<hr/>	<hr/>
(DEFICIT) FROM CONTINUING OPERATIONS	(946,735)	(171,123)
	<hr/>	<hr/>
Other Comprehensive Income		
Items that will not be reclassified subsequently to the Statement of Profit or Loss:	-	-
Items that may be reclassified subsequently to the Statement of Profit or Loss:		
- Net Revaluations on Available For Sale Investments	(299,477)	36,091
- Gains on Revaluation of Land & Buildings Classified as Held-for-Sale	-	-
	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME	(1,246,212)	(135,032)
	<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 \$	2016 \$
INCOME FROM CONTINUING OPERATIONS			
Contract Services Income	2	54,491,503	33,495,928
Fundraising	2	468,294	988,691
Other Income	2	1,998,406	1,520,290
TOTAL REVENUE		<u>56,958,203</u>	<u>36,004,909</u>
EXPENSES			
Salaries & Related Costs	4	45,911,746	27,348,355
Consultancies		1,156,998	1,077,180
Audit Fees	3	78,340	46,100
Bank Fees		10,409	8,755
Depreciation & Amortisation			
- Depreciation of Fixed Assets		1,059,766	926,298
- Amortisation of Intangible Assets		87,743	78,902
Impairment Expense		328,000	-
IT Network Costs		488,654	451,009
Occupancy Costs		1,470,235	833,584
Office Costs		2,226,036	1,123,931
Participant Support		1,257,231	1,642,734
Program Setup Costs		244,985	67,996
Light & Power		245,023	206,146
Motor Vehicle Expenses		753,831	607,084
Property and Equipment Maintenance		1,146,981	744,160
Fundraising Expenses		1,057,175	565,917
Volunteer Costs		10,233	18,392
Other Expenses		166,950	117,536
Deficit on the Sale of Fixed Assets		7,637	23,220
Deficit on the Sale of Investments		72,017	144,950
TOTAL EXPENSES		<u>57,779,990</u>	<u>36,032,249</u>
(DEFICIT) BEFORE CAPITAL ITEMS		<u>(821,787)</u>	<u>(27,340)</u>
Capital Funding and Donations		-	-
Building Depreciation		(124,948)	(143,783)
(DEFICIT) FROM CONTINUING OPERATIONS		<u>(946,735)</u>	<u>(171,123)</u>

The accompanying notes form an integral part of these financial statements

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash at Bank, Deposit and On Hand	13(a)	3,501,402	6,131,241
Receivables	5	3,593,947	1,832,913
Investments - Available for Sale Financial Assets	6	5,030,213	5,354,907
Assets Classified as Held for Sale	16	-	1,424,500
Prepayments		447,202	326,616
TOTAL CURRENT ASSETS		<u>12,572,764</u>	<u>15,070,177</u>
NON CURRENT ASSETS			
Fixed Assets	7	6,964,576	6,135,854
Intangible Assets	8	4,016,213	158,979
TOTAL NON CURRENT ASSETS		<u>10,980,789</u>	<u>6,294,833</u>
TOTAL ASSETS		<u>23,553,553</u>	<u>21,365,010</u>
CURRENT LIABILITIES			
Creditors & Accruals	9	2,781,231	1,125,408
Provisions	10	2,415,749	2,043,136
Grants & Funding in Advance	11	2,846,272	1,489,308
TOTAL CURRENT LIABILITIES		<u>8,043,252</u>	<u>4,657,852</u>
NON CURRENT LIABILITIES			
Provisions	10	290,991	241,636
TOTAL NON CURRENT LIABILITIES		<u>290,991</u>	<u>241,636</u>
TOTAL LIABILITIES		<u>8,334,243</u>	<u>4,899,488</u>
NET ASSETS		<u>15,219,310</u>	<u>16,465,522</u>
EQUITY			
Reserves	12	376,645	676,122
Accumulated Surplus		14,842,665	15,789,400
TOTAL EQUITY		<u>15,219,310</u>	<u>16,465,522</u>

The accompanying notes form an integral part of these financial statements

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2017

	Accumulated Surplus	Reserves Available for Sale Investment Revaluation Reserve	Total
	\$	\$	\$
Balance at 1 July 2015	15,960,523	640,031	16,600,554
Deficit attributable to the entity	(171,123)	-	(171,123)
Total other comprehensive Income - Note 12	-	36,091	36,091
Balance at 30 June 2016	15,789,400	676,122	16,465,522
Deficit attributable to the entity	(946,735)	-	(946,735)
Total other comprehensive Income - Note 12	-	(299,477)	(299,477)
Balance at 30 June 2017	14,842,665	376,645	15,219,310

The accompanying notes form an integral part of these financial statements

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2017

	NOTE	2017 \$	2016 \$
Cash Flows from Operating Activities			
Receipts - from Donors and Funding Agencies		59,430,910	37,651,388
Payments to Suppliers and Employees		(58,598,780)	(39,565,709)
Interest & Distributions Received		419,849	512,752
Net Cash (Used in) / Generated by Operating Activities	13(b)	1,251,979	(1,401,569)
Cash Flows from Investing Activities			
Proceeds from Sale of Property, Plant & Equipment		437,845	476,127
Proceeds from Sale of Assets Held for Sale		1,874,422	-
Payment for Property, Plant & Equipment		(2,152,081)	(1,630,734)
Payment for Software/Intangible Assets		(96,094)	-
Proceeds from Available for Sale Investments		25,217	4,464,141
Payments for Acquisition of HealthCall Pty Ltd (Net)		(4,037,606)	-
Proceeds for Acquisition of Business (Net)		66,479	-
Net Cash Generated by / (Used in) Investing Activities		(3,881,818)	3,309,534
Cash Flows from Financing Activities			
Loan recovered from / (payments to) Related Parties		-	-
Payments to Extinguish Aspire Property Mortgages		-	-
Net Cash Used in Financing Activities		-	-
Net Increase in Cash Held		(2,629,839)	1,907,965
Cash at Beginning of Year		6,131,241	4,223,276
Cash at End of Year	13(a)	3,501,402	6,131,241

The accompanying notes form an integral part of these financial statements

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1: Summary of Significant Accounting Policies & Basis of Preparation

Basis of Preparation

Wellways applies Australian Accounting Standards – Reduced Disclosure Requirements as set out in *AASB 1053: Application of Tiers of Australian Accounting Standards*.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Australian Charities and Not-for-profits Commission Act 2012*. The Company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The registered office and principal place of business of Wellways is Fairfield Place, 276 Heidelberg Road Fairfield Vic 3078.

The financial statements were authorised for issue on the 10th of November 2017 by the Directors of the Group.

Summary of Accounting Policies

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Wellways, and its subsidiary. Subsidiaries are entities the parent controls. The parent 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. Details of the subsidiary at acquisition are provided in Note 20.

The assets, liabilities and results of the subsidiary are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1: Summary of Significant Accounting Policies & Basis of Preparation

b) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained whereby the fair values of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are recognised as expenses in profit or loss.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

c) Revenue

Non-reciprocal grant revenue is recognised in the Statement of Profit or Loss when the Group obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the Group and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1: Summary of Significant Accounting Policies & Basis of Preparation

c) Revenue (Continued)

When grant revenue is received whereby the Group incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the state of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Where the Group receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value, these assets are recognised at fair value on the date of acquisition in the Statement of Financial Position, with a corresponding amount of income recognised in the Statement of Profit or Loss.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax.

d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, accumulated depreciation and any impairment losses.

Freehold property

Freehold land and buildings that are classified as fixed assets are shown at their cost less subsequent depreciation for buildings. Where a fixed asset's carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset will be re-classified as Held-for-Sale.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the revaluation reserve in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are recognised in the Statement of Profit or Loss.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1: Summary of Significant Accounting Policies & Basis of Preparation

d) Property Plant and Equipment (continued)

Freehold land and buildings that have been contributed at no cost, or for nominal cost, are initially recognised and measured at the fair value of the asset at the date it is acquired.

Plant and Equipment

Plant and equipment are measured on a cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised either in the Statement of Profit or Loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of the recoverable amount is made when impairment indicators are present (refer to Note 1(m) for details of impairment).

Plant and equipment that have been contributed at no cost, or for nominal cost, are valued and recognised at the fair value of the asset at the date it is acquired.

Properties Held for Sale

Held for Sale properties are those where the value of the property will be principally recovered through the sale transaction rather than through continued use. These assets are segregated in the Statement of Financial Position and separately disclosed and tested for impairment. See Note 1(e) for the accounting policy regarding Held for Sale Assets.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Asset	Depreciation Rate	Method
Buildings	2.5%	Straight Line
Computers	20%	Straight Line
Furniture & Fittings	20%	Straight Line
Motor Vehicles	20%	Straight Line
Office Furniture & Equipment	20%	Straight Line

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1: Summary of Significant Accounting Policies & Basis of Preparation

d) Property Plant and Equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in the Statement of Profit or Loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Computers with an original cost of \$5,000 or greater are capitalized in the Statement of Financial Position. Computers with an original cost of less than \$5,000 are expensed in the Statement of Profit or Loss.

e) Assets Classified as "Held for Sale"

Non-current assets are re-classified as "held for sale" when they meet the conditions under AASB 5 Non-Current Assets Held for Sale and Discontinued Operations. The Group re-classifies assets as "held for sale" on the basis that the carrying amount would be recovered principally through a sale transaction rather than through continuing use. The Group measures non-current assets classified as held for sale as the lesser of the carrying amount and the fair value less cost to sell. When the expected date of sale is within 12 months of the year end, the held for sale asset will be classified as current in the Statement of Financial Position.

f) Intangibles

Software Development

Software is recorded at cost. It has a finite life and is carried at cost less accumulated amortisation and any impairment losses. Software has an estimated useful life of between one and five years. It is assessed annually for impairment.

g) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to the entity, are classified as finance leases.

Finance leases are capitalised, recognising an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1: Summary of Significant Accounting Policies & Basis of Preparation

h) Cash

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Where relevant, bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

i) Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Other long-term employee benefits

The Group classifies employees' long service leave and annual leave entitlements as other long-term employee benefits as they are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for the Group's obligation for other long-term employee benefits, which are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss classified under employee benefits expense.

The Group's obligations for long-term employee benefits are presented as non-current liabilities in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current liabilities

j) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

k) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Group during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1: Summary of Significant Accounting Policies & Basis of Preparation

1) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified “at fair value through profit or loss” in which case transaction costs are recognised immediately as expenses in the Statement of Profit or Loss.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value (refer to Note 1(m)), amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

i) Financial assets at fair value through profit and loss

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in the Statement of Profit or Loss.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in the Statement of Profit or Loss through the amortisation process and when the financial asset is derecognised.

iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group’s intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in the Statement of Profit or Loss through the amortisation process and when the financial asset is derecognised.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1: Summary of Significant Accounting Policies & Basis of Preparation

l) Financial Instruments (continued)

iv) Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into the Statement of Profit or Loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

v) Financial Liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in the Statement of Profit or Loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in the Statement of Profit or Loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to the Statement of Profit or Loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance accounts.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1: Summary of Significant Accounting Policies & Basis of Preparation

l) Financial Instruments (continued)

Impairment (Continued)

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Group no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged or cancelled, or have expired. The difference between the carrying amount of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Profit or Loss.

m) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in the Statement of Profit or Loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1: Summary of Significant Accounting Policies & Basis of Preparation

o) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

“Fair value” is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, market information is extracted from the most advantageous market available to the Group at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the Group's own equity instruments (if any) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and where significant, are detailed in the respective note to the financial statements.

p) Taxation

Wellways Australia Limited is classified as a Public Benevolent Institution for tax purposes and as such is exempt from Income Tax, Fringe Benefits Tax, and Payroll Tax. Consequently, no provision is made in the financial statements for these taxes under Div 50 of the Income Tax Assessment Act 1997.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1: Summary of Significant Accounting Policies & Basis of Preparation

q) New and Amended Accounting Standards Adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future and current reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The adoption of any current mandated Accounting Standards has been concluded to have no effect on the financial statements on their initial application, such that no disclosures under AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors or other transitional disclosures have been triggered.

r) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

s) Key Estimates – Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Goodwill was first recognised in July 2016 with the acquisition of HealthCall. The goodwill has been allocated to cash-generating units (CGUs) according to applicable business operations. The Group has assessed impairment at 30 June 2017 by determining the recoverable amount of the CGUs with the goodwill and comparing it to the recoverable amount of the CGUs. The recoverable amount of the CGUs is based on value-in-use calculations using a discounted cash flow for a period not exceeding five years. The calculations are based on cash flow projections on the most recent financial budgets approved by the directors. The budgets prepared by management include the expected revenues to be received from management fees which have been based on historical data. Given the current economic climate and current industry average, revenue growth has been assessed at between 3–4.5%. In determining the present value of the Group's cash flows, management has used a post-tax discount rate of 2.15%, as well as using 5 year Government Bond Yield rates.

t) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and internally.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

	2017	2016
	\$	\$
NOTE 2: REVENUE		
<i>Contract Services Income</i>		
Government Grants	27,847,727	21,510,815
Fees from other Agencies	26,352,443	11,766,249
Client Fees	291,333	218,864
Total Contract Services Income	<u>54,491,503</u>	<u>33,495,928</u>
<i>Fundraising</i>		
Charitable Contributions	436,544	340,556
Other Fundraising	31,750	648,135
Total Fundraising	<u>468,294</u>	<u>988,691</u>
<i>Other Income</i>		
Fair Value on Acquisition of Business	66,479	-
Income From Investments	347,834	413,614
Surplus on the Sale of Assets	568,036	139,619
Surplus on the Sale of Investments	533,864	170,074
Interest Income	98,938	137,930
Membership Income	3,612	4,484
Other Revenue & Recoveries	379,643	654,569
Total Other Income	<u>1,998,406</u>	<u>1,520,290</u>
Total Revenue	<u><u>56,958,203</u></u>	<u><u>36,004,909</u></u>

NOTE 3: EXPENSES

Included in expenses are the following expense items:

Audit Fees:		
Audit or review of the financial statements	45,500	27,500
Acquittals	24,740	18,100
Other Services	8,100	500
	<u>78,340</u>	<u>46,100</u>

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

	2017	2016
	\$	\$

NOTE 4: SALARIES AND RELATED COSTS

Increase in Salaries & Related Costs is attributed to the increase in the provision of program services. The increase was due to new funding and programs introduced in the current year, as well as attributing to new administration and field staff from the HealthCall Pty Ltd acquisition (see Note 20). The number of Equivalent Full Time (EFT) staff are as follows:

Number of Staff 30th June (EFT)	443	369
---------------------------------	-----	-----

NOTE 5: RECEIVABLES - CURRENT

Trade Receivables	2,440,817	1,101,852
Deposits and Bonds Issued	198,461	499,100
WorkCover Premium Adjustment Refundable	-	106,831
Accrued Income	954,669	125,130
	<u>3,593,947</u>	<u>1,832,913</u>

NOTE 6: INVESTMENTS - AVAILABLE FOR SALE FINANCIAL ASSETS

Investments in Managed Funds:

Balance at the beginning of the year	5,354,907	9,782,957
Net Purchases / (Disposals)	(25,217)	(4,464,141)
Disposals	-	-
Fair value re-measurement gains	(299,477)	36,091
Balance at the end of the year	<u>5,030,213</u>	<u>5,354,907</u>

Available-for-sale financial assets are investments in managed funds, with the majority of the portfolio comprising of investments in the equities of various entities. The use of available-for-sale financial assets is for trading purposes to generate income through the receipt of dividends and capital gains.

Refer to Note 15 for disclosures regarding Fair Value measurement of available for sale assets.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

	2017	2016
	\$	\$
NOTE 7: FIXED ASSETS		
Buildings and Land - at cost	4,882,495	4,778,279
Less Accumulated Depreciation	<u>(1,807,671)</u>	<u>(1,682,723)</u>
	<u>3,074,824</u>	<u>3,095,556</u>
Motor Vehicles - at cost	4,037,884	3,236,129
Less Accumulated Depreciation	<u>(1,421,975)</u>	<u>(998,779)</u>
	<u>2,615,909</u>	<u>2,237,350</u>
Office Furniture and Equipment - at cost	1,715,601	1,508,763
Less Accumulated Depreciation	<u>(1,505,785)</u>	<u>(1,388,988)</u>
	<u>209,816</u>	<u>119,775</u>
Computers - at cost	1,223,377	1,190,706
Less Accumulated Depreciation	<u>(892,241)</u>	<u>(751,931)</u>
	<u>331,136</u>	<u>438,775</u>
Rental Property Furniture and Fittings - at cost	899,291	483,160
Less Accumulated Depreciation	<u>(316,187)</u>	<u>(238,762)</u>
	<u>583,104</u>	<u>244,398</u>
Work In Progress	<u>149,787</u>	<u>-</u>
Total Written Down Value	<u>6,964,576</u>	<u>6,135,854</u>

See the following page for a reconciliation of the movement in the carrying amount of Fixed Assets.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 7: FIXED ASSETS (CONTINUED)

Movement in the carrying amount of fixed assets:

	Land & Buildings	Motor Vehicles	Office Furniture & Equipment	Rental Properties Furniture & Fittings	Computers	Work In Progress	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	4,118,755	1,913,329	130,849	237,739	488,423	-	6,889,095
Additions at cost	74,750	1,321,065	41,587	94,288	99,044	-	1,630,734
Disposals (net)	-	(347,287)	(5,282)	(7,159)	-	-	(359,728)
Reclass of Assets Held for Sale **	(954,166)	-	-	-	-	-	(954,166)
Depreciation expense	(143,783)	(649,757)	(47,379)	(80,470)	(148,692)	-	(1,070,081)
Carrying amount at 30 June 2016	3,095,556	2,237,350	119,775	244,398	438,775	-	6,135,854
Additions at cost	104,216	1,313,898	130,378	416,131	37,671	149,787	2,152,081
Acquisitions through business combinations (net)	-	44,719	35,635	-	-	-	80,354
Disposals (net)	-	(213,999)	-	-	(5,000)	-	(218,999)
Reclass of Assets Held for Sale **	-	-	-	-	-	-	-
Depreciation expense	(124,948)	(766,059)	(75,972)	(77,425)	(140,310)	-	(1,184,714)
Carrying amount at 30 June 2017	3,074,824	2,615,909	209,816	583,104	331,136	149,787	6,964,576

Note: In the Statement of Profit or Loss, the Depreciation & Amortisation line item (2017: \$1,059,766 and 2016: \$926,298) excludes depreciation for the category Land & Buildings (2017: \$124,948 and 2016: \$143,783). Land & Buildings depreciation is disclosed separately in the Statement of Profit or Loss.

** Amounts relate to the reclassification of the carrying value of properties from Fixed Assets to being classified as Held for Sale, being 505 Raglan Parade Warrnambool (\$954,166).

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

		2017	2016
		\$	\$
NOTE 8: INTANGIBLE ASSETS			
Goodwill	(i)	3,848,883	-
Software Development	(ii)	490,606	394,512
Amortisation of Software Development	(ii)	(323,276)	(235,533)
		<u>4,016,213</u>	<u>158,979</u>

(i) Goodwill:

Goodwill relates to the acquisition of HealthCall Pty Ltd (Subsidiary). Refer to Note 20 for further details.

(ii) Software Development:

Wellways has developed *Carelink+* enterprise software. *Carelink+* is a powerful client management system used widely in community care. It provides efficient and extensive data capture, tracking and reporting on all aspects of service delivery including financial management, clinical and statutory needs. In the 2012/13 year, the software became a core part of Wellways and has streamlined the database from physical to electronic.

A total of 70 licenses were purchased, implemented and customised upon finalisation of the software development. Costs capitalised in the development years include staff, contractor and supplier expenses directly relating to developing or testing the software in the development phase. Amortisation costs commenced being charged from June 2013 which was when the software went live.

NOTE 9: CREDITORS & ACCRUALS

Trade Creditors	836,331	291,717
GST and PAYG Payable	214,967	264,113
Superannuation Payable	641,691	93,261
Accruals	1,014,107	417,552
Accrual for Audit Fees	73,940	58,360
Other Payables	195	405
	<u>2,781,231</u>	<u>1,125,408</u>

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

	2017	2016
	\$	\$
NOTE 10: PROVISIONS		
Current Liabilities		
Provision for Annual Leave	1,657,591	1,417,558
Provision for Long Service Leave	758,158	625,578
	<u>2,415,749</u>	<u>2,043,136</u>
Non-Current Liability		
Provision for Long Service Leave	<u>290,991</u>	<u>241,636</u>
NOTE 11: GRANTS & FUNDING IN ADVANCE		
	2017	2016
	\$	\$
Current		
Expected to be utilised within 12 months	<u>2,846,272</u>	<u>1,489,308</u>
Total Grants & Funding in Advance	<u>2,846,272</u>	<u>1,489,308</u>

The Group receives funding from various agencies to run its programs. Where grants are required to be spent on specific programs in order to meet agreed outcomes as contracted with the funding agency, the Group initially records the monies received as a liability. This is due to a present obligation existing at that time to spend the monies in accordance with the funding agreement. Income is subsequently recognised in the periods that the funds are actually spent. If the contract has been completed and unexpended funds are present, the remaining funds will be recognised through income when the Group is satisfied that the funds will not be required to be repaid. As disclosed in the Statement of Financial Position, unspent funds totalling \$2,846,272 are showing as a liability at 30 June 2017 (\$1,489,308 at 30 June 2016). All other donations and unused grants are recorded as income when monies are received.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

		2017	2016
		\$	\$
NOTE 12: RESERVES			
Available for Sale Investment Revaluation Reserve	12(a)	376,645	676,122
		<u>376,645</u>	<u>676,122</u>
<i>(a) Available for Sale Investment Revaluation Reserve</i>			
Opening Balance		676,122	640,031
Increase/(Decrease) in Fair Value of Investments		(299,477)	36,091
Transfer to income statement on sale of financial assets		-	-
Closing Balance		<u>376,645</u>	<u>676,122</u>
NOTE 13: CASH FLOW INFORMATION			
(a) Reconciliation of Cash			
Cash at Bank, on Deposit and on Hand		3,501,402	6,131,241
(b) Reconciliation of Cash Flow from Operations with Operating (Deficit)			
Operating (Deficit) after income tax		(946,735)	(171,123)
<i>Adjustments for Non-cash Items & Items of Income or Expenses Associated with Investing or Financing Cash Flows:</i>			
Depreciation & Amortisation		1,272,457	1,148,983
(Surplus) / Deficit on Sale of Property, Plant & Equipment (Net)		(110,477)	(116,399)
(Surplus) on Sale of Assets Held for Sale		(449,922)	-
(Surplus) on Bargain Purchase on Acquisition of Business		(66,479)	-
<i>Changes in assets and liabilities:</i>			
(Increase) in Receivables		(1,761,034)	(1,101,403)
(Increase) in Prepayments and Other Assets		(120,586)	(83,533)
Increase/(Decrease) in Creditors & Accruals		1,655,823	(886,613)
Increase in Provisions		421,968	217,047
Increase/(Decrease) in Funds for Future Use		1,356,964	(408,528)
Cash flows from Operating Activities		<u>1,251,979</u>	<u>(1,401,569)</u>

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

2017
\$

2016
\$

NOTE 14: FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable, accounts payable and leases. The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Financial assets

Cash and cash equivalents	13(a)	3,501,402	6,131,241
Receivables	5	3,593,947	1,832,913
Available for sale financial assets	6	5,030,213	5,354,907
Total financial assets		12,125,562	13,319,061

Financial liabilities

Trade and other payables	9	2,781,231	1,125,408
Grants & Funding in Advance	11	2,846,272	1,489,308
Total financial liabilities		5,627,503	2,614,716

Refer to Note 15 for detailed disclosures regarding the fair value measurement of the Company's financial assets and financial liabilities.

NOTE 15: FAIR VALUE MEASUREMENT

The Group has the following assets, as set out in the table below, that are measured at fair value on a recurring basis after their initial recognition. The Group does not subsequently measure any liabilities at fair value on a recurring basis and has no assets or liabilities that are measured at fair value on a non-recurring basis.

Recurring fair value measurements

Financial assets

Available-for-sale financial assets:

- Investments in managed funds	6	5,030,213	5,354,907
		5,030,213	5,354,907

For investments in managed funds, the fair values have been determined based on closing quoted bid prices at the end of the reporting period.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 16: ASSETS CLASSIFIED AS HELD FOR SALE		2017	2016
		\$	\$
Held for Sale - 19 Bromham Place Richmond	(i)	-	470,333
Held for Sale - 505 Raglan Parade Warrnambool	(ii)	-	954,167
		-	1,424,500

In the prior year, the carrying value of the above noted non-current asset were re-classified as "held for sale" under AASB 5. Wellways re-classified these assets as "held for sale" on the basis that the carrying amount was to be recovered principally through a sale transaction rather than through continuing use.

(i) 19 Bromham Place Richmond

This property was re-classified as "held for sale" in the 2015 year. Up to the point of re-classifying this asset in the 2015 year, the premises had been used as part of Wellways' operations. Funding of the programs operated through this site ceased during the prior year, at which point the asset was reclassified.

At 30 June 2015, an external party had put forward their proposal to purchase Wellways' interest in the property. At that time, it was anticipated that a sale date could be within 12 months of 30 June 2015 year end, and on that basis, the asset "held for sale" was classified as *current*. However, circumstances outside of the control of Wellways precluded the sale to be completed within 12 months of 30 June 2015. Nevertheless, MI Fellowship remained committed to selling the property after this time, with an official contract of sale being drawn up between Wellways and the purchaser. Furthermore, the settlement was dependent on the execution of a Tripartite Agreement, which involved Wellways, the purchaser, and the Director of Housing. The Director of Housing held equity interest in the property, which stemmed from the provision of funding by the Director of Housing to assist with the construction of the property. After reducing the sale proceeds by the equity interest entitlement due to the Director of Housing, Wellways' profit from the sale was approximately \$400,000.

ii) 505 Raglan Parade Warrnambool

This property was re-classified as "held for sale" in the prior year. At the point of re-classifying this asset the premises continued to be used as part of Wellways' operations.

In May 2016, a contract of sale was entered into between Wellways and an external purchaser, to sell the premises for \$1,025,000. Settlement occurred subsequent to year end, on 15 July 2016. Wellways' profit from the sale was approximately \$38,000. Under the conditions in the contract of sale, commencing from the settlement date, Wellways leased the premises for the continued operations of the programs.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

	2017	2016
	\$	\$
NOTE 17: CAPITAL AND LEASING COMMITMENTS		
a. Finance Lease Commitments	Nil	Nil
b. Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Not longer than 1 year	1,075,508	451,183
Longer than 1 year and not longer than 5 years	1,701,464	344,045
Longer than 5 years	-	36,767

c. Capital & Other Commitments

As at 30 June 2017, no material capital and other commitments were existing, nor were there any that existed for the comparative year, unless otherwise disclosed elsewhere in the financial statements.

NOTE 18: RELATED PARTY TRANSACTIONS

Related Parties

The Group's main related parties are as follows:

a) Parent entity and controlled entities

Wellways Australia Limited ("the parent") exercises control over HealthCall Pty Ltd ("the subsidiary"). The parent and the subsidiary are collectively referred to as the "consolidated group" and are constituent parts of the consolidated financial statements. Accordingly, the subsidiary is considered a related party in the separate financial statements of the parent entity rather than in the consolidated financial statements.

b) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity, is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 19.

c) Other related parties

There are no other related parties, other than those disclosed elsewhere in the financial statements.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

	2017	2016
	\$	\$

NOTE 18: RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with Related Parties

During the financial year, Wellways advanced loans to, received and repaid loans from, and provided administrative services to HealthCall.

Wellways and HealthCall, within the Group, also exchanged services in wage and service transactions, typically as the result of novation of funding contracts. All transactions occurred on the basis of normal commercial terms and conditions. Balances and transactions between the Company and its subsidiary, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

Other than the above, there were no other material related party relationships or transactions for this year, nor the comparative previous year not otherwise disclosed elsewhere in the financial statements.

NOTE 19: DIRECTORS & KEY MANAGEMENT PERSONNEL

a) Director benefits:

During the year the following benefits were paid to Directors:

Short Term Benefits - Fees	148,246	-
Post Employment Benefits	14,100	-
	162,346	-
<i>Shown in income bands as follows:</i>		
> \$20,000	1	-
\$10,001 to \$20,000	5	-
\$1 to \$10,000	5	-
Total number of Directors receiving benefits	11	-

b) Key Management Personnel payments:

The key management personnel compensation included in the salaries and related costs expenses is as follows:

Short Term Benefits	1,417,490	1,019,556
Post Employment Benefits	138,753	124,133
Total	1,556,243	1,143,689

Number of Key Personnel (EFT)	9	6
-------------------------------	---	---

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 20: CONTROLLED ENTITY - HEALTHCALL

Information about Principal Subsidiary - HealthCall

The subsidiary is Healthcall. HealthCall provides disability support services in New South Wales, Australian Capital Territory and Queensland. HealthCall has issued units held directly by the parent entity. The assets, liabilities, income and expenses of HealthCall have been consolidated on a line-by-line basis in the consolidated financial statements of the Group. The proportion of ownership interests held equals the voting rights held by the Group. The proportion of ownership interest in the Group is 100%.

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

Acquisition of HealthCall

On the 1st of July 2016, Wellways completed their acquisition of HealthCall, through the transfer of 100% of HealthCall's units, that were held under a Unit Trust structure. Details of the business combination are as follows:

	Acquiree's Carrying Amount	Fair Value
	\$	\$
Purchase consideration:		
Contract Price		4,400,000
Less: Adjustments		(223,097)
		<u>4,176,903</u>
Less:		
Cash and cash equivalents	661,619	661,619
Receivables	853,947	853,947
Other Assets	53,660	53,660
Property, plant and equipment	80,354	80,354
Payables	(529,732)	(529,732)
Other Payables	(960,950)	(960,950)
Employee Provisions	(158,878)	(158,878)
Identifiable assets acquired and liabilities assumed	<u>20</u>	<u>20</u>
Goodwill in Wellways on Acquisition		<u>4,176,883</u>

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 20: CONTROLLED ENTITY - HEALTHCALL (CONTINUED)

Significant Restrictions

Other than the following, there are no significant restrictions over the Group's ability to access or use assets and settle liabilities:

HealthCall holds bank account balances as security bonds as required by the terms and conditions of the property leases. The Group's ability to access these balances is restricted to the expiration of the lease.

The carrying amount of the assets included within the consolidated financial statements to which the security bond applies is \$45,711 (2016: \$Nil).

There are further bank accounts in HealthCall with money held in trust for clients (\$121,123), for the purpose of deducting client fees once service has been provided.

NOTE 21: EVENTS AFTER BALANCE DATE

Subsequent to the 30 June 2017 year end, Wellways was successful in the a number of tenders resulting in additional annual revenue of over \$11m to deliver the HASI and RRSP programs in a number of areas throughout New South Wales, the delivery of the Way Back services in New South Wales and Low Intensity Interventions in Tasmania.

Aside from the above, there have been no other significant events occurring after balance date that may affect the operations of Wellways, not otherwise disclosed in this report.

WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 22: PARENT ENTITY INFORMATION

The accounting policies of the parent entity, Wellways Australia Pty Ltd, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements, unless otherwise noted.

i) Financial Position

Assets

Current Assets	12,790,833	15,070,177
Non-Current Assets	10,899,839	6,294,833
Total Assets	23,690,672	21,365,010

Liabilities

Current Liabilities	8,211,015	4,657,852
Non-Current Liabilities	260,347	241,636
Total Liabilities	8,471,362	4,899,488

Equity

Accumulated Surplus	14,842,665	15,789,400
Available for Sale Investment Revaluation Reserve	376,645	676,122
Total Equity	15,219,310	16,465,522

ii) Financial Performance

(Deficit) of the Parent	(946,735)	(171,123)
Other Comprehensive Income of the Parent	(299,477)	36,091
Total Comprehensive Income of the Parent	(1,246,212)	(135,032)

iii) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

As detailed in Note 20, Wellways ownership of HealthCall is 100%, which is based on the purchase deed. Accordingly, Wellways assumes the obligations of HealthCall in the event of winding up of HealthCall or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

iv) Contingent Liabilities of the Parent

At balance date, there are no contingent liabilities of the Parent.

v) Commitments for the acquisition of property, plant and equipment by the Parent

At balance date, there are no material contractual obligations to purchase property, plant and equipment.


WELLWAYS AUSTRALIA LIMITED
ACN 093 357 165

DIRECTORS' DECLARATION

In the opinion of the Directors of the Company:

- a) the consolidated financial statements and notes of the Company are in accordance with the *Australian Charities and Not for Profits Commission Act 2012*, including:
 - i. Giving a true and fair view of its 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 (including the Australian Accounting Interpretations) and the *Australian Charities and Not for Profits Commission Regulation 2013*; and
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.


.....
PAUL MONTGOMERY - DIRECTOR


.....
DARREL DRIEBERG - DIRECTOR

Signed at Fairfield on the 10th day of November 2017

WELLWAYS AUSTRALIA LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
ACN 093 357 165

Report on the Audit of the Consolidated Financial Report

Opinion

We have audited the consolidated financial report of Wellways Australia Limited and its subsidiary, which comprises the Consolidated Statement of Financial Position as at 30 June 2017, Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

In our opinion, the accompanying consolidated financial report of Wellways Australia Limited has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

WELLWAYS AUSTRALIA LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
ACN 093 357 165

Information Other than the Financial Report and Auditor's Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the consolidated 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 consolidated financial report, our responsibility is to read the other information and, in doing so, 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

The Directors of the Company are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

WELLWAYS AUSTRALIA LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
ACN 093 357 165

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

- Identify and assess the risks of material misstatement of the consolidated 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.
- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial report, including the disclosures, and whether the consolidated financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**WELLWAYS AUSTRALIA LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
ACN 093 357 165**

Dated at Frankston on the 10th day of November 2017



SHEPARD WEBSTER & O'NEILL AUDIT PTY LTD

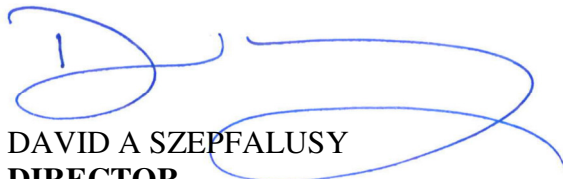
Certified Practising Accountant

Authorised Audit Company No 415478

434 Nepean Highway Frankston 3199, PO Box 309 Frankston Victoria 3199

Telephone (03) 9781 2633 – Fax (03) 9781 3073

Email – szepfalusy@shepard.com.au



**DAVID A SZEPPFALUSY
DIRECTOR**

wellways

WELLWAYS AUSTRALIA LIMITED

Incorporating the Australian HealthCall Group

ABN 93 093 357 165

276 Heidelberg Road Fairfield Victoria 3078

PO Box 359 Clifton Hill Victoria 3068

+61 3 8486 4200

wellways.org | 1300 111 400



Interpreter