

Tidbinbilla Nature Reserve, Canberra Australia



Directions

Pathways to Recovery

Assisting Drug Dependents Incorporated T/As
Directions Health Services

Audited Financial Statements

For the year ended 30 June 2020

DIRECTIONS HEALTH SERVICES LIMITED

ABN: 93 699 256 195

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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Directions Health Services Limited ABN 93 699 256 195

DIRECTORS' REPORT

Your directors present this report on the entity for the financial year ended 30 June 2020.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Mr Frank Quinlan
Mr Ken Wedgwood
Mr Peter Norton
Mr Paul Walshe
Ms Amy Kilpatrick
Mr Ben Duggan
Mr Andrew Fraser (*Director until 4 June 2020*)
Mr Patrick McKenna
Dr Betty Domazet
Ms Tina McGhie

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Membership

The entity is a company limited by guarantee. If the entity was wound up, the Constitution states that each member is required to contribute a maximum of \$1 towards meeting any outstanding obligations of the Company. At 30 June 2020, the number of members were 9.

Principal Activities

The principal activities of the entity during the financial year ended 30 June 2020 were to provide treatment and support to individuals and family members/friends impacted by alcohol and other drug (AOD) use and other complex health and social issues, promote community awareness of the risks associated with AOD misuse and advocate for evidence based responses to reduce the harms experienced, in the ACT and surrounding regions in NSW. There were no significant changes to the nature of those activities during the year.

Objectives and strategies

Objectives and strategies for the achievement of the long term and short-term objectives are set out in the Strategic Plan 2016-2019 and are reflected in the Operational Plan.

DIRECTORS' REPORT

New Accounting Standards Implemented

The Entity has implemented three new Accounting Standards that are applicable for the current reporting period.

AASB 15: *Revenue from Contracts with Customers*, AASB 1058: *Income of Not-for-Profit Entities* and AASB 16: *Leases* have been applied using the cumulative effect method; that is, by recognising the cumulative effect of initially applying AASB 15, AASB 1058 and AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 118: *Revenue*, AASB 117: *Leases* and AASB 1004: *Contributions*. Further information is provided in Note 1.

COVID-19

Since the COVID-19 pandemic has impacted Australia, Directions Health Services Limited has operated with minimum disruption.

Once the Pandemic was declared, and businesses were directed to work-from-home where possible, Direction's immediate response was to ensure service delivery could continue with minimal risk to staff and clients. To adapt to on-going pandemic conditions, staff were equipped to work from home through purchase of additional IT hardware and training on use of new software. Services were provided over telehealth (video and telephone) as far as practicable. Where it was required to see people in person, appropriate precautions were taken, according to Directions Health Services Business Continuity Plan - Pandemic Plan COVID-19.

The company has received funds from the Government's Coronavirus Cash Flow Boost for not-for-profit business. Fifty percent of those funds (\$50,000) have been received by balance date and the remainder will be received through to December 2020.

The impact of COVID-19 on the financial statements during the financial year ended 30 June 2020 has been minimal with no adverse effects expected in the short term.

Performance Measurement

The organisation continually measures its performance as follows:

- I. The annual budget for the organisation is prepared with input from the Executive team and reviewed by the Chief Executive Officer. The Finance and Audit Sub-committee (FAC) recommend the Budget to the Board of Directors for approval. This budget is used as the basis for the monthly and annual v/s budget reporting of the financial statements which is reported to the FAC.
- II. The entity measures its own performance through the use of both quantitative and qualitative benchmarks. The benchmarks are used by the directors to assess the financial sustainability of the entity and whether the entity's short-term and long-term objectives are being achieved.
 - ✓ The financial and operational performance of the organisation is reported to the Board each meeting. The CEO also reports on strategy and risk each board meeting. Program outcome measures are reported to the board 6 monthly.
 - ✓ Program performance is reported quarterly or six monthly to the funding bodies in accordance with the terms of the respective funding agreements. This includes financial performance during the six-monthly and annual reporting periods.
 - ✓ The organisational maintains an Organisational Quality Improvement Plan which is reviewed quarterly by the Senior Management team

DIRECTORS' REPORT

- ✓ The organisation undertakes an annual Client Satisfaction Questionnaire, from which client satisfaction with services and quality improvement initiatives are identified. An annual staff survey is also conducted.
- ✓ The board and management consult with our consumer representative body (Directions' Community Advisory Group) regularly throughout the year, to identify service and quality improvements
- ✓ Organisational accreditations occur on a 3 year cycle, with the organisation holding the following accreditations: QIP (organisation-wide), AGPAL (Althea Wellness Centre - general practice) and ATCA (Arcadia House- Residential Rehabilitation Program)
- ✓ Program Evaluation – Program Evaluations have been undertaken for several programs. The organisation is in the process of developing an Evaluation Framework which will inform and support a structured and ongoing evaluation approach, organisation-wide

Information on Directors

Mr Frank Quinlan	–	Chairperson
Qualifications	–	BA, BTheol
Profile	–	NFP Governance
	–	Government relations
	–	Mental Health
Mr Ken Wedgwood	–	Deputy Chair/Secretary
Qualifications	–	Bachelor of Arts (Administration & Law)
	–	Masters of Commerce in Accounting (UC)
		Certified Practising Accountant (CPA)
Profile	–	Commercial management
	–	Grant management
	–	Public sector financial management
Mr Peter Norton	–	Treasurer
Qualifications	–	Bachelor of Commerce (ANU)
	–	Chartered Accountant (CA)
	–	Registered Tax Agent
		Masters of Taxation-MTax (UNSW)
Profile	–	20 years' experience in tax, financial management and business improvement
	–	7 years' experience as CFO of a diverse property services business employing 350ppl across 24 businesses
Mr Paul Walshe	–	Board Director
Qualifications	–	Certified Practising Marketer (CPM)
Profile	–	Experienced Director Brand Communications
	–	Marketing and public relations
Ms Amy Kilpatrick	–	Board Director
Qualifications	–	LLB, Law (ANU)
	–	Company Director's Course (AICD)
Profile	–	Senior Legal Advisor to ACT Attorney General
	–	Experienced legal advisor, board director and consultant
Mr Ben Duggan	–	Board Director
Qualifications	–	Bachelor of Arts (ANU)
	–	Masters of Teaching (Deakin University)
Profile	–	Advisor – Member of Parliament
	–	Chairman – ANU Union Board
	–	Founder – Raising Hope Education Foundation

Mr Andrew Fraser	–	Board Director
Qualifications	–	LLB, Law
Profile	–	Criminal Law
	–	Journalism
	–	Advocacy and media
Mr Patrick McKenna	–	Board Director
Qualifications	–	Dip Management
	–	Company Directors Course (AICD)
	–	GradCert Business (QUT)
	–	Executive MBA (QUT)
Profile	–	Director – Strategy & Transition St Vincent de Paul
		Chairman – Canberra Convention Bureau
Dr Betty Domazet	–	Board Director
Qualifications	–	Bachelor of Medicine, Bachelor of Surgery-MBBS (UNSW)
	–	FACEM (Australasian College of Emergency Medicine)
	–	Master in Business Administration (MBA)
Profile	–	Front line medical experience in acute AOD issues
	–	Partnerships with AFP, ACT Ambulance Services and legal policy advisors within the ACT hospital system
Ms Tina McGhie	–	Board Director
Qualifications	–	GradCert Indigenous Trauma Recovery (UOW)
	–	PD Therapeutic Life Story Work (UAL)
	–	Dip Community Services Management
Profile	–	20 years' experience in Aboriginal Affairs
	–	15 years' experience in Management and Leadership Community Service

Meetings of Directors

During the financial year, eight (8) meetings of directors were held. Attendances by each director were as follows:

Directors' Meetings		
	Number eligible to attend	Number attended
Mr Frank Quinlan	8	5
Mr Ken Wedgwood	8	7
Mr Peter Norton	8	8
Mr Paul Walshe	8	5
Ms Amy Kilpatrick	8	1
Mr Ben Duggan	8	1
Mr Andrew Fraser	7	3
Mr Patrick McKenna	8	7
Dr Betty Domazet	8	6
Ms Tina McGhie	8	4

This directors' report is signed in accordance with a resolution of the Board of Directors.



Peter Norton
Director

Dated this

6 of November

2020

DIRECTIONS HEALTH SERVICES LIMITED
ABN: 93 699 256 195
DIRECTORS' DECLARATION


In accordance with a resolution of the directors of Directions Health Services Limited, the directors declare that:

- The financial statements and notes present fairly the Company's financial position as at 30 June 2020 and its performance for the year ended on that date in accordance with Australian Accounting Standards and the Australian Charities and Not-for-profits Commission Act 2012; and

- In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

For and on behalf of the governing board of Directions Health Services Limited.

Dated this 6th day of November 2020



Peter Norton (Treasurer)

DIRECTIONS HEALTH SERVICES LIMITED
ABN: 93 699 256 195

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
Revenue			
Revenues from Ordinary Activities	2	8,135,506	7,693,030
Total Revenue		<u>8,135,506</u>	<u>7,693,030</u>
Expenses			
Employee Benefits		6,026,222	5,634,239
Other Expenses from Ordinary Activities	3	1,459,199	1,893,447
Depreciation	4	78,173	95,732
Lease expenses	4	448,511	-
Total Expenses		<u>8,012,105</u>	<u>7,623,418</u>
Surplus from Ordinary Activities		<u>123,401</u>	<u>69,612</u>
Total Comprehensive Income		<u><u>123,401</u></u>	<u><u>69,612</u></u>

The financial statements should be read in conjunction with the accompanying notes

DIRECTIONS HEALTH SERVICES LIMITED
ABN: 93 699 256 195

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents		1,779,898	1,638,519
Trade and Other Receivables		623,182	294,889
Inventories		50,113	25,140
Other	5	111,004	103,497
Total Current Assets		<u>2,564,197</u>	<u>2,062,045</u>
Non-Current Assets			
Plant and Equipment	6	637,560	448,471
Right of Use Asset	7	3,958,273	-
Total Non-Current Assets		<u>4,595,833</u>	<u>448,471</u>
TOTAL ASSETS		<u>7,160,030</u>	<u>2,510,516</u>
LIABILITIES			
Current Liabilities			
Trade and Other Payables	8	1,143,712	811,101
Provisions	9	2,200	1,767
Unexpended Grant Liabilities	10	491,084	299,437
Leases Liabilities	11	307,325	45,106
Total Current Liabilities		<u>1,944,321</u>	<u>1,157,411</u>
Non-Current Liabilities			
Leases Liabilities	11	3,725,262	484,375
Total Non-Current Liabilities		<u>3,725,262</u>	<u>484,375</u>
TOTAL LIABILITIES		<u>5,669,583</u>	<u>1,641,786</u>
NET ASSETS		<u>1,490,447</u>	<u>868,730</u>
EQUITY			
Retained Earnings		1,490,447	868,730
TOTAL EQUITY		<u>1,490,447</u>	<u>868,730</u>

The financial statements should be read in conjunction with the accompanying notes.

DIRECTIONS HEALTH SERVICES LIMITED
ABN: 93 699 256 195

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
RETAINED EARNINGS			
Balance at beginning of year		<u>868,730</u>	<u>799,118</u>
Adjustment due to initial recognition of leases under AASB 16	1	498,316	-
Adjusted balance at 1 July 2019		<u>1,367,046</u>	<u>799,118</u>
Surplus from ordinary activities for the year		123,401	69,612
Total Comprehensive Income		<u>123,401</u>	<u>69,612</u>
Balance at end of year		<u><u>1,490,447</u></u>	<u><u>868,730</u></u>

The financial statements should be read in conjunction with the accompanying notes.

DIRECTIONS HEALTH SERVICES LIMITED
ABN: 93 699 256 195

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
Cash Flows from Operating Activities			
Receipts from grants and other income		8,757,872	7,886,569
Payments to suppliers and employees		(7,971,980)	(7,995,268)
Finance lease charges paid		(34,637)	-
Interest received		28,112	33,754
<i>Net Cash provided by operating activities</i>	17	<u>779,367</u>	<u>(74,945)</u>
Cash Flows from Investing Activities			
Payment for plant and equipment		<u>(282,352)</u>	<u>(24,383)</u>
<i>Net Cash provided by (used in) investing activities</i>		<u>(282,352)</u>	<u>(24,383)</u>
Cash Flows from Financing Activities			
Payments of finance lease principal		<u>(355,636)</u>	<u>(16,248)</u>
<i>Net Cash provided by (used in) financing activities</i>		<u>(355,636)</u>	<u>(16,248)</u>
Net increase in cash and cash equivalents		141,379	(115,576)
Cash and cash equivalents at the beginning of financial year		<u>1,638,519</u>	<u>1,754,095</u>
Cash and cash equivalents at the end of the financial year		<u><u>1,779,898</u></u>	<u><u>1,638,519</u></u>

The financial statements should be read in conjunction with the accompanying notes.

DIRECTIONS HEALTH SERVICES LIMITED

ABN: 93 699 256 195

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Directions Health Services Limited (the Company) is a not-for-profit company limited by guarantee, incorporated and domiciled in Australia and is a registered charity under the *Australian Charities and Not-for-profits Commission Act 2012*. The operations of the Company were previously undertaken as an association incorporated in the Australian Capital Territory (Assisting Drug Dependents Incorporated) under the *Associations Incorporation Act 1991* and as a charity under the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act).

The legal form of the association was transferred to a Company limited by guarantee under the *Corporations Act 2001* with effect from 25 March 2020. The Company retains its registration as a charity under the ACNC Act.

This financial report incorporates the financial activities of the company and the association.

This financial report is general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) applicable to not-for-profit entities and the *Corporations Act 2001*.

This financial report is prepared on an accruals basis and are based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of this financial report. The accounting policies have been consistently applied, unless otherwise stated.

New Accounting Standards and Interpretations

Adoption of new and revised Accounting Standards

Standards and Interpretations adopted for the first time

All new/revised/amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period have been adopted and except for the implementation of AASB 16 (refer below) did not have a material effect on the Company's financial report.

The Company has adopted the new accounting pronouncements which have become effective this year, the nature and effect of these changes are disclosed below.

AASB 16 Leases

AASB 16 supersedes AASB 117 *Leases* along with three Interpretations (*Determining whether an Arrangement contains a Lease*, *Operating Leases-Incentives* and *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*). The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Under this method, any cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 and comparatives are not restated.

The new standard has been applied using modified retrospective approach with the date of initial application of 1 July 2019. Under this method, any cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings were restated at 1 July 2019 but prior periods information has not been restated. The Company elected to use the transitional practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4 at the date of initial application.

The initial adoption of AASB 16 resulted in the recognition of a right of use asset and lease liability of \$4,107,250. Implementation of AASB 16 also resulted in the de-recognition of the lease incentive liability that had been previously recognised, resulting in an opening balance adjustment of \$498,316 reducing provisions and increasing retained earnings.

DIRECTIONS HEALTH SERVICES LIMITED
ABN: 93 699 256 195

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2019 using the modified retrospective approach.

Under this method, any cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 and comparatives are not restated.

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 July 2019. The adoption of AASB 15 has not impacted on the Companies' financial position or performance and there has been no adjustment to the opening balance of retained earnings at 1 July 2019 as a consequence of the adoption of this standard.

There were no other new and revised Standards and Interpretations adopted in this financial report affecting the reporting results or financial position.

(a) Income Tax

The Company is exempt from Income Tax under the provisions of Section 50-5 of the *Income Tax Assessment Act 1997*.

(b) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand, at banks and on deposit.

(c) Revenue

Revenue (Service Delivery) Based Revenue from Grants and Other Contractual Arrangements

When the Company enters into a service delivery contract, it assesses whether the contract is enforceable and has sufficiently specific performance obligations. When both these conditions are satisfied, the Company:

- identifies each performance obligation relating to the contract;
- recognises a contract liability for its obligations under the agreement; and
- recognises a revenue as it satisfies its performance obligations.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the Company:

- recognises the asset received in accordance with the recognition requirements of other applicable accounting standards (for example AASB 9, AASB 16, AASB 116 and AASB 138);
- recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer); and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

DIRECTIONS HEALTH SERVICES LIMITED
ABN: 93 699 256 195

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

If the contract liability is recognised as a related amount above, the Association recognises income in profit or loss when or as it satisfies its obligations under the contract.

Where revenue is collected directly from customers for services provided, it is recognised upon the delivery of the service to the customer.

Income Received for the Acquisition or Construction of Non Current Assets to be Controlled by the Company

Where income is received for the acquisition or construction of non current assets to be controlled by the Company. The funds received are initially recognised as unexpended grants (liability). Unexpended grants are recognised as income as the relevant assets are acquired.

All revenue is stated net of any amount of goods and services tax (GST).

Income from investments

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other income

All other income which is not subject to specific contractual performance obligations is recognised as income on receipt or right to receive.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a specific identification basis and include direct costs and appropriate overheads, if any.

(e) Plant and Equipment

Each class of plant and equipment is measured on the cost basis less depreciation and impairment costs.

The carrying amount is reviewed annually by management for impairment to ensure it is not in excess of the remaining service potential of the plant and equipment assets.

Impairment

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised as an expense in the Statement of Comprehensive Income.

The depreciable amounts of all plant and equipment are depreciated on a straight line basis over the useful lives of the assets to the Company commencing from the time the asset is held ready for use.

DIRECTIONS HEALTH SERVICES LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Class of Fixed Asset	Depreciation Rate
Furniture and Equipment	3-10 years
Motor Vehicles	6-7 years
Leasehold Improvements	15 years

(f) Leases

Set out below are the new accounting policies of the Company upon adoption of AASB 16:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date, the Company measures lease liabilities measured at the present value of the lease payments unpaid at that date. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Significant judgement in determining the lease term of contracts with renewal options

The lease term adopted is the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

DIRECTIONS HEALTH SERVICES LIMITED

ABN: 93 699 256 195

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

(g) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been recognised as current payables. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows and recognised as non-current provisions.

Following the implementation of the ACT Leave Authority for Long Service Leave from 1 July 2010, the Company provides a levy related amount based on earnings for all employees to the ACT Leave Authority, covering long service leave entitlements for all employees. Employees claim their long service leave directly from the Authority for service after 1 July 2010, and are able to claim their entitlement upon resignation from Company or choose to retain their entitlement when moving to another similar eligible employer within the ACT. The Company retains responsibility to meet long service leave obligations for eligible service pre 1 July 2010.

Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred.

(h) 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 Tax Office. 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 in the Statement of Financial Position are shown inclusive of GST.

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ABN: 93 699 256 195

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Critical Accounting Estimates and Judgements

Management and the Board evaluate estimates and judgements incorporated into the financial statements 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 within the Company. Management does not expect the operations of the Association to be significantly impacted by COVID-19.

Given that project grant revenue is a significant revenue source for the Association, management and the Board assesses the Company's ability to continue as a going concern based on an assessment of the current financial position of the Company and the contracted future revenues of the Company under project funding agreements. Based on the analysis performed by management and the Board, it has been determined that the going-concern basis remains appropriate and that there is no material uncertainty regarding the current operations of the Company.

(j) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company's financial assets are all classified at amortised cost and there was no change in this classification as a result of the transition to AASB 9: *Financial Instruments*. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets that re measured at amortised cost or fair value through other comprehensive income. Loss allowance is not recognised for equity measured at fair value through other comprehensive income. Expected credit losses are the probability-weighted estimate of the credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument. The Company used the general approach to impairment as applicable under AASB 9.

Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company has no financial liabilities at fair value through profit or loss or derivatives designated as hedging instruments in an effective hedge.

Cash and cash equivalents and receivables of the Company are measured at amortised cost.

DIRECTIONS HEALTH SERVICES LIMITED
ABN: 93 699 256 195

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
NOTE 2 - REVENUE		
Operating Activities:		
- Grants	7,545,506	7,256,976
- Other Income	561,888	373,148
	8,107,394	7,630,124
Non-Operating Activities:		
- Interest	28,112	33,754
Total Revenue	8,135,506	7,663,878

(a) Timing of recognition of revenue from contracts with customers

Performance obligations met over the period of the contract:

Grants - ACT Health	4,256,276
Grants - NSW Health	707,000
Grants - CHN	1,001,088
Grants - MPHNS	572,379
Grants - Coordinare	995,000
Grants - Other contracts	13,763
Other Income - CHN mobile clinic	194,394
	7,739,900

Performance obligations met at a point in time:

Other Income - admission fees, bed charges and Medicare fees	302,033
	302,033

(b) Contracted future revenue under project funding agreements

At balance date, the Company has the following contracted project funding commitments:

Contractual commitments receivable within 1 year	8,871,948
Contractual commitments receivable within 1 - 2 years	6,988,014
	15,859,962

NOTE 3 – OTHER EXPENSES

Accommodation and Related Costs (excluding Office Lease Expense)	125,806	149,177
Office Running Costs	445,748	503,218
Program Running Costs	376,577	396,388
Medical Services	481,979	454,976
Auditor Remuneration	25,900	27,365
Office Lease Rentals	-	328,213
Other	3,189	4,959
	1,459,199	1,864,296

DIRECTIONS HEALTH SERVICES LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
NOTE 4 – SURPLUS FROM ORDINARY ACTIVITIES		
Surplus from ordinary activities has been determined after the following expenses:		
Depreciation of plant and equipment	78,173	95,732
Depreciation of ROU asset	413,874	-
Interest expense on lease liability	34,637	-
Remuneration of the auditor:		
- Audit services	24,050	26,165
- Other services	1,850	1,200
Total auditor remuneration	<u>25,900</u>	<u>27,365</u>

NOTE 5 - OTHER CURRENT ASSETS

Prepayments	96,460	99,298
Accrued Income	14,544	4,199
	<u>111,004</u>	<u>103,497</u>

NOTE 6 - PLANT AND EQUIPMENT

Work In Progress - Mobile Clinic	<u>282,352</u>	<u>-</u>
Furniture and equipment – at cost	284,256	284,256
Less Accumulated depreciation	<u>(234,652)</u>	<u>(215,798)</u>
	<u>49,604</u>	<u>68,458</u>
Motor vehicles (at cost and leased)	252,463	335,437
Less Accumulated depreciation	<u>(154,167)</u>	<u>(188,669)</u>
	<u>98,296</u>	<u>146,768</u>
Leasehold improvements – at cost	388,872	388,872
Less Accumulated depreciation	<u>(181,564)</u>	<u>(155,626)</u>
	<u>207,308</u>	<u>233,245</u>
Total Plant and Equipment	<u>637,560</u>	<u>448,471</u>

Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

	Balance at beginning of year	Additions	Disposals	Transfers	Depreciation expense	Balance at the end of year
	\$	\$	\$	\$	\$	\$
Work In Progress - Mobile Clinic	-	282,352	-	-	-	282,352
Furniture and Equipment	68,458	-	-	-	(18,853)	49,605
Motor Vehicles	146,768	-	(15,090)	-	(33,383)	98,295
Leasehold Improvements	233,245	-	-	-	(25,937)	207,308
	<u>448,471</u>	<u>282,352</u>	<u>(15,090)</u>	<u>-</u>	<u>(78,173)</u>	<u>637,560</u>

DIRECTIONS HEALTH SERVICES LIMITED

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

	2020	2019
	\$	\$
NOTE 7 – RIGHT OF USE ASSETS		
ROU - Buildings	4,207,442	-
Acc Dep - Buildings	<u>(386,464)</u>	<u>-</u>
	<u>3,820,978</u>	<u>-</u>
ROU - Plant & Equipment	100,333	-
Acc Dep - Plant & Equipment	<u>(9,573)</u>	<u>-</u>
	<u>90,760</u>	<u>-</u>
ROU - Office Equipment	64,372	-
Acc Dep - Office Equipment	<u>(17,837)</u>	<u>-</u>
	<u>46,535</u>	<u>-</u>
Total Right of Use Assets	<u><u>3,958,273</u></u>	<u><u>-</u></u>

Movements in Carrying Amounts

Movement in the carrying amounts for right of use assets between the beginning and the end of the current financial year.

	Balance at beginning of year	Adjustment to opening balance AASB 16	Additions	Disposals	Depreciation expense	Balance at the end of year
	\$	\$	\$	\$	\$	\$
ROU - Buildings	-	4,042,878	164,564	-	(386,464)	3,820,978
ROU - Plant & Equipment	-	-	100,333	-	(9,573)	90,760
ROU - Office Equipment	-	64,372	-	-	(17,837)	46,535
	<u>-</u>	<u>4,107,250</u>	<u>264,897</u>	<u>-</u>	<u>(413,874)</u>	<u>3,958,273</u>

DIRECTIONS HEALTH SERVICES LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 8 – TRADE AND OTHER PAYABLES	\$	\$
Current		
Trade Payables	331,580	225,366
Accrued Expenses	192,561	185,901
Net GST Payable	143,373	91,990
Employee Benefits Payable	123,283	85,744
Annual Leave Liability	352,915	222,100
	<u>1,143,712</u>	<u>811,101</u>
 NOTE 9 – PROVISIONS		
Current		
Long Service Leave	2,200	1,767
	<u>2,200</u>	<u>1,767</u>
 NOTE 10 – UNEXPENDED GRANT LIABILITIES		
Unexpended Grant Liabilities – ACT Health Funding	424,463	-
Unexpended Grant Liabilities – CHN	18,953	259,398
Unexpended Grant Liabilities – NSW Health Funding	41,876	10,888
Unexpended Grant Liabilities – Other	5,792	29,151
	<u>491,084</u>	<u>299,437</u>
 NOTE 11 – LEASES LIABILITIES		
Current		
Lease Liability - current	307,325	45,106
Lease Liability - non-current	3,725,262	-
	<u>4,032,587</u>	<u>45,106</u>
 (a) Future Minimum Lease Payments		
Future minimum lease payments		
Payable within 1 year	340,186	46,121
Payable within 1- 5 years	1,218,389	-
Payable greater than 5 years	2,704,164	-
Minimum lease payments	<u>4,262,739</u>	<u>46,121</u>
Less Future finance charges	<u>(230,152)</u>	<u>(1,015)</u>
Net present value	<u>4,032,587</u>	<u>45,106</u>

DIRECTIONS HEALTH SERVICES LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 12 – CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities

The Company is not engaged in any litigation or claim which is like to have a material adverse effect on the operations of the business.

Capital Expenditure Commitments

The Company does not have capital commitments as of 30 June 2020 (2019: Nil).

NOTE 13 – FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, trade and other receivables, trade and other payables and finance leases.

Due to the small size of the Company significant risk management decisions are taken by the Directors of the Company. These risks include credit risk and liquidity risk. The policies for managing each of these risks are summarised below.

	2020	2019
	\$	\$
<u>a) Categories of financial instruments</u>		
Financial Assets at amortised cost		
Cash and Cash Equivalents	1,779,898	1,638,519
Trade and Other Receivables	623,182	294,889
Total Financial Assets	<u>2,403,080</u>	<u>1,933,408</u>
Financial Liabilities at amortised cost		
Trade Payables	8 331,580	225,366
Net GST Payable	8 143,373	91,990
Employee Benefits Payable	8 123,283	85,744
Lease liability	11 4,032,587	45,106
	<u>4,630,823</u>	<u>448,206</u>

b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis.

The credit risk on liquid funds and derivative financial instruments is limited because they are held with the NAB which has a high credit-ratings assigned by international credit-rating agencies.

c) Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

DIRECTIONS HEALTH SERVICES LIMITED
ABN: 93 699 256 195

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 14 – KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

(i) Board Members

The names of persons who were Board Members during the financial year were:

Frank Quinlan – Chair	Amy Kilpatrick
Ken Wedgwood – Vice Chair / Secretary	Ben Duggan
Peter Norton – Treasurer	Patrick McKenna
Paul Walshe	Tina McGhie
Betty Domazet	Andrew Fraser

(ii) Executives

The names of persons who were Executives during the financial year were:

Bronwyn Hendry (CEO)
Stephanie Stephens (Service Delivery Director)
Carolyn Andreae (HR and Operations Manager)
Ram Naik (Finance and ICT Director)

	2020	2019
	\$	\$
Short-term benefits	629,907	491,115
Post-employment benefits	52,593	46,731
Other long-term benefits	6,537	5,958
Total	<u>689,036</u>	<u>543,804</u>

NOTE 15 – RELATED PARTY TRANSACTIONS

Neither the Board members nor their associates received any remuneration in connection with the management. Any dealings which the Board members and their associates are on normal commercial terms and conditions.

During the year there were no significant transactions with Board members or Board member-related entities. At the reporting date there were no amounts payable to, or receivable from, Board members or Board member-related entities.

DIRECTIONS HEALTH SERVICES LIMITED

ABN: 93 699 256 195

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020****NOTE 16 – COMPANY DETAILS**

The Company operates in the Australian Capital Territory and New South Wales in one industry, being health services. The principal activities of the Company are to provide resources, programs and services to people who use drugs including alcohol, to promote community awareness of safe drug use and as an advocacy service for clients of the Company in the Australian Capital Territory and New South Wales.

The Company was incorporated as a company limited by guarantee under the *Corporations Act 2001* on 25 March 2020. Prior to this, the company was incorporated as an incorporated association in the Australian Capital Territory. The Company is also registered as a Registrable Australian Body through the Australian Securities and Investment Commission as of 11 October 2016 to enable service delivery into the NSW region.

Its principal place of business and registered office is Level 6, Cosmopolitan Centre, 21 Bowes Street, ACT, 2606.

NOTE 17 - RECONCILIATION OF CASH FLOWS FROM OPERATIONS WITH SURPLUS FROM ORDINARY ACTIVITIES

	2020	2019
	\$	\$
Surplus from ordinary activities	123,401	69,612
Non-cash flows in Surplus from ordinary activities:		
Depreciation - Plant and Equipment	78,173	95,732
Depreciation - Right of Use Assets	413,874	-
Changes in operating assets and liabilities:		
(Increase) / Decrease in Trade and Other Receivables	(328,293)	(64,052)
(Increase) / Decrease in Other Current Assets	(7,507)	33,936
(Increase) / Decrease in Inventories	(24,973)	5,083
Increase / (Decrease) in Trade and Other Payables	332,612	212,320
Increase / (Decrease) in Unexpended Grant Liabilities	191,647	(408,993)
Increase / (Decrease) in Provisions	433	(18,583)
Net cash provided by operating activities	<u>779,367</u>	<u>(74,945)</u>

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DIRECTIONS HEALTH SERVICES LIMITED

ABN 93 699 256 195

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Directions Health Services Limited ('the company'), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and 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 for the company.

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

- (i) giving a true and fair view of the company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards 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 auditor independence requirements of the *Australian Charities and Not-for-profits Commission 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 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.

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

The directors 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 2020 but does not include the financial report and our auditor's report thereon.

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 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 the other information, we are required to report on that fact. We have nothing to report in this regard.

Directors' Responsibility 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 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.

Synergy Group Audit Pty Ltd

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PO Box 3789 Kingston ACT 2600 ABN 45 104 227 063 AUTHORISED AUDIT COMPANY NO. 301280

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In preparing the financial report, the directors are responsible for assessing the ability of the company 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 has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's 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 director's 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 the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 the audit.



Eric Hummer
Audit Director
Synergy Group Audit Pty Ltd

10 November 2020





Directions

Pathways to Recovery

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