

Directions

Audited financial statements for
the year ended 30 June, 2023



DIRECTIONS
HEALTH SERVICES
LIMITED

DIRECTIONS HEALTH SERVICES LIMITED
ABN: 93 699 256 195

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

CONTENTS

| |
|-----------------------------------|
| Directors' Report |
| Directors' Declaration |
| Statement of Comprehensive Income |
| Statement of Financial Position |
| Statement of Changes in Equity |
| Statement of Cash Flows |
| Notes to the Financial Statements |
| Independent Auditor's Report |

Directions Health Services Limited ABN 93 699 256 195

DIRECTORS' REPORT

Your directors present this report on the Company for the financial year ended 30 June 2023.

Directors

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

Mr Richard Refshauge
Mr Ken Wedgwood
Mr Peter Norton
Ms Amy Kilpatrick
Dr Betty Domazet
Ms Tina McGhie
Mr Patrick McKenna
Ms Susan Helyar
Ms Diane Faye Bray AM

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

Membership

The Company is a company limited by guarantee. If the Company 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 2023, the number of members were 9.

Principal Activities

The principal activities of the Company during the financial year ended 30 June 2023 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 Directions' Strategic Plan 2020-2025 and are reflected in the Operational Plan.

Financial Result

The Company's operating result from ordinary activities was a deficit of \$59,377 for the year 1 July 2022 to 30 June 2023 (2022: \$185,255 deficit).

Performance Measurement

The Company continually measures its performance as follows:

- I. The annual budget for the Company is prepared with input from the Executive team and reviewed by the Chief Executive Officer. The Finance, Audit and Risk Management Sub-committee (FARM) 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 FARM.
- II. The Company measures its own performance using both quantitative and qualitative benchmarks. The benchmarks are used by the directors to assess the financial sustainability of the Company and whether the Company's short-term and long-term objectives are being achieved.

DIRECTORS' REPORT

- ✓ The financial and operational performance of the Company 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 on a six-monthly basis.
- ✓ 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 Company maintains an Organisational Quality Improvement Plan which is reviewed quarterly by the Senior Management team.
- ✓ The Company 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.
- ✓ Company accreditations occur on a three-year cycle, with the Company holding the following accreditations: QIP (entity-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 Company is in the process of developing an Evaluation Framework which will inform and support an entity-wide structured and ongoing evaluation approach.

| INFORMATION ON DIRECTORS | |
|---------------------------------|---|
| Mr Ken Wedgwood | Secretary, Board Director and Deputy Chair (until 28 November 2022) |
| Qualifications | Bachelor of Arts (Administration & Law) Master of Commerce in Accounting (UC) Certified Practising Accountant (CPA) |
| Profile | Commercial management Grant management Public sector financial management |
| Mr Peter Norton | Board Director and Treasurer |
| Qualifications | Bachelor of Commerce (ANU) Company Director's Course (AICD) Chartered Accountant (CA) Registered Tax Agent Master of Taxation (UNSW) |
| Profile | Over 30 years' experience in financial management, business improvement and tax, including over 12 years as CFO of various large construction and property services businesses employing over 300 people. Also provides advice to businesses in property, technology, manufacturing, and hospitality sectors. |
| 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 Patrick McKenna | Board Director and Deputy Chair (from 28 November 2022) |
| Qualifications | Master of Philosophy (QUT) Executive MBA (QUT) Company Directors Course (AICD) Grad Cert Business (QUT) Dip Project Management (ACSE) PRINCE2 MSP and Agile Certified Practitioner (Tanner James) |
| Profile | Director Strategic Projects (Research) Charles Sturt University 10 years' experience in senior finance roles 8 years' experience in general management roles 7 years' experience in senior strategy and policy roles 15+ years' experience serving on governance boards |
| Dr Betty Domazet | Board Director |
| Qualifications | Bachelor of Medicine, Bachelor of Surgery-MBBS (UNSW) FACEM (Australasian College of Emergency Medicine) Master Business Administration (MBA) |
| Profile | Front line medical experience in acute AOD issues Extensive experience in AFP, ACT ambulance Services, legal and policy |

| | |
|-----------------------------|--|
| | interface with 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 | Chairperson - Consultant at Curijo Pty Ltd 20 years' experience in Aboriginal Affairs 15 years' experience in Management and Leadership Community Service |
| Mr Richard Refshauge | Board Chair |
| Qualifications | BA(Hons) LLB graduated from Australian National University (ANU) |
| Profile | 15+ years' lawyer in private practice specialising in commercial, criminal, administrative, insolvency and constitutional law. Judge of the ACT Supreme Court (2008 - 2017) Adjunct Professor, ANU College of Law (2001 - current) ACT Director of Public Prosecutions (1998) Acting Judge of the ACT Drug & Alcohol Sentencing List-DASL (2020-current) 40+ years commitment to Directions' health services work. Founding member of Directions (then known as Drug Information and Referral Centre) Extensive Governance experience: Arts Council of Australia Canberra Theatre Trust, Chair of the Boards of Fortune Theatre Company, the Australian Choreographic Centre and QL2 Dance. Member and Chair of the ACT Cultural Council for 10 years and the ACT Cultural Facilities Corporation Board. Deputy Chair of NIDA and member of NIDA Audit Finance and Risk Committee since 2019 |
| Ms Susan Helyar | Board Director |
| Qualifications | Bachelor of Social Work, University of Sydney Company Directors Course (AICD) Australian Government Management training: Partnerships and Relationship Management, Personal Effectiveness Program, Leadership through Policy Change |
| Profile | 15 years' experience in Governance roles, including Shine for Kids and Legal Aid ACT 20+ years' experience in policy development, advocacy, and leadership in social services, Non-profit Organizations, Communication, Social Policy, Strategic Partnerships, and Public Speaking |

| | |
|------------------------------|--|
| Ms Diane Faye Bray AM | Board Director |
| Qualifications | Graduate Diploma in Public Sector Management Griffith University Fellow of Australian Institute of Company Directors (FAICD) Fellow of the Fundraising Institute of Australia (FFIA) |
| Profile | Over 40 years' experience in the ACT Public Service and Community and not for profit sector Executive Director of Corporate Services for the Department of Justice and Community Safety Public Trustee for the ACT Business Manager at the Legal Aid Commission Diane Kargas Consulting (Philanthropy Matters) (since 2004) 2009 Member of the Order of Australia (AM) 2004 Australian of the Year ACT Local Hero Award 2018 ACT Citizen of the Year Extensive Governance experience: Board Director at Directions Health Services, Chair of Hands Across Canberra, Chair Chief Ministers Charitable Fund, Board Director Community Foundations Australia, Board Director Fundraising and Philanthropy Common Ground Canberra, Board Member Strategic Governance, ASCEND Grand Challenge ANU, Member AXIAL Homelessness Housing Project, ACT Gov, Catholic Care and St Vincent de Paul, and ACT Committee Member Fundraising Institute of Australia. |

Meetings of Directors

During the financial year, six (6) meetings of directors were held. Attendances by each director were as follows:


Directors' Meetings

| | Number eligible to attend | Number attended |
|-----------------------|----------------------------------|------------------------|
| Mr Richard Refshauge | 8 | 6 |
| Mr Ken Wedgwood | 8 | 6 |
| Mr Peter Norton | 8 | 7 |
| Ms Amy Kilpatrick | 8 | 3 |
| Dr Betty Domazet | 8 | 8 |
| Ms Tina McGhie | 6 | 1 |
| Mr Patrick McKenna | 8 | 7 |
| Ms Susan Helyar | 7 | 5 |
| Ms Diane Faye Bray AM | 8 | 7 |

Indemnification of Directors and Officers

During the financial year, the Company paid a premium of \$2,655 (2022 - \$2,959) to insure the directors and secretary of the Company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

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

Director: 
Dated this NINE TEEN TH day of OCTOBER 2023

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 2023 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 19 day of October 2023



Peter Norton (Treasurer)

DIRECTIONS HEALTH SERVICES LIMITED
ABN: 93 699 256 195

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

| | Notes | 2023 \$ | 2022 \$ |
|---|-------|-------------------|-------------------|
| Revenue | | | |
| Revenues from Ordinary Activities | 2 | 11,664,177 | 10,631,512 |
| Total Revenue | | <u>11,664,177</u> | <u>10,631,512</u> |
| Expenses | | | |
| Employee Benefits | | 9,106,217 | 8,376,432 |
| Other Expenses from Ordinary Activities | 3 | 2,004,659 | 1,841,937 |
| Depreciation | 4 | 105,020 | 102,469 |
| Lease Expenses | 4 | 507,658 | 495,929 |
| Total Expenses | | <u>11,723,554</u> | <u>10,816,767</u> |
| | | | |
| Deficit from Ordinary Activities | | <u>(59,377)</u> | <u>(185,255)</u> |
| | | | |
| Total Comprehensive Loss | | <u>(59,377)</u> | <u>(185,255)</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 2023

| | Notes | 2023 \$ | 2022 \$ |
|--------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | | 2,731,705 | 2,610,264 |
| Trade and Other Receivables | | 222,923 | 251,056 |
| Inventories | | 31,855 | 30,658 |
| Other | 5 | 208,780 | 93,931 |
| Total Current Assets | | <u>3,195,263</u> | <u>2,985,909</u> |
| Non-Current Assets | | | |
| Plant and Equipment | 6 | 549,169 | 614,248 |
| Right-of-Use Assets | 7 | 2,916,618 | 3,305,321 |
| Total Non-Current Assets | | <u>3,465,787</u> | <u>3,919,569</u> |
| TOTAL ASSETS | | <u>6,661,050</u> | <u>6,905,478</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and Other Payables | 8 | 1,167,057 | 1,254,307 |
| Unexpended Grant Liabilities | 9 | 1,048,567 | 818,185 |
| Leases Liabilities | 10 | 303,839 | 330,524 |
| Total Current Liabilities | | <u>2,519,463</u> | <u>2,403,016</u> |
| Non-Current Liabilities | | | |
| Leases Liabilities | 10 | 2,917,153 | 3,218,651 |
| Total Non-Current Liabilities | | <u>2,917,153</u> | <u>3,218,651</u> |
| TOTAL LIABILITIES | | <u>5,436,616</u> | <u>5,621,667</u> |
| NET ASSETS | | <u>1,224,434</u> | <u>1,283,811</u> |
| EQUITY | | | |
| Retained Earnings | | 1,224,434 | 1,283,811 |
| TOTAL EQUITY | | <u>1,224,434</u> | <u>1,283,811</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 2023

| | 2023 | 2022 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| RETAINED EARNINGS | | |
| Balance at beginning of year | <u>1,283,811</u> | <u>1,469,066</u> |
| Deficit from ordinary activities for the year | (59,377) | (185,255) |
| Other Comprehensive Income for the year | - | - |
| Total Comprehensive Loss | <u>(59,377)</u> | <u>(185,255)</u> |
| Balance at end of year | <u><u>1,224,434</u></u> | <u><u>1,283,811</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 2023

| | Note | 2023 \$ | 2022 \$ |
|---|------|-------------------------|-------------------------|
| Cash Flows from Operating Activities | | | |
| Receipts from grants and other income | | 12,999,893 | 11,296,211 |
| Payments to suppliers and employees | | (12,511,279) | (11,075,634) |
| Interest paid on lease liability | | (28,573) | (31,816) |
| Interest received | | 29,526 | 4,494 |
| <i>Net Cash provided by operating activities</i> | 16 | <u>489,567</u> | <u>193,255</u> |
| Cash Flows from Investing Activities | | | |
| Payments for plant and equipment | | <u>(39,943)</u> | <u>(76,363)</u> |
| <i>Net Cash used in investing activities</i> | | <u>(39,943)</u> | <u>(76,363)</u> |
| Cash Flows from Financing Activities | | | |
| Payments of finance lease principal | | <u>(328,183)</u> | <u>(389,171)</u> |
| <i>Net Cash used in financing activities</i> | | <u>(328,183)</u> | <u>(389,171)</u> |
| Net increase/ (decrease) in cash and cash equivalents | | 121,441 | (272,279) |
| Cash and cash equivalents at the beginning of financial year | | <u>2,610,264</u> | <u>2,882,543</u> |
| Cash and cash equivalents at the end of the financial year | | <u><u>2,731,705</u></u> | <u><u>2,610,264</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 2023

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* (ACNC Act).

These financial statements incorporate the financial activities of the Company.

These financial statements are 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*.

These financial statements are prepared on an accruals basis and are based on historical costs and do 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 these financial statements. The accounting policies have been consistently applied, unless otherwise stated.

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 did not have a material effect on the Company's financial statements.

(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 and Other Income

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 revenue as it satisfies its performance obligations.

If an unexpended grant liability is recognised, the Company 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 as revenue upon the delivery of the service to the customer.

DIRECTIONS HEALTH SERVICES LIMITED
ABN: 93 699 256 195

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue and Other Income (continued)

Contributions Based Income from Grants and Other Contractual Arrangements

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;

+ 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 other income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

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.

Depreciation

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.

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

| Class of Asset | Useful life |
|-------------------------|--------------------|
| Furniture and Equipment | 3-10 years |
| Motor Vehicles | 6-7 years |
| Leasehold Improvements | 15 years |

DIRECTIONS HEALTH SERVICES LIMITED
ABN: 93 699 256 195

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leases

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 are 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.

Impairment

Right-of-use assets are subject to impairment.

Depreciation

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.

| Class of Asset | Useful life |
|---|---------------------------------|
| Right-of-use building assets | 3-7 years (term of lease) |
| Right-of-use plant and equipment assets | 2-3.25 years (term of lease) |
| Right-of-use office equipment assets | 3.75-3.83 years (term of lease) |

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.

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.

DIRECTIONS HEALTH SERVICES LIMITED
ABN: 93 699 256 195

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 Company to be significantly impacted by COVID-19.

Given that project grant revenue is a significant revenue source for the Company, 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.

DIRECTIONS HEALTH SERVICES LIMITED

ABN: 93 699 256 195

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 (except for trade receivables) are initially measured at fair value. Trade receivables are initially recognised at the transaction price. Financial assets are 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.

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 are 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 Instruments*.

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 2023

| | 2023 | 2022 |
|--|-------------------|-------------------|
| | \$ | \$ |
| NOTE 2 - REVENUE | | |
| Operating Activities: | | |
| - Grants | 10,875,449 | 10,034,811 |
| - Other income | 755,357 | 592,207 |
| | <u>11,630,806</u> | <u>10,627,018</u> |
| Non-Operating Activities: | | |
| - Interest | 33,371 | 4,494 |
| Total Revenue | <u>11,664,177</u> | <u>10,631,512</u> |
| (a) Timing of recognition of revenue from contracts with customers | | |
| Performance obligations met over the period of the contract: | | |
| Grants - ACT Health | 5,580,497 | 5,057,928 |
| Grants - NSW Health | 757,701 | 742,846 |
| Grants - CHN | 1,744,502 | 971,793 |
| Grants - MPFH | 522,379 | 572,379 |
| Grants - Coordinare | 1,812,294 | 2,470,176 |
| Grants - Other contracts | 1,624,540 | 987,873 |
| Grants - Net transfer from (to) unexpended funds | (1,171,783) | (768,184) |
| | <u>10,870,130</u> | <u>10,034,811</u> |
| Performance obligations met at a point in time: | | |
| Other contracts - admission fees, bed charges and Medicare fees | 644,456 | 479,494 |
| | <u>644,456</u> | <u>479,494</u> |

NOTE 3 – OTHER EXPENSES

| | Note | | |
|--|-------------|------------------|------------------|
| Accommodation and related costs (excluding office lease expense) | | 263,419 | 236,243 |
| Office running costs | | 537,653 | 572,921 |
| Program running costs | | 661,762 | 509,086 |
| Medical services | | 502,712 | 485,858 |
| Auditor remuneration | 4 | 35,811 | 34,995 |
| Other | | 3,302 | 2,834 |
| | | <u>2,004,659</u> | <u>1,841,937</u> |

DIRECTIONS HEALTH SERVICES LIMITED
ABN: 93 699 256 195

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

| | 2023 | 2022 |
|--|------------------|------------------|
| | \$ | \$ |
| NOTE 4 – SURPLUS FROM ORDINARY ACTIVITIES | | |
| Surplus from ordinary activities has been determined after the following expenses: | | |
| Depreciation of plant and equipment | <u>105,022</u> | <u>102,469</u> |
| Lease expenses: | | |
| - Depreciation of right-of-use assets | 388,703 | 459,537 |
| - Interest expense on lease liability | 28,573 | 31,816 |
| - Short-term and low-value assets lease payments | 90,382 | - |
| - Other lease adjustments | - | 4,576 |
| Total lease expenses | <u>507,658</u> | <u>495,929</u> |
| Auditor remuneration: | | |
| - Audit of the financial statements | 22,950 | 21,950 |
| - Other audit services | 7,740 | 6,970 |
| - Other services (financial statements preparation) | 2,075 | 1,975 |
| - Other services (AASB 16 - consulting service) | 1,683 | 4,100 |
| Total auditor remuneration | <u>34,448</u> | <u>34,995</u> |
| NOTE 5 - OTHER CURRENT ASSETS | | |
| Prepayments | 204,935 | 90,598 |
| Accrued income | 3,845 | - |
| Other assets | - | 3,333 |
| | <u>208,780</u> | <u>93,931</u> |
| NOTE 6 - PLANT AND EQUIPMENT | | |
| Work in Progress - Pill Testing Equipment - at cost | <u>40,530</u> | <u>28,587</u> |
| Furniture and equipment – at cost | 353,373 | 353,373 |
| Less: Accumulated depreciation | <u>(304,090)</u> | <u>(279,451)</u> |
| | <u>49,283</u> | <u>73,922</u> |
| Arcadia improvements – at cost | 45,321 | 45,321 |
| Less Accumulated depreciation | <u>(27,559)</u> | <u>(22,490)</u> |
| | <u>17,762</u> | <u>22,831</u> |
| Motor vehicles - at cost | 578,598 | 563,518 |
| Less: Accumulated depreciation | <u>(266,499)</u> | <u>(230,042)</u> |
| | <u>312,099</u> | <u>333,476</u> |
| Leasehold improvements – at cost | 388,872 | 388,872 |
| Less: Accumulated depreciation | <u>(259,377)</u> | <u>(233,440)</u> |
| | <u>129,495</u> | <u>155,432</u> |
| Total Plant and Equipment | <u>549,169</u> | <u>614,248</u> |

DIRECTIONS HEALTH SERVICES LIMITED

ABN: 93 699 256 195

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 6 - PLANT AND EQUIPMENT (continued)

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 | Depreciation expense | Balance at the end of year |
|-------------------------|---|------------------|---------------------------------|---------------------------------------|
| | \$ | \$ | \$ | \$ |
| Work in progress | 28,587 | 11,943 | - | 40,530 |
| Furniture and equipment | 73,922 | - | (24,638) | 49,284 |
| Arcadia Improvements | 22,831 | - | (5,069) | 17,762 |
| Motor vehicles | 333,476 | 28,000 | (49,377) | 312,099 |
| Leasehold improvements | 155,432 | - | (25,938) | 129,494 |
| | <u>614,248</u> | <u>39,943</u> | <u>(105,022)</u> | <u>549,169</u> |

| | 2023 | 2022 |
|---|--------------------|--------------------|
| | \$ | \$ |
| NOTE 7 – RIGHT-OF-USE (ROU) ASSETS | | |
| ROU - Buildings | 4,254,553 | 4,421,982 |
| Less: Accumulated depreciation | <u>(1,337,935)</u> | <u>(1,157,809)</u> |
| | <u>2,916,618</u> | <u>3,264,173</u> |
| ROU - Plant and equipment | - | 89,617 |
| Less: Accumulated depreciation | <u>-</u> | <u>(62,042)</u> |
| | <u>-</u> | <u>27,575</u> |
| ROU - Office equipment | - | 62,436 |
| Less: Accumulated depreciation | <u>-</u> | <u>(48,863)</u> |
| | <u>-</u> | <u>13,573</u> |
| Total ROU Assets | <u>2,916,618</u> | <u>3,305,321</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 | Depreciation expense | Balance at the end of year |
|---------------------------|---|---------------------------------|---------------------------------------|
| | \$ | \$ | \$ |
| ROU - Buildings | 3,264,173 | (347,555) | 2,916,618 |
| ROU - Plant and equipment | 27,575 | (27,575) | - |
| ROU - Office equipment | 13,573 | (13,573) | - |
| | <u>3,305,321</u> | <u>(388,703)</u> | <u>2,916,618</u> |

DIRECTIONS HEALTH SERVICES LIMITED

ABN: 93 699 256 195

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

| | 2023 | 2022 |
|--|------------------|------------------|
| | \$ | \$ |
| NOTE 8 – TRADE AND OTHER PAYABLES | | |
| Current | | |
| Trade payables | 96,046 | 180,632 |
| Accrued expenses | 83,526 | 6,530 |
| Net GST payable | 194,747 | 162,233 |
| Employee benefits payable | 305,115 | 396,441 |
| Annual leave liability | 487,623 | 508,471 |
| | <u>1,167,057</u> | <u>1,254,307</u> |
| NOTE 9 – UNEXPENDED GRANT LIABILITIES | | |
| Unexpended grant liabilities – ACT Health Funding | 143,508 | 131,220 |
| Unexpended grant liabilities – CHN | 62,500 | 43,475 |
| Unexpended grant liabilities – NSW Health Funding | 555,439 | - |
| Unexpended grant liabilities – Coordinare | 287,120 | 593,490 |
| Unexpended grant liabilities – The Snow Foundation | - | 50,000 |
| | <u>1,048,567</u> | <u>818,185</u> |
| NOTE 10 – LEASES LIABILITIES | | |
| Current | | |
| Lease liability - current | 303,839 | 330,524 |
| Lease liability - non-current | 2,917,153 | 3,218,651 |
| | <u>3,220,992</u> | <u>3,549,175</u> |
| (a) Future minimum lease payments | | |
| Future minimum lease payments | | |
| Payable within 1 year | 329,667 | 359,120 |
| Payable within 1- 5 years | 1,273,375 | 1,276,853 |
| Payable greater than 5 years | 1,758,348 | 2,082,195 |
| Minimum lease payments | 3,361,390 | 3,718,168 |
| Less Future finance charges | (140,398) | (168,993) |
| Net present value | <u>3,220,992</u> | <u>3,549,175</u> |

DIRECTIONS HEALTH SERVICES LIMITED
ABN: 93 699 256 195

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 11 – 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 2023 (2022: Nil).

NOTE 12 – 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.

| <u>a) Categories of financial instruments</u> | Note | 2023 \$ | 2022 \$ |
|--|------|------------------|------------------|
| Financial Assets at amortised cost | | | |
| Cash and Cash Equivalents | | 2,731,705 | 2,610,264 |
| Trade and Other Receivables | | 222,923 | 251,056 |
| Total Financial Assets | | <u>2,954,628</u> | <u>2,861,320</u> |
| Financial Liabilities at amortised cost | | | |
| Trade Payables | 8 | 96,046 | 180,632 |
| Net GST Payable | 8 | 194,747 | 162,233 |
| Employee Benefits Payable | 8 | 305,115 | 396,441 |
| Lease Liability | 10 | <u>3,220,992</u> | <u>3,549,175</u> |
| | | <u>3,816,900</u> | <u>4,288,481</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 2023**

NOTE 13 – 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:

| | |
|--|-------------------------|
| Mr Richard Refshauge - Board Chair | Ms Amy Kilpatrick |
| Mr Ken Wedgwood – Board Vice Chair / Secretary | Mr Patrick McKenna |
| Mr Peter Norton – Treasurer | Ms Tina McGhie |
| Ms Susan Helyar | Ms Diane Kargas Bray AM |
| Dr Betty Domazet | |

(ii) Executives

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

Bronwyn Hendry (CEO)
Stephanie Stephens (Chief Operating Officer)
Ram Naik (Chief Financial Officer)
Kellie Pledger (Executive Director HR & Operations until 4 November 2022)
Sharon Flanigan (Executive Director HR & Operations from 16 January 2023)

| | 2023 | 2022 |
|--|----------------|----------------|
| | \$ | \$ |
| Short-term benefits | 654,014 | 682,661 |
| Post-employment benefits | 69,264 | 65,504 |
| Termination benefits | 24,445 | |
| Other long-term benefits | 10,382 | 10,391 |
| Aggregate remuneration of key management personnel | <u>758,105</u> | <u>758,556</u> |

NOTE 14 – RELATED PARTY TRANSACTIONS

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

During the 2022-23 financial year there were no transactions with key management personnel (KMP) or their related entities not under normal arms-length commercial terms and conditions. At the reporting date there were no amounts payable to, or receivable from, related entities. The following transactions (GST inclusive values) involved KMP related entities during 2022-23:

- The Company paid \$20 (2022: \$20) to the Fundraising Institute of Australia for a non-member subscription.
- The Company paid \$250 to Society of St Vincent de Paul Canberra and Goulburn as a contribution to the NAIDOC Event Committee.
- The Company paid \$72,620 (2022: \$7,020) to the Canberra Alliance for Harm Minimisation & Advocacy for peer treatment support workers to support Directions PAT Van Outreach.

DIRECTIONS HEALTH SERVICES LIMITED

ABN: 93 699 256 195

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 15 – 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's principal place of business and registered office is Level 6, Cosmopolitan Centre, 21 Bowes Street, ACT, 2606.

NOTE 16 - RECONCILIATION OF CASH FLOWS FROM OPERATIONS WITH DEFICIT FROM ORDINARY ACTIVITIES

| | 2023 | 2022 |
|---|----------------|----------------|
| | \$ | \$ |
| Deficit from ordinary activities | (59,377) | (185,255) |
| Non-cash flows in Deficit from ordinary activities: | | |
| Depreciation - Plant and Equipment | 105,022 | 102,469 |
| Depreciation - Right of Use Assets | 388,703 | 459,537 |
| Changes in operating assets and liabilities: | | |
| Movement in Trade and Other Receivables | 28,133 | (70,979) |
| Movement in Other Current Assets | (114,849) | 6,070 |
| Movement in Inventories | (1,197) | 15,580 |
| Movement in Trade and Other Payables | (87,250) | 118,011 |
| Movement in Unexpended Grant Liabilities | 230,382 | (249,978) |
| Movement in Provisions | - | (2,200) |
| Net cash provided by operating activities | <u>489,567</u> | <u>193,255</u> |

INDEPENDENT AUDITOR'S REPORT

To the members of Directions Health Services Limited
ABN 93 699 256 195

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 2023, 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 2023 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Simplified Disclosures and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 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 (including independence standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and 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 2023 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 this other information, we are required to report 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 give 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 a 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.

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 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 maintain 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 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 financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision, and performance of the Company audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



Eric Hummer
Audit Director
Bentleys ACT Pty Ltd
Authorised Audit Company No. 301280

23 October 2023



DIRECTIONS
HEALTH SERVICES

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