Neami National
Improving Mental Health and Wellbeing

Neami Group

Consolidated Financial Statements

For the year ended 30 June 2018

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Directors' Report

All the directors of Neami Limited hereby present their report to all members, partners, staff, funders and consumers for the financial year ended 30 June 2018.

1. Directors

The names and details of the Directors who held office during or since the end of the financial year are:

Sonia Law (Chair)

BA, LLB(Hons), PGradDipTESL, DipEd, GAICD
Sonia was elected to the Board in 2012 and elected Chair of the Board in December 2016. Sonia has been a lawyer since 2000. She is currently the Manager of the Mental Health and Disability Advocacy Program at Victoria Legal Aid. Prior to this, she was Corporate Counsel at Forensicare for seven years.

Brad Wynter (Deputy Chair)

BAPsych, MBA, CertIV Mgt, GAICD
Brad has been a member of the Board since 2011 and Deputy Chair since December 2016. He was Organisation Improvement Manager and Smart City Innovator at the City of Whittlesea for 18 years, and Deputy Director Citizen Access and Transformation in the State Government for one year. Brad is also on the advisory board of the technology start-up called Human Centred Innovations.

Stephen Brand

BSW, GradCertHSA, GAICD
Stephen was elected to the Board in 2006 and was Chair for five years from 2011 until 2016. Stephen worked most recently for the Australian Association of Social Workers, and worked in the NSW government mental health sector for over 30 years. Stephen retired from the Board in October 2017.

Douglas Holmes

CertIV WT(Cat2), DipTAA
Douglas was a Board member from 2007 to 2014 and was re-elected in 2015. He resigned from the Board in May 2018. He is currently the General Manager at MH-worX. Douglas won the Exceptional Contribution to Mental Health Service Award in 2014 and the Order of Australia Medal in 2018 for service to Community Health.

Graeme Doidge

BA, DipAppSci, DipBus, Cert IV T&E, RPN
Graeme was elected to the Board in 2011. He is a Clinical Community Service Manager for St Vincent's Hospital Melbourne where he has worked for the past 10 years. Graeme also has 25 years' experience in Clinical, Policy and Service Development roles in the Mental Health Sector.

Lorraine Ann Powell

CertIV MH (Peer Work), GAICD
Lorraine was elected to the Board in 2014. She has 16 years of experience as a consumer representative and consultant at local, state and national levels. Lorraine is an experienced clinical governance reviewer and the Western Australia Consumer Representative on the National Mental Health Consumer and Carer Forum (NMHCCF) and was appointed the Consumer Co-Chair in 2018. She is also a member of the National Register of Mental Health Consumer and Carer Representatives with Mental Health Australia.

Anthony Joseph (Tony) Nippard

BCom(Hons), BA, MA, FGIA, FCIS, FCHSM, GAICD
Tony became a Board member in 2014. He is an experienced company director and has previously occupied senior positions in the Victorian public service. Tony is a Senior Consultant at Thoughtpost Governance.

Fiona Louise Nicholls

BA Welfare Studies, MHSS, GAICD
Fiona was elected to the Board in 2016. She has 30 years' Commonwealth Government experience in health and social welfare policy and administration, including nine years in the Senior Executive Service focussing on quality and accountability in aged care and mental health services.

Ruth Faulkner

BSci (Hons), CA, GAICD, MIMC
Ruth was appointed to the Board in March 2017. She is a Partner and Management Consultant at Conus Business Consultancy Services. Ruth has over 25 years' experience working in governance, finance, audit and risk in the not-for-profit, government and commercial sectors.

Directors were in office for the entire year unless otherwise stated.

Directors have no material interests in contracts or proposed contracts with the company.

The *Australian Charities and Not-for-profits Commission Act 2012* uses the terms 'responsible person' and 'responsible entity'. Neami has determined to use the term 'director' as the directors of a responsible entity that is a company limited by guarantee are the responsible persons for that entity.

2. Company secretary

16 June 2016 – 18 August 2016: Vanessa Karamesinis is Neami's Chief Financial Officer responsible for the financial stewardship of the organisation since 2002. She holds a Bachelor of Economics and Commerce from the University of Melbourne and is an associate member of CPA Australia and a graduate of the Australian Institute of Company Directors.

18 August 2016 – 3 January 2017: Daad Soufi, an Australian Legal Practitioner

3 January 2017 – 30 June 2017: Vanessa Karamesinis (replacing Daad Soufi whose resignation was effective on the same date).

1 July 2017 – 19 October 2017: Vanessa, Chief Financial Officer

19 October 2017 – 30 June 2018: Melanie Sherrin, an Australian Legal Practitioner

3. Principal activities

The principal activities of the Neami Group over the last financial year have been to provide recovery oriented services that support people to improve their mental health and wellbeing. The Neami Group provides a range of services, including services in housing and homelessness; residential rehabilitation; suicide prevention; intake and assessment; early intervention; NDIS services; step up step down services; clinical supports and youth services. Under the Neami Group, the Centre for Recovery Oriented Practice (CROP) also provides fee for service training to the community and clinical service sector.

4. Short-term objectives

The Group’s short term objectives are to:

- Continue to support consumers to make positive changes to their mental health and wellbeing by providing quality consumer-focused services
- Continue to grow the Neami Group’s reach to support people in new geographic regions
- Collaborate and work in purposeful partnerships with communities and organisations that enable continued expansion of Neami’s reach beyond traditional psychosocial services
- Support Neami staff to thrive in an increasingly complex environment

5. Long-term objectives

The Group's long term objectives are to:

- Investigate and develop strategies for income diversification that align with the values and Strategic Directions of the Neami Group
- Review and refine Neami's NDIS service offering to provide quality services that are financially sustainable into the future
- Develop and implement strategies that encourage innovation and a future focus that ultimately lead to positive outcomes for consumers

6. Strategy for achieving short and long-term objectives

To achieve stated objectives, Neami has adopted the following strategies:

- Implement outcomes and learnings from the Great Consumer Experience research project to support the continued development and implementation of customer-focused services
- Undertake the Great Staff Experience project to understand how staff can be best supported to achieve positive outcomes
- Assess all tender and funding opportunities for suitability in line with Neami's strategic directions, mission and vision
- Continue to develop strong working relationships with key partners including Primary Health Networks, Federal and State Governments and organisations from the mental health sector and beyond
- Develop a staff attraction and retention strategy to recruit and retain quality staff that bring a growth mindset and are committed to contributing to the success of consumers and the organisation

7. Directors' meetings

The number of directors' meetings (including meetings of committees of directors) attended by each of the directors of the company during the year were:

Directors	Neami Board Meetings		Me Well Board Meetings		QSCG Committee Meetings		FARM Committee Meetings		GR Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
Sonia Law	6	6	7	7	3	3	5	5	3	3
Bradley Wynter	6	6	7	7	-	-	5	5	-	-
Douglas Holmes (resigned May 2018)	4	5	4	5	-	-	2	3	-	-
Anthony Joseph (Tony) Nippard	6	6	7	7	-	-	5	5	3	3
Stephen Brand (retired October 2017)	2	2	2	2	2	2	1	1	-	-
Graeme Doidge	6	6	7	7	5	5	-	-	2	3
Lorraine Ann Powell	6	6	6	7	4	5	-	-	3	3
Fiona Louise Nicholls	5	6	7	7	5	5	-	-	3	3
Ruth Faulkner	6	6	7	7	-	-	5	5	-	-

FARM = Finance, Audit and Risk Management Committee.

QSCG = Quality, Safety and Clinical Governance Committee.

GRC = Governance Review Committee

Column A is the number of meetings the director attended.

Column B is the number of meetings the director was entitled to attend.

8. Contribution in winding up

Neami is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of $20 each towards meeting any outstanding obligations of the entity. At 30 June 2018, the total amount that members of the company are liable to contribute if the company wound up is $140 (2017: $180).

9. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 60 – 40 of the *Australian Charities and Not-for-profits Commission Act 2012* is included in page 8 of this financial report and forms part of the Directors' report.

Signed in accordance with a resolution of the directors.

Sonia Law

Director

6 September 2018

GrantThornton

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Auditor's independence declaration
To the directors of Neami Limited

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of Neami Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

E W Passaris
Partner - Audit & Assurance

Melbourne, 6 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 $	Restated 2017 $
Revenue	4	90,921,581	82,552,402
Other income	4	464,704	1,346,855
Gain on Acquisition	4	1,126,370	-
Employee benefit expenses	11.1	(74,037,608)	(66,368,719)
Office and occupancy expenses		(7,439,458)	(6,132,417)
Consortium expenses	19	(3,481,036)	(2,698,379)
Fair value gains on financial assets at fair value through profit or loss	2.1, 7	497,646	356,318
Other expenses		(5,956,929)	(5,595,514)
Depreciation and amortisation expenses	8, 9	(1,960,239)	(2,137,888)
Surplus/(Deficit)		**135,031**	**1,322,658**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of land and building	13	-	229,621
Other comprehensive income/(loss) for the period		-	229,621
Total comprehensive income/(loss) for the period		**135,031**	**1,552,279**

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	2018	Restated 2017
		$	$
Assets			
Current assets			
Cash and cash equivalents	5	19,542,442	17,087,767
Investments	7	8,117,924	7,591,102
Trade and other receivables	6	6,189,762	3,176,187
Total current assets		33,850,128	27,855,056
Non-current assets			
Investments	7	11,319,569	10,648,745
Property, plant and equipment	8	3,334,138	3,204,942
Intangible assets	9	50,744	105,585
Total non-current assets		14,704,451	13,959,272
Total Assets		48,554,579	41,814,328
Liabilities			
Current liabilities			
Trade and other payables	10	4,518,092	3,232,089
Deferred income		12.618,716	8,368,254
Provisions	12	7,286,996	6,717,615
Total current liabilities		24,423,804	18,317,958
Non-current liabilities			
Provisions	12	2,051,558	1,552,184
Total non-current liabilities		2,051,558	1,552,184
Total Liabilities		26,475,362	19,870,142
Net Assets		**22,079,217**	**21,944,186**
Equity			
Retained earnings		21,545,629	21,410,598
Reserves	13	533,588	533.588
Total Equity		**22,079,217**	**21,944,186**

This statement should be read in conjunction with the notes to the financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Notes	Reserves	Retained Earnings	Total Equity
		$	$	$
At 1 July 2016		1,030,912	19,360,995	20,391,907
Correction of investment classification	2.1	(433,629)	433,629	-
Restated equity at 1 July 2016		597,283	19,794,624	20,391,907
Surplus for the year		-	1,322,658	1,322,658
Transfer of revaluation reserve to retained earnings on disposal		(293,316)	293,316	-
Other comprehensive income/(loss)		229,621	-	229,621
As at 30 June 2017	13	**533,588**	**21,410,598**	**21,944,186**

	Notes	Reserves	Retained Earnings	Total Equity
		$	$	$
At 1 July 2017		533,588	21,410,598	21,944,186
Surplus for the year		-	135,031	135,031
Other comprehensive income		-	-	-
As at 30 June 2018	13	**533,588**	**21,545,629**	**22,079,217**

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Notes	2018	2017
		$	$
Operating activities			
Receipts from:			
Donations		1,787	25,100
Property maintenance services		639,209	695,732
Government grants		91,012,644	84,055,100
Interest income		937,932	591,449
Other income		447,906	464,860
Payments to suppliers and employees		(89,045,025)	(79,634,879)
Net cash provided by operating activities		**3,994,453**	**6,197,362**
Investing activities			
Purchase of property, plant and equipment		(1,506,241)	(1,742,002)
Purchase of intangible assets (software)		-	(40,000)
Purchase of investment		(6,100,000)	(18,000,000)
Receipt from Acquisition of business		617,453	-
Proceeds from sale of property, plant and equipment		75,847	3,883,762
Proceeds from sale of investment		5,373,163	6,410,101
Net cash used in investing activities		**(1,539,778)**	**(9,488,139)**
Net increase/(decrease) in cash held		2,454,675	(3,290,777)
Add opening cash brought forward		17,087,767	20,378,544
Closing cash carried forward		**19,542,442**	**17,087,767**

This statement should be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

1. General information and statement of compliance

The financial report includes the consolidated financial statements and notes of Neami Limited and Mental Health and Wellbeing Australia Limited (Neami Group).

Neami Group has adopted the Australian Accounting Standards – Reduced Disclosure Requirements (established by AASB 1053 Application of Tiers of Australian Accounting Standards.

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012*. Neami Limited is a not-for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements for the year ended 30 June 2018 were approved and authorised for issue by the Board of Directors on 3 September 2018.

2. Changes in accounting policies

2.1. New and revised standards that are effective for these financial statements and restatement of investment

Neami Group elected to early adopt AASB 9 Financial Instruments as issued in July 2014 in the year ended 30 June 2017 applying a full retrospective adoption.

AASB 9 requires an entity to classify its financial assets as subsequently measured at either amortised cost or fair value depending on the entity's business model for managing the financial assets and contractual cash flow characteristics of the financial assets. The adoption of this standard has no material impact on the measurement of the Group's financial assets, other than movements resulting from fair value fluctuations in investment values being recognised in profit or loss as opposed to reserves.

Investments presented at fair value through other comprehensive income after an irrevocable election on adoption of AASB 9 have been re-presented at fair value through profit or loss following further consideration of the definition of equities under AASB 132: Financial Instruments Presentation.

These investments totalled $18,239,847 and resulted in:

- Reducing reserves by $433,629 and increasing retained earnings at 1 July 2016 as fair value movements are recognised in profit or loss and not reserves

- Increasing the reported surplus by $356,318 in the year ended 30 June 2017 and reducing amounts disclosed as other comprehensive income as fair value movements are recognised in profit or loss and not reserves. This is shown as fair value gains on financial assets at fair value through profit or loss in the consolidated statement profit or loss and other comprehensive income.

There has been no impact on net assets shown in the comparative balance sheet or the statement of cash flows.

Where equities are held, in accordance with AASB 9, Neami Group will consider, as appropriate, an irrevocable election on initial recognition and may designate its investment in equities as fair value through OCI reserve. This results in all realised and unrealised gains and losses from these investments portfolio being recognised directly in equity through "other comprehensive income" in the Statement of Profit or Loss and Other Comprehensive Income.

A number of new and revised standards became effective for the first time for annual periods beginning on or after 1 July 2017. The adoption of these standards has not had a material impact on the Group.

3. Summary of accounting policies

3.1. Overall considerations

The significant accounting policies that have been used in the preparation of the financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

3.2. Basis of Consolidation

The financial statements consolidate those of Neami Limited (ABN 52 105 082 460) and its subsidiary, Mental Health and Wellbeing Australia Limited (ABN 72 614 001 937), as of 30 June 2018. Neami Limited controls its subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiary has a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. When unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted when necessary to ensure consistency with the accounting policies by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

3.3. Revenue

Revenue comprises revenue from government grants, client contributions, donations and investment income. Revenue from government grants is shown in Note 4.

Revenue is measured by reference to the fair value of consideration received or receivable by Neami Group for services provided. Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Group's different activities have been met. Details of the activity-specific recognition criteria are described below.

Government grants

The Group's programs are supported by grants received from the federal, state and local governments.

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

Where a grant is received on the condition that specified services are delivered to the grantor, this is considered a reciprocal transaction. Revenue is recognised as services are performed and at year-end until the service is delivered.

Revenue from a non-reciprocal grant that is not subject to conditions is recognised when Neami Group obtains control of the funds, economic benefits are probable and the amount can be measured reliably. Where a grant may be required to be repaid if certain conditions are not satisfied, a liability is recognised at year end to the extent that conditions remain unsatisfied.

Where Neami Group receives a non-reciprocal contribution of an asset from a government or other party for no or nominal consideration, the asset is recognised at fair value and a corresponding amount of revenue is recognised.

Deferred income consists of government grants received in advance for services to be rendered by Neami Group. Deferred income is transferred to profit and loss to cover expenses as they are incurred as costs are a measure of services provided.

Client contributions

Fees charged for care or services provided to clients are recognised when the service is provided.

Donations

All cash donations collected are recognised as revenue when Neami Group gains control, economic benefits are probable and the amount of the donation can be measured reliably.

Interest and distribution income

Interest income is recognised on an accrual basis using the effective interest method. Distribution income is recognised at the time the right to receive payment is established.

3.4. Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

3.5. Intangible assets

Recognition of other intangible assets

Acquired intangible assets
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

Subsequent measurement

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 3.8.

The following useful lives are applied:

- Software: 4-5 years

Amortisation has been included within depreciation and amortisation. Subsequent expenditures on the maintenance of computer software are expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

3.6 Property, plant and equipment

Land and buildings

Land and buildings held for use in administration are stated at re-valued amounts. Re-valued amounts are fair market values based on appraisals prepared by external professional valuers once every two years or more frequently if market factors indicate a material change in fair value.

Any revaluation surplus arising upon appraisal of land and buildings is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. A downward revaluation of land and buildings is recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

Depreciation is recognised on a straight-line basis to write down the cost of buildings. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

The following useful lives are applied:

- Buildings: 40 years

Plant and other equipment

Plant and other equipment (comprising furniture and fittings) are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by Neami Group's management.

Plant and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

The following useful lives are applied on a straight line basis:

- Plant and equipment: 3-10 years
- Leasehold improvements: 2-5 years
- Motor vehicles: 4 -7 years

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

Capital work in progress is measured at cost and will not be depreciated until it is transferred to the relevant asset category and the asset is ready for use.

3.7 Leases

Operating leases

Where Neami Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.8 Impairment testing of intangible assets and property, plant and equipment

Assets are tested individually for impairment at least annually.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use.

Where the future economic benefits of an asset are not primarily dependent on the asset’s ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the current replacement cost of the asset.

3.9 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when Neami Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss, which are initially measured at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Financial assets are classified and subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, (except for financial assets that are irrevocably designated to be measured at fair value through profit or loss on initial recognition), on the basis of both:

i) the entity’s business model for managing the financial assets; and
ii) the contractual cash flow characteristics of the financial asset.

Financial assets at amortised cost: A financial asset is measured at amortised cost if the financial asset is held within a business model whose objective is 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.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost.

Financial assets at fair value through other comprehensive income: A financial asset is measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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 fair value through profit or loss: A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income in accordance with the AASB 9 Financial Instruments.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or finance income, except for impairment of trade receivables which is presented within other expenses. Interest is calculated using the effective interest method and distributions are recognised in profit or loss within 'revenue' (see Note 3.3).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Classification and subsequent measurement of financial liabilities

Neami Group's financial liabilities include trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3.10 Equity and Reserves

Retained earnings include all current and prior period accumulated surpluses. Other components of equity include the following:

- Revaluation reserve - comprises gains and losses from the revaluation of land and buildings (see Note 13)

3.11 Income tax

No provision for income tax has been raised as Neami Group is exempt from income tax under Div. 50 of the Income Tax Assessment Act 1997.

3.12 Fringe Benefits Tax and Payroll Tax

Neami Group is classified as a Public Benevolent Institution for tax purposes and as such is exempt from Fringe Benefits Tax (up to the annual threshold per employee of $30,000 from 1 April 2018) and Payroll Tax.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.14 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

3.15 Employee benefits

Short-term employee benefits
Short-term employee benefits are benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Short term employee benefits are measured at the undiscounted amount that Neami Group expects to pay as a result of the unused entitlement. If this entitlement is not expected to be settled within 12 months it is measured as a long-term benefit.

Long-term employee benefits
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. In determining the liability, consideration is given to employee future wage increases and the probability that the employee may not satisfy the vesting requirements. Those cash outflows are discounted using the market yields on high quality corporate bonds with terms to maturity that approximate the timing of estimated future cash flows. Long term employee benefits include a provision for the restatement of benefits for employees that return within two years of termination.

Where annual leave is expected to be settled beyond 12 months it is a long-term benefit and is measured as the present value of expected future payments, however it is still classified as a current liability due to the entitlement already having vested.

Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

3.16 Provisions, contingent liabilities and contingent assets

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that Neami Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

3.17 Deferred income

The liability for deferred income is the unutilised amounts of grants received on the condition that specified services are delivered or conditions are fulfilled. The services are usually provided or the conditions usually fulfilled within 12 months of receipt of the grant.

3.18 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.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

3.19 Economic dependence

Neami Group is dependent upon the ongoing receipt of Federal and State government funding to ensure the ongoing continuance of its programs. At the date of this report management has no reason to believe that this financial support will not continue.

3.20 Significant management judgement and estimates in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Long service leave and Annual leave

The liability for long service leave and liability for the estimated restatement of entitlements for employees who may return within two years of termination is recognised and measured at the present value of the estimated cash flows to be made at the reporting date. In determining the present value of the liability, estimates of attrition rates and when the leave will be settled, and pay increases through promotion and inflation have been taken into account.

4. Revenue

Neami Group's revenue may be analysed by source as follows:

	2018	2017
	$	$
Revenue		
Government grants		
Victoria	30,311,493	30,034,685
New South Wales	23,417,058	24,100,638
South Australia	11,079,900	9,528,569
Queensland	5,475,294	4,251,821
Western Australia	8,691,248	5,192,313
Commonwealth of Australia	10,050,585	7,797,545
Property maintenance services income	639,209	599,785
Donations	1,787	25,100
Investment income		
Interest from investments held at FVTPL	335,266	594,246
Distributions from investments held at FVTPL	919,741	427,700
	90,921,581	82,552,402
Gain on Acquisition	1,126,370	-
Gain on Movement of Investment	497,646	-
Other Income		
Net gain on disposal of property, plant & equipment	43,636	786,048
Paid parental leave scheme	237,942	304,100
Salary packaging fees	-	801
Other revenue	183,126	255,906
Total Other Income	464,704	1,346,855
Total Revenue	**93,010,301**	**83,899,257**

Revenue includes $1,126,370 relating to the realised gain on acquisition of the net assets of the June O'Connor Centre.

5. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2018 $	2017 $
Cash on hand	34,878	34,531
Cash at bank	9,375,600	6,621,608
Short term deposits	10,131,964	10,431,628
Cash and cash equivalents	**19,542,442**	**17,087,767**

There are no credit standby arrangements or unused cash facilities at 30 June 2018 (2017: nil)

6. Trade and other receivables

All of Neami Group's trade and other receivables have been reviewed for indicators of impairment. There were no trade receivables found to be impaired.

	2018 $	2017 $
Current		
Trade receivables, gross	2,605,670	1,701,046
Other receivables	2,428,504	602,654
Prepayments	782,391	514,360
Bond/lease deposits	373,197	358,127
Trade and other receivables	**6,189,762**	**3,176,187**

7. Financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

	Notes	2018	2017
		$	$
Financial assets			
Current			
Trade and other receivables	6	5,407,371	2,661,827
Cash and cash equivalents	5	19,542,442	17,087,767
		24,949,813	**19,749,594**
Financial assets at fair value through profit or loss			
Opening balance		7,591,102	-
Investment during the year		6,000,000	7,658,733
Disposal		(5,400,000)	-
Fair value movement		(73,178)	(67,631)
Closing balance		**8,117,924**	**7,591,102**
Non-current			
Financial assets at fair value through profit or loss			
Opening balance		10,648,745	6,293,630
Investment during the year		100,000	10,341,267
Distributions reinvested		-	-
Disposal		-	(6,410,101)
Fair value movement		570,824	423,949
Closing balance		**11,319,569**	**10,648,745**

See Note 2.1 for details of early adoption of AASB 9 and the reclassification of investments to investments at fair value through profit or loss.

	Notes	2018	2017
		$	$
Financial liabilities			
Financial liabilities measured at amortised cost			
Current:			
Trade and other payables	10	4,518,092	3,232,089
		4,518,092	**3,232,089**

Refer to Note 3.9 for a description of the accounting policies for each category of financial instruments. Information relating to fair values is presented in the related notes.

8. Property, plant and equipment

Details of Neami Group's property, plant and equipment and their carrying amounts are as follows:

	Notes	2018	2017
		$	$
Plant and equipment			
Balance at 1 July 2017		389,383	205,791
Additions		906,678	1,163,858
Disposals		(2,482)	-
Depreciation expense		(909,444)	(980,266)
Balance at 30 June 2018		384,135	389,383
Motor vehicles			
Balance at 1 July 2017		325,380	583,635
Additions		82,462	-
Disposals		(32,211)	(101,152)
Depreciation expense		(103,584)	(157,103)
Balance at 30 June 2018		272,047	325,380
Leasehold Improvement			
Balance at 1 July 2017		1,390,179	999,442
Additions		514,621	1,387,099
Disposals		(47,266)	(66,869)
Depreciation expense		(870,878)	(929,493)
Balance at 30 June 2018		986,656	1,390,179
Land and buildings			
Balance at 1 July 2017		1,100,000	3,900,000
Additions		500,000	229,621
Disposals		-	(2,998,604)
Depreciation expense		(21,492)	(31,017)
Balance at 30 June 2018		1,578,508	1,100,000
Capital work in progress/ IT Stock			
Balance at 1 July 2017		-	808,955
Additions		564,000	1,059,255
Transfer to property, plant and equipment		(80,944)	(513,142)
Transfer to Leasehold Improvement		(350,413)	(1,355,068)
Transfer to Operating Expenses		(19,851)	-
Balance at 30 June 2018		112,792	-
Carrying Amount 30 Jun 2018		**3,334,138**	**3,204,942**

All depreciation expenses are included within depreciation and amortisation.

9. Intangible assets

Details of Neami Group's intangible assets and their carrying amounts are as follows:

	2018	2017
	$	$
Acquired software licences		
Gross carrying amount		
Balance at 1 July 2017	510,459	470,459
Additions	-	40,000
Balance at 30 June 2018	510,459	510,459
Amortisation and impairment		
Balance at 1 July 2017	404,874	364,865
Amortisation expense	54,841	40,009
Balance at 30 June 2018	459,715	404,874
Carrying amount at 30 June 2018	**50,744**	**105,585**

All amortisation expenses are included within depreciation and amortisation.

10. Trade and other payables

Trade and other payables recognised consist of the following:

	2018	2017
	$	$
Current		
Trade payables	2,067,947	1,403,463
Other creditors and accruals	2,450,145	1,828,626
Total trade and other payables	**4,518,092**	**3,232,089**

11. Employee remuneration

11.1. Employee benefit expenses

Expenses recognised for employee benefits are analysed below:

	2018	2017
	$	$
Wages, salaries	61,563,520	54,614,130
Workers compensation insurance	1,655,415	1,350,928
Superannuation	5,440,172	4,886,679
Employee benefit provisions	905,315	774,685
Other employee expenses	4,473,186	4,742,297
Employee benefits expense	**74,037,608**	**66,368,719**

11.2. Employee benefit liabilities

Liabilities recognised for employee benefits consist of the following amounts:

	Note	2018	2017
		$	$
Current			
Further study scholarship		30,000	30,000
Redundancy provision		-	79,705
Annual leave		3,821,126	3,480,913
Long service leave		2,200,955	1,943,022
Other employee benefits		852,635	836,583
	12	**6,904,716**	**6,370,223**
Non-current			
Long service leave	12	1,800,035	1,372,673
		8,704,751	**7,742,896**

12. Provisions

Other liabilities can be summarised as follows:

	Note	2018	2017
		$	$
Current			
Employee benefit liabilities	11.2	6,904,716	6,370,223
Rent Incentive provision		125,869	13,496
Make good provision		256,411	333,896
Other liabilities - current		**7,286,996**	**6,717,615**
Non-current			
Employee benefit liabilities	11.2	1,800,035	1,372,673
Rent Incentive provision		-	137,385
Make good provision		251,523	42,126
Other liabilities – non-current		**2,051,558**	**1,552,184**

13. Reserves

The details of reserves are as follows:

	Asset Revaluation Reserve	Total
	$	$
Balance at 1 July 2016	597,283	597,283
Disposal of land and buildings	(293,316)	(293,316)
Revaluation of land and buildings	229,621	229,621
Balance at 30 June 2017	**533,588**	**533,588**
Balance at 1 July 2017	553,588	533,588
Revaluation of land and buildings	-	-
Balance at 30 June 2018	**553,588**	**533,588**

14. Transactions with key management personnel

Key management personnel of Neami Group are the members of the companies' Board of Directors and members of the Executive Leadership Team. Key management personnel remuneration includes short-term employee benefits, post-employment benefits, other long-term benefits and termination benefits.

	2018	2017
	$	$
Total key management personnel remuneration	**1,241,593**	**1,238,972**

15. Contingent assets and contingent liabilities

No contingent liabilities exist in relation to the 2018 or 2017 financial year.

16. Capital commitments

	2018	2017
	$	$
Property, Plant and Equipment	**251,510**	**-**

Capital commitments relate to items of property, plant and equipment where funds have been committed but the assets not yet received.

17. Leases

17.1. Operating leases as lessee

Neami Group's future minimum operating lease payments are as follows:

	2018	2017
	$	$
Minimum operating lease payments due:		
Within 1 year	3,171,661	2,920,635
Between 1 and 5 years	1,440,667	1,881,641
After 5 years	-	-
Total	**4,612,328**	**4,802,276**

Lease expenses during the period amounts to $3,568,625 (2017: $3,338,693) representing the minimum lease payments.

The property lease commitments are non-cancellable operating leases with lease terms of between one and five years. Increases in lease commitments may occur in line with CPI or market rent reviews in accordance with the agreements. Motor Vehicle operating lease terms are generally four years or 80,000 kilometres, whichever occurs first.

18. Fair value measurement

18.1. Fair value measurement of financial assets

The following table shows the financial assets measured at fair value on a recurring basis at 30 June 2018 and 30 June 2017.

	$
30 June 2018	
Assets	
Financial assets at fair value through profit or loss	19,437,493
Net fair value	**19,437,493**
30 June 2017	
Assets	
Financial assets at fair value through profit or loss	18,239,847
Net fair value	**18,239,847**

Fair value of the managed funds has been determined by reference to its quoted bid price at reporting date.

18.2. Fair value measurement of non-financial assets

The following table shows the non-financial assets measured at fair value on a recurring basis at 30 June 2018 and 30 June 2017.

	Notes	$
30 June 2018		
Property, plant and equipment		
Land and buildings	8	1,578,508
Net fair value		**1,578,508**
30 June 2017		
Property, plant and equipment		
Land and buildings	8	1,100,000
Net fair value		**1,100,000**

Fair value of the land and buildings is estimated based on appraisals performed by independent, professionally qualified property valuers.

The land and building of Rockingham, WA and Fairfield, Vic were last valued as at 23 February 2018 and 30 Jun 2017 respectively.

19. Consortium expenses

Consortium expenses represent the consolidated outflows associated with providing funding to members and partners of the Consortium to achieve the objectives of the Partners in Recovery program and Primary Mental Healthcare Services in South Australia.

20. Post-reporting date events

In the interval between the end of the financial year and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely to significantly affect the operations of the group.

21. Member's guarantee

Neami Limited is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum $20 each towards meeting any outstanding obligations of the entity. At 30 June 2018, the total amount that members of the company are liable to contribute if the company is wound up is $140 (2017: $180).

Directors' Declaration

In the opinion of the Directors:

a. The consolidated financial statements and notes of Neami Limited are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

    i. Giving a true and fair view of its financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

    ii. Complying with Australian Accounting Standards Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Australian Charities and Not-for-profits Commission Regulation 2013*; and

b. There are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Sonia Law

Director

Dated 6 September 2018

Grant Thornton

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Independent Auditor's Report

To the Members of Neami Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Neami Limited (the Company) and its controlled entity (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of Neami Limited has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-Profits Commission Act 2012* (the ACNC Act), including:

a giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance and cash flows for the year then ended; and

b complies with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the Australian Charities and Not-for-Profits Commission Regulation 2013.

Basis for opinion

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

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

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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 Directors' report for the year ended 30 June 2018, 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.

Responsibilities of the Directors for the financial report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC Act. This responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group'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 intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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 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 Registered Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Registered Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Registered 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.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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 our audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

E W Passaris
Partner – Audit & Assurance

Melbourne, 6 September 2018