

wellways



Wellways Australia Limited
ACN 093 357 165

Financial Statements

30 June 2021

Wellways Australia Limited
Directors' report
30 June 2021

The Directors have pleasure presenting their report on Wellways Australia Limited (referred to hereafter as the 'Company' or 'Wellways') for the financial year ended 30 June 2021.

Directors

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

Michael Gorton
 Julie Babineau
 Kay Toshach
 Reba Meagher
 Scott Hartley
 Rosemary Boote
 Prof John Richard Newton (appointed 04/02/21)
 James Digby (appointed 16/02/21)
 Elleni Bereded-Samuel (appointed 16/02/21)
 Rodney Little (appointed 16/02/21)
 Paul Montgomery (retired 30/11/20)
 Kevin Abrahamson (retired 30/11/20)
 Julian Freidin (retired 30/11/20)

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

Director's meetings

During the financial year ended 30 June 2021, 11 meetings of the Company's Directors were held and 20 Board Committee meetings, in respect of which each Director of the Company attended the following number:

Name	Date appointed	Board meetings	Finance, Audit, Risk and Resource Management	Quality & Safety	People & Culture	Governance, Policy and Advocacy
Michael Gorton	04/02/20	11 of 11	10 of 11	4 of 4	2 of 2	3 of 3
Julie Babineau	27/02/17	11 of 11	10 of 11	1 of 2		
Kay Toshach	27/02/17	10 of 11			2 of 2	3 of 3
Reba Meagher	27/02/17	9 of 11	4 of 6	2 of 4		
Scott Hartley	24/09/18	11 of 11	11 of 11			1 of 2
Rosemary Boote	04/02/20	11 of 11			2 of 2	3 of 3
Prof John Richard Newton	04/02/21	5 of 5		2 of 2	2 of 2	
James Digby	16/02/21	4 of 4	6 of 6			2 of 2
Elleni Bereded-Samuel	16/02/21	4 of 4		1 of 2	2 of 2	
Rodney Little	16/02/21	3 of 4		2 of 2	1 of 2	
Paul Montgomery	25/09/06	6 of 6	3 of 5			0 of 1
Kevin Abrahamson	05/07/10	6 of 6				1 of 1
Julian Freidin	22/06/09	6 of 6		2 of 2		

Operating result and review of operations

The surplus for the financial year amounts to \$246,390 (2020 restated: \$865,666).

Wellways substantially increased its service offering through successful tendering and growth in consumer directed services. Most notably, the new Carer Gateway services completed its first full year of operations, Wellways commenced delivery of service in six Prevention & Recovery Care Services in Victoria and our New Access and Suicide prevention and postvention services expanded in geographic reach. We invested in the development of systems and processes to support service growth and diversity.

We invested \$2,398,842 during the year, in the development of contemporary systems and processes to support service growth and diversity.

In the 2021 financial year the Company has grown government funded services, improved its automated systems and has effectively managed its costs.

Wellways Australia Limited
Directors' report
30 June 2021

COVID-19 continued to impact both on consumer demand for services and the nature by which it is delivered. Wellways was not eligible and did not receive Federal Government assistance through either the JobKeeper or Cash Flow Boost schemes. The Directors have considered the impact of COVID-19 on the financial operations of Wellways and believe it has not adversely impacted Wellways long-term financial sustainability.

The Company discovered anomalies in our interpretation of the award resulting in historical underpayments. We self-reported to Fair Work Australia and have been working cooperatively with the regulator to redress this. We have invested in automated systems and processes to ensure this cannot occur again. The impact is not material to the organisation's financial sustainability. Careful judgement has been exercised in estimating and providing for the expected cost of these underpayments in this set of Financial Statements.

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

Other than the matters described above, it is the opinion of the Directors that the results of the Company's operations during the year were not substantially affected by any other item, transaction or event of a material and unusual nature and there has been no significant changes in the state of affairs of the Company.

Likely developments

Wellways is in a strong financial position to meet the challenges of the future with anticipated significant reform in the mental health and disability sectors following Royal Commission and Productivity reports and recommendations. It aims to further strengthen its position by continuing to grow its services organically through tenders and through attracting new participants in consumer directed services, increasing services in existing states and territories.

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

Events after the reporting period

Reference should be made to note 24 which details the events after the reporting period which impact the Company.

Directors' and auditor's Indemnification


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

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


Auditor's declaration

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

On behalf of the Board



Michael Gorton
Chair



Scott Hartley
Director

11 January 2022

Auditor's Independence Declaration

To the Directors of Wellways Australia Limited

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of Wellways Australia Limited for the year ended 30 June 2021, 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, 11 January 2022

Wellways Australia Limited

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General information

The financial statements cover Wellways Australia Limited (the 'Company') as an individual entity. The financial statements are presented in Australian dollars, which is Wellways Australia Limited's functional and presentation currency.

Wellways Australia Limited is a not-for-profit public company limited by guarantee, incorporated and domiciled in Australia.

A description of the nature of the Company's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 11 January 2022.

The registered office and principal place of business of the Company is Fairfield Place, 276 Heidelberg Road, Fairfield VIC 3078.

Wellways Australia Limited
Statement of profit or loss
For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Revenue	4	144,804,714	109,562,473
Net fair value gain on financial assets held at fair value through profit or loss		252,646	-
Expenses			
Employee benefits expense		(115,947,416)	(90,833,946)
Depreciation and amortisation	5	(5,223,516)	(4,188,125)
Participant support expenses		(9,449,953)	(2,434,065)
Occupancy and office expenses		(5,909,639)	(5,019,206)
Motor vehicle expenses		(2,452,074)	(1,126,913)
Property and equipment maintenance		(3,294,370)	(2,346,369)
Other expenses		(2,303,961)	(2,505,970)
Finance costs	5	(230,041)	(242,213)
Total expenses		<u>(144,810,970)</u>	<u>(108,696,807)</u>
Surplus for the year attributable to the members of Wellways Australia Limited		246,390	865,666
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of land and buildings	13	<u>6,407,068</u>	<u>-</u>
Other comprehensive income for the year		<u>6,407,068</u>	<u>-</u>
Total comprehensive income for the year attributable to the members of Wellways Australia Limited		<u><u>6,653,458</u></u>	<u><u>865,666</u></u>

The above statement of profit or loss should be read in conjunction with the accompanying notes

Wellways Australia Limited
Statement of financial position
As at 30 June 2021

	Note	2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	6	18,379,505	8,341,929
Trade and other receivables	7	4,777,788	6,190,916
Contract assets	8	408,156	1,429,546
Financial assets at amortised cost	9	7,936,900	13,130,323
Other assets	10	1,527,502	1,848,126
		<u>33,029,851</u>	<u>30,940,840</u>
Non-current assets classified as held for sale	11	4,677,000	-
Total current assets		<u>37,706,851</u>	<u>30,940,840</u>
Non-current assets			
Financial assets at fair value through profit and loss	12	5,222,646	-
Property, plant and equipment	13	7,394,993	6,435,690
Right of use assets	14	5,839,044	5,160,326
Intangible assets	15	240,873	119,965
Total non-current assets		<u>18,697,556</u>	<u>11,715,981</u>
Total assets		<u>56,404,407</u>	<u>42,656,821</u>
Liabilities			
Current liabilities			
Trade and other payables	16	7,729,186	6,737,754
Contract liabilities	17	3,238,923	6,834,364
Refund liabilities	18	11,730,445	5,502,049
Employee provisions	19	10,975,563	8,387,701
Lease liabilities	20	3,187,288	2,899,374
Total current liabilities		<u>36,861,405</u>	<u>30,361,242</u>
Non-current liabilities			
Employee provisions	19	651,450	529,110
Lease liabilities	20	2,814,743	2,343,118
Total non-current liabilities		<u>3,466,193</u>	<u>2,872,228</u>
Total liabilities		<u>40,327,598</u>	<u>33,233,470</u>
Net assets		<u>16,076,809</u>	<u>9,423,351</u>
Equity			
Reserves	21	6,407,068	-
Retained surplus		<u>9,669,741</u>	<u>9,423,351</u>
Total equity		<u>16,076,809</u>	<u>9,423,351</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Wellways Australia Limited
Statement of changes in equity
For the year ended 30 June 2021

	Asset revaluation reserve \$	Retained surplus \$	Total equity \$
Balance at 1 July 2019	-	10,060,918	10,060,918
Adjustment for correction of error (note 3)	-	(1,503,233)	(1,503,233)
Balance at 1 July 2019 - restated	-	8,557,685	8,557,685
Surplus for the year	-	865,666	865,666
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	865,666	865,666
Balance at 30 June 2020	-	9,423,351	9,423,351
	Asset revaluation reserve \$	Retained surplus \$	Total equity \$
Balance at 1 July 2020	-	9,423,351	9,423,351
Surplus for the year	-	246,390	246,390
Other comprehensive income for the year	6,407,068	-	6,407,068
Total comprehensive income for the year	6,407,068	246,390	6,653,458
Balance at 30 June 2021	6,407,068	9,669,741	16,076,809

The above statement of changes in equity should be read in conjunction with the accompanying notes

Wellways Australia Limited
Statement of cash flows
For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from funders, clients, donors and other agencies		160,034,708	118,707,245
Payments to suppliers and employees		(145,664,337)	(103,099,370)
Interest and distributions received		261,120	180,531
		<u>14,631,491</u>	<u>15,788,406</u>
Net cash from operating activities			
Cash flows from investing activities			
Withdrawal/(purchase) of financial assets - at amortised cost		5,193,423	(6,168,591)
Purchase of financial assets - at fair value through profit or loss	12	(4,970,000)	-
Payments for property, plant and equipment	13	(644,908)	(2,237,695)
Payments for intangible assets	15	(130,203)	(103,882)
Proceeds from sale of property, plant and equipment		-	291,662
		<u>(551,688)</u>	<u>(8,218,506)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Repayment of lease liabilities (principal and interest)		(4,042,227)	(3,465,543)
		<u>(4,042,227)</u>	<u>(3,465,543)</u>
Net cash used in financing activities			
Net movement in cash and cash equivalents		10,037,576	4,104,357
Cash and cash equivalents at the beginning of the financial year		8,341,929	4,237,572
		<u>18,379,505</u>	<u>8,341,929</u>
Cash and cash equivalents at the end of the financial year	6	<u>18,379,505</u>	<u>8,341,929</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period, which had no significant impact on the financial statements unless otherwise stated below.

IFRIC Agenda Decision - Configuration or Customisation Costs in a Cloud Computing Arrangement (AASB 138 Intangible Assets)

The Company has adopted the IFRIC Agenda Decision from 1 July 2020. The Agenda Decision provides clarification on the elements of expenditure that meet the definition of an Intangible Asset as defined by AASB 138 Intangible Assets. The impact of the adoption of the IFRIC Agenda Decision did not have an impact any the Company's previously reported balances and transactions.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted, unless otherwise stated below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Company has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Early adopting the Conceptual Framework did not had a material impact on the Company's financial statements.

AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities and AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities

These are the Company's first general purpose financial statements prepared in accordance with AASB 1060. Early adopting AASB 1060 did not have a material impact on the Company's financial statements.

Going concern

The financial statements have been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the Australian Charities and Not-for-profits Commission Act 2012, as appropriate for not-for profit oriented entities.

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Note 1. Significant accounting policies (continued)

Goods and Services Tax (GST)

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

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

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

Impairment of assets

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

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

Where the future economic benefits of the Company's assets are not primarily dependent on their ability to generate net cash inflows, and if deprived of the asset, the Company would replace the asset's remaining future economic benefits, 'value in use' is determined as the depreciated replacement cost of the asset, rather than by using discounted future cash flows.

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

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends on the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Note 1. Significant accounting policies (continued)

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Performance obligations under AASB 15 Revenue from Contracts with Customers

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. The Company exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, the Company includes the nature/type, cost/value, quantity and the period of transfer related to the goods or services promised.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Estimation of useful lives of assets

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Included in provisions are amounts relating to underpayments of employee entitlements. The provision represents an estimation of historical payment shortfalls and the Company's present obligation based on all available information, including pay rates, hours worked, allowances, together with an assessment of the employees, both current and former, to whom respective errors relate to. Judgement has been applied in calculating and providing for these underpayments.

Note 3. Restatement of comparatives

(i) Classification of revenue and other income

In the 2021 financial year, the Company identified an error in its application of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* in the 2020 financial year, whereby a number of contractual arrangements were identified which did not meet the sufficiently specific criteria of AASB 15. Consequently those contractual arrangements, had not been accounted for under AASB 1058 in the 2020 financial year. Prior periods have been restated to account for the impact of this error in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The correction of this error has resulted in a \$5,502,049 increase in refund liabilities and a corresponding decrease in contract liabilities as at 30 June 2020. The error had no impact on total income for the 2020 financial year, as the resulting increase in grant income of \$31,192,843 is offset by a corresponding decrease in government and other agencies revenue.

Note 3. Restatement of comparatives (continued)

(ii) Underpayment of employee entitlements (correction)

In the 2021 financial year, the Company identified errors in its application of the SCHADS award specifically relating to the incorrect classification of employees. This error resulted in underpayments to staff in the current and preceding financial years. Impacted staff members, both existing and prior, have been notified and arrangements are currently underway to rectify all underpayments. The Company self reported this to the Fair Work Ombudsman, relevant unions and other stakeholders. The extent of the underpayments has been estimated at \$2,739,359 and has been recognised as part of the preparation of the 2021 financial statements, with an employee benefit expense of \$1,367,398 relating to the 2021 financial year, \$937,968 relating to the 2020 financial year and the remainder, being \$433,993 relating to prior to the 2020 financial year. Prior periods have been restated to account for the impact of this error in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

In addition, in the 2021 financial year, the Company identified an error in the calculation of the provision for underpayment that had been recognised at 30 June 2020 relating to anniversary increases, as the calculation did not include an estimate of underpayments relating to periods prior to the 2020 financial year. As information relating to periods prior to the 2020 financial year was available when preparing the 2020 financial statements, the correction of the provision for underpayment has been accounted for as an error when preparing these financial statements, rather than a change in accounting estimate. The extent of the error has been estimated at \$834,761 as at 30 June 2020, with a \$234,479 overstatement of employee benefits expense in the 2020 financial year and a \$1,069,240 understatement of employee benefits expense relating to periods prior to the 2020 financial year. Prior periods have been restated to account for the impact of this error in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Statement of financial position	Previously reported \$	Adjustments \$	Restated \$
30 June 2020			
Contract liabilities (i)	12,336,413	(5,502,049)	6,834,364
Refund liabilities (i)	-	5,502,049	5,502,049
Employee provisions - current (ii)	6,180,979	2,206,722	8,387,701
Total current liabilities (ii)	28,154,520	2,206,722	30,361,242
Total liabilities (ii)	31,026,748	2,206,722	33,233,470
Net assets (ii)	11,630,073	(2,206,722)	9,423,351
Retained surplus (ii)	11,630,073	(2,206,722)	9,423,351
Total equity (ii)	11,630,073	(2,206,722)	9,423,351
30 June 2019			
Employee provisions - current (ii)	4,117,171	1,503,233	5,620,404
Total current liabilities (ii)	14,218,983	1,503,233	15,722,216
Total liabilities (ii)	14,657,870	1,503,233	16,161,103
Net assets (ii)	10,060,918	(1,503,233)	8,557,685
Retained surplus (ii)	10,060,918	(1,503,233)	8,557,685
Total equity (ii)	10,060,918	(1,503,233)	8,557,685
Statement of profit or loss and other comprehensive income	Previously reported \$	Adjustments \$	Restated \$
2020			
Employee benefits expense (ii)	90,130,457	703,489	90,833,946
Surplus for the year (ii)	1,569,155	(703,489)	865,666
Total comprehensive income for the year (ii)	1,569,155	(703,489)	865,666

The corrections had no impact on the presented statement of cash flows in the current or prior financial years.

Wellways Australia Limited
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30 June 2021

Note 4. Revenue

	2021 \$	2020 \$
<i>Revenue from contracts with customers</i>		
Government revenue	15,171,416	12,837,524
Consumer directed services revenue	59,564,858	50,792,562
Other agencies revenue	22,588,389	13,439,903
	<u>97,324,663</u>	<u>77,069,989</u>
<i>Income</i>		
Grant income	45,980,760	31,192,843
Fundraising income	385,509	295,416
Dividend/distribution income from financial assets at fair value through profit or loss	55,765	-
Interest income	205,355	180,531
Other income	852,662	823,694
	<u>47,480,051</u>	<u>32,492,484</u>
Revenue	<u>144,804,714</u>	<u>109,562,473</u>

Further information regarding the disaggregation of revenue from contracts with customers has not been included as all revenue is in one geographical region, being Australia, and the timing of all revenue is over time.

Accounting policy for revenue recognition

The Company recognises revenue as follows:

The Company assesses whether a contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15.

When both these conditions are satisfied, the Company recognises revenue in accordance with AASB 15 as follows:

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

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the Company recognises income in accordance with AASB 1058 *Income of Not-for-Profit Entities*:

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

Government revenue, consumer directed services revenue and other agencies revenue

Government revenue, consumer directed services revenue and other agencies revenue are recognised over time as the services are rendered. The Company uses the input method, whereby percentage of completion at reporting date equates to total costs incurred to reporting date relative to the total expected costs, to measure progress.

Amounts received in advance of services being rendered are recognised as contract liabilities.

Where another party is involved in providing the services under certain funding agreements, the Company assesses whether the nature of its promise is a performance obligation to provide the specified services itself, as a principal to the funding agreement, or to arrange for those services to be provided by the other party, as an agent. This determination impacts if the Company recognises the full funding under the terms of the funding agreement where the Company is deemed to be the principal or only the portion under the funding agreement which relates to the Company's specific promise/s where the Company is deemed to be an agent.

Wellways Australia Limited
Notes to the financial statements
30 June 2021

Note 4. Revenue (continued)

Revenue streams	Nature and timing of satisfaction of performance obligations
Government revenue	Revenue is recognised over time based on the consideration specified in funding agreements. The Company recognised revenue as the services are provided and performance obligations are fulfilled.
Consumer directed services	Revenue is recognised over time based on the consideration specified in contracts with participants for each activity. The Company recognises revenue as the services are provided to the participants.
Other agencies revenue	This revenue stream comprise various services provided to other agencies. Revenue is recognised in line with AASB 15 as the services are provided to the customers over a period of time and as performance obligations are fulfilled.

Other revenue

Other revenue is recognised when performance obligations are fulfilled.

Grant income

Grant income, is recognised on receipt under AASB 1058 if the funds do not give rise to a liability or other performance obligation at the time of receipt.

Where the Company has a contractual obligation to repay any unspent grant income to the funding organisation a refund liability is recognised, which reflects the amount of grant funding received not yet spent as at reporting date.

Fundraising income

Fundraising income is recognised when the funds are received, where the receipt of funds gives rise to a contractual obligation with specific performance obligations.

Dividend/distribution income from financial assets at fair value through profit or loss

Dividend income is recognised at the time the right to receive payment is established.

Interest income

Interest is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other income

Other income is recognised when it is received or when the right to receive payment is established, when the income does not give rise to an obligation.

The Company, a private sector not-for-profit entity, has elected not to recognise the financial impact of any volunteer services provided.

Note 5. Expenses

	2021	2020
	\$	\$
Surplus includes the following specific expenses:		
Employee benefit expenses and other expenses on the development and implementation of Workday Financials and HCM (including licence fees, consulting costs and implementation costs)	<u>2,398,842</u>	<u>-</u>
<i>Finance costs</i>		
Interest on lease liabilities	<u>230,041</u>	<u>242,213</u>

Wellways Australia Limited
Notes to the financial statements
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Note 5. Expenses (continued)

Depreciation and amortisation

Depreciation of property, plant & equipment	1,357,022	1,119,960
Depreciation of right-of-use assets	3,857,199	3,058,495
Amortisation of intangible assets	9,295	9,670
	<u>5,223,516</u>	<u>4,188,125</u>

Note 6. Cash and cash equivalents

	2021	2020
	\$	\$
<i>Current assets</i>		
Cash on hand	1,300	2,450
Cash at bank	17,916,491	8,339,479
Cash on deposit	461,714	-
	<u>18,379,505</u>	<u>8,341,929</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 7. Trade and other receivables

	2021	2020
	\$	\$
<i>Current assets</i>		
Trade receivables	4,811,205	6,707,224
Less: Allowance for expected credit losses	<u>(186,751)</u>	<u>(516,308)</u>
	4,624,454	6,190,916
Other receivables	<u>153,334</u>	<u>-</u>
	<u>4,777,788</u>	<u>6,190,916</u>

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Wellways Australia Limited
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Note 8. Contract assets

	2021 \$	2020 \$
<i>Current assets</i>		
Contract assets	<u>408,156</u>	<u>1,429,546</u>

Accounting policy for contract assets

Contract assets are recognised when the Company has transferred goods or services to the customer but where the Company is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Note 9. Financial assets at amortised cost

	2021 \$	2020 \$
<i>Current assets</i>		
Term deposits - at amortised cost	<u>7,936,900</u>	<u>13,130,323</u>

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

The term deposits have a maturity dates greater than three months from period end and interest rates ranging between 0.10% and 0.48%.

Note 10. Other assets

	2021 \$	2020 \$
<i>Current assets</i>		
Prepayments	1,119,296	1,322,099
Deposits and bonds issued	<u>408,206</u>	<u>526,027</u>
	<u>1,527,502</u>	<u>1,848,126</u>

Note 11. Non-current assets classified as held for sale

	2021 \$	2020 \$
<i>Current assets</i>		
Land & buildings - held for sale (reclassified from property, plant & equipment)	<u>4,677,000</u>	<u>-</u>

Wellways Australia Limited
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Note 11. Non-current assets classified as held for sale (continued)

Accounting policy for non-current assets classified as held for sale

Non-current assets are held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of non-current assets held for sale to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current asset held for sale, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately on the face of the statement of financial position, in current assets.

The non-current asset held for sale represents the Alma Road property from which the Company operates.

Subsequent to 30 June 2021 the Alma Road property was sold for \$4,677,000, with settlement occurring on 5 October 2021.

Note 12. Financial assets at fair value through profit and loss

	2021 \$	2020 \$
<i>Non-current assets</i>		
Managed investments - at fair value through profit or loss	<u>5,222,646</u>	<u>-</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	-	-
Additions	4,970,000	-
Revaluation increments	<u>252,646</u>	-
Closing fair value	<u>5,222,646</u>	<u>-</u>

Accounting policy for financial assets at fair value through profit and loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

The managed investments have been valued based on their quoted market prices in active markets.

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Note 13. Property, plant and equipment

	2021 \$	2020 \$
<i>Non-current assets</i>		
Land & buildings - at revaluation (2020: at cost)	4,325,000	4,903,372
Less accumulated depreciation	-	(2,188,228)
	<u>4,325,000</u>	<u>2,715,144</u>
Motor vehicles - at cost	1,525,588	1,598,637
Less accumulated depreciation	(1,391,157)	(1,278,613)
	<u>134,431</u>	<u>320,024</u>
Office furniture and equipment - at cost	3,273,678	4,188,571
Less accumulated depreciation	(1,554,268)	(2,174,951)
	<u>1,719,410</u>	<u>2,013,620</u>
Computer equipment - at cost	2,050,578	2,962,711
Less accumulated depreciation	(866,048)	(1,575,809)
	<u>1,184,530</u>	<u>1,386,902</u>
Work in progress - at cost	31,622	-
	<u><u>7,394,993</u></u>	<u><u>6,435,690</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Land & buildings \$	Motor vehicles \$	Office furniture & equipment \$	Computer equipment \$	Work in progress \$	Total \$
Balance at 1 July 2020	2,715,144	320,024	2,013,620	1,386,902	-	6,435,690
Additions	6,870	67,494	350,392	188,530	31,622	644,908
Disposals	-	(8,044)	(48,654)	(1,953)	-	(58,651)
Revaluation increments (on change in accounting policy)	6,407,068	-	-	-	-	6,407,068
Reclassified as held for sale (note 11)	(4,677,000)	-	-	-	-	(4,677,000)
Depreciation expense	(127,082)	(245,043)	(595,948)	(388,949)	-	(1,357,022)
Balance at 30 June 2021	<u><u>4,325,000</u></u>	<u><u>134,431</u></u>	<u><u>1,719,410</u></u>	<u><u>1,184,530</u></u>	<u><u>31,622</u></u>	<u><u>7,394,993</u></u>

Valuations of land and buildings

The basis of the valuation of land and buildings is fair value. The land and buildings were last revalued on 6 April 2021 based on independent assessments by a Certified Property Valuer who is a member of the Australian Valuers Institute having recent experience in the location and category of land and buildings being valued. The directors do not believe that there has been a material movement in fair value since the revaluation date. Valuations are based on current prices for similar properties in the same location and condition.

Note 13. Property, plant and equipment (continued)

Accounting policy for property, plant and equipment

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

Freehold land and buildings are initially recognised at cost, including transaction costs, and are subsequently remeasured at fair value under the revaluation model less, where applicable, any accumulated depreciation and impairment losses. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

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

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

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

Plant and equipment are initially measured at historical cost, including expenditure that is directly attributable to the acquisition of the items. Plant and equipment is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

In the event the carrying amount of property, plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised either in the profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of the recoverable amount is made when impairment indicators are present.

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

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

Class of asset	Depreciation rate
Buildings	2.5%
Motor vehicles	20%
Office furniture and equipment	20%
Computer equipment	20%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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Note 13. Property, plant and equipment (continued)

Change in accounting policy

The Company has voluntarily changed its accounting policy, effective 30 June 2021, relating to freehold land and buildings after initial recognition. The Company had previously recognised freehold land and buildings using the cost model, whereby the assets were carried at cost less accumulated depreciation and impairment losses. The Company has now elected to measure freehold land and buildings using the revaluation model. This change has been implemented as the Company believes that the revaluation model provides more relevant and reliable information to the users of the financial statements. In accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the change in accounting policy has been recognised in accordance with AASB 116 *Property, Plant and Equipment* which has been applied from the date of revaluation, with no retrospective application.

Note 14. Right of use assets

	2021 \$	2020 \$
<i>Non-current assets</i>		
Land and buildings - right-of-use	9,093,573	5,607,679
Less: Accumulated depreciation	<u>(4,476,984)</u>	<u>(1,863,898)</u>
	<u>4,616,589</u>	<u>3,743,781</u>
Motor vehicles - right-of-use	3,736,131	2,611,142
Less: Accumulated depreciation	<u>(2,513,676)</u>	<u>(1,194,597)</u>
	<u>1,222,455</u>	<u>1,416,545</u>
	<u><u>5,839,044</u></u>	<u><u>5,160,326</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Land and buildings \$	Motor vehicles \$	Total \$
Balance at 1 July 2020	3,743,781	1,416,545	5,160,326
Additions	3,485,894	1,050,023	4,535,917
Depreciation expense	<u>(2,613,086)</u>	<u>(1,244,113)</u>	<u>(3,857,199)</u>
Balance at 30 June 2021	<u><u>4,616,589</u></u>	<u><u>1,222,455</u></u>	<u><u>5,839,044</u></u>

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Right-of-use assets that meet the definition of investment property are measured at fair value where the Company has adopted a fair value measurement basis for investment property assets.

For leases that have significantly below-market terms and conditions principally to enable the Company to further its objectives (commonly known as peppercorn/concessionary leases), the Company has adopted the temporary relief under AASB 2018-8 and measures the right of use assets at cost on initial recognition.

Wellways Australia Limited
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Note 14. Right of use assets (continued)

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 15. Intangible assets

	2021 \$	2020 \$
<i>Non-current assets</i>		
Software - in use - at cost	442,512	442,512
Less: Accumulated amortisation	<u>(435,724)</u>	<u>(426,429)</u>
	6,788	16,083
Software - in progress - at cost	<u>234,085</u>	<u>103,882</u>
	<u><u>240,873</u></u>	<u><u>119,965</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Software - in use \$	Software - in progress \$	Total \$
Balance at 1 July 2020	16,083	103,882	119,965
Additions	-	130,203	130,203
Amortisation expense	<u>(9,295)</u>	<u>-</u>	<u>(9,295)</u>
Balance at 30 June 2021	<u><u>6,788</u></u>	<u><u>234,085</u></u>	<u><u>240,873</u></u>

Accounting policy for intangible assets

Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software

Software is recognised initially at cost. Following initial recognition, software are carried at cost less any accumulated amortisation and any accumulate impairment losses. Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 to 5 years.

Software in progress is not amortised until the asset is available for use and is operating in the manner intended.

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Note 15. Intangible assets (continued)

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. As such the Company does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

- Fee for use of application software (recognise as an operating expense over the term of the service contract)
- Configuration costs (recognise as an operating expense as the service is received)
- Data migration costs (recognise as an operating expense as the service is received)
- Training cost (recognise as an operating expense as the service is received)

Note 16. Trade and other payables

	2021	2020
	\$	\$
<i>Current liabilities</i>		
Trade payables	1,964,044	2,421,294
Accrued expenses and other payables	<u>5,765,142</u>	<u>4,316,460</u>
	<u><u>7,729,186</u></u>	<u><u>6,737,754</u></u>

Accounting policy for trade and other payables

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

Note 17. Contract liabilities

	2021	2020
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	<u>3,238,923</u>	<u>6,834,364</u>

Accounting policy for contract liabilities

Contract liabilities represent the Company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Company has transferred the goods or services to the customer.

Note 18. Refund liabilities

	2021	2020
	\$	\$
<i>Current liabilities</i>		
Refund liabilities	<u>11,730,445</u>	<u>5,502,049</u>

Accounting policy for refund liabilities

Where the Company has a contractual obligation to repay any unspent grant income to the funding organisation a refund liability is recognised, which reflects the amount of grant funding received not yet spent as at reporting date.

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Note 19. Employee provisions

	2021 \$	2020 \$
<i>Current liabilities</i>		
Provision for annual leave	4,547,258	3,277,163
Provision for long service leave	995,522	948,204
Provision for underpayment (current and former employees)	<u>5,432,783</u>	<u>4,162,334</u>
	<u>10,975,563</u>	<u>8,387,701</u>
<i>Non-current liabilities</i>		
Provision for long service leave	<u>651,450</u>	<u>529,110</u>
	<u><u>11,627,013</u></u>	<u><u>8,916,811</u></u>

Movements in provision for underpayment

Movements in the provision for underpayment during the current financial year are set out below:

	Provision for under- payment \$
Restated carrying amount at the start of the year (i) and (iii)	4,162,334
Additional provision for errors identified in the prior year (i)	738,496
Payments for errors identified in the prior year (ii)	(835,445)
Additions to provision for errors identified in the current year (iii)	<u>1,367,398</u>
	<u><u>5,432,783</u></u>

Accounting policy for provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 19. Employee provisions (continued)

Provision for underpayment (current and former employees)

- (i) and (ii) - Errors identified in the 2020 financial year: The Company identified errors in its application of the SCHADS award specifically relating to Supported Independent Living programs (SIL), 'sleep over' shifts as well as anniversary increases. These errors resulted in underpayments to staff in the current and preceding financial years. Impacted staff members, both current and former, have been notified and arrangements are currently underway to rectify all underpayments. The Company self-reported this to the Fair Work Ombudsman, relevant unions and other stakeholders. The extent of the underpayments was estimated at \$1,955,612 and was recognised as part of the preparation of the 2020 financial statements.

An additional \$738,496 of underpayments for the above errors relating to services provided by employees in the 2021 financial year has been identified and recognised as part of the preparation of the 2021 financial statements. \$835,445 of the above underpayments has been paid to current and former employees during the 2021 financial year.

As disclosed in note 3, the Company identified an error in the calculation of the provision for underpayment that had been recognised at 30 June 2020 relating to anniversary increases, as the calculation did not include an estimate of underpayments relating to periods prior to the 2020 financial year. As information relating to periods prior to the 2020 financial year was available when preparing the 2020 financial statements, the correction of the provision for underpayment has been accounted for as an error when preparing these financial statements, rather than a change in accounting estimate. The extent of the error has been estimated at \$834,761 as at 30 June 2020 (refer to note 3 for further details) Prior periods have been restated to account for the impact of this error in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

- (iii) - Errors identified in the 2021 financial year: The Company identified errors in its application of the SCHADS award specifically relating to the incorrect classification of employees. This error resulted in underpayments to staff in the current and preceding financial years. Impacted staff members, both existing and prior, have been notified and arrangements are currently underway to rectify all underpayments. The Company self reported this to the Fair Work Ombudsman, relevant unions and other stakeholders. The extent of the underpayments has been estimated at \$2,739,359 and has been recognised as part of the preparation of the 2021 financial statements, with an employee benefit expense of \$1,367,398 relating to the 2021 financial year, \$937,968 relating to the 2020 financial year and the remainder, being \$433,993 relating to prior to the 2020 financial year. Prior periods have been restated to account for the impact of this error in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Note 20. Lease liabilities

	2021	2020
	\$	\$
<i>Current liabilities</i>		
Motor vehicle lease liability	900,935	1,043,339
Property lease liability	<u>2,286,353</u>	<u>1,856,035</u>
	<u>3,187,288</u>	<u>2,899,374</u>
<i>Non-current liabilities</i>		
Motor vehicle lease liability	355,172	410,689
Property lease liability	<u>2,459,571</u>	<u>1,932,429</u>
	<u>2,814,743</u>	<u>2,343,118</u>
	<u><u>6,002,031</u></u>	<u><u>5,242,492</u></u>

The total cash outflow for leases during the 2021 financial year, including short-term and low-value leases, totalled \$4,363,126 (2020: \$3,983,717).

Wellways Australia Limited
Notes to the financial statements
30 June 2021

Note 20. Lease liabilities (continued)

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 21. Reserves

	2021 \$	2020 \$
Asset revaluation reserve	<u>6,407,068</u>	<u>-</u>

Asset revaluation reserve

The reserve is used to recognise increments and decrements in the value of owned land and buildings, held within property, plant and equipment, under the revaluation model.

Note 22. Directors & key management personnel

The aggregate compensation made to directors and key management personnel of the Company is set out below:

	2021 \$	2020 \$
Aggregate compensation		
Directors - total number of directors receiving benefit: 13 (2020: 10)	169,434	162,311
Key management personnel - total number of key management personnel receiving benefit: 17 (2020: 18)	<u>2,918,519</u>	<u>3,101,896</u>
	<u>3,087,953</u>	<u>3,264,207</u>

Note 23. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 22.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Wellways Australia Limited
Notes to the financial statements
30 June 2021

Note 24. Events after the reporting period

Subsequent to 30 June 2021 the Company's Alma Road property was sold for \$4,677,000, with settlement occurring on 5 October 2021.

Subsequent to 30 June 2021 the Company has made major adjustments to its service offer in NDIS, recognising that the prices paid by the scheme for many basic items are not financially sustainable. The Company will focus on participants with a complexity of need. This is both more financially viable and consistent with our vision and mission.

The impact of the COVID-19 pandemic is ongoing. It is difficult to estimate the potential impact, positive or negative, after the reporting date. The situation continues to develop and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. The longer term impacts of COVID-19 on the operations of the Company remain uncertain and cannot be quantified at this time.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Note 25. Contingencies

The Company had no contingencies as at 30 June 2021 (2020: \$nil).

Note 26. Commitments

The Company had no financing or capital commitments as at 30 June 2021 (2020: \$nil)

	2021	2020
	\$	\$
<i>Lease commitments for leases which had not commenced by the end of the financial year</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	163,485	125,024
One to five years	-	625,120
	<u>163,485</u>	<u>750,144</u>

Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd (2020: Shepard, Webster & O'Neil Audit Pty Ltd), the auditor of the Company:

	2021	2020
	\$	\$
Audit of the financial statements	50,000	57,512
Audit of acquittal statements	50,000	42,450
Other assurance services	20,000	-
Non-assurance services	4,000	3,540
	<u>124,000</u>	<u>103,502</u>

Wellways Australia Limited
Directors' declaration
30 June 2021

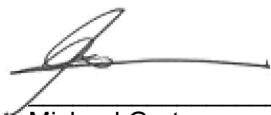
The Directors of the Company declare that the financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Australian Charities and Not-for-Profits Commission Act 2012 and:

- comply with Accounting Standards - Simplified Disclosures and the Australian Charities and Not-for-Profits Commission Regulation 2013; and
- give a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year ended on that date.

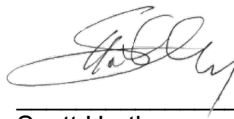
In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.

On behalf of the Directors



Michael Gorton
Chair



Scott Hartley
Director

11 January 2022

Independent Auditor's Report

To the Members of Wellways Australia Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Wellways Australia Limited (the "Company"), which comprises the statement of financial position as at 30 June 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 financial report of Wellways Australia Limited has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- a giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- b complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for opinion

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

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

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 2021, 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 of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the ACNC Act, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd
Chartered Accountants



E W Passaris
Partner – Audit & Assurance

Melbourne, 11 January 2022