

# 2012 Corporate Governance and Financial Statements





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The Governor General, Quentin Bryce AC CVO, is a proud patron of **headspace**, the National Youth Mental Health Foundation.

# Section One

## Introduction

### 2011/2012 has been an exciting year of growth for headspace.

This year we have come closer to plugging those identified key gaps in services for young people through new and existing centres, the expansion of **ehheadspace** (online support) and our School Support program. These existing and new services have enabled us to support young Australians across the country as they bravely confronted issues such as depression, anxiety, bullying and alcohol and other drug issues.

As of June 30, **headspace** centres had helped 67,751 young people since **headspace** was established in 2006. This is pleasing, but there's a lot more to do as we pursue our goal of reaching as many people aged 12 to 25 as possible.

In the past year **headspace** has grown in stature as a world leader in early intervention mental health and general health services to young people. This is evidenced by continuing interest from governments as far afield as Denmark, Israel, the United States and the United Kingdom in developing a **headspace** model in those countries.

As we look forward, **headspace** can remain confident that one of its great strengths as an organisation is that it receives bipartisan political support and community-wide approval, something we value greatly. In the national sphere, as well as in state jurisdictions, there is a significant appreciation of the work that we do and a commitment to see that work continue and grow.

As was the case last year, the 2011/12 Annual Report is available as an online video and in print.

The printed report for the year provides our:

- Corporate Governance statement
- Directors Reports,
- Financial Statements.

The online video highlights some key outcomes for the year, including:

- Helping 33,897 young people who came to 40 centres across the country. Of those people, 60 per cent were coming from the first time; 40 per cent were male, and 60 per cent were female.
- Opening 10 new centres and the announcement of 15 more.
- Assisting centres to better record and evaluate their success through rolling out new software to facilitate access and transparency to data, as well as improving the way centres record how they are helping young people.
- Experiencing huge growth in the number of young people using our **ehheadspace** service.
- Establishing the new **headspace** School Support program that helps students and the broader school community deal with the trauma of suicide.
- Launching an innovative advertising campaign that was shown to hundreds of thousands of young people in Hoyts Cinemas across the country, as well as through our other supporters Networks Ten and Eleven and One and the Austereo Radio Network.
- Spreading the word about **headspace** through increased presence in traditional media, with 2082 news stories across the country, and a 103 per cent increase in social media with Facebook and Twitter followers.

See the video at [headspace.org.au](http://headspace.org.au). – you can also download an electronic version of this report.

We would like to especially acknowledge the doctors, social workers, psychologists, occupational therapists, welfare workers and Aboriginal health workers as well as the many non-clinical and support staff for their energy and enthusiasm over the last year. The commitment and passion of our staff is apparent to all who visit us.

We welcome a future that will enable us to provide care to all young people regardless of geographical isolation or financial circumstance. We want **headspace** to be a place that respects young people and their families; where they know they are safe and that we've got their back.



**Wendy McCarthy AO**  
Chair



**Chris Tanti**  
CEO

# Section Two

## Governance Statement

### 1 Governance Statement

**headspace** National Youth Mental Health Foundation Ltd. is a company limited by guarantee, established for the public charitable purpose of promoting the improved health and mental health outcomes for young people in Australia, including through early intervention and prevention programs.

**headspace** is classified as a health promotion charity under the *Income Tax Assessment Act 1997* and is endorsed as a deductible gift recipient and tax concession charity.

### 2 The Board of directors

#### 2.1 The role and responsibilities of the Board

The Board has adopted a formal charter that details the functions and responsibilities of the Board. A copy of the charter is available on the company's website.

The Governance Charter sets out the policies and internal rules for the governance of **headspace** and supplements and is subject to the rules set out in the **headspace** constitution, the Members Agreement and any governing legislation.

The Governance Charter is designed to:

- enable the board of directors to provide strategic direction and effective oversight of the management of **headspace**;
- clarify the roles and responsibilities of the board of directors and its committees and senior management to ensure a suitable balance of authority;
- facilitate accountability to the **headspace** members and principal funding agencies including the Commonwealth of Australia through the Department of Health and Ageing;
- set the standards for ethical corporate conduct, transparency and fair dealing in all **headspace** operations including its funding and research programs; and
- take account of the interests of stakeholders in the broader community, including young people and those who work with them in health, mental health and related fields.

The Governance Charter is reviewed annually and updated as necessary. Copies of the Charter can be viewed on [www.headspace.org.au](http://www.headspace.org.au)

#### 2.2 Role of the Board

The primary functions of the Board are to:

- oversee the operation of headspace, including its accountability and control mechanisms;
- provide input to and final approval of headspace major policies;
- appoint and remove the CEO and monitor performance;
- provide input to and final approval of headspace corporate strategy and annual business plan;
- approve capital and operating budgets;
- review, ratify and monitor systems of risk management and internal control, codes of conduct and legal compliance; and
- approve and monitor financial and other reporting including under any funding agreements.

The CEO is responsible for the day-to-day management of **headspace** with all powers, discretions and delegations authorised, from time to time, by the Board. All delegated authorities provided by the Board to the Chief Executive Officer are reviewed and confirmed annually.

#### 2.3 Resignation of Directors

Professor Ian Hickie AM resigned as the University of Sydney's nominated director of **headspace** on 23 January 2012. The University nominated as replacement director Associate Professor Christine Jorm.

Professor Helen Milroy resigned as the Australian Indigenous Doctors Association's (AIDA) nominated director on 15 February 2012. AIDA nominated as replacement director Dr. Louis Peachey.

## 2.4 Appointment of Directors

The appointment and replacement of **headspace** directors are governed by clause 13 of the **headspace** constitution. The directors appointed by the Minister, The Hon Mark Butler MP, Minister for Mental Health and Ageing were all re-nominated and appointed for a further term until June 2015. Ms Wendy McCarthy was also reappointed as Chair of the Company by the Minister. The directors representing the remaining four member organisations and Principals Australia were also reappointed.

## 2.5 Board meetings

Directors are expected to prepare adequately for, attend and participate at Board meetings and meetings of Committees. The Board holds up to seven formal meetings a year, one of which serves to review and approve the strategic plan of the company. The Board also meets with Executive Management to consider matters of strategic importance to **headspace**. The number of Board meetings and each director's attendance at those meetings are set out in the Report of the directors.

## 2.6 Board and committee operations

To help it carry out its responsibilities, the Board has established the following Committees and has adopted Terms of Reference setting out the matters relevant to the composition, responsibilities and administration of these Committees:

- Finance, Audit and Risk Committee (Remuneration);
- Clinical Research and Evaluation Committee;
- Aboriginal and Torres Strait Islander Taskforce; and
- Family and Friends Advisory Committee

Following each Committee meeting, the Board receives a copy of the minutes of meeting from the relevant Committee.

## 2.7 Review of Board Performance

The Board undertakes an annual review of its performance, and engages the assistance of external consultants to facilitate formal Board performance reviews.

The Board commenced a review in May 2012 and this was completed in October 2012.

## 2.8 Conflicts of interest

Directors are expected to avoid any action, position or interest that conflicts or appears to conflict with an interest of the company. This is a matter for ongoing consideration by all directors and the register is tabled at each Board meeting. The Governance Charter contains a Conflict of Interest Policy

## 2.9 Code of conduct

The Company has a Code of Conduct which requires the observance of strict ethical guidelines. The Code of Conduct applies to all employees and directors of the company, with the conduct of the Board and each director also governed by the Board Governance Charter.

## 2.10 Access to management

Board members have complete and open access to management through the Chair, Chief Executive Officer or Company Secretary at any time. In addition to regular presentations by management to Board and Board Committee meetings, directors may seek briefings from management on specific matters.

# Section Three

## Directors' Report

The directors of **headspace** National Youth Mental Health Foundation Ltd ("the Company") present their report on the Company for the year ended 30 June 2012.

### Directors

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

Ian Hickie AM (resigned 23 January 2012)	Patrick McGorry AO
Barbara Hingston	John McGrath AM
Christine Jorm (appointed 11 April 2012)	Helen Milroy (resigned 15 February 2012)
Lyn Littlefield OAM	Louis Peachey (appointed 18 May 2012)
Ian Marshman	Sheree Vertigan
Peter Mason AM	Robert Walters
Wendy McCarthy AO	

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

### Company Secretary

The following person held the position of Company Secretary at the end of the year:

Sara Tersigni: LLB London, Certified Member CSA.

Ms Tersigni was appointed Company Secretary on 5 June 2009 and is responsible for all governance and operational matters. Prior to joining the Company, she worked for over 25 years in international legal project managerial roles in private legal practice, project management consulting, legal publishing management, and legal practice management.

### Principal Activities, Objectives and Measures of Performance

The principal activities of the Company during the financial year consisted of promoting the improved health and mental health outcomes for young people in Australia, through early intervention and prevention programs.

No significant change in the nature of these activities occurred during the year.

The Company's goals in undertaking its principal activities are to:

- Support and enhance the quality of what services it delivers and how.
- Implement headspace centres, clinical programs and supporting modalities.
- Ensure each element of the **headspace** system can be spoken for and articulated in the broader community.
- Make sure its people are at the core of each outcome and its workforce is developed to drive the desired outcomes.
- Develop internal capability to continue to grow and expand **headspace**
- Have the right systems and data to drive operational performance, meet obligations, improve the programs and manage risk.

The Company's strategy to achieve these goals is:

- Build awareness of who **headspace** is and what it does.
- Develop **headspace** so it is responsive to the individual needs of every young person.
- Develop a long-term sustainable funding approach by tapping into broader investor and funding options.
- Enhance access to appropriate services for all young people.
- Deliver the best, most effective model through continual research and validation.

The Company has developed a set of internal indicators by which it measures how it is achieving its goals.

### Operating Results

The operation of the Company for the financial year resulted in a surplus of \$8,278,631 (2011: deficit of \$518,121). The surplus is in part a result of the Company receiving funding for the **headspace** School Support program in June of \$5,517,782, of which only minimal expenditure had been incurred. Grant payments that were either not paid to centres due to obligations having not been met, or not falling due until the subsequent financial year also contributed to this surplus.

## Dividends Paid or Recommended

The Company is a not-for-profit organisation incorporated as a company limited by guarantee. If the Company is wound up, the liability of each member is limited to a maximum of \$100 towards meeting any outstanding obligations of the Company. The Company does not have any share capital and has not issued debentures. The Company is precluded by its constitution from recommending payment of any dividend.

## Review of Operations

During the financial year, the Company conducted the Youth Mental Health Initiative in accordance with the funding agreement it had entered into with the Commonwealth of Australia. In addition, the Company has conducted other programs, funded by both the Commonwealth of Australia and other fund providers, which support and complement the Youth Mental Health Initiative.

## Significant Changes in the State Of Affairs

No significant changes in the Company's state of affairs occurred during the financial year.

## Matters Subsequent to the end of the Financial Year

No matters or circumstances have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## Likely Developments

There are no likely developments in the operations of the Company which have not been disclosed elsewhere in this report.

## Environmental Regulation

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



# Directors' Report

(Continued)

## Information on Directors

Name	Qualifications and Experience	Special Responsibilities
<b>Ian Hickie AM</b> (Resigned 23 January 2012)	<ul style="list-style-type: none"><li>– Board member since 5 June 2009.</li><li>– Professor, AM.</li><li>– From 2000 to 2003, Professor Hickie was CEO of beyondblue: the national depression initiative, and from 2003 to 2006 served as its Clinical Advisor.</li><li>– In 2003, Professor Hickie was appointed as the Executive Director of the Brain &amp; Mind Research Institute (BMRI).</li><li>– In 2007, he was appointed to the Prime Minister's Australian National Council on Drugs, and was elected as a Fellow of the Academy of the Social Sciences in Australia.</li><li>– From 2008 he is one of the first round of new NHMRC 2008 Australian Fellows and was appointed to the Federal Health Minister's National Advisory Council on Mental Health and then, in 2010 to 2011, the Federal Ministers Mental Health Expert Advisory Group.</li><li>– In January 2012, Professor Hickie resigned as a Director of <b>headspace</b>, due to his appointment as a Commissioner in the new National Mental Health Commission to oversee enhanced accountability for mental health reform in Australia.</li></ul>	Member appointee of University of Sydney.
<b>Barbara Hingston</b>	<ul style="list-style-type: none"><li>– Board member since 16 July 2009.</li><li>– BA, BSW, GAICD, MAASW.</li><li>– Barbara has held senior executive and corporate management roles in commonwealth government and in the NGO sector including as Executive Director for Mercy Health Care Australia Ltd, a national collaboration in health and aged care. Board member since 16 July 2009, inaugural Co- Chair of <b>headspace</b> Board's Clinical, Research and Evaluation Advisory Committee 2009-2012.</li><li>– She is a highly experienced non-executive director, having contributed to the governance of acute and primary health care services, health professional regulation, and child and family services in Victoria, Qld and the ACT. In addition to <b>headspace</b>, her current directorships include Austin Metropolitan Health Service; Eastern Melbourne Medicare Local and a Domestic Violence Outreach Service in Victoria.</li><li>– Barbara currently consults to community and government organisations in governance and service and provides executive mentoring and coaching to executive staff. She is also an experienced social worker practiced in individual and group counselling in sexual assault, family violence and other trauma.</li></ul>	Appointee of the Commonwealth Minister for Health and Ageing.  Co-Chair of Clinical, Research & Evaluation Committee.



Name	Qualifications and Experience	Special Responsibilities
<p><b>Christine Jorm</b> (Appointed 11 April 2012)</p>	<ul style="list-style-type: none"> <li>– Board member since 11 April 2012.</li> <li>– Christine is Associate Professor (Medical Education) at Sydney Medical School and coordinates the Professionalism Theme of the medical program.</li> <li>– She has doctorates in neuropharmacology and sociology and is a Fellow of the Australian and New Zealand College of Anaesthetists, practicing as an anaesthetist for more than 15 years before her interest in quality assurance in anaesthesia led rapidly to a full-time cross-disciplinary work in patient safety and quality.</li> <li>– She was recruited in 2006 as a foundation staff member for the new Australian Commission on Safety and Quality in Health Care. She provided safety and quality advice, ran specific national programs and developed policy and strategy for the Commission until moving to Sydney University in 2010.</li> <li>– She has published on a broad range of safety and quality topics, health policy and medical culture and is passionate about finding ways to enable the doctors of the future to better engage with and influence the healthcare system.</li> </ul>	<p>Member appointee of University of Sydney.</p>
<p><b>Lyn Littlefield OAM</b></p>	<ul style="list-style-type: none"> <li>– Board member since 5 June 2009.</li> <li>– Professor, OAM, FAPS, FAICD, FAIM, BSc, BBSoc (Hons), Dip Ed, M Psych, PhD.</li> <li>– Lyn has extensive experience in teaching, clinical practice and research, in child and family psychology, and she established the first professional doctorate in clinical child, adolescent and family psychology in Australia. Lyn was previously the Head of the School of Psychological Science at La Trobe University, and is currently a Professor at La Trobe. She was the Inaugural Director of the Victorian Parenting Centre.</li> <li>– She was conferred a Medal of the Order of Australia in 2001 for services to the welfare of children and families.</li> <li>– Lyn is Deputy Chair of Mental Health Council of Australia; Chair of the Board of Allied Health Professionals Australia; Board member of Mental Health Professionals Network.</li> </ul>	<p>Member appointee of the Australian Psychological Society Limited.</p>

# Directors' Report

(Continued)

Name	Qualifications and Experience	Special Responsibilities
<b>Ian Marshman</b>	<ul style="list-style-type: none"><li>– Board member since 5 June 2009.</li><li>– BA (Honours), LLB.</li><li>– Ian was appointed Senior Vice-Principal at the University of Melbourne in March 1999. In this role he is accountable to the Vice-Chancellor and Council for the overall management and administration of the University. Ian has specific responsibilities for major projects and facilities planning, audit, compliance and external reporting accountabilities.</li><li>– Ian's career began as an Administrator in the Australian Public Service in Canberra. He has held senior positions in health at Commonwealth and State Government levels.</li><li>– He is currently Chair of the Management Committee for Victorian Tertiary Admissions Centre.</li><li>– He is an auditor for Australian Universities Quality Agency, Chair of the Universitas 21 Managers Group and a Director of the on-line business school, Universitas 21 Global. He is also a Director of a number of University boards.</li></ul>	<p>Member appointee of the University of Melbourne.</p> <p>Co-Chair of Finance, Audit &amp; Risk Committee.</p>
<b>Peter Mason AM</b>	<ul style="list-style-type: none"><li>– Board member since 5 June 2009.</li><li>– AM, B Com (Hons), MBA, Hon Dr University of NSW.</li><li>– Peter is Chairman of AMP Limited, Senior Advisor to UBS Investment Bank and a Non-Executive Director of David Jones Ltd and Singapore Telecommunications Ltd. He has 40 years' experience in investment banking.</li><li>– Peter is Chairman of The Centre for International Finance and Regulation, a Trustee of the Sydney Opera House Trust, a Director of the University of New South Wales Foundation Board, Chairman of the UBS Australia Foundation, and Chairman of the Dean's Circle of the University of NSW Faculty of Medicine. He is also an Ambassador for the Australian Indigenous Education Foundation.</li></ul>	<p>Appointee of the Commonwealth Minister for Health and Ageing.</p> <p>Co-Chair of Finance, Audit &amp; Risk Committee.</p>

Name	Qualifications and Experience	Special Responsibilities
<b>Wendy McCarthy AO</b>	<ul style="list-style-type: none"> <li>– Board member since 5 June 2009.</li> <li>– AO, BA, Dip Ed, Hon Dr University of SA.</li> <li>– Wendy began her career as a secondary school teacher and remains passionate about the power of education. For five decades she has been a teacher, educator and change agent in Australian public life. She is the founder of McCarthy Mentoring which specialises in providing external mentors to major corporations, the public sector and Not for Profit Organisations.</li> <li>– Wendy chairs Circus Oz, McGrath Estate Agents and Pacific Friends of the Global Fund and is a Director of Goodstart Early Learning and Childcare Limited.</li> <li>– She has held many significant leadership roles in leading national and international bodies including eight years as Deputy Chair of the Australian Broadcasting Corporation, 10 years as Chancellor of the University of Canberra and 13 years as a director of Plan International.</li> <li>– In 1989, Wendy was appointed an Officer of the Order of Australia for outstanding contributions to community affairs, women’s affairs and the Bicentennial celebrations.</li> </ul>	<p>Appointee of the Commonwealth Minister for Health and Ageing.</p> <p>Chair.</p>
<b>Patrick McGorry AO</b>	<ul style="list-style-type: none"> <li>– Board member since 5 June 2009.</li> <li>– AO, MD, BS, PhD, FRCP, FRANZCP, Australian of the Year 2010.</li> <li>– Pat is Executive Director of Orygen Youth Health and Professor of Youth Mental Health at the University of Melbourne. He is a world-leading researcher in the area of early psychosis and youth mental health. He is the Editor-in-Chief of the Wiley journal “Early Intervention in Psychiatry”.</li> <li>– Pat has also played a major role in mental health reform in Australia and many other countries. He led the successful consortium bid to DOHA, on behalf of Orygen, University of Melbourne, APS and BMRI/University of Sydney, to design and implement <b>headspace</b> from 2006-2009, prior to it forming an independent company in 2009. He is a Director of Headstrong, Ireland’s National Youth Mental Health Foundation, and is Past-president and Treasurer of the International Early Psychosis Association, and acting Chair of the Steering Committee of the International Association for Youth Mental Health. He was formerly a member of the National Mental Health Advisory Committee and is currently a member of the Victorian Government’s Mental Health Reform Council.</li> </ul>	<p>Member appointee of Orygen Youth Health Research Centre.</p> <p>Co-Chair of Clinical, Research &amp; Evaluation Committee.</p>

# Directors' Report

(Continued)

Name	Qualifications and Experience	Special Responsibilities
<b>John McGrath AM</b>	<ul style="list-style-type: none"><li>– Board member since 5 June 2009.</li><li>– AM.</li><li>– Chairman of Mental Health Professionals Network Ltd, a Commonwealth funded project in Collaborative Interdisciplinary Networking. John is past Deputy Chair and an Inaugural Director of beyondblue since its inception in October 2000.</li><li>– Immediate Past Chair of the Victorian Ministerial Expert Council on Mental Health from 1999 – 2010. Former Board Member of Crisis Support Services, a national professional telephone counseling service. John was the Inaugural Chair of the Mental Health Council of Australia 1997 – 2003. John was also the Inaugural Chair of the Western Region Alcohol and Drug Centre in Warrnambool for 13 years.</li><li>– Member of the Victorian Parliament 1985 – 1999. Deputy Speaker and Chairman of Committees from 1992 until his voluntary retirement as MLA for Warrnambool, in late 1999.</li><li>– In 2008 John was appointed a Member of the Order of Australia in the Queen's Birthday honours awards.</li><li>– John's decision to retire from politics was prompted by his desire to direct all of his energies towards promoting better outcomes for consumers of mental health services and their families.</li><li>– John brings a strong family/carer focus to his involvement, instigated by the personal experience of having his two sons impacted by mental illness. Darren's treatment has been effective, so that today he leads an active and productive life, however John's second son Shane, lost his life to suicide in 1993.</li></ul>	<p>Appointee of the Commonwealth Minister for Health and Ageing.</p> <p>Member of Finance Audit &amp; Risk Committee.</p> <p>Chair of the Family and friends Committee.</p>
<b>Helen Milroy</b> (Resigned 15 February 2012)	<ul style="list-style-type: none"><li>– Board member since 5 June 2009.</li><li>– Professor, MB BS, Cert Child Psych, FRANZCP.</li><li>– Helen is a Consultant Psychiatrist with the WA Department of Health's Statewide Aboriginal Mental Health Service and is Winthrop Professor and Director of the Centre for Aboriginal Medical and Dental Health at the University of Western Australia.</li><li>– Helen is a Past President of the Australian Indigenous Doctors Association.</li><li>– She is a current member of the NHMRC Australian Human Ethics Committee and the NHMRC Aboriginal &amp; Torres Strait Islander Health Advisory Committee.</li></ul>	<p>Appointee of Australian Indigenous Doctors Association.</p>

Name	Qualifications and Experience	Special Responsibilities
<b>Louis Peachey</b> (Appointed 18 May 2012)	<ul style="list-style-type: none"> <li>– Board member since 18 May 2012.</li> <li>– Dr Louis Peachey is a Girimay man from the Djiribaligan language group (Rainforest People) of North Queensland. He is a Senior Medical Officer at the Atherton District Hospital where he works as a Rural Generalist.</li> <li>– Dr Peachey was the founding President of the Australian Indigenous Doctors Association, and has been directly involved in Health Advocacy for Indigenous Australians for more than a quarter of a century. He has served on the Board of the Australian College of Rural and Remote Medicine, and the Logan Area Division of General Practice. Dr Peachey has also served on numerous Federal and State health committees and reference groups throughout his career.</li> </ul>	Appointee of Australian Indigenous Doctors Association.
<b>Sheree Vertigan</b>	<ul style="list-style-type: none"> <li>– Board member since 5 June 2009.</li> <li>– BA, MEd, MACE.</li> <li>– Sheree has worked in a variety of positions within education, commencing her career as an English teacher prior to taking up a position as a consultant and then returned to senior positions within schools and the Department of Education. Sheree currently holds a number of other positions including:               <ul style="list-style-type: none"> <li>• Vice president (Secondary), Tasmanian Principals' Association</li> <li>• Director, Principals Australia Board</li> <li>• Member, National Leadership Learning Network</li> <li>• Member, writing team, Principal Standards Project</li> <li>• Director Asia Education Foundation</li> <li>• Director Australian National Council for Drugs.</li> </ul> </li> </ul>	Appointee of Principals Australia.

# Directors' Report

(Continued)

Name	Qualifications and Experience	Special Responsibilities
<b>Robert Walters</b>	<ul style="list-style-type: none"><li>– Board member since 5 June 2009.</li><li>– B Med Sc, MB BS, RFD.</li><li>– Rob is a practicing GP in Hobart. From 2002-05, Rob was the Chair of the Australian Divisions of General Practice (now AGPN) and continues to serve on the Board of his Tasmanian Division (General Practice South).</li><li>– He is also a medico-legal adviser and case manager for the Medical Indemnity Protection Society in Tasmania and regularly presents to medical practitioners nationally, on matters related to medical indemnity, risk and medicine and the law.</li><li>– Rob has served, and continues to serve, on a number of Boards and Councils representing General Practice including the beyondblue Clinical Reference Council, the National Advisory Council on Mental Health and he is a past Chair of the Cancer Council of Tasmania. He also has an interest in Occupational Medicine and is the Medical Director on the Tasmanian Work Cover Board.</li><li>– Rob holds the rank of Colonel in the Australian Army Reserve and is a consultant to the Surgeon General of the Australian Defence Force on General Practice for the Army, Navy and Air Force. In 2002 he served overseas in East Timor with the UN Forces.</li></ul>	Member appointee of Australian General Practice Network Limited.

There are no loans made to directors by the Company.

## Meetings of Directors

The number of meetings of the Company's Board of directors and of each Board committee held during the year ended 30 June 2012, and the number of meetings attended by each director were:

Director	Directors' Meetings		Finance, Audit and Risk Committee Meetings	
	Attended	Eligible to attend	Attended	Eligible to attend
Ian Hickie AM	3	3	–	–
Barbara Hingston	6	7	–	–
Christine Jorm	2	2	–	–
Lyn Littlefield OAM	6	7	–	–
Ian Marshman	6	7	7	7
Peter Mason AM	4	7	5	7
Wendy McCarthy AO	7	7	1	– (ex-officio)
Patrick McGorry AO	6	7	–	–
John McGrath AM	4	7	7	7
Helen Milroy	3	3	–	–
Louis Peachey	2	2	–	–
Sheree Vertigan	5	7	–	–
Robert Walters	7	7	–	–

Director	Clinical, Research & Evaluation Committee Meetings		Indigenous Taskforce Committee Meetings	
	Attended	Eligible to attend	Attended	Eligible to attend
Ian Hickie AM	–	–	–	–
Barbara Hingston	2	4	–	–
Christine Jorm	–	–	–	–
Lyn Littlefield OAM	–	–	–	–
Ian Marshman	–	–	–	–
Peter Mason AM	–	–	–	–
Wendy McCarthy AO	–	–	–	–
Patrick McGorry AO	2	4	–	–
John McGrath AM	–	–	–	–
Helen Milroy	–	–	1	1
Louis Peachey	–	–	–	–
Sheree Vertigan	–	–	1	1
Robert Walters	–	–	–	–

# Directors' Report

(Continued)

Director	Family and Carers Committee Meetings	
	Attended	Eligible to attend
Ian Hickie AM	–	–
Barbara Hingston	–	–
Christine Jorm	–	–
Lyn Littlefield OAM	–	–
Ian Marshman	–	–
Peter Mason AM	–	–
Wendy McCarthy AO	–	–
Patrick McGorry AO	–	–
John McGrath AM	3	3
Helen Milroy	–	–
Louis Peachey	–	–
Sheree Vertigan	–	–
Robert Walters	–	–

Attendance at only the *in camera* section of a meeting is considered to be attendance by that director.



## Insurance of Officers

During the year ended 30 June 2012, the Company paid premiums totalling \$21,584 (2011: \$21,584) to insure the officers (including directors) of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

## Indemnity of Auditors

No indemnities have been given, during or since the end of the financial year, for any person who is or has been an auditor of the Company.

## Proceedings on Behalf of Company

No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

## Non-audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor (RSM Bird Cameron Partners) for audit and non-audit services provided during the year are set out in note 18 to the financial report.

The Board of Directors has considered the position and, in accordance with advice received from the Finance, Audit & Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Finance, Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

# Directors' Report

(Continued)

## Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found following the Directors' Report, as required under section 307C of the *Corporations Act 2001*.

## Auditor

RSM Bird Cameron Partners continue in office in accordance with section 327 of the *Corporations Act 2001*.

Signed on this 19th day of September 2012 in accordance with a resolution of the Board of Directors.



**Wendy McCarthy AO**  
Chair



**Peter Mason AM**  
Co-Chair of Finance, Audit & Risk Committee

### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of headspace National Youth Mental Health Foundation Ltd for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

#### RSM BIRD CAMERON PARTNERS



**Stan Naylor**  
Partner

Melbourne, Victoria  
Dated: 19 September 2012



# Section Four

## Financial Statements

for the Year Ended 30 June 2012

### Section Four – Financial Statements

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These financial statements cover the separate financial statements of **headspace** National Youth Mental Health Foundation Ltd as an individual entity. The financial statements are presented in the Australian currency.

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

The financial statements were authorised for issue by the directors on 19 September 2012. The directors have the power to amend and reissue the financial statements.

# Financial Statements

for the Year Ended 30 June 2012

(Continued)

## Statement of Comprehensive Income

for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
<b>Revenue from Continuing Operations</b>			
Revenue from services and Government grants		55,780,068	28,819,660
Interest		771,351	294,039
Fundraising		101,735	39,039
Other revenues from operating activities		292,706	137,430
<b>REVENUE FROM OPERATING ACTIVITIES</b>	<b>2</b>	<b>56,945,860</b>	<b>29,290,168</b>
Employment		5,924,012	3,360,295
Occupancy		231,460	187,011
Grant payments		37,182,572	21,970,710
Consultancy		1,297,551	778,710
Sub-contracts with member organisations		525,000	750,000
Governance		222,616	226,579
Travel		633,627	446,552
Communications and marketing		842,772	664,368
Depreciation and amortisation		712,380	475,323
Write off of assets damaged by flood		427	74,755
Other operating and administration expenses		1,094,812	873,986
<b>EXPENSES FROM OPERATING ACTIVITIES</b>	<b>3</b>	<b>48,667,229</b>	<b>29,808,289</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR BEFORE INCOME TAX</b>		8,278,631	(518,121)
Income tax expense	1b	–	–
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>8,278,631</b>	<b>(518,121)</b>
<b>Other comprehensive income</b>			
Other comprehensive income		–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>8,278,631</b>	<b>(518,121)</b>

The accompanying notes form part of these financial statements.

## Statement of Financial Position

as at 30 June 2012

	Note	2012 \$	2011 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash assets		15,482,812	6,324,634
Other financial assets	4	5,651,525	83,797
Trade and other receivables	5	756,347	2,208,073
<b>Total current assets</b>		<b>21,890,684</b>	<b>8,616,504</b>
<b>Non-current assets</b>			
Leasehold improvements, plant and equipment	6	952,112	889,763
Intangible assets	7	112,764	123,234
<b>Total non-current assets</b>		<b>1,064,876</b>	<b>1,012,997</b>
<b>Total assets</b>		<b>22,955,560</b>	<b>9,629,501</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	6,342,401	1,354,821
Provisions	9	290,031	152,784
Deferred income	10	–	109,200
<b>Total current liabilities</b>		<b>6,632,432</b>	<b>1,616,805</b>
<b>Non-current liabilities</b>			
Provisions	9	81,963	50,162
<b>Total non-current liabilities</b>		<b>81,963</b>	<b>50,162</b>
<b>Total liabilities</b>		<b>6,714,395</b>	<b>1,666,967</b>
<b>Net assets</b>		<b>16,241,165</b>	<b>7,962,534</b>
<b>MEMBERS' FUNDS</b>			
Accumulated surplus	11	16,241,165	7,962,534
<b>Total members' funds</b>		<b>16,241,165</b>	<b>7,962,534</b>

The accompanying notes form part of these financial statements.

# Financial Statements

for the Year Ended 30 June 2012

(Continued)

## Statement of Changes in Equity

for the Year Ended 30 June 2012

	Note	Accumulated surplus \$	Total \$
<b>Balance at 1 July 2010</b>		8,480,655	8,480,655
Total comprehensive income for the year	11	(518,121)	(518,121)
<b>Balance at 30 June 2011</b>		7,962,534	7,962,534
Total comprehensive income for the year	11	8,278,631	8,278,631
<b>Balance at 30 June 2012</b>		<b>16,241,165</b>	<b>16,241,165</b>

The accompanying notes form part of these financial statements.



## Statement of Cash Flows

for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
<b>Cash flows from operating activities</b>			
Receipts from Government grants and other operations		63,184,504	32,856,682
Payments to employees and suppliers (incl GST)		(48,465,265)	(32,269,209)
Interest received		771,351	294,039
<b>Net cash inflow from operating activities</b>	<b>14(b)</b>	<b>15,490,590</b>	<b>881,512</b>
<b>Cash flows from investing activities</b>			
Payments for intangible assets		(87,298)	(123,234)
Payments for leasehold improvements, plant and equipment		(677,386)	(370,090)
<b>Net cash outflow from investing activities</b>		<b>(764,684)</b>	<b>(493,326)</b>
<b>Cash flow from financing activities</b>			
<b>Net cash inflow / (outflow) from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase / (decrease) in cash held</b>		<b>14,725,906</b>	<b>388,186</b>
Cash and cash equivalents at the beginning of the financial year		6,408,431	6,020,245
<b>Cash and cash equivalents at the end of the financial year</b>	<b>14(a)</b>	<b>21,134,337</b>	<b>6,408,431</b>
<b>Cash and cash equivalents at the end of the financial year consists of:</b>			
Cash assets		15,482,812	6,324,634
Other financial assets	4	5,651,525	83,797
		<b>21,134,337</b>	<b>6,408,431</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

for the Year Ended 30 June 2012

## Note 1: Summary of significant accounting policies

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

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001*. **headspace** is a not-for-profit entity for the purpose of preparing the financial report required under AASB1054 (8)(b).

### Historical Cost Convention

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

### Early Adoption of Standards

The Company has not elected to early adopt any accounting standards for this reporting period (2011: Nil).

### Critical accounting estimates and judgements

The preparation of financial report 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 report is disclosed in note 20.

## a. Revenue recognition

Revenue from the rendering of services is recognised upon the delivery of the service.

Revenue from Government grants is recognised when the Company has met all applicable milestones under the grant agreement.

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

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

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

Donations received from fundraising events are recognised as revenue when received.

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

## b. Income tax

The Company is exempt from income tax in accordance with endorsement by the Australian Taxation Office under Subdivision 50-B of the *Income tax Assessment Act 1997*. Accordingly no provision for income tax has been made.

## c. Leases

Lease payments for operating leases (note 13(a)), where substantially all the risks and benefits remain with the lessor, are charged as expenses (net of any incentives received from the lessee) on a straight-line basis over the lease term.

## d. Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits at call with banks or financial institutions 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. Other financial assets include term deposits with fixed maturities of three months or greater that management has the positive intention and ability to hold to maturity. For the purposes of presentation in the Statement of Cash Flows, cash assets and other financial assets equate to cash and cash equivalents.

## e. Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured less any provision for impairment. Trade receivables are generally due for settlement within 30 days (2011: 30 days).

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is raised when some doubt as to collection exists.

The collectability of other receivables is assessed at the reporting date and specific provision is made for any doubtful amounts.

The amount of the impairment loss is recognised as an expense within other operating and administration expenses.

## f. Leasehold improvements, plant and equipment

Leasehold improvements, plant and equipment are measured at cost or deemed cost on acquisition and are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of leasehold improvements, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised as an expense (note 1k).

The depreciable amount of all leasehold improvements, plant and equipment is calculated on a straight line basis over their estimated useful lives to the Company commencing from the time the asset is held ready for use, or, in the case of leasehold improvements, the shorter lease term. The depreciation rates used for each class of assets are:

<b>Class of fixed asset</b>	<b>Depreciation rate</b>
Plant and equipment	25% - 50%
Leasehold improvements	33 <sup>1</sup> / <sub>3</sub> %

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds from sale with the carrying amount. These are included in the Statement of Comprehensive Income as gain/ (loss) on sale.

## g. Intangible assets

### *IT development and software*

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are treated as intangible assets. Costs capitalised include external direct costs of materials and services. Amortisation is calculated on a straight-line basis over the expected period of service provision.

IT development costs include only those costs directly attributable to the development phase and are only recognised where the Company has an intention and ability to use the asset.

## h. Trade and other payables

Trade and other payables represent the liability outstanding at the end of the financial year for goods and services received by the Company which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability (2011: 30 days).

# Notes to the Financial Statements

for the Year Ended 30 June 2012

*(Continued)*

## **i. Employee entitlements**

### **Short-term obligations**

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to the end of the financial year. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

### **Other long-term employee benefit obligations**

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions made by the Company to employee superannuation funds are charged as expenses when incurred.

## **j. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## **k. Impairment of assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

## **l. New accounting standards and interpretations**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates in future reporting periods. However, none would have an impact upon the Company.

## Note 2: Revenues from continuing operations

	2012 \$	2011 \$
Operating activities from continuing operations		
Government grants	55,780,068	28,819,660
Interest	771,351	294,039
Fundraising	101,735	39,039
Other revenues from operations	292,706	137,430
<b>Total revenues from continuing operations</b>	<b>56,945,860</b>	<b>29,290,168</b>

Revenue for the financial year includes funding under an agreement with the Commonwealth of Australia as represented by the Department of Health & Ageing (**headspace** School Support program) executed on 13 April 2012. Due to the delayed timing of receipt of this funding, only minimal expenditure has occurred in relation to this program. As a result, the Company has a surplus of \$5,298,615 in relation to this program at the end of the year which would not normally occur. This surplus is committed to be fully expended over the next two financial years. Excluding this surplus, the Company's underlying result is a surplus of \$2,980,016, which represents:

- Surplus of \$502,277 relating to the Youth Telephone and Online Counselling project which will be fully expended over the next two financial years.
- Surplus of \$2,477,739 relating to the funding agreement referred to in Note 15 which is committed to be expended in the next financial year as detailed in Note 13(b).

## Note 3: Expenses from operating activities

Expenses from operating activities has been determined after:

	2012 \$	2011 \$
<b><i>Depreciation and amortisation</i></b>		
Intangible asset	97,768	–
Leasehold improvements	289,401	286,880
Plant and equipment	325,211	188,443
<b>Total depreciation and amortisation</b>	<b>712,380</b>	<b>475,323</b>
<b><i>Rental expense relating to operating leases</i></b>		
Minimum lease payments	189,596	118,410
<b><i>Profit/loss on sale of leasehold improvements, plant and equipment</i></b>	<b>427</b>	<b>–</b>

# Notes to the Financial Statements

for the Year Ended 30 June 2012

(Continued)

## Note 4: Other financial assets

	2012	2011
Current	\$	\$
Deposits at call	5,651,525	83,797
Total other financial assets	5,651,525	83,797

### (a) Risk exposure

The Company's exposure to risk is discussed in note 19. The maximum exposure at the end of the financial year is the carrying amount of the cash and cash equivalents noted above.

## Note 5: Trade and other receivables

	2012	2011
Current	\$	\$
Trade receivables	545,723	1,940,485
GST receivable	2,218	–
Prepayments	208,406	267,588
Total trade and other receivables	756,347	2,208,073

### (a) Impaired trade receivables

There are no impaired trade receivables at year end (2011: \$nil).

### (b) Past due but not impaired

As at 30 June 2012, trade receivables of \$76,187 (2011: \$1,380) were past due but not impaired. These are either amounts which the Company fully expects to receive or amounts payable from individual **headspace** centres. In the case of the centres, the Company has a right of offset for any amounts outstanding. These outstanding balances would be deducted from any payments made to the centres by the Company. The ageing analysis of these trade receivables is as follows:

Ageing:	2012	2011
	\$	\$
31-60 days	75,573	–
>90 days	614	1,380
	76,187	1,380

The other classes within trade and other receivables do not contain impaired assets and are not past due.

## Note 5: Trade and other receivables (continued)

### (c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 19 for more information on the Company's risk management policy.

## Note 6: Leasehold improvements, plant and equipment

### Note 6(a): Leasehold improvements

	2012 \$	2011 \$
Leasehold improvements at cost	909,201	865,681
Less accumulated depreciation	(786,380)	(496,979)
Total leasehold improvements	122,821	368,702

### Note 6(b): Plant and equipment

Plant and equipment at cost	1,409,057	775,916
Less accumulated depreciation	(579,766)	(254,855)
Total plant and equipment	829,291	521,061
Net book amount	952,112	889,763

### Note 6(c): Movements in carrying amounts

	Leasehold Improvements (\$)	Plant and Equipment (\$)	Total (\$)
Balance at 1 July 2010	655,582	414,169	1,069,751
Additions	–	370,090	370,090
Disposal of assets destroyed in flooding	–	(74,755)	(74,755)
Depreciation	(286,880)	(188,443)	(475,323)
Carrying amount as at 30 June 2011	368,702	521,061	889,763
Additions	43,520	633,866	677,386
Disposals	–	(425)	(425)
Depreciation	(289,401)	(325,211)	(614,612)
Carrying amount as at 30 June 2012	122,821	829,291	952,112

# Notes to the Financial Statements

for the Year Ended 30 June 2012

(Continued)

## Note 7: Intangible assets

	2012	2011
	\$	\$
(a) Software		
Cost	210,532	123,234
Less accumulated amortisation	(97,768)	–
Net carrying value	112,764	123,234

### (a) Movements in carrying amounts

	Total (\$)
Balance at 1 July 2010	–
Additions	123,234
Carrying amount as at 30 June 2011	123,234
Additions	87,298
Amortisation	(97,768)
Carrying amount as at 30 June 2012	112,764

The Company has entered into a Licence, Installation and Support Agreement with Global Health Limited to customise, install and provide support in relation to MasterCare EMR, the software product used in **headspace** centres. In relation to this agreement, expenditure of \$87,298 (2011 \$123,234) has been incurred during the financial year. The software is being amortised over its expected useful life to the Company from November 2011 to February 2013.

## Note 8: Trade and other payables

	2012	2011
	\$	\$
Current		
Trade payables	275,419	247,060
Other payables	6,066,982	1,107,761
	6,342,401	1,354,821



## Note 9: Provisions

	2012	2011
	\$	\$
<b>Current</b>		
Employee entitlements – annual leave	290,031	152,784
<b>Non-current</b>		
Employee entitlements – long service leave	81,963	50,162
Total provisions	371,994	202,946

## Note 10: Deferred income

	2012	2011
	\$	\$
<b>Current</b>		
Lease incentive	–	109,200
Total deferred income	–	109,200

## Note 11: Accumulated surplus

Movements in accumulated surplus were as follows:

	2012	2011
	\$	\$
Balance as at 1 July	7,962,534	8,480,655
Surplus/(deficit) for the year	8,278,631	(518,121)
Balance as at 30 June	16,241,165	7,962,534

## Note 12: Members' guarantee

The Company is limited by guarantee. If the Company is wound up the liability of each member is limited to a maximum of \$100 towards meeting any outstanding obligations of the Company. At 30 June 2012 the number of members was 5 (2011: 5).

# Notes to the Financial Statements

for the Year Ended 30 June 2012

(Continued)

## Note 13: Commitments

### Note 13(a): Lease commitments: Company as lessee

#### Non-cancellable operating leases

Two photocopier/printers are leased from Fuji Xerox for a period of 33 months commencing 6 October 2012. Rent is paid monthly in arrears.

	2012 \$	2011 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	15,804	13,296
Later than one year and not later than five years	14,487	17,728
	30,291	31,024

Office accommodation is leased from Tee Enterprise Holdings Pty Ltd under a lease which expires on 31 August 2012. Rent is paid monthly in advance.

Commitments for minimum lease payments in relation to cancellable operating leases are payable as follows:

Within one year	39,642	230,882
	39,642	230,882

Office accommodation is leased from The Trust Company (RE Services) Limited under a lease which expires on 30 June 2015. Rent is paid monthly in advance.

Commitments for minimum lease payments in relation to cancellable operating leases are payable as follows:

Within one year	550,348	–
Later than one year and not later than five years	1,670,961	–
	2,221,309	–

Two motor vehicles are leased from Macquarie Leasing under leases which expire 30 June 2014. Rent is paid monthly in advance.

Commitments for minimum lease payments in relation to cancellable operating leases are payable as follows:

Within one year	14,075	–
Later than one year and not later than five years	14,075	–
	28,150	–

### Note 13(b): Other commitments

In connection with the funding agreement referred to in Note 15, the Company has entered into individual grant agreements with each of the lead agencies operating the fifty-five **headspace** centres throughout Australia. Payments are due to the lead agencies when the due date for payment has been reached and the lead agency has met all the obligations that are required to be performed up to the due date for payment.

At 30 June 2012, some lead agencies had not met all of their obligations and accordingly had not received some payments. These payments total \$1,194,029 (2011: \$773,804). Further payments under these grant agreements totalling \$2,943,855 (2011: \$4,149,689) fall due in the next financial year provided the lead agencies have met all the obligations that are required to be performed up to the due date for payment. The Company will receive additional payments under the funding agreement referred to in Note 15 which will cover these commitments and also use its cash surplus from the current financial year.

## Note 14: Cash flow information

### Note 14(a): Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Cash assets	15,482,812	6,324,634
Other financial assets – Note 4	5,651,525	83,797
Cash and cash equivalents	21,134,337	6,408,431

### Note 14(b): Reconciliation of cash flow from operations with surplus/(deficit) for the year

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Surplus / (Deficit) for the year	8,278,631	(518,121)
<b>Non-cash flows in surplus/(deficit)</b>		
Depreciation and amortisation	712,380	475,323
Disposals/Write off of assets destroyed by flooding	425	74,755
<b>Changes in assets and liabilities</b>		
Decrease in trade and other receivables	1,451,726	733,419
Increase in trade and other payables	4,987,580	177,033
Increase in provisions	169,048	48,085
Decrease in deferred income	(109,200)	(108,982)
Cash flow from operations	15,490,590	881,512

## Note 15: Economic dependence

The continuing operation of the Company is dependent upon periodic renewal of a funding agreement with the Commonwealth of Australia as represented by the Department of Health & Ageing. The current agreement commenced on 1 October 2009 and expires on 30 June 2015.

## Note 16: Contingencies

### Contingent assets

The Company does not have any contingent assets of a material nature which have not already been dealt with in these financial statements (2011: Nil)

### Contingent liabilities

Upon expiry or early termination of the funding agreement referred to in note 15, the Company may be required to repay to the Commonwealth of Australia any unspent funds relating to the agreement. The Company does not expect there will be any such unspent funds and accordingly no contingent liability can be measured with sufficient reliability.

# Notes to the Financial Statements

for the Year Ended 30 June 2012

(Continued)

## Note 17: Related party disclosures

### Note 17(a): Key management personnel compensation

<i>Key management personnel benefits:</i>	2012 \$	2011 \$
Short term benefits	1,104,637	834,415
Post employment benefits	86,180	75,098
Long term benefits	35,376	19,129
	1,226,193	928,642

### Note 17(b): Directors' remuneration

Income paid or payable to all directors by the Company and any related parties for the financial year totalled \$192,231 (2011: \$195,510).

The names of the Company directors who have held office during the financial year are reported in the Directors' Report.

The Board has established a Remuneration Committee (which meets as the Finance, Audit & Risk Committee) which has responsibility for determining appropriate remuneration for directors.

The Board has resolved, following a recommendation from the Remuneration Committee, that directors' fees will be increased annually by reference to the CPI index in each March quarter. Directors do not receive any additional fees for membership of Board sub-committees.

### Note 17(c): Transactions by Directors with headspace centres

Ian Hickie AM is Executive Director of the Brain and Mind Research Institute (BMRI). Ian Hickie resigned from this position on 23 January 2012 and was replaced by Christine Jorm. Christine Jorm was also appointed as a Director of the Company on 11 April 2012. The Company has entered into two grant agreements with BMRI in relation to the operation of the following **headspace** centres:

**headspace** Central Sydney; and

**headspace** Campbelltown

These grant agreements are on the same terms and conditions as all other grant agreements with **headspace** centres.

Patrick McGorry AO is the Director of the Orygen Youth Health Research Centre Limited (Orygen). The Company has entered into two grant agreements with Orygen in relation to the operation of the following **headspace** centres:

Western Melbourne **headspace**; and

Northern Melbourne **headspace**

These grant agreements are on the same terms and conditions as all other grant agreements with **headspace** centres.

### Note 17(d): Transactions with Centre of Excellence

Under the funding agreement referred to in Note 15, the Company is required to maintain a Centre of Excellence to provide research services. The funding agreement stipulates that Orygen Youth Health Research Centre Limited (Orygen) is the approved subcontractor for the Centre of Excellence. Patrick McGorry AO is the Director of Orygen.

### Note 17(e): Transactions with McCarthy Mentoring

The Company has entered into an arrangement with McCarthy Mentoring to provide mentoring services to one of the Company's executives (2011: ten). During the financial year, payments totalling \$3,284 (2011: \$25,000) have been made by the Company to McCarthy Mentoring for these services, at market rates or less. Wendy McCarthy AO is a principal of McCarthy Mentoring but has not been involved in the provision of these services to the Company.

## Note 17: Related party disclosures (continued)

### Note 17(f): Fundraising income

Ian Marshman is entitled to receive Directors' fees of \$15,944 (2011: \$15,435). He has elected not to receive these fees and this amount has been treated as a donation from a director and included in fundraising revenue as disclosed in Note 2.

## Note 18: Remuneration of auditor and non-audit services

The Company may decide to employ the lead auditor's firm on assignments additional to their statutory audit duties where the firm's expertise and experience are required. Details of the amounts paid or payable to the lead auditor's firm for audit and non-audit services provided during the financial year are set out below.

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Audit services</b>		
Audit and review of financial report	25,000	17,750
Audit of grant acquittals	8,000	–
Total audit services	33,000	17,750
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Non-audit services</b>		
Tax advice	4,770	2,150
Assistance in preparing financial statements	–	3,000
Advice on grant acquittals	–	1,500
Total non-audit services	4,770	6,650

The Company is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

## Note 19: Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Company's overall treasury risk management policy focuses on minimising credit risk. The Company uses different methods to measure different types of risk to which it is exposed during the year. These methods include sensitivity analysis in the case of interest rate risk and aging analysis (external debtors) and credit rating agency data (term deposits) for credit risk.

# Notes to the Financial Statements

for the Year Ended 30 June 2012

(Continued)

## Note 19: Financial risk management (continued)

Risk management is carried out by senior management under policies approved by the Finance, Audit & Risk Committee. The Finance, Audit & Risk Committee has been delegated the responsibility for oversight of treasury activities by the Board of Directors. The Committee approves written policies for overall treasury risk management, as well as policies and procedures covering specific areas such as credit risk and investment of excess funds.

The Company holds the following financial instruments at the end of the financial year:

	Note	2012 \$	2011 \$
<b>Financial assets</b>			
Cash assets		15,482,812	6,324,634
Other financial assets	4	5,651,525	83,797
Trade receivables	5	545,723	1,940,485
		<hr/> 21,680,060	<hr/> 8,348,916
<b>Financial liabilities</b>			
Trade and other payables	8	6,342,401	1,354,821
		<hr/> 6,342,401	<hr/> 1,354,821

### (a) Market risk

#### (i) Interest rate risk

Exposure to interest rate risk arises on financial assets recognised at the end of the financial year whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate instruments. The Company is also exposed to earnings volatility on floating rate instruments.

The Directors consider that there is minimal interest rate risk, since there are no long term borrowings or interest bearing credit held by the Company. Interest rate risk is incurred on cash and cash equivalents earning interest in bank accounts and term deposits.

At 30 June 2012, if interest rates had changed by 100 basis points from the year-end rates with all other variables held constant, surplus for the year would have been \$208,145 (2011:\$ 62,757) lower / higher, all based on interest income from cash and cash equivalents.

## Note 19: Financial risk management (continued)

### (ii) Sensitivity Analysis

The Company believes the following movements are 'reasonably possible' over a 12 month period:

– A movement of 100 basis points in market interest rates from applicable bank interest rates.

If these movements were to occur, the impact on the Statement of Comprehensive Income for each category of financial instrument held at the end of the financial year is presented below.

2012	Carrying amount \$	Interest rate risk	
		+100 bps \$	-100 bps \$
<b>Financial assets</b>			
Cash assets	15,482,812	151,629	(151,629)
Other financial assets	5,651,525	–	–
Trade and other receivables	545,723	–	–
<b>Financial liabilities</b>			
Trade and other payables	6,342,401	–	–
Total increase / (decrease)		151,629	(151,629)

2011	Carrying amount \$	Interest rate risk	
		+100 bps \$	-100 bps \$
<b>Financial assets</b>			
Cash assets	6,324,634	60,997	(60,997)
Other financial assets	83,797	–	–
Trade and other receivables	1,940,485	–	–
<b>Financial liabilities</b>			
Trade and other payables	1,354,821	–	–
Total increase / (decrease)		60,997	(60,997)

### (b) Credit risk

Credit risk arises from cash and cash equivalent deposits with the bank, and credit exposures to outstanding receivables. All banking, including the investment of surplus monies, is managed through two banks, which must have an independent rating of 'AA-' (S&P) or above. The effective weighted average interest rate for cash and cash equivalents is 4.58% (2011: 5.32%).

The Directors consider that the credit risk associated with Government funding receivable is low, since all revenue is under contract subject to the Company meeting certain criteria as laid out in the Government funding agreement. The Company is required to report its quarterly financial status, within a detailed reporting framework. This allows the Government to review the application of all funding against the approved key milestones.

# Notes to the Financial Statements

for the Year Ended 30 June 2012

(Continued)

## Note 19: Financial instruments and financial risk management (continued)

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash for both short term liabilities and commitments and longer term commitments through contracts. The Company manages liquidity risk by regularly monitoring forecast and actual cash flows and matching cash availability to these requirements. Surplus cash at bank is invested only in cancellable term deposits, the amount based on cash flows incorporating working capital requirements. The Company has no borrowing facilities.

The Company is predominantly funded by one Government funding agreement up to 30 June 2015 and pursues other sources of revenue, including third party grants.

#### Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for non-derivative financial liabilities. The Company does not deal in derivative financial instruments.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2012	Less than 6 months (\$)	6 – 12 months (\$)	Total contractual cash flows (\$)	Carrying amount of liabilities
<b>Contractual maturities of financial liabilities</b>				
Trade and other payables	6,342,401	–	6,342,401	6,342,401

2011	Less than 6 months (\$)	6 – 12 months (\$)	Total contractual cash flows (\$)	Carrying amount of liabilities
<b>Contractual maturities of financial liabilities</b>				
Trade and other payables	1,354,821	–	1,354,821	1,354,821

### (d) Fair value estimation

Given the nature of the Company's financial instruments, no fair value estimations are necessary. The carrying values (less any impairment provision) of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

## Note 20: Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.



## Note 20: Critical accounting estimates and assumptions (continued)

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### (a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (i) Long service leave

The Company estimates the probability of an employee remaining in service until their entitlement date for long service leave in accordance with the following probability:

Years of service	Probability
0	10%
1	20%
2	35%
3	50%
4	65%
5	80%
6	90%
7	100%

This assessment of probability remains unchanged from the prior financial year.

### (b) Critical judgements in applying the Company's accounting policies

#### (i) Revenue recognition

The Company has recognised revenue from contributions when it obtains control of the contribution, or the right to receive the contribution. This is generally when the Company has met all applicable milestones under the relevant grant agreements and is not necessarily upon cash receipt.

## Note 21: Company details

The Company is a company limited by guarantee, incorporated and domiciled in Australia.

The registered office and principal place of business of the Company is:

Level 2, 485 La Trobe Street  
Melbourne Victoria 3000

## Directors' Declaration

The directors of the company declare that in the opinion of the directors:

(a) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position and performance of the company; and

(ii) complying with Australian Accounting Standards, including the Interpretations, and the *Corporations Regulations 2001*;

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors



**Wendy McCarthy AO**

Chair



**Peter Mason AM**

Co-Chair of Finance, Audit & Risk Committee

Dated this 19th day of September 2012

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF**

#### **headspace NATIONAL YOUTH MENTAL HEALTH FOUNDATION LTD**

We have audited the accompanying financial report of headspace National Youth Mental Health Foundation Ltd ("the company"), which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* 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.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of headspace National Youth Mental Health Foundation Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

In our opinion:

- (a) the financial report of headspace National Youth Mental Health Foundation Ltd is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**RSM BIRD CAMERON PARTNERS**



**Stan Naylor**  
Partner

Melbourne, Victoria  
Dated: 19 September 2012

# Notes

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**headspace**

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## Supporters

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