



headspace[®]

National Youth Mental Health Foundation

Annual Report 2016–17



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since
headspace
started

2 million

Over the past 11 years almost 2 million services have been provided to young people through **headspace** centres, and via online and phone counselling services **eheadspace** (as of 30 June 2017).

355,000

Over 355,000 young people have used **headspace** centres and **eheadspace** (as of 30 June 2017).

100+2

headspace has 100 centres and 2 funded outposts across Australia (as of 1 September 2017).



1 in 4

young people are living with a mental health disorder. (Mission Australia Youth Survey, 2016)

1/3

Suicide accounts for one third of all deaths of young people (ABS, 2016).

school
support

1,149

headspace School Support worked with 1,149 schools in the 16/17 financial year.

7,429

With 7,429 occasions of service, **headspace School Support** has helped schools strengthen and empower their communities to manage and respond to the impact of suicide.

220

Since it started in August 2016 (to 15 June 2017) the **headspace Digital Work and Study Service** has helped 220 young people with their work and study challenges.

headspace

headspace, the National Youth Mental Foundation, provides early intervention mental health services to 12-25 year olds.

demographics

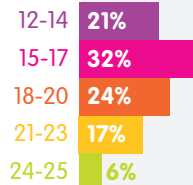
intersex 2%
gender diverse
indeterminate

60%
female

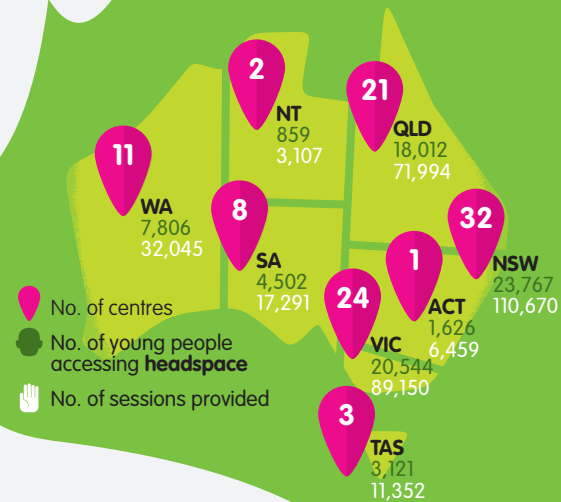
38%
male

LGBTIQ 21%
Culturally and
Linguistically Diverse 9%
Aboriginal & Torres
Strait Islander 8%

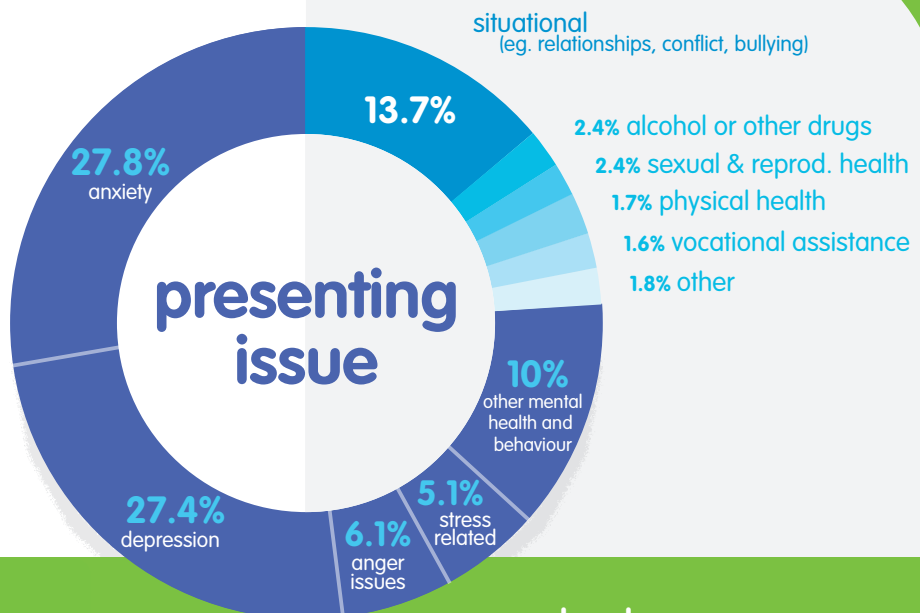
age



state overview



New Clients
64%



Foreword



Marking the start of headspace's second decade, the 2016/17 financial year has seen headspace grow and thrive as the network continues to expand into new communities across the country.

Resulting from the nation-wide mental health reforms introduced from 1 July 2016, the year commenced with the appointment of five new members to the **headspace** Board. Professor Pat McGorry and I welcomed Lisa Bjorksten, Annette Carruthers, Anne Murphy Cruise, Gabrielle Curtin and Katina Law in August. All five are making valuable and insightful contributions to the Board, bringing diverse backgrounds and significant leadership expertise to **headspace** and its governance practices.

In October we celebrated the inaugural **headspace** day. Held during National Mental Health Week, the campaign focused on ensuring access to services for every young person in Australia, irrespective of where they live. **headspace** day coincided with the culmination of the 10-year anniversary celebrations that took place throughout the year. The campaign was a national success with messages of help-seeking and awareness of mental health reaching thousands of young people, their friends and families.

Throughout the second half of 2016, **headspace** National was ably led by interim CEO Matthew Posar. Matthew took the reins during a challenging period of transition when the organisation faced a significant agenda of role redefinition and structural change. Throughout this period our service delivery to young people, and their families and friends across Australia remained unwavering and unchanged. Matthew's leadership and guidance during this period also facilitated a seamless introduction for incoming CEO Jason Trethowan. Everyone at **headspace** National owes Matthew a large debt of gratitude for his extraordinary period of transitional leadership.

There has been no slackening of pace since Jason Trethowan arrived in January 2017. Jason's first hand experience with and understanding of health service delivery have allowed **headspace** National to build stronger and more direct relationships with Primary Health Networks (PHNs) throughout the country. Jason has also been integral in strengthening relationships with other key organisations within the mental health sector.

As a result **headspace** National has been able to collaborate with other mental health providers to deliver new and expanded services for all young Australians. During the year the Board has been able to hold some of its regular meetings at **headspace** centre sites. This has provided the opportunity for important conversations with young people and those directly involved in delivering youth mental health services.

Pleasingly, **headspace** continues to enjoy bipartisan support at all levels of politics. Since taking on the portfolio, Federal Minister for Health, the Hon Greg Hunt, has shown an amazing passion for and commitment to youth mental health. The Board would also like to thank former Federal Minister for Health Sussan Ley for her support for youth mental health.

Under its revised configuration, the Board now conducts some of its governance accountabilities through two committees: the Finance and Audit Committee; and the Quality and Clinical Governance Committee. Each is chaired by a **headspace** Director. The Board acknowledges the valuable support the chairs and members of each of these committees contribute to the overall conduct of **headspace** governance.

The future for **headspace** National is looking extremely positive. There is a clear sense of direction as set out in our recently adopted strategic plan. The plan commits us to maintaining and further developing service delivery models that enable young people to seek help early to support their mental health and wellbeing. We have agreed to place a premium on innovation developed in close consultation with the sector. Our approach evolves through youth participation, collaboration, best practice and evaluation.

Finally, a commitment to work alongside passionate young Australians to achieve access to mental health support services for all young Australians is a driving factor for all members of the **headspace** Board. It lies at the heart of all the Board is seeking to achieve. The **headspace** Youth National Reference Group (hY NRG) is an integral part of our youth participation model. It ensures the ongoing touch point with young people across the country and they continue to inspire us all.

headspace is now a very different entity to the one operating a year ago. It is however even better placed to advance its vital national leadership role so that all young Australians can gain access to high quality youth-oriented mental health advice and support. Everyone connected with **headspace** is making this possible.

A handwritten signature in black ink, reading "Ian Marshman".

Ian Marshman AM,
headspace Chair

Foreword



The headspace network has experienced a period of unprecedented development and change throughout 2016/17.

Since commencing as CEO in January I have seen first-hand the dedication, hard work and determination

of the **headspace** workforce. This dedication enables a phenomenal and world-leading service for young people across the country. In 11 years nearly two million sessions of service have been provided to young people through our centres, as well as online or over the phone via **eheadspace**. In 2016/17, over 110,000 young people accessed help – an increase of 15,000 since the previous financial year.

Australia now has 100 **headspace** centres and two funded outposts operating across the country, covering metropolitan, regional and remote corners of Australia. The total number of centres will reach 110 by 2019. A trial service will also be established in the Pilbara region of Western Australia. In this remote region one of the biggest challenges is access to youth mental health services. We want to change that.

In 2017 the **headspace** Model Integrity Framework (hMIF) was developed and implemented as a key collaborative process with centres, lead agencies and PHNs to ensure quality, consistency and continuous improvement of the **headspace** centre network of services. After piloting with 14 centres, the hMIF is being rolled out through the entire centre network, so that all centres will have been assessed for their integrity to the model framework by mid-2018. This process will ensure the provision of high quality **headspace** services that meet the needs and expectations of young people and their families. Importantly, it is also providing an opportunity to learn from best practice and service innovation and disseminate this knowledge across the service network.

Youth participation is the cornerstone of everything we do at **headspace**. Meeting and talking to young people, be it through our **headspace** Youth National Reference Group, or during centre visits, is both a joy and an inspiration. As an organisation we look to them for input, guidance, direction and ideas about how to provide Australia's youth with exactly what they need in this sector. Another essential ingredient for our young people is our Family and Friends Reference Group. They are fundamental to ensuring our services are relevant, effective and responsive to the needs of young people and those who care for them.

Throughout this period **headspace** School Support has worked with over 1,149 schools nationwide, and provided 7,429 occasions of service – helping schools strengthen and empower their communities after a suicide. In June the Federal Government announced a tender for a new mental health in education program that would streamline service delivery from three existing programs. *beyondblue* was successful in the tender and will partner with **headspace** and Early Childhood Australia to design and deliver the program. This is an innovative opportunity to further support young people in schools. The program will be funded from 1 July 2017 until 30 June 2019.

Nearly 32,000 young people accessed **eheadspace** in 2016/17 and the **eheadspace** platform also enabled 29 group chat sessions for young people, their families and friends. We have also seen the creation of **Qheadspace**, an online chat forum designed entirely for LGBTIQ+ young people, created by **headspace** youth advisors Charlie Cooper and Sara Strachan. The **headspace** Youth Early Psychosis Program (hYEPP), is delivered in 14 **headspace** centres. Following the announcement of future funding in November, hYEPP scaled up its service provisions.

The **headspace** Digital Work and Study service was launched in September. The world-first service is aimed at early school leavers, young Aboriginal and Torres Strait Islanders and young people in regional, rural and remote areas. The service has grown and strengthened and is supporting young people to find and navigate a career path, or work towards further education, which can greatly improve their mental health and wellbeing.

We value the new relationship with PHNs and have actively engaged with them to support their commissioning processes of **headspace** centres. Our network of partnerships with centres, the mental health sector, the wider community, lead agencies and consortium chairs has all played a valuable and vital role for **headspace** over the past year.

The relationships with our corporate partners continues to grow stronger and we would like to thank each of them for their support. Their generosity allows us to carry out many essential services and projects across the country, helping young Australians.

With one in four young people experiencing a mental health issue this year, **headspace** will continue to be there to help, now and into the future, and ensure all young people have access to youth friendly mental health services no matter where they live.

Jason Trethowan,
headspace CEO

About headspace

headspace provides a comprehensive early intervention mental health service for 12-25 year olds. We endeavour to make it as easy as possible for a young person and their family to get the help they need for issues affecting their wellbeing.

Based on early intervention knowledge, the **headspace** model understands that adolescence and early adulthood is a critical time in a person's life. Research highlights that more than 75 per cent of mental health disorders begin before the age of 25. By supporting young people early in life, we are setting them up to get things back on track heading into the future.

headspace provides a holistic approach to supporting young people through four core areas: mental health, physical (including sexual) health, alcohol and other drug services and work and study support.

headspace provides a holistic approach to supporting young people through four core areas: mental health, physical (including sexual) health, alcohol and other drug services and work and study support. Offering 'wrap-around' services ensures any young person seeking support from **headspace** can have their needs met in a safe and supportive environment.

A national network of 100 **headspace** centres operate across metropolitan, regional and rural areas of Australia. The look and feel of **headspace** centres is designed to create an environment that young people feel comfortable to access. All services are free or low cost, confidential and youth friendly.

Young people and their families can also access **eheadspace**, a national online and telephone support service staffed by a range of experienced youth mental health professionals. **eheadspace** supports young people who aren't able to access a **headspace** centre or would prefer to get help for their concerns via online chat, email or phone.

Providing a secure and anonymous place to talk to a professional, means many young people who wouldn't ordinarily seek help at a face-to-face service are getting the help they need.

Additional support is also provided at specific **headspace** centres to help young people experiencing early psychosis.

Our **headspace** School Support program has teams operating nationwide who are able to respond to and resource the individual needs of a school to help them prepare for, respond to, or recover from a suicide.



The input of young people is key to the way headspace works across Australia. Whether this is via service delivery or the development of campaigns encouraging people to seek help.

The input of young people is key to the way **headspace** works across Australia. Whether this is via service delivery or the development of campaigns encouraging people to seek help. Innovation in service delivery and building new evidence is part of the **headspace** model. Sustainability is critical to ensure our services continue uninterrupted for young people and their families.

The **headspace** Youth National Reference Group (hY NRG) is an integral part of our organisation, ensuring young people's voices and opinions remain front and centre of what we do. The members of hY NRG are dedicated to making a difference in the lives of young people across the country. hY NRG ensures that **headspace** initiatives make a positive difference in the lives of young people, and that **headspace** funds are put to the best use.

headspace Stories



Pia Turco, age 23

When you're in the prime of your teen years, it's easy to feel lost, helpless. For some, also experiencing bullying and being teased by peers in school.

You know you are short because you have a short stature, and yet everyone around you makes remarks and comments. These remarks and comments hurt and make you cry. Rubbish gets thrown at you, and you can't tell the teacher because they threaten to punch you if you do.

This was me at age 16.

When I was diagnosed with type 1 diabetes, and being bullied for my height, I realised I needed to talk to someone about my thoughts and feelings that were filling my head. Reaching out for help from the school counsellor allowed me to open up about the issues I was going through.

I also went to **headspace** and they helped me with self-help techniques, being part of discussion groups, as well as mindfulness and de-stressing techniques. All of these strategies have helped to strengthen me and help me grow. **headspace** has also helped me to understand the thoughts that challenge me, and learn about what I can do to help myself. Having this support has helped me to get through each day, each week and each month.

I would highly recommend talking to someone, even though it may seem so scary and you don't know what they're going to say to you. They can help, they are there to help you. And even though your depression and anxiety may seem so extremely big at times. You can get through the tough moments and life will be great!



Connor Parissis, age 20

Growing up with the idea that you might be queer in the back of your mind is never easy. The social pressures and fears associated opens your psyche up to a multitude of other mental health issues, resulting in so many queer youth suffering from anxiety and depression as I did, and still do to this day.

By the age of sixteen, things became unbearable. I forced myself into the school psychologist's office who offered me support and comfort. Eventually I was able to speak the words, "I'm gay" to her, which was the first hurdle I had managed to jump. From there, I slowly came out to my friends, and then my family.

I decided to seek professional help, with a referral to a psychologist, then a psychiatrist, who diagnosed me with a multitude of labels, most interestingly was derealisation – an illness I'd never heard of prior to my diagnosis. The diagnosis was beneficial to me, as it finally felt like I wasn't alone in this dilemma and that others shared my struggle.

It took me some time to reach out to **headspace**, but eventually I did due to financial struggles. The team at **headspace** Camperdown were extremely dedicated to getting me the appropriate therapy and medication I needed. I still see the lovely people at **headspace** who taught me that gradually things will get better, and I have learnt there is no shame in taking medication for mental health issues.

Inspired by **headspace**, I joined the Youth Advocacy Group, working with other youth members to advocate for mental health awareness and promote **headspace** as a helpful, revolutionary organisation.

Our partners

We would like to acknowledge and thank the following corporate partners for their ongoing support.



Funlab

In 2017 Funlab extended the **headspace** Charity of Choice partnership across all venues (Strike Bowling, Holey Moley and Sky Zone). This partnership involves **headspace** centres linking with local Funlab venues, with the venue supporting **headspace** through awareness and fundraising activities.



FUTURE GENERATION
GLOBAL INVESTMENT COMPANY

Future Generation Global (FGG)

FGG supports the **headspace** Aboriginal and Torres Strait Islander Traineeship Program. This program contributes to the development of a sustainable Aboriginal and Torres Strait Islander mental health and wellbeing workforce in regional and remote areas of Australia, ensuring all young people can access culturally relevant, appropriate and effective mental health services.



Jellis Craig Foundation

headspace has been selected by Jellis Craig to be one of two charity partners of the Jellis Craig Foundation in 2017. Staff from Jellis Craig offices are encouraged to participate in raising awareness and fundraising for **headspace** via the Jellis Craig Foundation.



National Rugby League (NRL)

headspace works with the NRL on its 'State of Mind' campaign, which aims to reduce stigma around mental illness, create positive discussion and connection in communities, and stimulate help-seeking behaviours by improving mental health literacy. **headspace** also supports the NRL with the delivery of its 'State of Mind Grassroots' program which is delivered to local Rugby League clubs across Australia.



REST Industry Super

Our partnership with REST Industry Super means **headspace** extends its reach to REST's 1.9 million members. The partnership also contributes to raising awareness of **headspace** in regional communities across Australia by supporting **headspace**'s presence at Groovin' the Moo music festivals since 2013, as well as the **headspace** Stories video series.



Supré Foundation

headspace has been working with the Supré Foundation to help educate and empower young girls to be assertive against bullying behaviour. Through the sale of Supré Foundation products in Supré stores, funds have been raised to enable **headspace** centres to deliver a Bullying Prevention and Education Kit to schools and other groups.



Viva Energy Australia

Our three-year partnership with Viva Energy Australia focuses on:

- providing support to young people to become role models and mental health advocates in their communities, and
- reducing stigma associated with mental health issues and promote help seeking amongst young people.

headspace Governance Statement, Directors' Report and Consolidated Financial Statements 2016–17



Governance Statement

headspace National Youth Mental Health Foundation Ltd (“**headspace**”) is a company limited by guarantee, established for the public charitable purpose of promoting 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 and is endorsed as a deductible gift recipient and tax concession charity.

The responsibilities of the Board of directors of **headspace** include corporate governance for **headspace** and its wholly owned subsidiary **headspace** Services Limited.

The Board has adopted a formal Governance Charter which sets out the functions and responsibilities of the Board and promotes high standards of corporate governance within the **headspace** group.

The Governance Charter sets out the policies and internal rules for the governance of **headspace** and supplements and is subject to constitutional requirements and any governing legislation.

The Governance Charter:

- enables the **headspace** Board of directors to provide strategic direction and effective oversight of the management of the **headspace** group;
- sets out the roles and responsibilities of the Board and its committees and senior management to ensure a suitable balance of authority;
- sets out the functions of each entity within the **headspace** group and distinguishes the core roles and responsibilities of the Board of directors of each entity in the **headspace** group;
- facilitates accountability to **headspace** members and principal funding agencies including the Commonwealth of Australia through the Department of Health;
- sets the standards for ethical corporate conduct, transparency and fair dealing in all **headspace** operations including its funding and research programs; and
- takes account of the interests of stakeholders in the broader community, including young people and those who work with them in the health, mental health and related fields.

The Governance Charter is reviewed and updated as necessary. A copy of the Governance Charter is available on request.

Role of the Board

The role of the Board is to set the direction and oversee the operations of the **headspace** group and to carry out the **headspace** objectives.

The primary functions and responsibilities of the Board are:

- ensuring compliance with the objects, purposes and values of the **headspace** group and its constitution;
- **headspace** group governance including strategic planning, setting or approving policies, plans and budgets to achieve the objectives, and monitoring performance against them;
- leadership selection, including the appointment and removal of the CEO and monitoring performance, succession and remuneration planning for Board, CEO and executive, and determining senior management remuneration;
- regulatory and financial monitoring and reporting to ensure compliance, solvency, financial strength and good performance of the organisation;
- reviewing and monitoring the effectiveness of risk management and compliance in the **headspace** group;
- agreeing or ratifying all policies and decisions on matters which might create significant risk, financial or otherwise;
- considering the social, ethical and environmental impact of all activities and operations and ensuring that these are acceptable; and
- evaluating and improving the performance of **headspace** group Boards.

The CEO is responsible for key management and operational issues within the direction and policies determined by the Board. All delegated authorities provided by the Board to the CEO are reviewed annually or as changes are required.

Governance Statement

(continued)

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.

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 and Audit Committee;
- Quality and Clinical Governance Committee.

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

Review of Board performance

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

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 a register is tabled at each Board meeting. The Governance Charter contains a Conflict of Interest Policy.

Code of conduct

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

Access to management

Board members have complete and open access to management through the Chair, CEO 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.

Directors' Report

for the year ended 30 June 2017

The directors of **headspace** National Youth Mental Health Foundation Ltd ("the Company") present their report on the consolidated entity (referred to hereafter as "the Group"), consisting of **headspace** National Youth Mental Health Foundation Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2017.

Directors

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

Ian Marshman AM (*resigned 30 August 2016; reappointed 30 August 2016*)

Patrick McGorry AO (*resigned 30 August 2016; reappointed 30 August 2016*)

Annette Carruthers (*appointed 30 August 2016*)

Anne Murphy Cruise (*appointed 30 August 2016*)

Gabrielle Curtin (*appointed 30 August 2016*)

Lisa Bjorksten (*appointed 30 August 2016*)

Katina Law (*appointed 30 August 2016*)

Lyn Littlefield OAM (*resigned 30 August 2016*)

Rodney Pearce AM (*resigned 30 August 2016*)

Laurent Rivory (*resigned 30 August 2016*)

Wendy McCarthy AO (*resigned 4 July 2016*)

Anita Jacoby (*resigned 4 July 2016*)

Barbara Hingston (*resigned 4 July 2016*)

David Marsh (*appointed 1 July 2016; resigned 10 August 2016*)

Company Secretary

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

Matthew Posar: BBus RMIT, CA. (*resigned 5 July 2016*)

Candida Bruce: BA, LLB (*appointed 5 July 2016*)

Principal Activities, Objectives and Measures of Performance

The principal activities of the Group during the financial year consisted of delivering mental health and vocational services to young people in **headspace** centres, online and in schools. We continued our national role of enhancing workforce development, translating the evidence base through the **headspace** network and improving health and mental health outcomes for young people in Australia.

The Group was awarded a new two year grant agreement effective from 1 July 2016. There was a significant change in the nature of activities performed by the Group under its funding agreement with the Department of Health ("DoH") following the Government's response to the broader mental health reforms outlined in the National Mental Health Commission report in November 2015.

In the prior year the key function the Group performed was centred around contract management and funding agent for the **headspace** centres and **headspace** Youth Early Psychosis Program ("hYEPP") centres. With this role having transferred to the PHNs (Primary Health Networks) effective 1 July 2016, the Group then transitioned into a licencing, accreditation and support role for the **headspace** centres as well as continuing to administer service delivery for various programs, four **headspace** centres and one hYEPP centre.

The vision of the Group is "all young Australians are supported to be mentally healthy and engaged in their communities."

Directors' Report

(continued) for the year ended 30 June 2017

The Group's strategy to achieve these goals is described below:

Our Approach - We create innovative models that enable young people to seek help early to support their mental health and wellbeing. Our approach evolves through youth participation, best practice and evaluation.

Objectives

- **headspace** provides a consistent experience for young people, family and friends aligned with our approach.
- **headspace** service models and brand are innovative, youth friendly and high quality.
- **headspace** seeks to minimise barriers for priority and hard to reach groups of young people.

Our Services - We are a trusted national brand delivering accessible services in centres, online and in schools to young people, their family and friends.

Objectives

- **headspace** centres and online services are high quality and accessible.
- **headspace** builds the mental health literacy of the community in places where young people are.
- **headspace** is a trusted provider of youth mental health services to schools and the education sector.

Our People - We value our people as our greatest asset. We attract and retain great people who make a difference to the health and wellbeing of young people.

Objectives

- **headspace** is a truly great place to work.
- **headspace** attracts and retains great people who make a difference.
- **headspace** enables our people to flourish and grow.

Our Partners - We foster collaborative partnerships to improve mental health outcomes for young people and create positive system change.

Objectives

- **headspace** contributes to maintaining youth mental health as a key national priority.
- **headspace** builds relationships to enhance our services, increase access and drive innovation.
- **headspace** has a national network that is connected and engaged.

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

Operating Results

The operations of the Group for the financial year resulted in a surplus of \$1,713,977 (2016: surplus \$5,087,207). The surplus is mainly due to residual centre grant expenditure payments made under the previous grant agreements, which expired 30 June 2016, being less than the amount of brought forward income recognised in the current year.

Contributions on Winding Up

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 is precluded by its constitution from recommending payment of any dividend.

Directors' Report

(continued) for the year ended 30 June 2017

Review of Operations

During the financial year, the Group conducted its activities in accordance with its funding agreement with the Commonwealth of Australia through the DoH. In addition, the Group has conducted other programs, funded by both the Commonwealth of Australia and other fund providers such as the Victorian Government.

The Group is funded directly to operate programs such as **headspace** School Support (School Support), Youth Online and Telephone Counselling Program (**eheadspace**), Digital Work and Study and Digital eMentoring, as well as being the lead agency for four **headspace** centres and one hYEPP centre. The Group also disbursed grant funds under third party contracts to various lead agencies to operate **headspace** centres and hYEPP centres relating to legacy funding agreements from the 2016 financial year or earlier. Given the Group no longer retains the role of grant distributor, no further grants, apart from the residual unpaid grants from the prior financial year, were made during the year. This represented a significant change from prior years and resulted in a reduction in grants paid out.

The Group experienced a reduction in the size of the National Office support functions as a direct result of its change in responsibilities under its new funding agreement with DoH. There was one new program commencing in the current financial year which was the Digital Work and Study program, with all other programs and direct led centres largely operating at consistent levels to that of the prior financial year.

From time to time the Group accumulates cash reserves due to timing differences between the receipt of funds from the Commonwealth and when program expenditure occurs in accordance with the conditions of the relevant funding agreement in place during the year. Further information is provided in Note 22 regarding the Group's cash obligations for reserves held.

Significant Changes in the State of Affairs

Prior to the implementation of the national mental health reforms in November 2015, **headspace** was responsible for the selection and contracting, commissioning, establishment and monitoring of third party lead agencies operating **headspace** centres. Over the last ten years, hNO has established 100 centres. From 1 July 2016, PHNs have taken over the role of funder and commissioner of **headspace** centre services, in line with the national mental health reforms. The loss of the commissioning role has led to a substantial reduction in the revenue and grant expenditure recognised by the Group.

Under its new agreement with DoH, the primary role of hNO is now focused on quality assurance and accreditation with the following additional key functions:

- licencing **headspace** centres and PHNs to use the trademarks owned by **headspace**;
- perform an advisory role to PHNs;
- data collection and performance monitoring;
- provision of a **headspace** centre of excellence;
- workforce support;
- national campaigns on stigma reduction work and raising community awareness; and
- youth engagement.

The changes to the hNO funding agreement also precipitated a change to the governance arrangements of **headspace**.

The Group adopted a new constitution, transitioned to a skills based board and reduced the number of directors from 11 to 7. These changes occurred in July and August 2016.

In addition to the Group being awarded a two year funding agreement to operate the **headspace** National Office, the Group was awarded a two year grant extension for the **eheadspace** program which expires 30 June 2019, and a six month extension for the School Support program to end 31 December 2017.

The Group was also announced as one of *beyondblue's* implementation partners in the Mental Health in Education program. This significant new program will bring together three existing programs, KidsMatter, MindMatters and **headspace** postvention services. This service is expected to commence in the 2018 financial year and expires on 30 June 2019. This will involve **headspace** being the main service delivery partner for *beyondblue* in this new program.

Directors' Report

(continued) for the year ended 30 June 2017

Additionally the Group was awarded a two year grant agreement for the Digital eMentoring program funded by the Department of Employment under the Empowering YOUth Initiatives scheme, due to expire 30 June 2019.

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

Matters Subsequent to the end of the Financial Year

There were no other matters or circumstances which have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely Developments and Expected Results of Operations

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

Environmental Regulation

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

Information on Directors

The following information is current as at the date of this report:

Name	Qualifications and Experience	Special Responsibilities
Ian Marshman AM	<ul style="list-style-type: none"> • Board member since 5 June 2009 • BA (Honours), LLB • LLD (Hons) • Senior Advisor at the University of Melbourne. From 1999 to July 2015, he was the Senior Vice-Principal at the University of Melbourne. In this role he was accountable for the overall management and administration of the University. Ian had specific responsibilities for planning and budgeting, major projects, audit, compliance and external reporting accountabilities. • 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. • He was Chair of the Management Committee for Victorian Tertiary Admissions Centre for 15 years until 2014. • Ian is a current member of the Melbourne Theatre Company Board and chairs its Finance and Risk Committee. He serves as Chair of the Melbourne Dental Clinic Ltd and is a member of the Queen's College Council. He has previously served on the boards of several health services agencies and of a number of higher education companies. • In 2017 Ian was appointed a Member of the Order of Australia. • Member of the Yea and District Memorial Hospital Board. 	Chair of Board

Directors' Report

(continued) for the year ended 30 June 2017

Information on Directors (continued)

Name	Qualifications and Experience	Special Responsibilities
Patrick McGorry AO	<ul style="list-style-type: none"> • Board member since 5 June 2009. • AO, MD, BS, PhD, FRCP, FRANZCP, FAA, FASSA. • Australian of the Year 2010. • Patrick is Executive Director of Orygen, the National Centre of Excellence for Youth Mental 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". • Patrick has played a major role in mental health reform in Australia and many other countries. He led the advocacy for a new model of enhanced primary care for young people in 2004, which led to new funding being provided. He assembled and led the successful consortium bid to the Department of Health and Ageing, on behalf of Orygen, University of Melbourne, APS and BMRI/University of Sydney, to design and implement headspace from 2006-2009, prior to it forming an independent company in 2009. Further public advocacy from 2010-13 led to major expansion of headspace and the addition of early psychosis services to the model. • Patrick is a Fellow of the Australian Academy of Science, and of the Australian Society of Social Science. He is President of the Society for Mental Health Research 2013; and Foundation President of the International Association for Youth Mental Health. He is a former Director of Headstrong, Ireland's National Youth Mental Health Foundation; past-president and treasurer of the International Early Psychosis Association; a former member of the National Mental Health Advisory Committee; and a member of the Victorian Government's 10 year Mental Health Taskforce. 	Member Quality and Clinical Governance Committee.
Annette Carruthers (appointed 30 August 2016)	<ul style="list-style-type: none"> • Board member since 30 August 2016. • MBBS (Honours), FRACGP, FAICD, GradDipAppFin, TAASFA. • Annette is an experienced non-executive director in financial services, health, infrastructure and aged care. Current appointments include National Youth Mental Health Foundation (headspace), Catercare Pty Ltd, Multiple Sclerosis Australia and Multiple Sclerosis Research Australia. Annette has a special interest in risk management and was previously Chair of the nib Risk and Reputation Committee. She has qualifications in finance, superannuation and corporate governance and is also a part-time member of the Superannuation Complaints Tribunal. • Previous directorships include ASX listed nib Holdings, AMP Capital's Aged Care Investment Trust, Hunter Infrastructure and Investment Advisory board, National Heart Foundation (NSW Division), Hunter Medicare Local, Hunter Area Health Service and the NSW Board of the Medical Board of Australia. • Medically trained, Annette continues to work part-time as a general practitioner. Her medical interests include clinical risk management and quality improvement in health services. She is a member of the Medical Experts Committee of Avant Mutual Ltd, a leading medical indemnity insurer. 	Chair Quality and Clinical Governance Committee.

Directors' Report

(continued) for the year ended 30 June 2017

Information on Directors (continued)

Name	Qualifications and Experience	Special Responsibilities
Anne Murphy Cruise (appointed 30 August 2016)	<ul style="list-style-type: none"> • Board member since 30 August 2016. • LLB (Honours), MA (Honours), Dip. Ed (Honours), BA (Honours), admitted as a Barrister and Solicitor of the Supreme Court of Victoria. • Anne is a senior lawyer at Macquarie Capital, specialising in equity capital markets transactions. Prior to this Anne was in private practice and has extensive experience in corporate governance, legal compliance and general corporate matters. • Before commencing her career in the law, Anne was a foreign language teacher at a number of Victorian senior schools, teaching French and German. • Anne is also involved in sector mentoring across various age groups and divisions at Macquarie and participates in the diversity program and the promotion of young women in the workforce. 	Member Finance and Audit Committee.
Gabrielle Curtin (appointed 30 August 2016)	<ul style="list-style-type: none"> • Board member since 30 August 2016. • BA, MBA, MAICD, FAHRI. • Gabrielle is an experienced senior executive, currently responsible for Safety, People and Services with Snowy Hydro Limited. • Previous senior executive positions held at Qantas and Shell Australia. • Gabrielle currently sits on the Qantas Foundation Board, whose vision is to create life-changing experiences for the next generation of Australians; and is Chair and Non-Executive Director of Country Universities Centre, a not for profit organisation based in Cooma which aims to make tertiary education more accessible for regional and remote NSW communities. She recently retired as Chair of Winifred West Schools. • Gabrielle has a personal connection and lifelong interest in mental health. She is a mentor to many young women and was previously a long-serving mentor in the UNSW Lucy Mentoring program. 	Member Finance and Audit Committee.
Lisa Bjorksten (appointed 30 August 2016)	<ul style="list-style-type: none"> • Board member since 30 August 2016. • MFA, BA. • Lisa is a digital specialist and currently runs her own digital marketing and content strategy consultancy. She has extensive experience in executing successful strategies across complex business units in the digital space and has worked for some of Australia's largest publishers and content marketing agencies. • Lisa also has deep global experience across multiple technical developments and digital platforms. • Most recently, Lisa successfully launched digital start-ups in New York. • Her previous roles include production and editorial leadership positions with Yahoo7, ninemsn and News Corp. • She has a deep passion for leadership and mentoring others. 	Member Quality and Clinical Governance Committee.

Directors' Report

(continued) for the year ended 30 June 2017

Information on Directors (continued)

Name	Qualifications and Experience	Special Responsibilities
Katina Law (appointed 30 August 2016)	<ul style="list-style-type: none"> • Board member since 30 August 2016. • B Com, CPA, MBA, GAICD. • Raised in the Kimberley region of WA, Katina is currently managing director of Indigenous Professional Services, providing services to business and government in a wide range of areas including human resources, performance auditing, change management and financial management. • Katina has worked extensively in executive roles across the mining sector in Australia, Asia, Africa, the UK and the United States. • Katina has wide-ranging board experience working extensively with both large and small companies. Katina is currently Chair of ASX listed Ardea Resources and is on the board of Gumala Enterprises Pty Ltd. • Katina has mentored Indigenous business people to increase participation in the mainstream economy and is passionate about improving the lives of Indigenous people. 	Chair Finance and Audit Committee.
Lyn Littlefield OAM (resigned 30 August 2016)	<ul style="list-style-type: none"> • Board member since 5 June 2009. • Professor, OAM, FAPS, FAICD, FAIM, BSc, BBS (Hons), Dip Ed, M Psych, PhD. • 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. • She was conferred a Medal of the Order of Australia in 2001 for services to the welfare of children and families. • 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. • Lyn also sits on a number of Government Mental Health Advisory Groups. 	

Directors' Report

(continued) for the year ended 30 June 2017

Information on Directors (continued)

Name	Qualifications and Experience	Special Responsibilities
<p>Rodney Pearce AM (resigned 30 August 2016)</p>	<ul style="list-style-type: none"> • Board member since 22 June 2015. • AM, MBBS, Fellow AMA • Rodney comes from a sixth generation farming family and grew up and works as a general practitioner in a farming town with significant Indigenous health issues. He has an interest in mental health, men's health and medical practitioners own health. • Since 1993 he has been involved in integrating general practice with local, state and federal government programs. • Rodney has received personal and practice awards for teaching undergraduate, postgraduate medical students, interns, RMOs and GP registrars. • Rodney has previous roles as:- <ul style="list-style-type: none"> • President AMA (SA) 1998-2000 • Chair Federal AMA Council of General Practice 2004-2010 • Royal District Nursing Service Director 2007-12 • Central Adelaide and Hills Medical Local 2011-13 • Rodney is presently a director of:- <ul style="list-style-type: none"> • Medical Benevolent Association (SA) • Australian General Practice Accreditation Ltd (AGPAL) • Australian General Practice Network (AGPN) • Australian Association of General Practice (AAGP) • Influenza Specialist Group (ISG) • Australian Medic Alert Foundation (AMAF) • MedicalHQ (Urban and rural general practice) • Medical Officer of Health (MOH) for local government (Eastern Health Authority) and MedVet • In 2012 Rodney was appointed a Member of the Order of Australia. 	

Directors' Report

(continued) for the year ended 30 June 2017

Information on Directors (continued)

Name	Qualifications and Experience	Special Responsibilities
<p>Laurent Rivory (appointed 29 February 2016 and resigned 30 August 2016)</p>	<ul style="list-style-type: none"> • Board Member since 29 February 2016. • Pro Vice-Chancellor Strategic Collaborations and Partnerships in the office of the Deputy ViceChancellor Research. • 20 years' experience in research and leadership in higher education, hospital and industry sectors. • Extensive experience in the management of key research programs in virology, immunology, cancer, RNA therapeutics and diagnostics. Held appointments at the University of Queensland, the Royal Prince Alfred Hospital, the <i>Université de Bordeaux II</i> and the <i>Fondation Bergonie</i>, and University of Sydney. • Held Senior Research Director, Research Development at Johnson and Johnson in 2002, and Clinical Senior Lecturer at University of Sydney and Head of Pharmacology Laboratory, Sydney Cancer Centre, Royal Prince Alfred Hospital, Camperdown. • Board Member Nominee, Bionic Vision Australia (an ARC Strategic Research Initiative administered by The University of Melbourne) (2010-2014) • Director and Chair, Bionic Vision Technologies (2013-2014) • Chair, Advisory Board, ARC Centre of Excellence in Cognition and Its Disorders (administered by Macquarie University) • Governance Committee Member, Stem Cells Australia (an ARC Strategic Research Initiative administered by The University of Melbourne) (2011-2014) • Committee member, Bellberry Ethics • Committee member, Advisory Council for Centre for Medicinal Cannabis Research and Innovation • NHMRC Development Grant Scheme GRP member • Director, Sydney Institute of Marine Science • Director, National Imaging Facility • Director, Australian Centre of Microscopy and Microanalysis • Editor of the Journal of Clinical Oncology (2002-2005) • Editor of the British Journal of Pharmacology (2003-2007) • External Expert Evaluator for the Australian Therapeutics Goods Administration, TGA (1999-2002) • Member of the Pharmaceutical Subcommittee (PSC) of the Australian Drug Evaluation Committee, ADEC (2001-2002) • Author of Draft Discussion Papers for the Australian Drug Evaluation Committee (ADEC) • Reviewer of manuscripts for a number of Cancer, Pharmacology and Nucleic Acid Technology journals as well as a number of competitive granting schemes such as the NHMRC, Wellcome Trust 	

Directors' Report

(continued) for the year ended 30 June 2017

Information on Directors (continued)

Name	Qualifications and Experience	Special Responsibilities
Laurent Rivory (continued)	<ul style="list-style-type: none"> Invited speakerships for workshops and international conferences including Meet-The-Professor at ASCO conference Consultant for several pharmaceutical, scientific and biotechnology companies and entities including ANSTO 	
Wendy McCarthy AO (resigned 4 July 2016)	<ul style="list-style-type: none"> Board member since 5 June 2009. AO, BA, Dip Ed, Hon Dr University of SA. 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. Wendy chairs Circus Oz, is Deputy Chair of Goodstart Early Learning and a non-executive director of Bentham IMF Limited. 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. 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. 	
Anita Jacoby (resigned 4 July 2016)	<ul style="list-style-type: none"> Board member since 11 February 2013. Anita is one of Australia's most experienced media professionals. In a career spanning more than 30 years she's created and produced hundreds of hours of content for every TV network. She was most recently Managing Director, ITV Studios Australia. She has also been an Executive at Zapruder's other films producing programs such as "Enough Rope", "The Gruen Transfer", "Elders", "Hungry Beast", "Country Town Rescue" and "AFP" and documentaries including "God on My Side" and the award-winning mental health documentary, "Angels & Demons". Over the years she's produced numerous stories for programs including "60 Minutes", "Sunday", "Witness", "Today" and "GMA". Many of these have focussed on mental health issues such as youth suicide, teenage drinking, drug abuse and gender issues. Anita has also worked as a news reporter, print journalist and book editor. Her work has seen her awarded six AFI/AACTA awards; an Order of Australia Media Award; a Human Rights Award (Highly Commended); Asia-Pacific Broadcasting Union Award and the Alzheimer's Australia Annual Award. Anita has completed the Australian Institute of Company Director's course. She is also a part-time Authority Member of the ACMA, is on the NSW Alzheimer's Advisory Board. 	

Directors' Report

(continued) for the year ended 30 June 2017

Information on Directors (continued)

Name	Qualifications and Experience	Special Responsibilities
<p>Barbara Hingston (resigned 4 July 2016)</p>	<ul style="list-style-type: none"> • Board member since 16 July 2009. • BA, BSW, GAICD, MAASW. • 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 headspace Board's Clinical, Research and Evaluation Advisory Committee 2009 - 2012, Chair Remuneration and Nominations Committee 2014 - 2016, Member Finance Audit and Risk Committee 2013 - 2016. • She is a highly experienced non-executive director, having contributed to the governance of acute tertiary health as a member of Austin Health Board for 8 years, and mental health and other primary care services, health professional regulation, and child and family services in Victoria, Queensland and the ACT. Barbara's current directorships include Catholic Social Services Australia, Dental Health Services Victoria, Tasmanian Health Service, Public Trustee Tasmania and Lady Gowrie • Tasmania (childcare and early education services). • Barbara consults to government and community organisations in strategy development, stakeholder engagement, service review and evaluation, and corporate and clinical governance. She is an experienced social worker practiced in individual and group counselling in sexual assault, family violence and other trauma. 	

There were no loans made to directors by the Group.

Directors' Report

(continued) for the year ended 30 June 2017

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 2017, and the number of meetings attended by each director were:

headspace National Youth Mental Health Foundation Ltd Director (Note 1)	Board meetings		Finance and Audit Committee meetings		Quality and Clinical Governance Committee meetings	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Lisa Bjorksten	5	5	n/a	n/a	1	1
Annette Carruthers	5	5	n/a	n/a	1	1
Gabrielle Curtin	5	5	2	2	n/a	n/a
Katina Law	5	5	2	2	n/a	n/a
Ian Marshman AM	7	7	2	n/a	n/a	n/a
Patrick McGorry AO	7	7	n/a	n/a	0	1
Anne Murphy Cruise	5	5	2	2	n/a	n/a
Lynn Littlefield	2	2	n/a	n/a	n/a	n/a
David Marsh	0	2	n/a	n/a	n/a	n/a
Rodney Pearce	2	2	n/a	n/a	n/a	n/a
Laurent Rivory	2	2	n/a	n/a	n/a	n/a

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

Note 1: Wendy McCarthy, Anita Jacoby and Barbara Hingston resigned as directors on 4 July 2016. There were no meetings of directors held during the period 1 July 2016 and 4 July 2016.

Non-Audit Services

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

There were no non-audit services during the year. Details of the amounts paid or payable to the auditor (RSM Australia Partners) for audit services provided during the year are also set out in Note 17 to the financial report.

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

- all non-audit services have been reviewed by the Finance and Audit Committee to ensure they do not impact on 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) for the year ended 30 June 2017

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after the Directors' Report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2) (a) of the Corporations Act 2001.



Ian Marshman AM

Chair On behalf of the directors
Melbourne



Katina Law

Chair Finance and Audit Committee
Melbourne

Dated this 25th day of October 2017



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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 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Australian Professional Accounting Bodies in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

P A RANSOM
Partner

Melbourne, Victoria
Dated: 25 October 2017

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AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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Registered office
Level 2, 485 La Trobe Street
MELBOURNE VIC 3000

Principal place of business
Level 2, 485 La Trobe Street
MELBOURNE VIC 3000

These financial statements are the consolidated financial statements of the Group consisting of **headspace** National Youth Mental Health Foundation and its subsidiary, **headspace** Services Ltd. The financial statements are presented in the Australian currency, which is the Group's functional and presentational currency.

The Group is a not-for-profit unlisted public entity limited by guarantee, incorporated and domiciled in Australia. A description of the nature of the Group'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 25 October 2017. The directors have the power to amend and reissue the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue from Continuing Operations			
Revenue from services and Government grants		33,505,072	173,889,587
Interest		760,735	1,630,031
Fundraising		449,950	432,147
Other revenues from operating activities		728,384	274,393
Revenue from operating activities	2	35,444,141	176,226,158
Operating Expenses			
Employment		18,321,131	22,035,491
Occupancy		2,631,814	2,625,100
Grant payments		5,272,425	131,431,019
Consultancy		657,783	2,280,758
Sub-contracts with member organisations		187,000	315,000
Governance		223,888	436,907
Travel		1,181,283	1,849,009
Communications and marketing		1,208,245	4,098,944
Depreciation and amortisation	3	457,913	1,114,689
(Gain) on disposal of assets		(9,526)	(481)
Other operating and administration expenses		3,598,208	4,952,515
Expenses from operating activities	3	33,730,164	171,138,951
Surplus / (Deficit) before Income Tax		1,713,977	5,087,207
Income tax expense	1f	-	-
Surplus / (Deficit) after income tax expense for the year		1,713,977	5,087,207
Other comprehensive income			
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		1,713,977	5,087,207

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 June 2017

	Note	2017 \$	2016 \$
ASSETS			
Current assets			
Cash assets		31,667,923	45,886,813
Other financial assets	4	11,775,474	11,616,117
Trade and other receivables	5	2,357,400	2,710,950
Total current assets		45,800,797	60,213,880
Non-current assets			
Leasehold improvements, office equipment and motor vehicle	6	672,259	1,058,763
Total non-current assets		672,259	1,058,763
Total assets		46,473,056	61,272,643
LIABILITIES			
Current liabilities			
Trade and other payables	7	2,524,540	5,284,496
Provisions	8	1,069,077	884,796
Deferred income	9	3,426,315	17,434,224
Total current liabilities		7,019,932	23,603,516
Non-current liabilities			
Provisions	8	566,694	496,674
Total non-current liabilities		566,694	496,674
Total liabilities		7,586,626	24,100,190
Net assets		38,886,430	37,172,453
Members' Funds			
Accumulated surplus	10	38,886,430	37,172,453
Total members' funds		38,886,430	37,172,453

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2017

	Note	Accumulated surplus \$	Total \$
Balance at 30 June 2015		32,085,246	32,085,246
Total comprehensive income for the year		5,087,207	5,087,207
Balance at 30 June 2016		37,172,453	37,172,453
Total comprehensive income for the year	10	1,713,977	1,713,977
Balance at 30 June 2017	10	38,886,430	38,886,430

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from Government grants and other operations (incl GST)		60,668,451	158,242,073
Payments to employees and suppliers (incl GST)		(75,415,956)	(192,794,032)
Interest received		760,735	1,630,031
Net cash inflow from operating activities	13(b)	(13,986,770)	(32,921,928)
Cash flows from investing activities			
Payments for leasehold improvements and office equipment		(72,763)	(1,595,260)
Net cash outflow from investing activities		(72,763)	(1,595,260)
Cash flow from financing activities			
Net cash inflow / (outflow) from financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		(14,059,533)	(34,517,188)
Cash and cash equivalents at the beginning of the financial year		57,502,930	92,020,118
Cash and cash equivalents at the end of the financial year	13(a)	43,443,397	57,502,930

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

Note 1: Summary of significant accounting policies

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

Basis of preparation

The consolidated financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board. **headspace** is a not-for-profit entity for the purpose of preparing the financial report. These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act)*. The group is a not-for-profit entity for the purpose of preparing the financial statements. The financial statements of the group comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

Historical Cost Convention

The financial report has been prepared on an accruals basis, is based on historical costs and does not take into account changing money values. Cost is based on the fair value of the consideration given in exchange for assets.

Early Adoption of Standards

The Group has not elected to early adopt any accounting standards for this reporting period (2016: Nil).

Critical accounting estimates and judgements

The preparation of the financial report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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 19.

a. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of **headspace** National Youth Mental Health Foundation Ltd ("the Parent Entity") as at 30 June 2017 and the results of its subsidiary for the year then ended. **headspace** National Youth Mental Health Foundation Ltd and its subsidiary together are referred to in this financial report as the Group.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. The accounting policies of the subsidiary are consistent with those adopted by the Group.

b. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian Dollars, which is the Group's functional and presentation currency.

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 1: Summary of significant accounting policies (continued)

c. New, revised or amending Accounting Standards and Interpretations adopted by the Group

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2017.

The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 15 Revenue from Contracts with Customers. This standard contains a single model for contracts with customers based on a five-step analysis of transactions for revenue recognition, and two approaches; a single time or over time, for revenue recognition and the application date is from 1 January 2018. The changes in revenue recognition measurements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 is not expected to have a material impact to the Group.

AASB 9 Financial Instruments. This Standard supersedes both AASB 9 (December 2010) and AASB 9 (December 2009) when applied. It introduces a "fair value through other comprehensive income" category for debt instruments, contains requirements for impairment of financial assets, etc. This standard has an application date of 1 January 2018. Management has undertaken an assessment and assessed that the adaptation of this new standard would not have a significant impact to the Group.

AASB 16 Leases. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts, effectively resulting in the recognition of almost all leases on the statement of financial position. The accounting by lessors, however, will not significantly change. This standard has an application date of 1 January 2019. The Group has a number of operating leases that will be impacted from the application of this change. This will result in the Group recognising a right to use asset and financial liability of approximately \$1,891,290.

AASB 1058 Income for not for profit entities. This standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15 *Revenue from Contracts with Customers*. This Standard supersedes all the income recognition requirements relating to private sector NFP entities, and the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 *Contributions*. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity. This standard has an application date of 1 January 2019. The impact of AASB 1058 is not expected to have a material impact to the Group.

d. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. All revenue is stated net of the amount of applicable goods and services tax (GST).

Revenue from services and Government grants

Revenue from Government grants is recognised when the Group has met all applicable milestones under the grant agreement. Where there are no milestones applicable to a grant agreement, grants are recognised as revenue upon obtaining control of the funds.

When grant revenue is received whereby the Group 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 revenue is recognised as income upon receipt.

Interest

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

Fundraising

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

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 1: Summary of significant accounting policies (continued)

e. Expenses

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

Grant payments

Payments payable to **headspace** Centres including hYEPP Centres are recognised as a liability when the lead agency has performed the requirements placed on it under the grant agreement with **headspace**. This includes, but is not limited to compliance with the grant agreement and the submission of clinical and financial data in a prescribed form. The Company has an obligation to recognise an expense for this milestone, notwithstanding that payment may not actually occur until the Company physically receives the appropriate evidence that the milestone has been met.

f. 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 / expense for income tax has been made.

g. Leases

Lease payments for operating leases (note 12(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.

Lease income from operating leases where the group is a lessor is recognised in income on a straight line basis over the lease term.

h. 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 Consolidated Statement of Cash Flows, cash assets and other financial assets equate to cash and cash equivalents.

i. 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 (2016: 30 days). They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

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. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other operating and administration expenses in the Consolidated Statement of Comprehensive Profit or Loss and Other Comprehensive Income.

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 1: Summary of significant accounting policies (continued)

j. Leasehold improvements, office equipment and motor vehicle

Leasehold improvements, office equipment and motor vehicle are measured at cost or deemed cost on acquisition and are carried at cost less accumulated depreciation and any accumulated impairment. In the event that the carrying amount of leasehold improvements and office 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 1(n)).

The depreciable amount of all leasehold improvements and office equipment is calculated on a straight line basis over their estimated useful lives to the Group 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:

<i>Class of fixed asset</i>	<i>Depreciation rate</i>
Office equipment	25% - 100%
Leasehold improvements	33 ⅓%-100%
Motor Vehicle	25% - 100%

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 Consolidated Statement of Profit or Loss and Other Comprehensive Income as gain / (loss) on sale.

k. 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 Group which remain unpaid benefits. Due to their short term nature they are measured at amortised cost and are not discounted. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability (2016: 30 days).

l. Employee entitlements

Short-term obligations

Provision is made for the Group'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 wholly settled within one year have been measured at the undiscounted amounts expected to be paid when the liability is settled.

The liability for annual leave is recognised in the provision for employee entitlements. All other short term employee benefit obligations are presented as other payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be wholly settled within twelve 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 based on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Consolidated Statement of Financial Position if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Defined contribution superannuation expense

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

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 1: Summary of significant accounting policies (continued)

m. 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 Australian Taxation Office ("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.

Cash flows are presented on a gross basis. 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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable, to the tax authority.

n. 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.

o. Parent entity financial information

The financial information for the parent entity, **headspace** National Youth Mental Health Foundation Ltd, as disclosed in Note 21 has been prepared on the same basis as the consolidated financial statements.

p. 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 consolidated entity'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 consolidated entity'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.

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 2: Revenues from continuing operations

	2017	2016
	\$	\$
Operating activities from continuing operations		
Government grants	33,505,072	173,889,587
Interest	760,735	1,630,031
Fundraising	449,950	432,147
Other revenues from operations	728,384	274,393
Total revenues from continuing operations	35,444,141	176,226,158

Revenue for the financial year includes funding under agreements with the Commonwealth of Australia primarily as represented by the Department of Health as well as from other Federal and State Government bodies. The Group has deferred Government grant revenue of \$3,426,315 as disclosed in Note 9.

Note 3: Expenses from operating activities

	2017	2016
	\$	\$
Expenses from operating activities have been determined after:		
<i>Depreciation</i>		
Leasehold improvements	218,084	398,885
Motor vehicle	-	79,976
Office equipment	239,829	635,828
Total depreciation and amortisation	457,913	1,114,689

Rental expense relating to operating leases - minimum lease payments	1,996,477	1,963,543
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Superannuation expense	1,510,887	1,813,485
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Individually significant items

There are no items that are significant to the financial performance of the Group, that require being listed separately.

Note 4: Other financial assets

	2017	2016
	\$	\$
Current		
Deposits at call	11,775,474	11,616,117
Total other financial assets	11,775,474	11,616,117

(a) Risk exposure

The Group's exposure to risk is discussed in Note 18. The maximum exposure at the end of the financial year is the carrying amount of the cash and cash equivalents noted above.

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 5: Trade and other receivables

	2017 \$	2016 \$
Current		
Trade and other receivables	1,780,342	1,680,929
GST receivable	-	131,501
Prepayments	577,058	898,520
Total trade and other receivables	2,357,400	2,710,950

(a) Impaired trade receivables

There are no impaired trade receivables at year end (2016: \$nil).

(b) Past due but not impaired

As at 30 June 2017, trade receivables of \$836,456 (2016: \$823,430) were past due but not impaired.

(c) Risk exposure

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 18 for more information on the Group's risk management policy.

(d) Fair value

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

Note 6: Leasehold improvements, office equipment and motor vehicle

Note 6(a): Leasehold improvements

	2017 \$	2016 \$
Leasehold improvements at cost	1,913,873	2,003,935
Less accumulated depreciation	(1,470,757)	(1,349,685)
Total leasehold improvements	443,116	654,250

Note 6(b): Office equipment

	2017 \$	2016 \$
Office equipment at cost	2,662,476	2,667,911
Less accumulated depreciation	(2,433,333)	(2,263,398)
Total office equipment	229,143	404,513

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 6: Leasehold improvements, office equipment and motor vehicle (continued)

Note 6(c): Motor Vehicle

	2017	2016
	\$	\$
Motor vehicle at cost	-	79,976
Less accumulated depreciation	-	(79,976)
Total Motor Vehicle	-	-
Net book amount	672,259	1,058,763

Note 6(d): Movements in carrying amounts

	Leasehold improvements (\$)	Office equipment (\$)	Motor Vehicle (\$)	Total (\$)
Carrying amount as at 30 June 2015	245,689	332,522	-	578,211
Additions	807,446	707,838	79,976	1,595,260
Disposals	-	(19)	-	(19)
Depreciation	(398,885)	(635,828)	(79,976)	(1,114,689)
Carrying amount as at 30 June 2016	654,250	404,513	-	1,058,763
Additions	6,950	65,813	-	72,763
Disposals	-	(1,354)	-	(1,354)
Depreciation	(218,084)	(239,829)	-	(457,913)
Carrying amount as at 30 June 2017	443,116	229,143	-	672,259

Note 7: Trade and other payables

	2017	2016
	\$	\$
Current		
Trade payables	6,941	5,502
GST payable	88,170	-
Other payables	2,429,429	5,278,994
Total trade and other payables	2,524,540	5,284,496

Refer to Note 18 for further information on financial instruments.

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 8: Provisions

	2017 \$	2016 \$
Current		
Employee entitlements – annual leave	918,254	844,165
Employee entitlements – long service leave	150,823	40,631
	1,069,077	884,796
Non-current		
Employee entitlements – long service leave	566,694	496,674
Total provisions	1,635,771	1,381,470

The following amounts reflect leave that is expected to be taken or paid within the next 12 months:

	2017 \$	2016 \$
Current leave obligations expected to be wholly settled within 12 months	1,069,077	884,796

Note 9: Deferred income

	2017 \$	2016 \$
Current		
Deferred income	3,426,315	17,434,224
Total deferred income	3,426,315	17,434,224

The deferred income of the Group represents the following:

- \$3,000,000 of funding received from the Department of Health that relates to National Office funding for the 2018 financial year.
- \$337,648 of funding received from the Department of Employment that relates to the Digital eMentoring program that will commence operation in the 2018 financial year.
- \$88,667 of funding received from the Queensland State Government relating to the Principal Coaching and Support Service, for the 2018 financial year.

Note 10: Accumulated surplus

Movements in accumulated surplus were as follows:

	2017 \$	2016 \$
Balance as at 1 July	37,172,453	32,085,246
Surplus / (deficit) after income tax expense for the year	1,713,977	5,087,207
Balance as at 30 June	38,886,430	37,172,453

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 11: 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 2017 the number of members was 5 (2016: 5).

Note 12: Commitments

Note 12 (a): Lease commitments: Group as lessee

Non-cancellable operating leases

Photocopier and printers are leased from Fuji Xerox on one contract for a period of 36 months commencing 17 September 2014. Rent is paid monthly in arrears.

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

	2017	2016
	\$	\$
Within one year	712	14,630
Later than one year and not later than five years	-	712
	<u>712</u>	<u>15,342</u>

Office accommodation is leased from Development Engineering Consultants Pty Ltd under a lease which originally expired on 30 June 2017 but was extended to 31 December 2017. Rent is paid monthly in advance.

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

	2017	2016
	\$	\$
Within one year	13,875	13,875
Later than one year and not later than five years	-	-
	<u>13,875</u>	<u>13,875</u>

Office accommodation is leased from Land Lease Real Estate Investments Limited under a lease which expires on 30 June 2019. Rent is paid monthly in advance.

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

	2017	2016
	\$	\$
Within one year	1,720,891	1,653,082
Later than one year and not later than five years	1,785,425	3,494,460
	<u>3,506,316</u>	<u>5,147,542</u>

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 12: Commitments (continued)

Note 12 (a): Lease commitments: Group as lessee (continued)

Noarlunga office accommodation is leased from Sun Energy Pty Ltd under a lease which expires on 31 May 2019. Rent is paid monthly in advance.

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

	2017	2016
	\$	\$
Within one year	111,365	-
Later than one year and not later than five years	105,865	-
	217,230	-

Adelaide office accommodation is leased from Halflin Investments Pty Ltd and Jack & Basil Anthony Antonas under a lease which expires on 14 May 2018. Rent is paid monthly in advance.

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

	2017	2016
	\$	\$
Within one year	430,451	477,022
Later than one year and not later than five years	-	424,843
	430,451	901,865

Queanbeyan office accommodation is leased from Queanbeyan City Council under a lease which expires on 14 December 2017. Rent is paid monthly in advance.

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

	2017	2016
	\$	\$
Within one year	33,000	72,000
Later than one year and not later than five years	-	33,000
	33,000	105,000

Note 13: Cash flow information

Note 13 (a): Reconciliation of cash

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

	2017	2016
	\$	\$
Cash Assets	31,667,923	45,886,813
Other Financial assets – Note 4	11,775,474	11,616,117
Cash and cash equivalents	43,443,397	57,502,930

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 13: Cash flow information (continued)

Note 13 (b): Reconciliation of cash flow from operating activities with surplus / (deficit) for the year

Operating surplus / (deficit) by program/program area is as follows:

	2017 \$	2016 \$
headspace National Office	(2,868,733)	(6,826,963)
headspace Centres	816,328	5,268,615
Service Development Funds	(572,546)	444,043
hSS (School Support)	(282,708)	(2,280,426)
ehs (eheadspace)	259,212	503,477
Other programs	463,185	(111,540)
headspace Legal Entity	3,039,418	6,632,889
headspace direct run centres - (headspace Services Ltd)	859,821	1,457,112
Surplus / (deficit) for the year	1,713,977	5,087,207

	2017 \$	2016 \$
Surplus / (Deficit) after income tax expense for the year	1,713,977	5,087,207
Non-cash flows		
Depreciation	457,913	1,114,689
Disposals / Write off of assets	1,354	19
Changes in operating assets and liabilities		
Decrease / (Increase) in trade and other receivables	353,550	(2,061,668)
(Decrease) / Increase in trade and other payables	(2,759,956)	(12,979,494)
Increase / (Decrease) in provisions	254,301	(119,804)
(Decrease) / Increase in deferred income	(14,007,909)	(23,962,877)
Net cash (used in) / from operating activities	(13,986,770)	(32,921,928)

Note 14: Economic dependence

The continuing operations of the Group is dependent upon periodic renewal of funding agreements with the Commonwealth of Australia as represented by the Department of Health. The Group operates under a two year grant agreement expiring 30 June 2018 to operate the **headspace** National Office. Furthermore, a two year grant extension was awarded for the **eheadspace** Program which expires 30 June 2019, and the School Support program was awarded a six month extension due to expire 31 December 2017.

The Group was also awarded a two year funding agreement from the Department of Employment under the Empowering YOUth Initiatives scheme for the Digital eMentoring program due to expire 30 June 2019 as well as continuing to be funded for the Digital Work and Study program due to expire 30 June 2018.

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 15: Contingencies

Contingent assets

The Group does not have any contingent assets of a material nature which have not already been dealt with in these financial statements (2016: Nil).

Contingent liabilities

Upon expiry or early termination of the funding agreements referred to in Note 14, the Group may be required to repay to the Commonwealth of Australia any unspent and uncommitted funds relating to the agreements. The Group cannot determine any such obligation until notice is received from the Department and accordingly no contingent liability can be measured with reliability.

The consolidated entity has given bank guarantees as at 30 June 2017 of \$474,743 (2016: \$585,982) to various landlords for commercial leases.

Note 16: Related party disclosures

Note 16 (a): Key management personnel compensation

The aggregate compensation made to directors, officers and other key management personnel of the Group is as follows:

	2017 \$	2016 \$
Key management personnel benefits:		
Short term benefits	1,564,721	2,134,818
Post-employment benefits	125,692	174,688
Long term benefits	80,846	194,856
	1,771,259	2,504,362

Note 16 (b): Directors' remuneration

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

Directors do not receive any additional fees for membership of Board sub-committees.

Note 16 (c): Transactions by Directors with headspace centres

From 1 July 2016 the Group is no longer the funder, nor is it responsible for issuing grant agreements relating to **headspace** centres. The payments made in 2017 relate to grant agreements that expired on 30 June 2016.

Laurent Rivory, a member appointee of the University of Sydney was also a member of the Group until he resigned on 30 August 2016. The Group had entered into two grant agreements which expired on 30 June 2016 with the University of Sydney (Brain and Mind Research Institute) in relation to the operation of the following **headspace** centres:

headspace Camperdown; and

headspace Campbelltown

These grant agreements are on the same terms and conditions as all other grant agreements with **headspace** centres. During the financial year, payments were made by the Group to these Centres totalled \$94,171 (2016: \$2,466,259). No balance remained outstanding at year end.

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 16: Related party disclosures (continued)

Note 16 (c): Transactions by Directors with headspace centres (continued)

Patrick McGorry AO is a Director of Orygen. The Group has entered into four grant agreements with Orygen which expired on 30 June 2016 in relation to the operation of the following **headspace** centres:

headspace Sunshine

headspace Glenroy

headspace Craigieburn; and

headspace Werribee

These grant agreements are on the same terms and conditions as all other grant agreements with **headspace** centres. During the financial year, payments were made by the Group, or were payable to these Centres totalled \$178,778 (2016: \$4,017,157). No balance remained outstanding at year end.

The Group adopted a new constitution on 15 June 2016. Member organisations no longer have the right to appoint directors. All member directors resigned on 30 August 2016 and were replaced by new, independent directors.

Note 16 (d): Transactions with Centre of Excellence

The Group maintains a Centre of Excellence to provide research services. Orygen is the subcontractor for the Centre of Excellence. Patrick McGorry AO is a Director of Orygen. During the financial year, payments were made by the Group, or were payable to Orygen for the Centre of Excellence totalling \$378,204 (2016: \$444,000). \$313,000 remained outstanding at year end.

Note 16 (e): Transactions with McCarthy Mentoring

In the prior year the Group engaged McCarthy Mentoring to provide mentoring services to the Group's executives and managers (2016: one). McCarthy Mentoring is operated by a related party of Ms Wendy McCarthy. During the financial year, no payments were made or were payable by the Group to McCarthy Mentoring for these services (2016: \$13,000).

Note 16 (f): Subsidiaries

Interests in subsidiaries are set out in Note 20.

Note 17: Remuneration of auditor and non-audit services

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.

	2017	2016
	\$	\$
Audit Services		
Audit and review of financial report	63,500	65,000
Total audit services	63,500	65,000

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 18: Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Group's overall treasury risk management policy focuses on minimising credit risk. The Group 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.

Risk management is carried out by senior management under policies approved by the Finance and Audit Committee. The Finance and Audit 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 Group holds the following financial instruments at the end of the financial year.

	Note	2017 \$	2016 \$
Financial Assets			
Cash assets		31,667,923	45,886,813
Other financial assets	4	11,775,474	11,616,117
Trade and other receivables (excl prepayments)	5	2,357,400	1,812,430
Total financial assets		45,800,797	59,315,360
Financial Liabilities			
Trade and other payables	7	2,524,540	5,284,496
Total financial liabilities		2,524,540	5,284,496

(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 Group is also exposed to earnings volatility on floating rate instruments.

(ii) Price Risk / foreign currency

The Group is not exposed to any significant foreign currency / price risk.

(iii) Sensitivity Analysis

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

If these movements were to occur, the impact on the Consolidated Statement of Profit and Loss and Other Comprehensive Income for each category of financial instrument held at the end of the financial year is presented below. This assumes that all other assumptions are held constant.

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 18: Financial Risk Management (continued)

2017	Carrying Amount (\$)	Interest Rate Risk	
		+100bps (\$)	-100bps (\$)
Financial Assets			
Cash assets	31,667,923	280,769	(280,769)
Other financial assets	11,775,474	116,797	(116,797)
Trade and other receivables (ex prepayments)	2,357,400	-	-
Financial Liabilities			
Trade and other payables	2,524,540	-	-
Total increase / decrease		397,566	(397,566)
<hr/>			
2016	Carrying Amount (\$)	Interest Rate Risk	
		+100bps (\$)	-100bps (\$)
Financial Assets			
Cash assets	45,886,813	423,028	(423,028)
Other financial assets	11,616,117	114,033	(114,033)
Trade and other receivables (ex prepayments)	1,812,430	-	-
Financial Liabilities			
Trade and other payables	5,284,496	-	-
Total increase / decrease		537,061	(537,061)

(b) Credit risk

Credit risk arises from credit exposures to outstanding receivables.

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

The outstanding debtors balance in the Group exclusively consists of amounts owing from Primary Healthcare Networks or where contracts are in place for the provision of service. As such there is a high level of certainty regarding the collection of the receivable as at the end of the financial year.

(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 Group 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 Group has no borrowing facilities.

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 18: Financial Risk Management (continued)

The Group is predominantly funded by Government funding agreements through the Departments of Health & Employment with expiry dates up to 30 June 2019. The Group pursues other sources of revenue, including third party grants.

Maturities of financial liabilities

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

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

2017	Less than 6 months (\$)	6 – 12 months (\$)	Total contractual cash flows (\$)	Carrying amount of liabilities (\$)
Contractual maturities of financial liabilities				
Trade and other payables	2,524,540	-	2,524,540	2,524,540
2016				
2016	Less than 6 months (\$)	6 – 12 months (\$)	Total contractual cash flows (\$)	Carrying amount of liabilities (\$)
Contractual maturities of financial liabilities				
Trade and other payables	5,284,496	-	5,284,496	5,284,496

(d) Fair value estimation

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

Note 19: 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 Group and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group 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

As discussed in Note 1, the liability for long service leave expected to be settled more than 12 months from 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 reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases have been taken in to account.

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 19: Critical accounting estimates and assumptions (continued)

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

(i) Revenue recognition

The Group has recognised revenue from grant contributions when it obtains control of the grant, or the right to receive the grant. This is generally when the Group has met all applicable milestones under the relevant grant agreement and is not necessarily upon cash receipt. The Group in applying this accounting policy accepts that in doing so revenue will be recognised covering programs or periods of time where related expenditure has been delayed or will occur in a future period.

Note 20: Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of **headspace** Services Ltd in according with the accounting policy described in note 1(a):

Name of Entity	Country of Incorporation	Type of Entity	Holding	
			2017 (%)	2016 (%)
headspace Services Ltd	Australia	Company limited by guarantee	100	100

Note 21: Parent entity financial information

(a) Summary financial information

	2017 \$	2016 \$
Balance sheet		
Current assets	41,273,156	50,273,288
Total assets	41,324,107	50,419,383
Current liabilities	6,190,346	16,290,364
Total liabilities	6,811,920	16,761,352
Members funds:		
Accumulated surplus	34,512,187	33,658,031
Surplus / (Deficit) for the period	854,156	3,630,095
Total comprehensive income	854,156	3,630,095

Notes to the Consolidated Financial Statements

(continued) for the year ended 30 June 2017

Note 21: Parent entity financial information (continued)

(b) Contingencies of the parent entity

The parent entity had neither any contingent assets nor liabilities as at 30 June 2017 or 30 June 2016.

Upon expiry or early termination of the funding agreements referred to in note 14, the parent entity may be required to repay to the Commonwealth of Australia any unspent and uncommitted funds relating to the agreements.

Note 22: Future cash obligations

In relation to the cash balance it retains at year end, the Group has an obligation to operate the School Support, **headspace** programs and direct centres through its subsidiary, **headspace** Services Ltd as well as support the operations of National Office functions. This balance is expected to be expended over the next financial year and beyond as costs are incurred.

Note 23: Group details

The Company and its subsidiary are Companies limited by guarantee, incorporated and domiciled in Australia.

The registered office and principal place of business of the Group 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 *Australian Charities and Not-for-profits Commission Act 2012*, and:
 - (i) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year then ended of the consolidated group; and
 - (ii) comply with Australian Accounting Standards, including the Interpretations; and
- (b) in the directors' opinion there are reasonable grounds to believe that the consolidated group will be able to pay its debts as and when they become due and payable.

Signed in accordance with subsection 60.15(2) of the Australian Charities and Not-For-Profit Commission Regulation 2013

On behalf of the Directors



Ian Marshman AM

Chair On behalf of the directors



Katina Law

Chair Finance and Audit Committee

Dated this 25th day of October 2017

Auditor's Report

for the year ended 30 June 2017



RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

HEADSPACE NATIONAL YOUTH MENTAL HEALTH FOUNDATION LTD

Opinion

We have audited the accompanying financial report of **headspace** National Youth Mental Health Foundation Ltd ("the Company"), which comprises the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end.

In our opinion, the financial report of the Company has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its financial performance and cash flows for the year ended on that date; and
- (ii) 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.

Other Information

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 2017, but does not include the financial report and the auditor's report thereon.

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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Auditor's Report

(continued) for the year ended 30 June 2017



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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

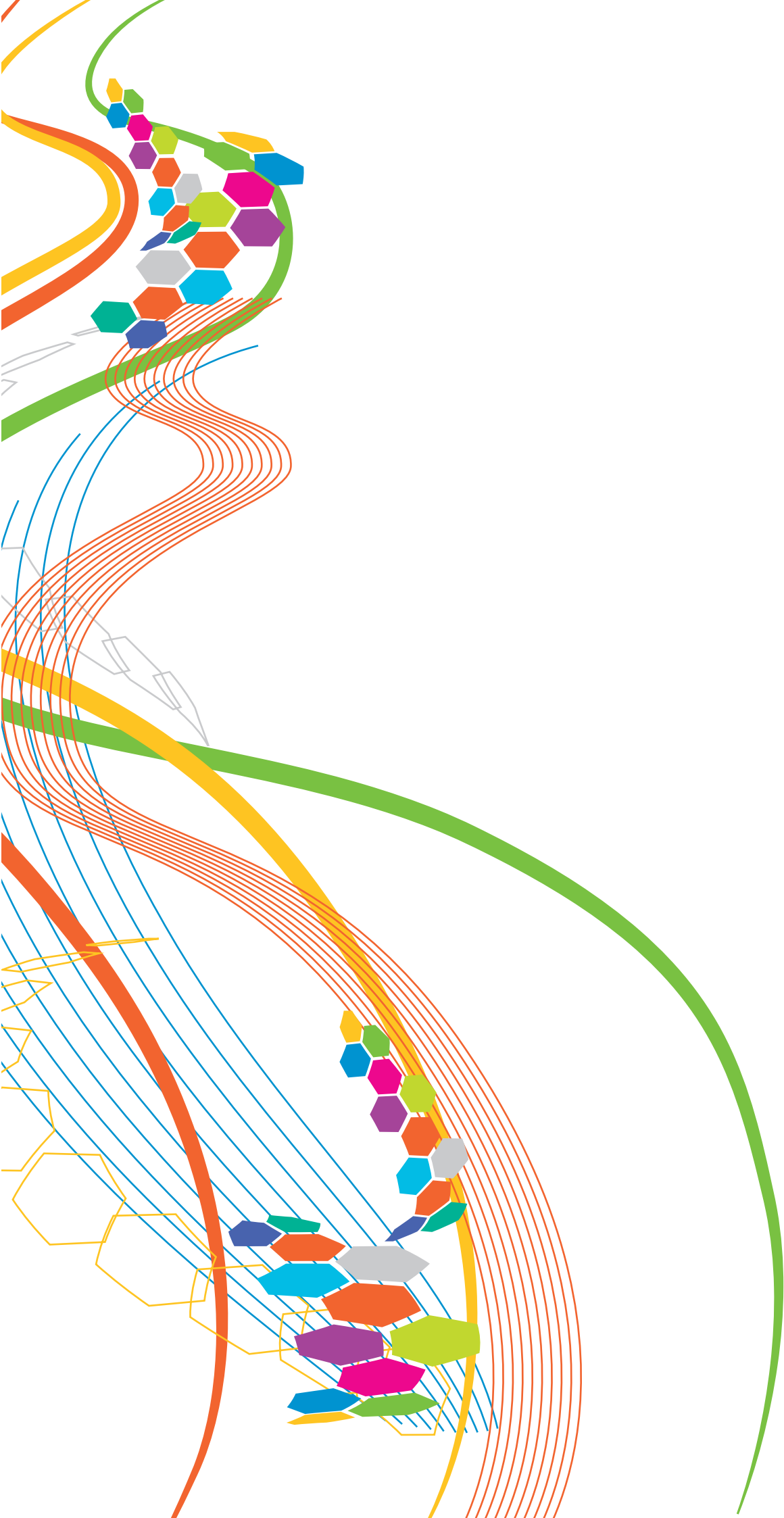
A handwritten signature in black ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink that reads 'P A Ransom'.

P A RANSOM
Partner

Melbourne, Victoria
Dated: 30 October 2017



headspace centres

Northern Territory

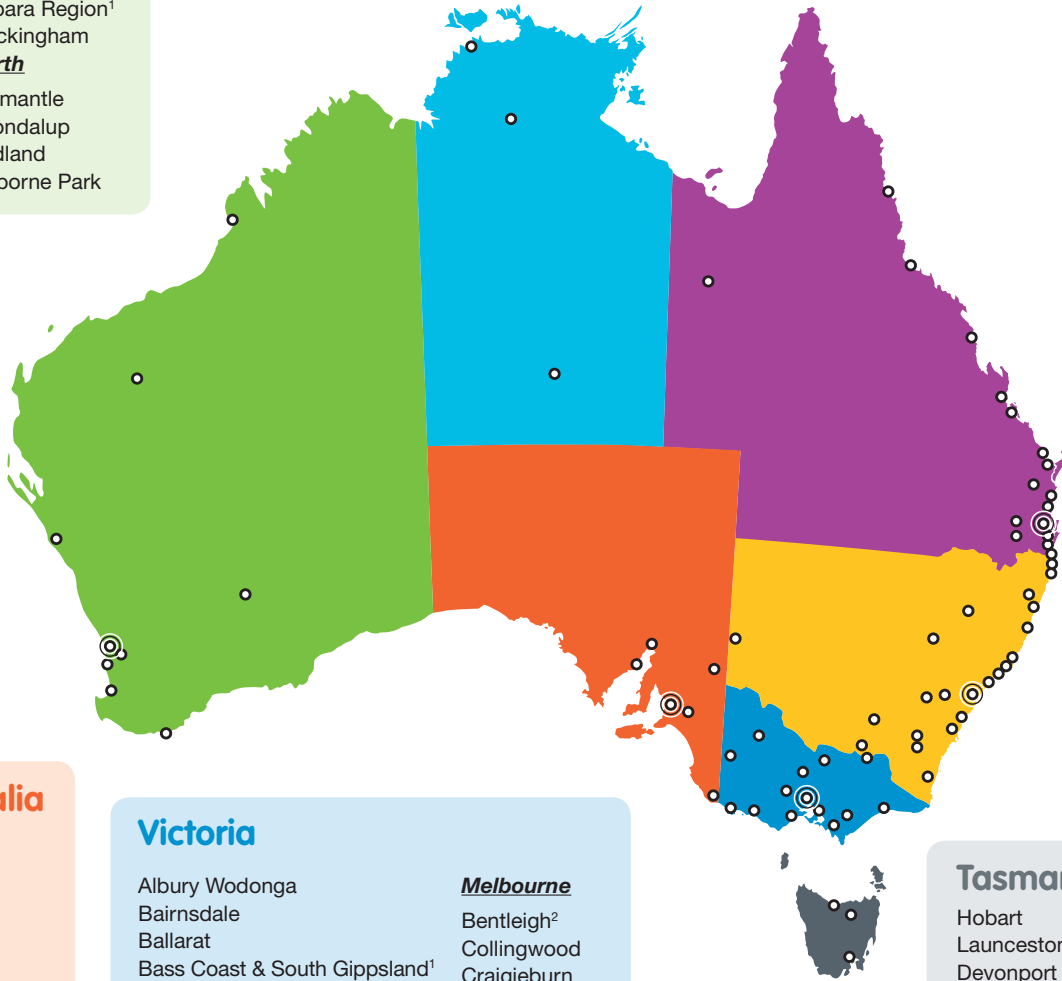
Alice Springs
Darwin
Katherine¹

Western Australia

Albany	Pilbara Region ¹
Armadale	Rockingham
Broome	<u>Perth</u>
Bunbury	Fremantle
Geraldton	Joondalup
Kalgoorlie	Midland
Mandurah ¹	Osborne Park

Queensland

Bundaberg	Maroochydore	Warwick
Caboolture	Meadowbrook	Gympie ¹
Cairns	Mount Isa	<u>Brisbane</u>
Capalaba	Redcliffe	Inala
Gladstone	Rockhampton	Nundah
Hervey Bay	Southport	Taringa
Ipswich	Toowoomba	Woolloongabba
Mackay	Townsville	



South Australia

Berri
Mount Gambier
Murray Bridge
Port Augusta
Whyalla¹
Adelaide
Adelaide
Edinburgh North
Onkaparinga
Port Adelaide

Victoria

Albury Wodonga	<u>Melbourne</u>
Bairnsdale	Bentleigh ²
Ballarat	Collingwood
Bass Coast & South Gippsland ¹	Craigieburn
Bendigo	Dandenong
Frankston	Elsternwick
Geelong	Glenroy
Horsham	Greensborough
Melton ¹	Hawthorn
Mildura	Knox
Morwell	Narre Warren
Portland ¹	Sunshine
Shepparton	Werribee
Swan Hill	
Warrnambool	

Tasmania

Hobart
Launceston
Devonport

New South Wales

Bathurst	Nowra	Camperdown
Bega ¹	Orange	Castle Hill
Broken Hill	Port Macquarie	Chatswood
Coffs Harbour	Queanbeyan	Hurstville
Dubbo	Tamworth	Liverpool
Gosford	Tweed Heads	Miranda
Goulburn	Wagga Wagga	Mount Druitt
Grafton ¹	Wollongong	Parramatta
Griffith	<u>Sydney</u>	Penrith
Lake Haven	Ashfield	
Lismore	Bankstown	ACT
Maitland	Bondi Junction	Canberra
New England ¹	Brookvale	
Newcastle	Campbelltown	

Notes:

¹ Opening 2017-2019

² hYEPP site for headspace Elsternwick

headspace Devonport is a centre outpost from headspace Launceston

headspace Lake Haven is a centre outpost from headspace Gosford

headspace Elsternwick/Bentleigh are funded as one centre across two sites

Accurate as of September 2017