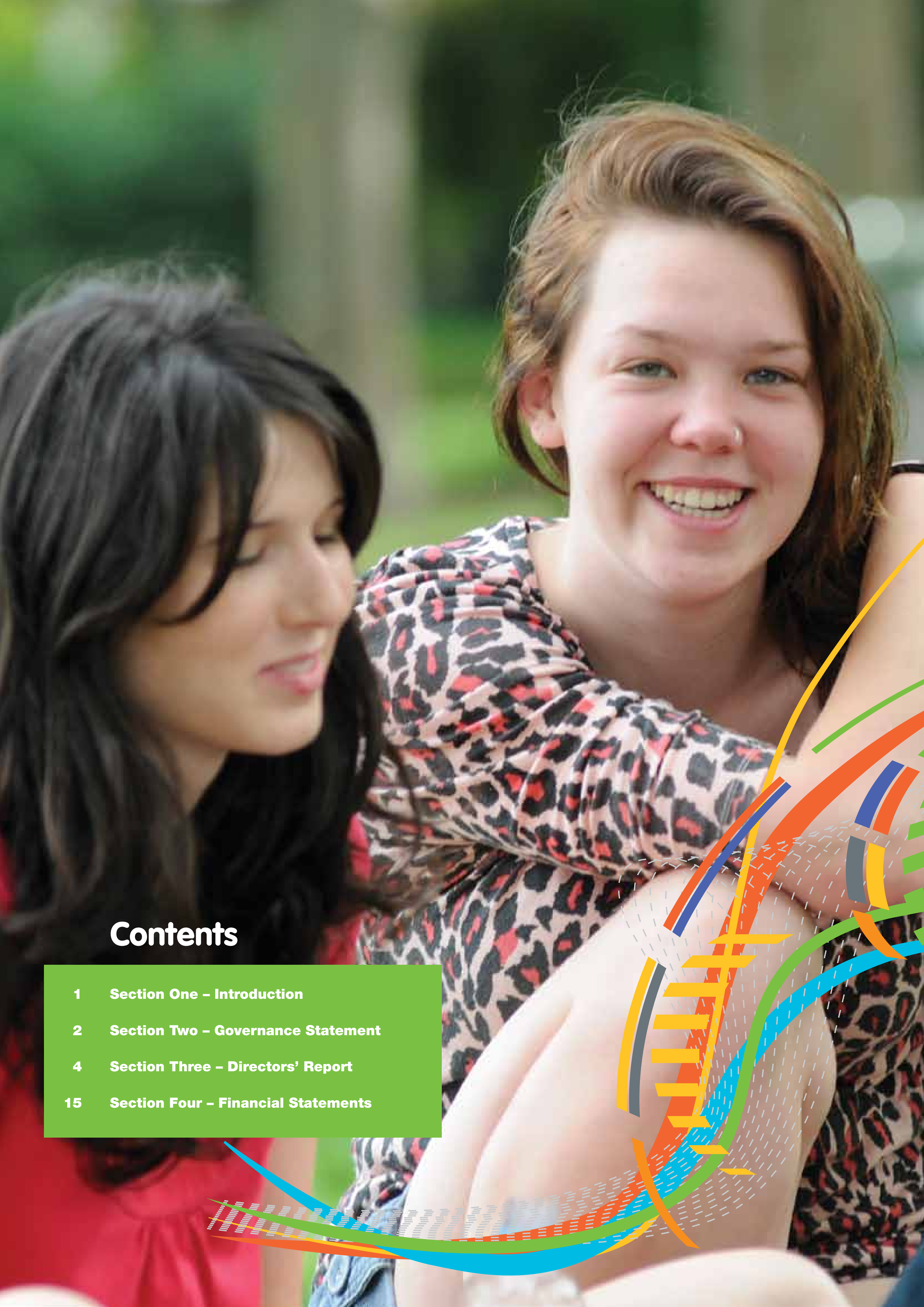
2011 Corporate Governance and Financial Statements

headspace
National Youth Mental Health Foundation

ABN 26 137 533 843



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Section One
Introduction

We are pleased to present the Financial and Governance Statements of headspace National Youth Mental Health Foundation Ltd for the year ending 30 June 2011.

headspace is funded by the Australian Government Department of Health and Ageing under the Youth Mental Health Initiative Program and provides information, advice and support to young people aged between 12 and 25.

The **headspace** vision is to improve the mental and social wellbeing of young Australians through the provision of high quality intervention services, which are welcoming, friendly and supportive.

Our mission is to be the definitive voice in youth mental health in the areas of service delivery, research and development, service reform, community engagement and advocacy.

Since inception, **headspace** has assisted 47,333 unique clients and provided 461,650 occasions of service to young people across our 30 local centres, which are based in every state and territory in Australia.

For the 2010-11 financial year our Annual Report is available as an online video and in print.

The printed report for the year provides our:
- Corporate Governance statement
- Directors Reports; and
- Financial Statements.

The online video outlines some of our key achievements including:
- Funding from the Federal Government in the 2011 Budget to expand even further nationally with up to 90 centres in the next five years
- A new website to better target young people, their friends and family and health professionals.
- Growth in membership of our social media sites in particular Facebook and Twitter, which have increased by 250 percent in the past financial year.
- The formation of the **headspace** Youth National Reference Group, hY NRG, a group of 17 young people who act in an advisory and ambassadorial role to the organisation.
- The National Youth Virtual Tours Project, with seven video tours of local centres developed by local youth. The projects were funded by the Department of Education, Employment and Workplace Relations.
- A range of innovative and targeted programs that our 30 centres are delivering for example the Read the Play program developed by **headspace** Barwon which educates young people about mental health through their local sporting clubs.

You will find the video on our website **www.headspace.org.au**, where you will also be able to download the printed report.

Wendy McCarthy

Wendy McCarthy
Chair

Chris Tanti
CEO

Section Two
Governance Statement

1 Governance Statement

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

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

2 The Board of directors

2.1 The role and responsibilities of the Board

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

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

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

The Governance Charter is reviewed annually and updated as necessary. Copies of the Charter can be viewed on www.headspace.org.au

2.2 Role of the Board

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

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

2.3 Board meetings

Directors are expected to prepare adequately for, attend and participate at Board meetings and meetings of Committees. The Board holds a minimum of five 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 Directors' Report.

2.4 Board and committee operations

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

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

Following each Committee meeting, the Board receives a copy of the minutes of meeting from the relevant Committee. Copies of the Terms of Reference can be viewed on **www.headspace.org.au**

2.5 Review of Board Performance

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

The Board will next undertake an external review in 2011/2012.

2.6 Conflicts of interest

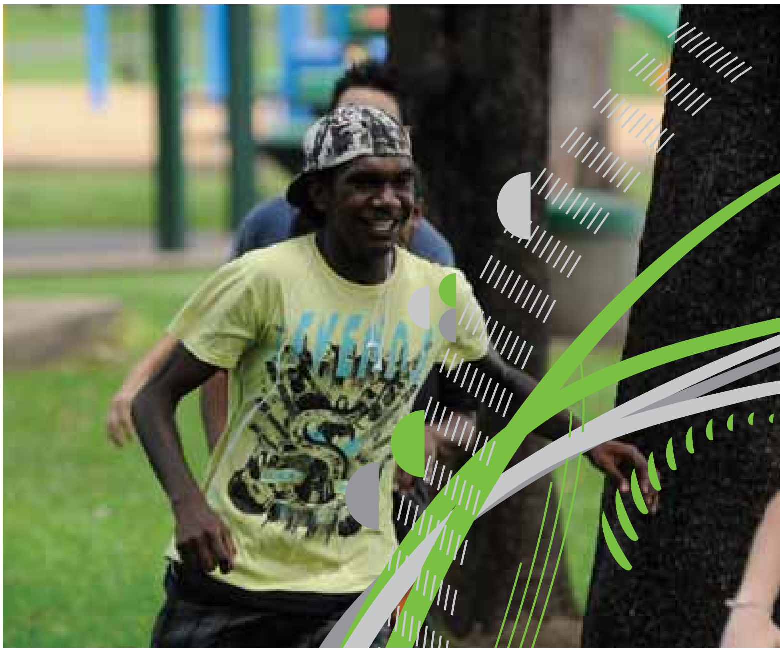
Directors are expected to avoid any action, position or interest that conflicts or appears to conflict with an interest of the company. This is a matter for ongoing consideration by all directors. The Governance Charter contains a Conflict of Interest Policy.

2.7 Code of conduct

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

2.8 Access to management

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



Section Three
Directors' Report

The directors of **headspace** National Youth Mental Health Foundation Ltd ("the Company") present their report on the Company for the year ended 30 June 2011.

Directors

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

Ian Hickie AM
Barbara Hingston
Lyn Littlefield OAM
Ian Marshman
Peter Mason AM
Wendy McCarthy AO
Patrick McGorry AO
John McGrath AM
Helen Milroy
Sheree Vertigan
Robert Walters

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

Company Secretary

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

Sara Tersigni: LLB London, Certified Member CSA.

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

Principal Activities

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

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

Operating Results

The operation of the Company for the financial year resulted in a deficit of $518,121 (2010: surplus of $8,480,655).

Dividends Paid or Recommended

The Company is a not-for-profit organisation incorporated as a company limited by guarantee. It does not have any share capital and has not issued debentures. The Company is precluded by its constitution from recommending payment of any dividend.

Review of Operations

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

Significant Changes in the State Of Affairs

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

Matters Subsequent to the end of the Financial Year

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

Likely Developments

The Commonwealth Department of Health and Ageing has advised in writing that the current funding agreement with the Company will be extended to 30 June 2015 and that the funding under the agreement will be increased to provide for the expansion of up to 90 centres. A revised funding agreement, or a deed of variation to the existing agreement, is yet to be received by the Company.

The Company expects to modify the status and level of its operations in accordance with the varied funding agreement once it is received, and operations in future years will change accordingly.

Environmental Regulation

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

Information on Directors

Ian Hickie AM

Board member since 5 June 2009.

Qualifications and Experience
Professor, AM.

In October 2000, Ian was appointed as the inaugural CEO of beyondblue and from 2003-06 served as its Clinical Advisor. In 2003, he was appointed as the inaugural Executive Director of the Brain and Mind Research Institute at the University of Sydney.

In 2007, he was appointed to the Prime Minister's Australian National Council on Drugs, and was elected as a Fellow of the Academy of the Social Sciences in Australia.

From 2008-13, he is one of the first round of new NHMRC 2008 Australian Fellows; recognising excellence in Australian Medical Research. His research, clinical and health services development work focuses on expansion of population-based mental health research and development of international mental health strategies. In July 2008 he was appointed to the Federal Health Minister's new National Advisory Council on Mental Health.

In 2011, he was appointed to the Mental Health Expert Working Group of the Department of Health and Ageing.

Special Responsibilities
Member appointee of University of Sydney

Barbara Hingston

Board member since 16 July 2009.

Qualifications and Experience
BA, BSW, GAICD, MAASW.

Barbara has held senior executive and corporate management roles in government and the community sectors, including as Executive Director for Mercy Health Care Australia and within the Commonwealth public service, as Deputy Executive Director of the Australian Heritage Commission.

She is also an experienced clinician in individual and group counselling practice in the fields of sexual assault, family violence and other trauma, with victims and perpetrators, most recently as Senior Clinician and Direct Service Coordinator for CASA House. She now also works as a consultant in the evaluation of service delivery and public policy practice in these fields, including primary prevention of violence against women and children for the AFL, as a facilitator of its Respect and Responsibility Program.

Barbara is a Director of the Austin Health Service, also chairing its Community Advisory Committee. She has previously been a member of the Nurses Board Victoria and Physiotherapists Registration Board Victoria, and a Director of Mackillop Family Services, Marymead Child and Family Services ACT, and was also a Member of the Public Housing Review Tribunal in the ACT and a Member of the Dental Board of Queensland.

Special Responsibilities
Appointee of the Commonwealth Minister for Health and Ageing.
Co-Chair of Clinical, Research and Evaluation Committee.

Lyn Littlefield OAM

Board member since 5 June 2009.

Qualifications and Experience
Professor, OAM, FAPS, FAICD, FAIM, BSc, BBSc (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 currently Executive Director of the APS, Chairperson of the Mental Health Professions Association, Honorary Executive Officer of Allied Health Professions Australia and a member of a number of Federal Government Ministerial advisory, reference and working groups including the Mental Health Expert Working Group.

Special Responsibilities
Member appointee of the Australian Psychological Society Limited.

Ian Marshman

Board member since 5 June 2009.

Qualifications and Experience
BA (Honours), LLB.

Ian was appointed Senior Vice-Principal at the University of Melbourne in March 1999. In this role he is accountable to the Vice-Chancellor and Council for the overall management and administration of the University. Ian has specific responsibilities for major projects and facilities planning, audit, compliance and external reporting accountabilities.

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 is currently Chair of the Management Committee for Victorian Tertiary Admissions Centre.

He is an auditor for Australian Universities Quality Agency, Chair of the Universitas 21 Managers Group and a Director of the on-line business school, Universitas 21 Global. He is also a Director of a number of University boards.

Special Responsibilities
Member appointee of the University of Melbourne.
Co-Chair of Finance, Audit and Risk Committee.

Directors' Report

(Continued)

Peter Mason AM

Board member since 5 June 2009.

Qualifications and Experience
AM, B Com (Hons), MBA, Hon Dr University of NSW.

Peter is Chairman of AMP Limited, Senior Advisor to UBS Investment Bank and a Non-Executive Director of David Jones Ltd and Singapore Telecommunications Ltd.

He has 40 years' experience in investment banking. He was chairman of JP Morgan Chase Bank in Australia from 2000 to 2005, and chairman of their associate, Ord Minnett Group. Prior to this he was chairman and chief executive of Schroders Australia Limited and group managing director of Schroders' investment banking businesses in the Asia Pacific region.

Peter is a Director of the University of New South Wales Foundation Board, Chairman of the UBS Australia Foundation and Chairman of the Dean's Circle of the University of NSW.

He is also an Ambassador for the Australian Indigenous Education Foundation.

Special Responsibilities
Appointee of the Commonwealth Minister for Health and Ageing.
Co-Chair of Finance, Audit and Risk Committee.

Wendy McCarthy AO

Board member since 5 June 2009.

Qualifications and Experience
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 four decades she has been a teacher, educator and change agent in Australian public life. Her national consulting business McCarthy Mentoring specialises in providing mentors to major corporations, the public sector and Not for Profit Organisations.

Wendy also chairs Circus Oz, McGrath Estate Agents and Pacific Friends of the Global Fund and is a Director of Goodstart Childcare Limited and Woodhead Architects. In 2009 she retired from her role as Vice Chair of Plan International. She has held many significant leadership roles in leading national bodies including 8 years as deputy Chair of the Australian Broadcasting Corporation.

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.

Special Responsibilities
Appointee of the Commonwealth Minister for Health and Ageing.
Chair.

Patrick McGorry AO

Board member since 5 June 2009.

Qualifications and Experience

AO, MD, BS, PhD, FRCP, FRANZCP, Australian of the Year 2010.

Pat is Executive Director of Orygen Youth Health and Professor of Youth Mental Health at the University of Melbourne. He is a world-leading researcher in the area of early psychosis and youth mental health.

Pat has also played a major role in mental health reform in Australia as a main adviser to the Federal Government and is currently a member of the Mental Health Expert Working Group.

Special Responsibilities

Member appointee of Orygen Youth Health Research Centre.
Co-Chair of Clinical, Research and Evaluation Committee.

John McGrath AM

Board member since 5 June 2009.

Qualifications and Experience

AM.

John is Chairman of Mental Health Professionals Network Ltd and is past Deputy Chair and Inaugural Director of beyondblue, past Chair of the Victorian Ministerial Expert Council on Mental Health and a past Director of Crisis Support Services.

John was the Inaugural Chair of the Mental Health Council of Australia 1997–2003 and the Inaugural Chair of the Western Region Alcohol and Drug Centre in Warrnambool for 13 years. He was a Member of the Victorian Parliament 1985–1999, as MLA for Warrnambool, and Deputy Speaker of Parliament from 1992 until his voluntary retirement.

Special Responsibilities

Appointee of the Commonwealth Minister for Health and Ageing.
Member of Finance, Audit and Risk Committee

Helen Milroy

Board member since 5 June 2009.

Qualifications and Experience

Professor, MB BS, Cert Child Psych, FRANZCP.

Helen is a Consultant Psychiatrist with the WA Department of Health's Statewide Aboriginal Mental Health Service and is Winthrop Professor and Director of the Centre for Aboriginal Medical and Dental Health at the University of Western Australia.

Helen is a Past President of the Australian Indigenous Doctors Association.

She is a current member of the NHMRC Australian Human Ethics Committee and the NHMRC Aboriginal and Torres Strait Islander Health Advisory Committee.

Special Responsibilities

Appointee of Australian Indigenous Doctors Association.

Sheree Vertigan

Board member since 5 June 2009.

Qualifications and Experience

BA, MEd, MACE.

Sheree has worked in a variety of positions within education, commencing her career as an English teacher prior to taking up a position as a consultant and then returning to senior positions within schools and the Department of Education.

Sheree currently holds a number of other positions including:

- Vice president (secondary), Tasmanian Principals' Association
- Director, Principals Australia Board
- Member, National Leadership Learning Network
- Member, writing team, Principal Standards Project
- Director Asia Education Foundation
- Director Australian National Council for Drugs.

Special Responsibilities

Appointee of Principals Australia.

Robert Walters

Board member since 5 June 2009.

Qualifications and Experience

B Med Sc, MB BS, RFD.

Rob is a practicing GP in Hobart. From 2002-05, Rob was the Chair of the Australian Divisions of General Practice (now AGPN) and continues to serve on the board of his Tasmanian Division (General Practice South).

He is also a medico-legal adviser and case manager for the Medical Indemnity Protection Society in Tasmania and regularly presents to medical practitioners nationally, on matters related to Medical Indemnity and Medicine and the law.

Rob has served, and continues to serve, on a number of boards and councils representing General Practice including the beyondblue Clinical Reference Council and the National Advisory Council on Mental Health. He also has an interest in Occupational Medicine and is the Medical Director on the Tasmanian Work Cover Board as well as a past Chair of the Cancer Council of Tasmania. Rob holds the rank of Colonel in the Australian Army Reserve and is Consultant to the Surgeon General of the Australian Defence Force on General Practice for the Army, Navy and Air Force. In 2002 he served overseas in East Timor with the UN Forces.

Special Responsibilities

Member appointee of Australian General Practice Network Limited.

There are no loans made to directors by the Company.

Meetings of Directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2011, and the number of meetings attended by each director were:

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

Director	Clinical, Research and Evaluation Committee Meetings		Indigenous Taskforce Committee Meetings	
	Attended	Eligible to attend	Attended	Eligible to attend
Ian Hickie AM	–	–	–	–
Barbara Hingston	6	7	–	–
Lyn Littlefield OAM	–	–	–	–
Ian Marshman	–	–	–	–
Peter Mason AM	–	–	–	–
Wendy McCarthy AO	–	–	–	–
Patrick McGorry AO	5	7	–	–
John McGrath AM	–	–	–	–
Helen Milroy	–	–	2	2
Sheree Vertigan	–	–	1	2
Robert Walters	–	–	–	–

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

Insurance of Officers

During the year ended 30 June 2011, the Company paid premiums totalling $21,584 (2010: $21,584) to insure the officers (including directors) of the Company.

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

Indemnity of Auditors

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

Proceedings on Behalf of Company

No person has applied for leave of a court under section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

Remuneration Report

Information on the remuneration arrangements for Directors and key management personnel is set out in note 17 to the financial report.

Non-audit Services

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

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

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

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found following the Directors' Report, as required under section 307C of the *Corporations Act 2001*.

Auditor

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

Signed on this 28th day of September in accordance with a resolution of the board of directors.

Wendy McCarthy

Wendy McCarthy AO
Chair

Ian Marshman
Co-Chair of Finance, Audit and Risk Committee

RSM Bird Cameron Partners
Chartered Accountants

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 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Stan Naylor

Stan Naylor
Partner

Melbourne, Victoria
Dated: 28 September 2011

Section Four
Financial Statements

for the Year Ended 30 June 2011

Section Four – Financial Statements

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

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

The financial statements were authorised for issue by the directors on 28 September 2011. The directors have the power to amend and reissue the financial statements.

Statement of Comprehensive Income

for the Year Ended 30 June 2011

	Note	2011 $	5 June 2009 to 30 June 2010 $
Revenue from Continuing Operations			
Revenue from services and Government grants		28,819,660	16,558,484
Interest received		294,039	200,289
Fundraising revenue		39,039	44,958
Other revenues from operating activities		137,430	1,094,119
REVENUE FROM OPERATING ACTIVITIES	**2**	**29,290,168**	**17,897,850**
Employment expenses		3,360,295	1,378,449
Occupancy expenses		187,011	119,408
Grant payments		21,970,710	6,549,170
Consultancy expenses		778,710	211,733
Sub-contracts with member organisations		750,000	–
Governance expenses		226,579	194,676
Depreciation charge		475,323	297,362
Write off of assets damaged by flood		74,755	–
Other operating and administration expenses		1,984,906	666,396
EXPENSES FROM OPERATING ACTIVITIES	**3**	**29,808,289**	**9,417,194**
(DEFICIT) / SURPLUS FOR THE YEAR BEFORE INCOME TAX		(518,121)	8,480,655
Income tax expense	1b	–	–
(DEFICIT) / SURPLUS FOR THE YEAR		**(518,121)**	**8,480,655**
Other comprehensive income			
Other comprehensive income		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(518,121)**	**8,480,655**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR IS ATTRIBUTABLE TO:			
Members of **headspace** National Youth Mental Health Foundation Ltd		**(518,121)**	**8,480,655**

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2011

	Note	2011 $	2010 $
ASSETS			
Current assets			
Cash assets		6,324,634	2,342,950
Other financial assets	4	83,797	3,534,656
Trade and other receivables	5	2,208,073	2,941,489
Total current assets		**8,616,504**	**8,819,095**
Non-current assets			
Other financial assets	4	–	142,640
Leasehold improvements, plant and equipment	6	889,763	1,069,751
Intangible assets	7	123,234	–
Total non-current assets		1,012,997	1,212,391
Total assets		**9,629,501**	**10,031,486**
LIABILITIES			
Current liabilities			
Trade and other payables	8	1,354,821	1,177,788
Provisions	9	152,784	100,392
Deferred income	10	109,200	87,273
Total current liabilities		**1,616,805**	**1,365,453**
Non-current liabilities			
Provisions	9	50,162	54,469
Deferred income	10	–	130,909
Total non-current liabilities		**50,162**	**185,378**
Total liabilities		**1,666,967**	**1,550,831**
Net assets		**7,962,534**	**8,480,655**
MEMBERS' FUNDS			
Accumulated surplus	11	7,962,534	8,480,655
Total members' funds		**7,962,534**	**8,480,655**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the Year Ended 30 June 2011

	Note	Accumulated surplus $	Total $
Balance at 5 June 2009		–	–
Surplus for the year		8,480,655	8,480,655
Balance at 30 June 2010		8,480,655	8,480,655
Deficit for the year	11	(518,121)	(518,122)
Balance at 30 June 2011		**7,962,534**	**7,962,534**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the Year Ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Receipts from Government grants and other operations		32,856,682	15,371,864
Payments to employees and suppliers (incl GST)		(32,269,209)	(9,270,276)
Interest received		294,039	200,289
Net cash inflow from operating activities	**14(b)**	**881,512**	**6,301,877**
Cash flows from investing activities			
Payments for intangible assets		(123,234)	-
Payments for leasehold improvements, plant and equipment		(370,090)	(281,632)
Net cash outflow from investing activities		**(493,326)**	**(281,632)**
Cash flow from financing activities			
Net cash inflow / (outflow) from financing activities		**-**	**-**
Net increase / (decrease) in cash held		**388,186**	**6,020,245**
Cash and cash equivalents at the beginning of the financial year		6,020,245	-
Cash and cash equivalents at the end of the financial year	**14(a)**	**6,408,431**	**6,020,245**
Cash and cash equivalents at the end of the financial year consists of:			
Cash assets		6,324,634	2,342,950
Other financial assets	4	83,797	3,677,295
		6,408,431	**6,020,245**

The accompanying notes form part of these financial statements.

Note 1: Summary of significant accounting policies

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

The financial statements are general purpose financial statements that have been prepared in accordance with Accounting Standards, Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001*.

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

Early Adoption of Standards
The Company has not elected to early adopt any accounting standards for this reporting period.

Critical accounting estimates and judgements
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 20.

a. Revenue recognition

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

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

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

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

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

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

During the prior financial period, the Company received non-reciprocal contributions of assets from the Government and other parties for zero or a nominal value. These assets are recognised at fair value, with a corresponding amount of income recognised.

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

b. Income tax

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

c. Leases

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

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits at call with banks or financial institutions with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Other financial assets are term deposits with fixed maturities of three months or greater that management has the positive intention and ability to hold to maturity. For the purposes of presentation in the Statement of Cash Flows, cash assets and other financial assets equate to cash and cash equivalents.

e. Trade receivables

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

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 the collection exists.

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

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

f. Leasehold improvements, plant and equipment

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

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

Class of fixed asset	Depreciation rate
Plant and equipment	25% - 50%
Leasehold improvements	33 ⅓%

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 with the carrying amount. These are included in the Statement of Comprehensive Income.

g. Intangible assets

IT development and software

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

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

h. Trade and other payables

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

i. Employee entitlements

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

Other long-term employee benefit obligations
The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

j. Goods and Services Tax (GST)

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

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

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

k. Impairment of assets

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

l. New accounting standards and interpretations

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of the standards. A discussion of those future requirements and their impact on the Company follows:

– ***AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).***
  This standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Company.
– ***AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the AASB's annual improvements project (applicable for annual reporting periods commencing on or after 1 January 2011).***
  Key changes include:
  - Adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from the financial statements;
  - Amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is not permitted to be presented in the Statement of Changes in Equity or in the notes; and
  - Making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Company.

- ***AASB 2010-5: Amendments to Australian Accounting Standards (applicable for annual reporting periods beginning on or after 1 January 2011).***
  This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the AASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.
- ***ASSB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013).***
  On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Company has public accountability and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

Note 2: Revenues from continuing operations

	2011 $	**5 June 2009 to 30 June 2010 $**
Operating activities from continuing operations		
Government grant funding	28,819,660	16,558,484
Interest received	294,039	200,289
Fundraising revenue	39,039	44,958
Other revenues from operations	137,430	1,094,119
Total revenues from continuing operations	**29,290,168**	**17,897,850**

Revenue for the financial year includes funding under an agreement with the Commonwealth of Australia as represented by the Department of Health and Ageing (Youth Telephone and Online Counselling project) executed on 15 June 2011. Due to the delayed timing of receipt of this funding, only minimal expenditure has occurred in relation to this program. As a result, the Company has a surplus of $2,936,511 in relation to this program at the end of the year which would not normally occur. This surplus is committed to be fully expended over the next three financial years. Excluding this surplus, the Company's underlying result is a deficit of $3,454,633, which represents the spending of grant funding received in the prior year.

Note 3: Expenses from Operating Activities

Expenses from operating activities has been determined after:

	2011 $	**5 June 2009 to 30 June 2010 $**
Depreciation of non-current assets		
Leasehold improvements	286,880	210,099
Plant and equipment	188,443	87,263
Total depreciation	475,323	297,362
Rental expense relating to operating leases		
Minimum lease payments	118,410	83,182

Note 4: Other Financial Assets

Current	2011 $	2010 $
Deposits at call	83,797	3,534,656
	83,797	3,534,656
Non-current		
Term deposits	–	142,640
	–	142,640
Total other financial assets	**83,797**	**3,677,295**

Note 5: Trade and Other Receivables

Current	2011 $	2010 $
Trade receivables	1,940,485	2,901,423
Prepayments	267,588	40,066
	2,208,073	2,941,489

(a) Impaired trade receivables

There are no impaired trade receivables at year end (2010: $nil).

(b) Past due but not impaired

As at 30 June 2011, trade receivables of $1,380 (2010: $503,895) were past due but not impaired. These are either amounts which the Company fully expects to receive or amounts payable from individual **headspace** centres. In the case of the centres, the Company has a right of offset for any amounts outstanding. These outstanding balances would be deducted from any payments made to the centres by the Company. The ageing analysis of these trade receivables is as follows:

Ageing:	2011 $	2010 $
31-60 days	–	69,458
>90 days	1,380	434,437
	1,380	503,895

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

Note 5: Trade and Other Receivables (continued)

(c) Fair value and credit risk

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

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

Note 6: Leasehold Improvements, Plant and Equipment

Under a deed of transfer effective 1 October 2009 between the University of Melbourne and Orygen Youth Health Research Centre (collectively the Transferring Parties) and the Company, the Transferring Parties ceased to conduct a project under the Commonwealth Government's "Promoting Better Mental Health Program", with the Company taking over this commitment. Under the deed of transfer, leasehold improvements, plant and equipment previously owned by the University of Melbourne were transferred to the Company for no consideration. These assets have been recognised at fair value to the Company. The value of the assets was $1,085,481 and this was included in other revenues from operating activities in the prior financial period. This has no implications for the current financial year.

Note 6(a): Leasehold improvements

	2011 $	2010 $
Leasehold improvements at cost	865,681	865,681
Less accumulated depreciation	(496,979)	(210,099)
Total leasehold improvements	368,702	655,582

Note 6(b): Plant and Equipment

Plant and equipment at cost	775,916	501,432
Less accumulated depreciation	(254,855)	(87,263)
Total plant and equipment	521,061	414,169
Net book amount	889,763	1,069,751

Note 6(c): Movements in carrying amounts

	Leasehold Improvements ($)	Plant and Equipment ($)	Total ($)
Balance at 5 June 2009	–	–	–
Additions transferred from University of Melbourne	807,361	278,120	1,088,481
Other additions	58,320	223,312	281,632
Depreciation charge	(210,099)	(87,263)	(297,362)
Carrying amount at 30 June 2010	655,582	414,169	1,069,751
Additions	–	370,090	370,090
Disposal of assets destroyed in flooding	–	(74,755)	(74,755)
Depreciation charge	(286,880)	(188,443)	(475,323)
Carrying amount at the end of the year	368,702	521,061	889,763

Notes to the Financial Statements

for the Year Ended 30 June 2011

(Continued)

Note 7: Intangible assets

	2011	2010
Software	**$**	**$**
Cost	123,234	–
Net carrying value	123,234	–

The Company has entered into a Licence, Installation and Support Agreement with Global Health Limited to customise, install and provide support in relation to MasterCare EMR, the software product to be used in the **headspace** centres. In relation to this agreement, expenditure on intangible assets of $123,234 has been incurred during the financial year. The carrying amount of the assets disclosed above are in the course of construction therefore no amortisation has been incurred to date.

Note 8: Trade and Other Payables

	2011	2010
Current	**$**	**$**
Trade payables	247,060	742,348
Other payables	1,107,761	435,440
	1,354,821	1,177,788

Note 9: Provisions

	2011	2010
Current	**$**	**$**
Employee entitlements – annual leave	152,784	100,392
Non-current		
Employee entitlements – long service leave	50,162	54,469
Total provisions	202,946	154,861

Note 10: Deferred income

	2011	2010
Current	**$**	**$**
Lease incentive	109,200	87,273
Non-current		
Lease incentive	–	130,909
Total deferred income	109,200	218,182

Note 11: Accumulated surplus

Movements in accumulated surplus were as follows:

	2011 $	2010 $
Balance at 1 July	8,480,655	–
(Deficit) / surplus for the year	(518,121)	8,480,655
Balance 30 June	7,962,534	8,480,655

Note 12: Members' Guarantee

The Company is limited by guarantee. If the Company is wound up the liability of each member is limited to a maximum of $100 towards meeting any outstanding obligations of the Company. At 30 June 2011 the number of members was 5 (2010: 5).

Note 13: Commitments

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

Non-cancellable operating leases

The photocopier/printer is leased from Fuji Xerox for a period of 31 months commencing 10 April 2011. Rent is paid monthly in arrears.

	2011 $	2010 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	13,296	8,328
Later than one year and not later than five years	17,728	10,410
	31,024	18,738

Cancellable operating leases

Office accommodation is leased from Tee Enterprise Holdings Pty Ltd under a lease which expires on 30 June 2012. Rent is paid monthly in advance.

Commitments for minimum lease payments in relation to cancellable operating leases are payable as follows:		
Within one year	230,882	225,516
Later than one year and not later than five years	–	226,663
	230,882	452,179

Note 13(b): Capital commitments

Intangible assets – software

The Company has entered into a Licence, Installation and Support Agreement with Global Health Limited to customise, install and provide support in relation to MasterCare EMR, the software product to be used in the **headspace** centres. In relation to this agreement, capital expenditure contracted for at the reporting date but not recognised as a liability is as follows:

	2011	**2010**
	$	**$**
Within one year	228,862	–
	228,862	–

Note 13(c): Other Commitments

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

At 30 June 2011, some lead agencies had not met all of their obligations and accordingly had not received some payments. These payments total $773,804 (2010: $863,334). Further payments under these grant agreements totalling $4,149,689 (2010: $2,837,550) fall due on 1 July 2011, 31 July 2011 or 30 September 2011 provided the lead agencies have met all the obligations that are required to be performed up to the due date for payment. The Company will receive additional payments under the funding agreement referred to in Note 15 which will cover these commitments.

The Company intends to enter into deeds of variation to each of these grant agreements which will result in additional commitments to the lead agencies in each of the financial years ending 30 June 2012, 30 June 2013, 30 June 2014 and 30 June 2015. The total of these commitments cannot be quantified until a revised funding agreement, or deed of variation, is received by the Company from the Department of Health and Ageing. The Company will receive additional payments under the funding agreement referred to in note 15 which will cover these commitments. The Department of Health and Ageing has advised that the funding agreement will be extended to 30 June 2015 and the funding under the agreement will be increased. However, a revised funding agreement, or deed of variation, has not yet been received by the Company.

Note 14: Cash Flow Information

Note 14(a): Reconciliation of cash

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

	2011	**2010**
	$	**$**
Cash assets	6,324,634	2,342,950
Other financial assets – Note 4	83,797	3,677,295
Cash and cash equivalents	6,408,431	6,020,245

Note 14: Cash Flow Information (continued)

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

	2011 $	2010 $
(Deficit) / Surplus for the year	(518,121)	8,480,655
Non-cash flows in (deficit) / surplus		
Assets transferred from University of Melbourne	–	(1,085,481)
Depreciation	475,323	297,362
Write off of assets destroyed by flooding	74,755	–
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	733,419	(2,941,489)
Increase in trade and other payables	177,033	1,177,787
Increase in provisions	48,085	154,861
(Decrease)/increase in deferred income	(108,982)	218,182
Cash flow from operations	881,512	6,301,877

Note 15: Economic Dependence

The continuing operation of the Company is dependent upon periodic renewal of a funding agreement with the Commonwealth of Australia as represented by the Department of Health and Ageing. The current agreement commenced on 1 October 2009 and expires on 30 June 2014.

The Department of Health and Ageing has advised that the funding agreement will be extended to 30 June 2015 and the funding under the agreement will be increased. A revised funding agreement, or a deed of variation to the existing agreement, is yet to be received by the Company.

Note 16: Contingencies

Contingent assets

The Company expects to receive a payment from its insurer for an insurance claim arising from flooding to its premises and subsequent damage to plant and equipment. The contingent asset has not been recognised as a receivable at 30 June 2011 as the amount cannot be reliably estimated.

Contingent liabilities

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

Note 17: Related Party Disclosures

Note 17(a): Key Management Personnel Compensation

	2011	2010
Key management personnel benefits:	**$**	**$**
Short term benefits	834,415	613,825
Post employment benefits	75,098	55,120
Long term benefits	19,129	54,469
	928,642	723,414

Note 17(b): Directors' Remuneration

Income paid or payable to all directors by the Company and any related parties for the financial year totalled $195,510 (2010: $190,000).

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

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

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

Note 17(c): Transactions by Directors with headspace Centres

Ian Hickie AM is Executive Director of the Brain and Mind Research Institute (BMRI). The Company has entered into two grant agreements with BMRI in relation to the operation of the following **headspace** centres:

- **headspace** Central Sydney; and
- **headspace** Campbelltown.

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

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

- Western Melbourne **headspace**; and
- Northern Melbourne **headspace**.

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

Note 17(d): Transactions with Centre of Excellence

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

Note 17(e): Transactions with McCarthy Mentoring

The Company has entered into an arrangement with McCarthy Mentoring to provide mentoring services to ten of the Company's executives. During the financial year, payments totalling $25,000 (2010: Nil) have been made by the Company to McCarthy Mentoring for these services, at market rates or less. Wendy McCarthy AO is a principal of McCarthy Mentoring but has not been involved in the provision of these services to the Company.

Note 17(f): Fundraising Income

Ian Marshman is entitled to receive Directors' fees of $15,435 (2010: $15,000). He has elected not to receive these fees and this amount has been treated as a donation from a director and included in fundraising revenue as disclosed in Note 2.

Note 18: Remuneration of Auditor and Non-Audit Services

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

Audit services	2011 $	2010 $
Audit and review of financial report	17,750	19,500
Audit of **headspace** centre	–	6,902
Total audit services	17,750	26,402

Non-audit services	2011 $	2010 $
Tax advice	2,150	1,023
Assistance in preparing financial statements	3,000	–
Advice on grant acquittals	1,500	–
Total non-audit services	6,650	1,023

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

Note 19: Financial Instruments and financial risk management

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

Risk management is carried out by senior management under policies approved by the Finance, Audit and Risk Committee. The Finance, Audit and Risk Committee has been delegated the responsibility for oversight of treasury 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 liquidity.

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

Financial assets	Note	2011 $	2010 $
Cash assets		6,324,634	2,342,950
Other financial assets	4	83,797	3,677,295
Trade and other receivables	5	1,940,485	2,901,424
		8,348,916	8,921,669
Financial liabilities			
Trade and other payables	8	1,354,821	1,177,788
		1,354,821	1,177,788

Note 19: Financial Instruments and financial risk management (continued)

(a) Market risk

(i) Interest rate risk

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

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

At 30 June 2011, if interest rates had changed by 100 basis points from the year-end rates with all other variables held constant, surplus for the year would have been $62,757 (2010:$51,748) lower / higher, all based on interest income from cash and cash equivalents.

(ii) Sensitivity Analysis

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

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

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

2011	**Carrying amount**	**Interest rate risk**	
		+100 bps	**-100 bps**
Financial assets	**$**	**$**	**$**
Cash assets	6,324,634	60,997	(60,997)
Other financial assets	83,797	–	–
Trade and other receivables	1,940,484	–	–
Financial liabilities			
Trade and other payables	1,354,821	–	–
Total increase / (decrease)		60,997	(60,997)

2010	**Carrying amount**	**Interest rate risk**	
		+100 bps	**-100 bps**
Financial assets	**$**	**$**	**$**
Cash assets	2,342,950	14,975	(14,975)
Other financial assets	3,677,395	–	–
Trade and other receivables	2,901,424	–	–
Financial liabilities			
Trade and other payables	1,177,788	–	–
Total increase / (decrease)		14,975	14,975

Note 19: Financial Instruments and financial risk management (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalent deposits with the bank, and credit exposures to outstanding receivables. All banking, including the investment of surplus monies, is managed through two banks, which must have an independent rating of 'AA-' (S&P) or above. The effective weighted average interest rate for cash and cash equivalents is 5.32% (2010: 4.55%).

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

(c) Liquidity risk

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

The Company is predominantly funded by one Government funding agreement up to 30 June 2014 and pursues other sources of revenue, including third party grants.

Maturities of financial liabilities

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

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

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

2010	**Less than 6 months ($)**	**6 – 12 months ($)**	**Total contractual cash flows ($)**	**Carrying amount of liabilities**
Contractual maturities of financial liabilities				
Trade and other payables	1,177,788	–	1,177,788	1,177,788

(d) Fair value estimation

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

Note 20: Critical accounting estimates and assumptions

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

(a) Critical accounting estimates and assumptions

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

(i) Long service leave

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

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

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

(i) Revenue recognition

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

Note 21: Company Details

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

The registered office and principal place of business of the Company is:
47-51 Chetwynd St
North Melbourne Victoria 3051

Directors' Declaration

The directors of the Company declare that, in the opinion of the directors:

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

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

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

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

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

On behalf of the Directors

Wendy McCarthy AO
Chair

Ian Marshman
Co-Chair of Finance, Audit and Risk Committee

Dated this 28th day of September 2011

RSM Bird Cameron Partners
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

HEADSPACE NATIONAL YOUTH MENTAL HEALTH FOUNDATION LTD

We have audited the accompanying financial report of headspace National Youth Mental Health Foundation Ltd (the company), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

RSM Bird Cameron Partners
Chartered Accountants

Opinion

In our opinion:

(a) the financial report of headspace National Youth Mental Health Foundation is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Stan Naylor
Partner

Melbourne, Victoria
Dated: 28 September 2011

headspace
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Supporters

Government funding

headspace National Youth Mental Health Foundation Ltd is funded by the Australian Government Department of Health and Ageing under the Youth Mental Health Initiative Program.

The National Youth Virtual Tours Project is funded by the Department of Education, Employment and Workplace Relations.

'Your Bushfire Space' was made possible thanks to the generous support of the Victorian Bushfire Appeal Fund and has been developed in collaboration with the Victorian Department of Health.