

**DIRECTIONS WORKFORCE SOLUTIONS
INCORPORATED**

**Special Purpose Financial Report
For the year ended 30 June 2018**

**Directions Workforce Solutions Incorporated
Board Report
For the year ended 30 June 2018**

Your Board submits the financial report of Directions Workforce Solutions Incorporated for the financial year ended 30 June 2018.

Board Members:

The names of board members throughout the year and at the date of this report are as follows:

Paul Tomlinson
Wendy Newman
Joseph Georgiades
Pamela l'Anson
Luke Buttersfield
Chris Antonio (appointed 11 December 2017)
Andrew Knapp (appointed 1 June 2018)
Jesse McGrath (resigned 11 February 2018)

Secretary: Wendy Newman

Principal activities

The principal activities of the Association during the financial year were to provide training and employment services to people in the Wheatbelt and Perth Metropolitan areas.

Operating results

The amount of the surplus for the financial year amounted to \$87,931 (2017: \$252,745).

On behalf of the Board



Paul Tomlinson

28 November 2018

Directions Workforce Solutions Incorporated
Income Statement
For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue	3	7,669,427	6,664,031
Expenses			
Salaries and wages		(6,474,684)	(5,465,753)
Depreciation and amortisation expense	4	(80,207)	(74,900)
Other expenses		(945,401)	(800,434)
Surplus for the year before employee entitlements		<u>169,135</u>	<u>322,944</u>
Employee entitlement expenses		(40,087)	11,344
Accrued salaries and wages		<u>(41,117)</u>	<u>(81,543)</u>
Surplus for the year		87,931	252,745
Accumulated funds at the beginning of year		<u>2,505,576</u>	<u>2,252,831</u>
Accumulated funds at the end of year		<u><u>2,593,507</u></u>	<u><u>2,505,576</u></u>

The accompanying notes form part of these financial statements.

Directions Workforce Solutions Incorporated
Balance Sheet
As at 30 June 2018

	Note	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	5	937,097	908,835
Trade and other receivables	6	519,769	373,320
TOTAL CURRENT ASSETS		<u>1,456,866</u>	<u>1,282,155</u>
NON-CURRENT ASSETS			
Property, plant and equipment	7	2,461,857	2,388,695
TOTAL NON-CURRENT ASSETS		<u>2,461,857</u>	<u>2,388,695</u>
TOTAL ASSETS		<u>3,918,723</u>	<u>3,670,850</u>
CURRENT LIABILITIES			
Trade and other payables	8	473,278	379,358
Borrowings	9	66,707	117,822
Employee benefits	10	216,835	176,747
TOTAL CURRENT LIABILITIES		<u>756,820</u>	<u>673,927</u>
NON-CURRENT LIABILITIES			
Borrowings	9	144,316	67,267
TOTAL NON-CURRENT LIABILITIES		<u>144,316</u>	<u>67,267</u>
TOTAL LIABILITIES		<u>901,136</u>	<u>741,194</u>
NET ASSETS		<u>3,017,587</u>	<u>2,929,656</u>
MEMBERS' FUND			
Accumulated surplus	11	2,593,507	2,505,576
Revaluation reserve	12	424,080	424,080
TOTAL EQUITY		<u>3,017,587</u>	<u>2,929,656</u>

The accompanying notes form part of these financial statements.

Directions Workforce Solutions Incorporated
Statement of Cash Flows
For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		6,119,255	5,374,485
Payments to suppliers and employees		(7,321,805)	(6,481,292)
		<u>(1,202,550)</u>	<u>(1,106,807)</u>
Interest received		12,289	7,556
Other income		148,722	38,676
Grant income		1,216,545	1,076,213
Net cash from operating activities	13	<u>175,006</u>	<u>15,638</u>
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		33,636	42,500
Payments for plant and equipment		(46,166)	(28,169)
Net cash (used in)/from investing activities		<u>(12,530)</u>	<u>14,331</u>
Cash flows from financing activities			
Repayment of borrowings		(123,128)	(119,427)
Interest paid		(11,086)	(14,900)
Net cash (used in) financing activities		<u>(134,214)</u>	<u>(134,327)</u>
Net increase/(decrease) in cash and cash equivalents		28,262	(104,358)
Cash and cash equivalents at the beginning of the year		908,835	1,013,193
Cash and cash equivalents at the end of the year	5	<u>937,097</u>	<u>908,835</u>

Directions Workforce Solutions Incorporated
Notes to the Financial Statements
For the year ended 30 June 2018

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The Association has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

In the Board's opinion, the Association is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purposes of complying with the Association's Constitution and the *Australian Charities and Not-for-profits Commission Act 2012*. The Board have determined that the accounting policies adopted are appropriate to meet the financial reporting requirements of the Association.

Historical cost convention

The financial statements have been prepared under the historical cost convention unless otherwise stated.

Critical accounting estimates

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Association and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sales revenue

Host fees are recognised when received or receivable.

Donations

Donations are recognised at the time the pledge is made.

Grants

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with.

Directions Workforce Solutions Incorporated
Notes to the Financial Statements
For the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land and buildings) over their expected useful lives as follows:

Freehold improvements	5 years
Plant and equipment	4 years
Motor vehicles	3 to 4 years
Office equipment	5 years

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Association. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Impairment of non-financial assets

Non-financial 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Association prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

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

Directions Workforce Solutions Incorporated
Notes to the Financial Statements
For the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the balance sheet.

Non-current assets or disposal groups classified as held for sale

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the incorporated association for the annual reporting period ended 30 June 2018. The Association has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

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

Employee benefits provision

As discussed in Note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Directions Workforce Solutions Incorporated
Notes to the Financial Statements
For the year ended 30 June 2018
Note 3. Revenue

	2018	2017
	\$	\$
<i>Revenue</i>		
Host fees	6,265,705	5,525,429
Interest income	12,289	7,556
Grant income	1,216,545	1,076,213
Other income	174,888	54,833
	<u>7,669,427</u>	<u>6,664,031</u>

Note 4. Expenses

	2018	2017
	\$	\$
Surplus before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Furniture and fittings	3,893	643
Computer equipment	15,679	10,807
Motor vehicles	60,635	63,450
	<u>80,207</u>	<u>74,900</u>
Total depreciation		

Directions Workforce Solutions Incorporated
Notes to the Financial Statements
For the year ended 30 June 2018
Note 5. Cash and cash equivalents

	2018	2017
	\$	\$
GTO Account	183,294	169,631
AWDC Account	2,535	25,160
Business Service Account	14,714	4,746
ISMAA Account	70,031	-
WDC Account	8,124	11,212
Overdraft *	36	-
Reserves	213,174	263,895
Payroll Account	261	27
Billing Account	3,976	3,984
Term Deposit	440,700	430,000
Petty Cash	252	180
	<u>937,097</u>	<u>908,835</u>

* The Association has a Business Overdraft facility of \$500,000 and Equipment Finance - Revolving Limit facility of \$350,000 with Westpac Banking Corporation. The Business Overdraft facility is secured by a mortgage over the property located at 7 Sayer Street Midland WA 6056. The Equipment Finance facility is secured over the leased assets. Interest on the Business Overdraft facility is charged at 6.92% per annum. Interest on the Equipment Finance facility differs for each motor vehicle contract.

The facilities not utilised as at reporting date are \$500,000 for the Business Overdraft and \$211,695 for the Equipment Finance. Refer to Note 9 for details of the leased assets.

Note 6. Trade and other receivables

	2018	2017
	\$	\$
Trade receivables - Chip	234,244	154,427
Trade receivables - Xero	2,466	1,448
Accrued Income	283,059	217,445
	<u>519,769</u>	<u>373,320</u>

Directions Workforce Solutions Incorporated
Notes to the Financial Statements
For the year ended 30 June 2018

Note 7. Property, plant and equipment

	2018	2017
	\$	\$
Land and buildings - at fair value	2,200,000	2,200,000
	<u>2,200,000</u>	<u>2,200,000</u>
Furniture and fittings - at cost	26,418	5,916
Less: Accumulated depreciation	(4,867)	(1,265)
	<u>21,551</u>	<u>4,651</u>
Computer equipment - at cost	72,498	51,664
Less: Accumulated depreciation	(29,599)	(16,651)
	<u>42,899</u>	<u>35,013</u>
Motor vehicles - at cost	254,013	231,860
Less: Accumulated depreciation	(56,606)	(82,829)
	<u>197,407</u>	<u>149,031</u>
	<u><u>2,461,857</u></u>	<u><u>2,388,695</u></u>

Reconciliations

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

	Land and buildings	Furniture and fittings	Computer equipment	Motor vehicles	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$
Balance at 30 June 2016	865,000	1,749	21,360	174,578	4,976	1,067,663
Additions/(Disposals)	-	3,545	24,460	37,903	(4,976)	60,932
Revaluation Increment	85,000	-	-	-	-	85,000
Reclassified as held for sale	1,250,000	-	-	-	-	1,250,000
Depreciation expense	-	(643)	(10,807)	(63,450)	-	(74,900)
	<u>2,200,000</u>	<u>4,651</u>	<u>35,013</u>	<u>149,031</u>	<u>-</u>	<u>2,388,695</u>
Balance at 30 June 2017	2,200,000	4,651	35,013	149,031	-	2,388,695
Additions/(Disposals)	-	20,793	23,565	109,011	-	153,369
Depreciation expense	-	(3,893)	(15,679)	(60,635)	-	(80,207)
	<u>2,200,000</u>	<u>21,551</u>	<u>42,899</u>	<u>197,407</u>	<u>-</u>	<u>2,461,857</u>
Balance at 30 June 2018	<u><u>2,200,000</u></u>	<u><u>21,551</u></u>	<u><u>42,899</u></u>	<u><u>197,407</u></u>	<u><u>-</u></u>	<u><u>2,461,857</u></u>

The basis of the valuation of property is fair value and is based on an independent assessment by a member of the Australian Property Institute having recent experience in the location and category of investment property being valued. Valuations are based on current prices in an active market for similar properties of the same location and condition.

Directions Workforce Solutions Incorporated
Notes to the Financial Statements
For the year ended 30 June 2018
Note 8. Trade and other payables

	2018	2017
	\$	\$
Trade payables	19,420	17,154
GST payable	172,194	117,589
Deferred revenue	7,726	-
Other payables	273,938	244,615
	<u>473,278</u>	<u>379,358</u>

Note 9. Interest bearing liabilities

Current

Chattel mortgages *	66,707	117,822
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Non-Current

Chattel mortgages *	144,316	67,267
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	<u>211,023</u>	<u>185,089</u>
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* The Association has entered into lease arrangements for its motor vehicles. The Association's lease liabilities are secured by the leased assets and in the event of default, the assets revert to the lender.

Note 10. Employee benefits

Annual Leave	205,606	173,424
Long Service Leave	11,229	3,323
	<u>216,835</u>	<u>176,747</u>

Note 11. Accumulated surplus

Accumulated surplus at the beginning of the financial year	2,505,576	2,252,831
Surplus for the year	87,931	252,745
	<u>2,593,507</u>	<u>2,505,576</u>

Note 12. Revaluation Reserve

Opening Balance	424,080	339,080
Revaluation increment	-	85,000
	<u>424,080</u>	<u>424,080</u>

Directions Workforce Solutions Incorporated
Notes to the Financial Statements
For the year ended 30 June 2018

Note 13. Reconciliation of surplus after income tax to net cash operating activities

	2018	2017
	\$	\$
Surplus for the year	87,931	252,745
Adjustments for:		
Depreciation	80,207	74,900
Interest expense	11,086	14,900
Gain on disposal of plant and equipment	(26,166)	(16,157)
Changes in operating assets and liabilities:		
Trade and other receivables	(146,449)	(150,944)
Trade and other payables	128,309	(148,462)
Provisions	40,088	(11,344)
Net cashflow from operating activities	<u>175,006</u>	<u>15,638</u>

Note 14. Auditor's remuneration

	2018	2017
	\$	\$
Amounts received or due and receivable by RSM Australia Pty Ltd for:		
Audit of the financial report	<u>12,000</u>	<u>11,000</u>

Note 15. Contingent liabilities

The Association had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Note 16. Commitments

The Association had no commitments for expenditure as at 30 June 2018 and 30 June 2017.

Note 17. Events after the reporting period

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Association's operations, the results of those operations, or the Association's state of affairs in future financial years.

Directions Workforce Solutions Incorporated
Statement by the Board
For the year ended 30 June 2018

In the Board's opinion:

- the Association is not a reporting entity because there are no users dependent on general purpose financial statements. Accordingly, as described in Note 1 to the financial statements, the attached special purpose financial statements have been prepared for the purposes of complying with the Association's Constitution and the *Australian Charities and Not-for-profits Commission Act 2012*;
- the attached financial statements and notes comply with the Accounting Standards as described in Note 1 to the financial statements;
- the attached financial statements and notes thereto are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, and give a true and fair view of the Association's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Paul Tomlinson
Board Member

Date: 28 November 2018

RSM Australia Pty Ltd

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
DIRECTIONS WORKFORCE SOLUTIONS INCORPORATED**

Opinion

We have audited the financial report of Directions Workforce Solutions Incorporated (the Association), which comprises the balance sheet as at 30 June 2018, income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the statement by the Board.

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

- (a) giving a true and fair view of the Association's financial position as at 30 June 2018 and of its financial performance and cash flows for the year ended on that date; and
- (b) complying with Australian Accounting Standards as described in Note 1 to the financial statements 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 Association in accordance with the auditor independence 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.

Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial report has been prepared to assist the Association to meet the financial reporting requirements of its Constitution and the *Australian Charities and Not-for-profits Commission Act 2012*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Pty Ltd 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 Pty Ltd ACN 009 321 377 atf Birdanco Practice Trust ABN 65 319 382 479 trading as RSM

Liability limited by a scheme approved under Professional Standards Legislation

Other Information

Management is responsible for the other information. The other information comprises the Board Report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the basis of preparation described in Note 1 to the financial statements and the *Australian Charities and Not-for-profits Commission Act 2012*, and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

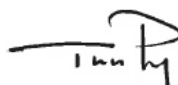
Auditor's Responsibilities for the Audit of the Financial Report

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.



RSM AUSTRALIA PTY LTD



TUTU PHONG
Director

Perth, WA
Dated: 28 November 2018