GIPPSLAND HEALTH NETWORK LIMITED
(ACN 155 514 702)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

phn GIPPSLAND

An Australian Government Initiative

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DIRECTORS' REPORT

Your Directors present their report on the company for the financial year ended 30 June 2020.

Directors
The names of the directors in office at any time during, or since the end of, the year are:

Elected Director	Current Term of office date	Previous Term of office	Director position
Sinead de Gooyer	15/11/2017	12/11/14 – 15/11/2017	A1
Julie Rogalsky	15/11/2017	12/11/14 – 15/11/2017	A2
Nola Maxfield	21/11/2018	25/10/2012 – 18/11/2015 18/11/2015 – 21/11/2018	B1
Mark Biggs	Ceased 20/11/2019	24/10/2012 – 23/10/2013 23/10/13-16/11/2016 16/11/2016 – 20/11/2019	C1
Peter Trye	20/11/2019		C1
Melissa Bastian	20/11/2019		C2
Appointed Director	**Current Term of office**	**Previous Term of office**	**Director position**
Therese Tierney	21/03/2018		A3
Kellie O'Callaghan	21/11/2018	25/10/2012 – 18/11/2015 18/11/2015 – 21/11/2018	B2
Murray Bruce	21/11/2018	18/11/2015 – 21/11/2018	B3
Anne Peek	20/11/2019	16/11/2016 – 20/11/2019	C3
Duncan Malcolm	Ceased 20/11/2019	25/10/2012 – 12/11/2014 12/11/2014 - 16/11/2016 16/11/2016 – 20/11/2019	C3

As per clause 10.4 of the Constitution, five Board members elected pursuant to clauses 10.14, and four Board members appointed pursuant to clause 10.16 or 10.17.

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

Principal Activity
Gippsland PHN is a not for profit charity that works at a regional and local level to achieve improved whole of system health care. We work with general practice, allied health, hospitals and other primary and community health providers; to drive, support and strengthen primary health in Gippsland to meet the needs of local communities.

We are consumer focused and established to reduce fragmentation of care by integrating and coordinating health services and supporting general practice. We leverage and administer health program funding from a variety of sources to commission flexible services to realise our vision of a measurably healthier Gippsland.

Objectives
The Company's objectives (as stated in the Gippsland Health Network Limited Constitution) are to:

- Promote the health of human beings through the prevention and control of diseases (including the Diseases) in human beings by improving Primary Health Care and ensuring that Primary Health Care services are better tailored to meet the needs of communities in the Region. It is proposed that this would be done by:

- focusing on health promotion and disease prevention to achieve improved health outcomes across the Region;
- improving integration and coordination of Primary Health Care in the Region;
- improving access to appropriate primary care services in the Region;
- addressing inequities and service gaps across the Region as they are currently known to exist and which are determined by future research to be undertaken by the Company; and
- improving the training and skills of persons employed within the primary care area to meet more specifically the needs of the local communities in which the Company will operate.

- Enable the Company to have all the powers and functions necessary or desirable to the maximum extent permitted by law. Without limitation, the Company may seek to achieve its objectives by:
  - Raising money to further the objects of the Company and to secure sufficient funds for the pursuit of the objectives of the Company.
  - Receiving any funds and to distribute these funds in a manner that best achieves the objectives of the Company.
  - Doing all such things as are incidental, convenient or conducive to the attainment of all or any of the objectives of the Company.

Strategies

To achieve its stated objectives, the Company has adopted the following strategies:

- Improved health outcomes for people with chronic disease and those patients at risk of poor health outcomes.
- Improved coordination of care that ensures patients receive the right care in the right place at the right time.
- Lower prevalence of national and locally prioritised conditions.
- Increased efficiency and effectiveness of medical services and other primary health services.

COVID-19

The impact of COVID-19 on the company's staff, operations, revenue and costs, are being monitored by the Board. The Executive team provides the Board with regular reporting, mitigation plans, and assessment of how staff are coping with the difficulties of working remotely yet still needing to produce a high quality of work. The safety and well-being of all staff, as well as the ongoing ability of the company to provide continuity of service for all contracts and stakeholders, are vitally important to the Board.

Key Performance Measures

The Company measures its performance through the use of both quantitative and qualitative benchmarks. The benchmarks will be used by the Directors to assess the financial sustainability of the Company and whether the Company's short-term and long-term objectives are being achieved.

The Company has a range of measures required by its primary Funder, Commonwealth Department of Health. These measures apply to all programs and services funded by Department of Health.

Details of Directors			
Director Name	**Position held**	**Special Responsibilities**	**Qualifications**
Therese Tierney	Board Chair	Wellington and East Gippsland Clinical Council; Clinical Advisory Council; Clinical Governance and Performance Committee; CEO Performance and Remuneration Committee	Master's in Business – Major in Organisational Change and Consulting – not completed Grad Dip Business RMIT – Organisational Change and Behaviour CRRN USA 1990 (as part of the Buckland Foundation Fellowship) Division 1 Registered Nurse (St Vincent's)
Murray Bruce	Director	Director Independent Selection and Remuneration Committee (Chair) CEO Performance and Remuneration Committee	Bachelor of Laws Bachelor of Arts Admitted to Practice as an Australian Lawyer in Supreme Court of Victoria Australian Institute of Company Directors course (Graduate)
Dr Nola Maxfield	Director	Clinical Governance and Performance Committee (Chair); Clinical Advisory Council (Chair); Bass Coast and South Gippsland Clinical Council	MBBS Dip RACOG FACRRM Australian Institute of Company Directors, GAICD
Ms Kellie O'Callaghan	Director	Latrobe and Baw Baw Clinical Council; Clinical Advisory Council; Clinical Governance and Performance Committee	B.A Social Science Grad Diploma Mental Health Science AICD Company Director Course
Ms Anne Peek	Director	CEO Performance and Remuneration Committee; Community Advisory Committee (Chair)	Bachelor of Applied Science – Health Information Management Business Management – Australian Institute of Management Certificate course in Quality Assurance in Health (LaTrobe University) Company Director Course - AICD
Dr Peter Trye	Director	Audit, Risk and Finance Committee; Director Independent Selection and Remuneration Committee	MBChB DipObs FAFPHM FRACMA FRACGP MPH MBA GAICD

Details of Directors			
Director Name	**Position held**	**Special Responsibilities**	**Qualifications**
Ms Melissa Bastian	Director	Audit, Risk and Finance Committee	Bachelor of Laws (Honour) Bachelor of Business (Management) Division 1 Registered Nurse Graduate Diploma in Legal Practice – Law Society of South Australia Fellow of the Australian Institute of Company Directors
Dr Sinead de Gooyer	Director	Community Advisory Committee	MBBS DRANZCOG FRACGP Australian Institute of Company Directors, GAICD and Chairs training
Ms Julie Rogalsky	Director Deputy Chair	Audit, Risk and Finance Committee (Chair)	GAICD Master of Health Services Management Graduate Diploma in Rural Health Bachelor of Applied Science (Health Promotion)

Meetings of the Directors

The table below provides details of the number of board and committee meetings of board directors held and the attendance by each of director for the year ended 30 June 2020:

Director	Board Meetings		Audit, Risk & Finance Committee		Clinical Governance Committee		Independent Director Selection and Remuneration Committee		CEO Performance and Remuneration Committee	
	Eligible to attend	Attend	Eligible to attend	Attend	Eligible to attend	Attend	Eligible to attend	Attend	Eligible to attend	Attend
Mr Mark BIGGS	5	5	3	3						
Mr Murray BRUCE	12	12					5	5	1	1
Dr Sinead DE GOOYER	12	12					3	3	1	1
Mr Duncan MALCOLM	5	5	3	3						
Dr Nola MAXFIELD	12	11			4	4				
Ms Kellie O'CALLAGHAN	12	12			4	4				
Ms Anne PEEK	11	11							2	2
Ms Julie ROGALSKY	12	11	6	5	2	2			0	1
Ms Therese TIERNEY	12	12			4	4			2	2
Ms Melissa BASTIAN	7	5	3	3						
Dr Peter Trye	7	7	3	3			2	2		

DIRECTORS' REPORT (CONTINUED)

Director	Community Advisory Committee		Latrobe and Baw Baw Clinical Council		Wellington and East Gippsland Clinical Council		Bass Coast and South Gippsland Clinical Council		Clinical Advisory Council	
	Eligible to attend	Attend	Eligible to attend	Attend	Eligible to attend	Attend	Eligible to attend	Attend	Eligible to attend	Attend
Mr Murray BRUCE										
Dr Sinead DE GOOYER	2	1							2	2
Mr Duncan MALCOLM	2	2								
Dr Nola MAXFIELD							4	4	4	4
Ms Kellie O'CALLAGHAN			4	4					4	4
Ms Anne PEEK	3	3								
Ms Julie ROGALSKY										
Ms Therese Tierney					4	4			4	3

Note:

Ms Therese Tierney, as PHN Chair, is invited to attend all sub-committee, advisory and clinical council meetings, but is not a member.

Mr Nathan Voll is an independent member of the Audit, Risk and Finance Committee but is not a Director.

The May 2020 Community Advisory Committee Meeting was cancelled due to COVID-19.

Indemnification of Officer or Auditor

The Company has paid an annual premium to insure the Directors' and Officers' against liabilities incurred in their respective capacities. Under the policy, details of the premium are confidential.

Proceedings on Behalf of the Company

No person has applied for leave of Court 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.

The Company was not a party to any such proceedings during the financial period.

Contributions on winding up

The Company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the Company is wound up the constitution states that each member is required to contribute a maximum of $50 towards meeting any outstanding obligations of the Company. At 30 June 2020 the total amount that members of the company are liable to contribute if the Company is wound up is $3,650.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8 of this financial statement.

Signed in accordance with a resolution of the Board of Directors:

Therese Tierney

Ms Therese Tierney
Chair

Ms Julie Rogalsky
Deputy Chair

Dated this 17 day of September 2020.

McLean Delmo Bentleys
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AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 60-40 OF THE
AUSTRALIAN CHARITIES AND NOT-FOR-PROFITS COMMISSION ACT 2012
TO THE DIRECTORS OF GIPPSLAND HEALTH NETWORK LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

McLean Delmo Bentleys Audit Pty Ltd

McLean Delmo Bentleys Audit Pty Ltd

Martin Fensome
Partner

Hawthorn
17 September 2020

KRESTON

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Accountants
Auditors
Advisors

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		$	$
Continuing operations			
Income	2	24,927,652	20,505,162
Other income	2	385,970	749,229
Total – Income		25,313,622	21,254,391
Administration expenses		(2,485,289)	(2,575,331)
Depreciation expense	3	(338,048)	(15,662)
Employee benefits expense		(5,126,499)	(4,363,730)
Finance expenses		(65,875)	-
Occupancy expenses		(65,219)	(436,649)
Office expenses		(513,494)	(461,659)
Primary Health Network expenditure		(200,000)	-
Program delivery expenses		(16,050,768)	(12,706,887)
Travel expenses		(63,191)	(96,927)
Vehicle and equipment lease expenses		(23,909)	(169,906)
Total – Expenses		(24,932,292)	(20,826,751)
Surplus before tax expense		**381,330**	**427,640**
Income tax expense	1(b)	-	-
Surplus for the year		**381,330**	**427,640**
Other comprehensive income, net of income tax			
Other comprehensive income for the year, net of income tax		-	-
Total other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**381,330**	**427,640**
Surplus attributable to:			
Members of the Company		381,330	427,640
Surplus for the year		**381,330**	**427,640**
Total comprehensive income attributable to:			
Members of the Company		381,330	427,640
Total comprehensive income for the year		**381,330**	**427,640**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020	2019
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	18,329,059	14,057,383
Trade and other receivables	5	426,260	725,509
TOTAL CURRENT ASSETS		**18,755,319**	**14,782,892**
NON-CURRENT ASSETS			
Property, plant and equipment	6	1,153,923	489,209
TOTAL NON-CURRENT ASSETS		1,153,923	489,209
TOTAL ASSETS		**19,909,242**	**15,272,101**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	5,865,155	4,755,763
Lease liabilities	8	210,588	-
Other liabilities	9	10,778,867	8,422,007
Current provisions	10	249,000	178,730
TOTAL CURRENT LIABILITIES		**17,103,610**	**13,356,500**
NON-CURRENT LIABILITIES			
Lease liabilities	8	542,292	-
Non-current provisions	10	150,060	107,213
TOTAL NON-CURRENT LIABILITIES		692,352	107,213
NET ASSETS		**2,113,280**	**1,808,388**
EQUITY			
Retained surplus		2,113,280	1,808,388
TOTAL EQUITY		**2,113,280**	**1,808,388**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2020

	Retained Surplus $	Total $
Balance at 1 July 2018	**1,380,748**	**1,380,748**
Surplus for the year	427,640	427,640
Other comprehensive income for the year	-	-
Total comprehensive income for the year	427,640	427,640
Balance at 30 June 2019	**1,808,388**	**1,808,388**
Balance at 1 July 2019	**1,808,388**	**1,808,388**
Surplus for the year	381,330	381,330
Adjustment to recognise transition to AASB 16: Leases	(76,438)	(76,438)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	304,892	304,892
Balance at 30 June 2020	**2,113,280**	**2,113,280**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		$	$
CASH FLOW FROM OPERATING ACTIVITIES			
Grants received		25,264,271	20,529,401
Fees received		154,102	118,233
Receipts from other services provided		94,767	281,542
Payments to suppliers and employees		(21,140,474)	(19,891,762)
Interest paid		(68,875)	-
Interest received		291,204	349,454
Net cash provided by operating activities	14(b)	**4,597,995**	**1,386,868**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment		(16,880)	(150,921)
Proceeds from the disposal of plant and equipment		-	-
Net cash used in investing activities		**(16,880)**	**(150,921)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease liabilities		(309,439)	-
Net cash used in financing activities		**(309,439)**	**-**
Net increase in cash and cash equivalents		4,271,676	1,235,947
Cash and cash equivalents at beginning of year		14,057,383	12,821,436
Cash and cash equivalents at end of year	14(a)	**18,329,059**	**14,057,383**

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are for Gippsland Health Network Limited as an individual entity, incorporated and domiciled in Australia. Gippsland Health Network Limited is a not-for-profit company limited by guarantee.

Statement of Compliance
The financial reports are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in the financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial statements are presented below. They have been consistently applied unless otherwise stated.

Basis of Preparation
The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non-current assets, financial assets and financial liabilities. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Accounting Policies
The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained under changes in accounting policies.

(a) Economic dependence
Gippsland Health Network Limited is dependent on the Department of Health (the "Department") for the majority of its revenue used to operate the business. At the date of this report the Board of Directors has no reason to believe that the Department of Health will not continue to support Gippsland Health Network Limited.

(b) Income Tax
The Company is considered to be exempt from income tax under Subdivision 50-B of the Income Tax Assessment Act 1997 as a charitable institution.

(c) Business combinations
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Company and liabilities incurred by the Company to the former owners of the acquiree and the equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value with assets or liabilities related to employee benefit arrangements being recognised and measured in accordance with AASB 119 Employee Benefits.

Where the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill or the bargain purchase gain. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Business combinations (continued)

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, or AASB 137 *Provisions, Contingent Liabilities and Contingent Assets,* as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(e) Property, plant and Equipment

Property, plant and equipment, are brought to account at cost less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the estimated replacement cost of the asset. The cost of plant and equipment constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Depreciation

The depreciable amount of all plant and equipment are depreciated over their useful lives to the Company commencing from the time the asset is held available for use.

The depreciation method and rates used for each class of depreciable asset are:

Class of Property, Plant and Equipment	Depreciation rates	Depreciation method
Buildings	3.5%	Straight line
Motor vehicles	22.5%	Straight line
Furniture and fittings	13%	Straight line
Computer equipment	40%	Straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial performance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and Equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss.

(f) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and replacement cost, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed, unless the asset is carried at a revalued amount, the impairment loss is then treated as a revaluation decrease.

(g) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

(i) Financial liabilities

Financial liabilities are subsequently measured at using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability cannot be reclassified.

(ii) Financial assets

A financial asset is subsequently measured at amortised cost when it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

(i) Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

(g) Financial Instruments(continued)

(ii) Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the entity no longer controls the asset (ie it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment

The entity recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (eg amount due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

Simplified approach

The simplified approach does not require tracking of changes in credit risk in every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables or contract assets that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of its customer base, appropriate groupings of its historical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognised the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

(h) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. 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, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

(i) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at reporting date.

(j) Revenue

The Company has applied AASB 15: Revenue from Contracts with Customers (AASB 15) and AASB 1058: Income of Not-for-Profit Entities (AASB 1058) using the cumulative effective method of initially applying AASB 15 and AASB 1058 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: Revenue and AASB 1004: Contributions. The details of accounting policies under AASB 118 and AASB 1004 are disclosed separately since they are different from those under AASB 15 and AASB 1058, and the impact of those changes is disclosed in Note O.

In the current year
Fees and charges

When the Company receives fees and charges, the Company:

When both these conditions are satisfied, the Company:
- identifies each performance obligation relating to the grant;
- recognises a contract liability for its obligations under the agreement; and
- recognises revenue as it satisfies its performance obligations.

When the Company receives operating grant revenue, donations or bequests, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance to AASB 15.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the Company:

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

If a contract liability is recognised as a related amount above, the Company recognises income in profit or loss when or as it satisfies its obligations under the contract.

Capital grant

When the Company receives a capital grant, it recognises a liability for the excess of the initial carrying amount of the financial asset received over any related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer) recognised under other Australian Accounting Standards.

The Company recognises income in profit or loss when or as the Company satisfies its obligations under terms of the grant.

Interest income

Interest income is recognised using the effective interest method.

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

(j) Revenue (continued)

In the comparative period

Donations and bequests were recognised as revenue when received.
Interest revenue was recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Revenue from the rendering of a service was recognised upon the delivery of the service to the customer. Government grant revenue is recognised when the PHN obtains control over the funds, which is generally at the time of receipt.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(l) Leases

At inception of a contract, the Company assesses if the contract contains, or is, a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Company where the Company is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date, as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(l) Leases (continued)

Concessionary leases

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

(m) Current and non-current classification

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

An asset is current when:

(i) it is expected to be realised or intended to be sold or consumed in normal operating cycle; or
(ii) it is held primarily for the purpose of trading; or
(iii) it is expected to be realised within twelve months after the reporting period; or
(iv) the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or
(iii) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

(n) Critical Accounting Estimates and Judgements

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, which management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

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

Employee benefits provision

As discussed in note 1(h), 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.

(o) New and amended accounting policies adopted by the Company

Initial application of AASB 16

The Company has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16, the comparatives for the 2018 reporting period have not been restated.

The Company has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where the Company is the lessee.

The lease liabilities are measured at the present value of the remaining lease payments. The Company's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets for equipment was measured at its carrying amount as if AASB 16 had been applied since the commencement date, but discounted using the Company's weighted average incremental borrowing rate on 1 July 2019.

The right-of-use assets for the remaining leases were measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and prepaid and accrued lease payments previously recognised at 1 July 2019 (that are related to the lease).

The following practical expedients have been used by the Company in applying AASB 16 for the first time:

– for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied.

– the use of hindsight to determine lease terms on contracts that have options to extend or terminate

– applying AASB 16 to leases previously identified as leases under AASB 117 and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.

– not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

	As presented on under previous Accounting Standard	**Application impact of AASB 16**	**As at 1 July 2019**
Statement of financial position			
Assets			
Lease Assets	-	985,882	985,882
Liabilities			
Lease liabilities	-	1,062,320	1,062,320
Retained surplus	1,808,838	(76,437)	1,732,401

	As presented under previous Accounting Standard	**Application impact of AASB 16**	**As at 30 June 2020**
Statement of Comprehensive Income			
Depreciation Expense			
- Land and buildings	15,663	-	15,663
- Plant and equipment	53,127	-	53,127
- ROU lease assets	-	269,259	269,259
	68,790	269,259	338,049
Finance cost			
- Lease interest	-	65,874	65,874
Operating expenses			
- Occupancy expenses	330,874	(265,656)	65,218
- Vehicle and equipment leases	42,693	(18,784)	23,909
Statement of financial position			
Lease assets	-	716,623	716,623
Lease liabilities	-	752,880	752,881

Initial application of AASB 15 and AASB 1058

The Company has applied AASB 15: *Revenue from Contracts with Customers* and AASB 1058: *Income of Not-for-Profit Entities* using the cumulative effective method of initially applying AASB 15 and AASB 1058 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: *Revenue* and AASB 1004: *Contributions*.

The core principal under AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

An impact assessment of AASB 15 was undertaken and it was determined that there would be no material impact on the disclosure of revenue in the initial year of application.

(p) Comparative Figures

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

	Note	2020	2019
		$	$
NOTE 2: REVENUE			
Revenue from government grants and other grants			
Core grant revenue – Primary Health Network		24,859,116	20,080,294
Other grant revenue		(85,566)	424,868
		24,773,550	20,505,162
Other operating revenue			
- Administration fees		154,102	118,233
Total operating revenue		24,927,652	20,623,395
Other income			
- Interest income		291,203	349,454
- Sundry income		94,767	281,542
Total other income		385,970	630,996
Total revenue and other revenue		**25,313,622**	**21,254,391**

NOTE 3: SURPLUS FOR THE YEAR

Surplus for the year, before income tax, is arrived at after taking into consideration the following expenses:

	Note	2020	2019
Depreciation expense:			
- Buildings		15,662	15,662
- Plant and equipment		53,127	-
- Rights-of-use assets		269,259	-
		338,048	15,662
Operating lease expenses:			
- Occupancy expenses		65,219	436,649
- Equipment rental		521	17,820
- Vehicles		23,388	152,086
		89,128	606,555

NOTE 4: CASH AND CASH EQUIVALENTS

	Note	2020	2019
Cash at bank		18,310,600	14,043,292
Cash on hand		18,459	14,091
	14	18,329,059	14,057,383

	Note	2020	2019
		$	$
NOTE 5: TRADE AND OTHER RECEIVABLES			
Trade receivables		50,326	96,639
Less: Provision for impairment of receivables	(a)	-	-
		50,326	96,639
Other receivables		375,934	210,827
	15	426,260	307,466
Statutory assets:			
Net GST (payable) / receivable		-	418,043
		426,260	725,509

(a) The Company applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward-looking information. There was no provision for impairment of receivables at date, nor were there any provision movements or amounts written off during the year.

	Note	2020	2019
NOTE 6: PROPERTY, PLANT AND EQUIPMENT			
Land:			
At cost		166,000	166,000
Buildings:			
At cost		280,000	280,000
Accumulated depreciation		(123,374)	(107,712)
		156,626	172,288
Total land and buildings		322,626	338,288
Rights-of-use Assets			
At cost		985,882	-
Accumulated depreciation		(269,259)	-
		716,623	-
Computer equipment:			
At cost		493,549	325,748
Accumulated depreciation		(378,875)	(325,748)
		114,674	-
Works in progress:			
At cost – computer equipment		-	150,921
Total plant and equipment		831,297	150,921
Total property, plant and equipment		1,153,923	489,209

NOTE 6: PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land and buildings	Rights-of-use Assets	Computer Equipment	Total
	$	$	$	$
Balance at 1 July 2019	338,288	-	150,921	489,209
Additions	-	985,882	16,880	1,002,762
Disposals	-	-	-	-
Depreciation	(15,662)	(269,259)	(53,127)	(338,048)
Balance at 30 June 2020	322,626	716,623	114,674	1,153,923

	Note	2020	2019
		$	$
NOTE 7: TRADE AND OTHER PAYABLES			
Current			
Trade payables		820,161	1,477,370
Accrued expenses and other payables		4,978,158	3,184,130
	15	5,798,319	4,661,500
Statutory liabilities:			
PAYG tax payable		66,836	94,263
		5,865,155	4,755,763
NOTE 8: LEASE LIABILITIES			
Current			
Lease liabilities		210,588	-
		210,588	-
Non-current*:*			
Lease liabilities		542,292	-
		752,880	-
NOTE 9: OTHER LIABILITIES			
Current			
Unexpended grants liability – Primary Health Network		-	30,100
Grants in advance – Primary Health Network		10,778,867	8,391,907
		10,778,867	8,422,007

	Note	2020 $	2019 $
NOTE 10: PROVISIONS			
Current			
Annual leave		249,000	178,730
Non-current			
Long service leave		150,060	107,213
		399,060	285,943

NOTE 10: PROVISIONS

(a) *Provision for Employee Entitlements*
A provision has been recognised for employee entitlements relating to annual and long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 1(h).

NOTE 11: MEMBERS' GUARANTEE

The Company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the Company is wound up the constitution states that each member is required to contribute a maximum of $50 towards meeting any outstanding obligations of the Company. At 30 June 2020 the total amount that members of the Company are liable to contribute if the Company is wound up is $3,650.

NOTE 12: KEY MANAGEMENT PERSONNEL COMPENSATION

Any person(s) having authority or responsibility for planning and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel (KMP). The totals of remuneration paid to KMP of the Company during the financial year are as follows:

	Note	2020 $	2019 $
KMP compensation		770,586	719,125

NOTE 13: RELATED PARTY TRANSACTIONS

Related parties include close family members of KMP and entities that are controlled or jointly controlled by those KMP, individually or collectively with their close family members.

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated. Transactions with related parties are detailed below:

Director names	Nature of transactions		
Mark Biggs, Nathan Voll (independent member of the Audit, Risk, Finance Committee) and Murray Bruce	Latrobe Community Health Service is a contracted service provider for various programs. Mark Biggs is Board Chair of Latrobe Community Health Service. Murray Bruce and Nathan Voll are Board Directors of Latrobe Community Health Service.	1,066,540	1,585,281
Kellie O' Callaghan	GPHN hires venues from the Latrobe City Council. Kellie O'Callaghan is an elected councillor with the Latrobe City Council.	12,803	1,489
Therese Tierney	East Gippsland Water provide water to our Bairnsdale Units. Therese Tierney is an independent member of East Gippsland Water's Audit and Risk Committee.	1,747	1,747
Therese Tierney	Taclog is a contracted consultant for facilitating the Mallacoota Planning workshop. Therese Tierney is a director of Taclog.	-	1,760
Therese Tierney	Omeo District Health Board is a contracted service provider for various programs. Therese Tierney is a director of Omeo District Health Board.	678,691	-
Anne Peek	Monash University is a contracted research provider. Anne Peek in a co-investigator for Monash University.	7,920	25,080
Peter Trye	West Gippsland Healthcare Group is a contracted service provider for two programs. Peter Trye is a Chief Medical Officer of West Gippsland Healthcare Group.	72,468	-
Julie Rogalsky	Julie Rogalsky is a manager at Trafalgar Medical Centre who purchased some excess office furniture from GPHN.	-	100
Nola Maxfield	Wonthaggi Medical Group is a contracted service provider for various programs. Nola Maxfield is a partner at Wonthaggi Medical Group.	-	70,532
Sinead de Gooyer	Orygen is a contracted service provider for a youth mental health program. Sinead de Gooyer's brother is Director of Research at Orygen.	-	13,090

There were no other related party transactions during the year.

	Note	2020	2019
		$	$

NOTE 14: NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	Note	2020	2019
Cash at bank		18,310,600	14,043,292
Cash on hand		18,459	14,091
Total cash and cash equivalents	4	18,329,059	14,057,383

(b) Reconciliation of net cash provided by operating activities with surplus for the year

	2020	2019
Surplus for the year	381,330	427,640
Non-cash flows included in the deficit for the year		
Depreciation – property, plant and equipment	68,789	15,663
Depreciation – ROU assets	269,259	-
Changes in assets and liabilities:		
(Decrease) in trade and other receivables	46,313	303,442
Increase in trade and other payables	1,527,435	846,582
(Increase) / Decrease in other current assets	(165,108)	587
Increase / (Decrease) in grants in advance	2,356,860	(279,203)
Increase in provisions	113,117	72,157
	4,597,995	1,386,868

(c) Non-cash transactions:

There were no non-cash investing or financing activities.

NOTE 15: FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The Company's financial instruments consist mainly of deposits with banks, short-term deposits and accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2020	2019
		$	$
Financial Assets			
Cash and cash equivalents	4	18,329,059	14,057,383
Receivables (excluding statutory receivables)	5	426,260	307,466
Total Financial Assets		18,755,319	14,364,849
Financial Liabilities			
Financial liabilities at amortised cost:			
- Trade and other payables (excluding statutory liabilities)	7	5,798,319	4,661,500
Total Financial Liabilities		5,798,319	4,661,500

	Note	2020	2019
		$	$
NOTE 16: LEASING COMMITMENTS			
Operating Lease Commitments			
Payable - minimum lease payments			
- not later than one year		-	317,919
- later than one year and not later than five years		-	339,237
Present value of minimum lease payments		-	657,156

The future lease expenditures cease to be disclosed as commitments as the related liabilities were recognised in the balance sheet.

NOTE 17: EVENTS AFTER REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which 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.

NOTE 18: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2020.

NOTE 19: COVID-19

The impact of COVID-19 on the company's staff, operations, revenue and costs, are being monitored by the Board. The Executive continues to provide the Board with regular reporting and where necessary, mitigation plans, to ensure the safety and well-being of all staff, as well as the ongoing ability of the company to provide continuity of service for all contracts and stakeholders.

NOTE 20: COMPANY DETAILS

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

Gippsland Health Network Limited
11 Seymour Street
TRARALGON VICTORIA 3844

DIRECTORS' DECLARATION

In accordance with a resolution by the directors of Gippsland Health Network Limited, the directors of the Company declare that:

1. The financial statements and notes, as set out on pages 9 to 29, are in accordance with the Corporations Act 2001 and:

    a. Comply with Australian Accounting Standards – Reduced Disclosure Requirements; and

    b. Give a true and fair view of the financial position of the Company as at 30 June 2020 and of its performance for the financial year ended on that date.

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

Signed in accordance with a resolution of the Board of Directors:

Therese Tierney

Ms Therese Tierney
Chair

Ms Julie Rogalsky
Deputy Chair

Dated this 17 day of September 2020.

McLean Delmo Bentleys
THINKING AHEAD

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GIPPSLAND HEALTH NETWORK LIMITED

Opinion

We have audited the financial report of Gippsland Health Network Limited, which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the financial report of Gippsland Health Network Limited is in accordance with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012, including:

(a) giving a true and fair view of the Entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements, and Division 60 of the Australian Charities and Not-for-profits Commission Regulations 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 Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

In conducting our audit, we have complied with the independence requirements of the Australian Charities and Not-for-profits Commission Act 2012, which has been given to the directors as at the time of this auditor's report.

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

Responsibilities of the Directors for the Financial Report

The Directors of the Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Act 2012 and for such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Entity'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 the directors either intend to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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Accountants
Auditors
Advisors

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GIPPSLAND HEALTH NETWORK LIMITED (CONTINUED)

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 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 the financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

McLean Delmo Bentleys Audit Pty Ltd

McLean Delmo Bentleys Audit Pty Ltd

Martin Fensome
Partner

Hawthorn
21 September 2020