

Gippsland Health Network Limited

ABN 52 155 514 702

Financial Statements - 30 June 2023

Gippsland Health Network Limited

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30 June 2023

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**Gippsland Health Network Limited
Directors' Report
30 June 2023**

Your directors present their report on the company for the financial year ended 30 June 2023.

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 | Previous Term of Office | Director Position |
|-------------------------|-------------------------------|--|--------------------------|
| Julie Rogalsky | 18/11/2020 | 12/11/2014 - 15/11/2017, 15/11/2017 - 18/11/2020 | A1 |
| Therese Tierney | 18/11/2020 | 21/03/2018 - 18/11/2020 | A2 |
| Murray Bruce | 17/11/2021 | 18/11/2015 - 21/11/2018, 21/11/2018 - 17/11/2021 | B1 |
| Elisabeth Wearne | 16/11/2022 | 15/03/2022 - 16/11/2022 | C1 |
| Ryan Brown | 16/11/2022 | | C2 |

| Appointed Director | Current Term of Office | Previous Term of Office | Director Position |
|---------------------------|-------------------------------|--|--------------------------|
| Alex Aeschlimann | Ceased 10/11/2022 | 18/11/2020 - 10/11/2022 | A3 |
| Mary Sayers | 16/11/2022 | | A3 |
| Nathan Voll | 17/11/2021 | | B2 |
| Letitia Clark | 1/12/2021 | | B3 |
| Anne Peek | Ceased 16/11/2022 | 16/11/2016 - 20/11/2019, 20/11/2019 - 16/11/2022 | C3 |
| Anna Hall | 16/11/2022 | | C3 |

As per clause 10.4 of the Constitution, five Board members are elected pursuant to clauses 10.14, and four board members are 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 activities

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:

- primarily focus on the delivery of Primary Health Care services to patients and the community for the prevention and control of diseases
- improving the planning of Primary Health Care services to identify health needs of the community, develop locally focused and responsive health services and address service delivery gaps
- promoting Primary Health Care and the centrality of general practice for the delivery of effective integrated health management for the community, including initiatives aimed toward improving Primary Health Care, health, raising patient awareness and improving access to appropriate service
- providing support and education to clinicians and health service providers to improve their patient care
- establishing effective collaborations to deliver more coordinated, integrated, flexible and locally responsive health care services; and
- promoting a culture of safety, efficiency, accountability and continuous improvement in the delivery of Primary Health Care services.

The Company will 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 attains the object of the Company; and
- Doing all such things as are incidental, convenient, or conducive to the attainment of the object of the Company, including establishing or acquiring subsidiaries and participating in joint ventures.

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Strategies

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

- Progress priority issues: the most needed health issues and understood and invested in using local strengths.
- Strengthen workforce capability: professionals and providers have knowledge, use best practice and improve skills.
- Facilitate seamless care: community, consumers, carers, professionals and providers work together.
- Commission for service access: people can access services at the right time and in the right place, especially where gaps exist and in hard to reach locations.
- Exceptional organization: we operate in a financially sustainable manner, with strong governance and staff who are capable, engaged and well led.

COVID-19

The impact of COVID-19 on the company's staff, operations, revenue and costs, continued to be monitored by the Board throughout a third year of partially work-from-home for staff. The Executive 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

Name: Therese Tierney
Position held: Board Chair
Qualifications: Master's in Business – Major in Organisational Change and Consulting – not completed.
Grad Dip Business – Organisational Change and Behaviour
CRRN USA 1990 (as part of the Buckland Foundation Fellowship)
Division 1 Registered Nurse (St Vincent's)
Special responsibilities: CEO Performance and Remuneration Committee (Chair)
Clinical Governance and Performance Committee
Director Independent Selection and Remuneration Committee (until December 2022)
Wellington and East Gippsland Clinical Council (until December 2022)
Clinical Advisory Council (until December 2022)

Name: Murray Bruce
Position held: Director
Qualifications: Bachelor of Laws
Bachelor of Arts
Admitted to Practice as an Australian Lawyer in Supreme Court of Victoria
Australian Institute of Company Directors (Graduate).
Special responsibilities: Clinical Governance and Performance Committee (Chair) (until December 2022)
Audit, Risk and Finance Committee
Director Independent Selection and Remuneration Committee (Chair) (from December 2022)

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Name: Anne Peek
Position held: Director (Ceased 16/11/2022)
Qualifications: Bachelor of Applied Science – Health Information Management
Graduate Diploma Business Management
Certificate IV in Quality Assurance in Health
Australian Institute of Company Directors (Graduate).
Special responsibilities: CEO Performance and Remuneration Committee (until November 2022)
Community Advisory Committee (Chair) (until November 2022).

Name: Julie Rogalsky
Position held: Director
Deputy Chair (until December 2022)
Qualifications: Master of Health Services Management
Graduate Diploma in Rural Health
Bachelor of Applied Science (Health Promotion)
Australian Institute of Company Directors (Graduate).
Special responsibilities: Director Independent Selection and Remuneration Committee (Chair) (until December 2022)
CEO Performance and Remuneration Committee

Name: Alex Aeschlimann
Position held: Director (Ceased 10/11/2022)
Qualifications: Master of Business Administration with Distinction
Bachelor of Engineering (Mechanical & Computing) with Honours
Australian Institute of Company Directors (Graduate).
Special responsibilities: Audit, Risk and Finance Committee (until November 2022)
Community Advisory Committee (until November 2022).

Name: Nathan Voll
Position held: Director
Deputy Chair (from December 2022)
Qualifications: Bachelor of Commerce (Accounting and Economics)
CPA Australia (Fellow)
Graduate Certificate of Business Management
Masters of Business Administration (with Distinction)
Australian Institute of Company Directors (Fellow)
Australian Institute of Company Directors, Mastering the Boardroom.
Special responsibilities: Audit, Risk and Finance Committee (Chair)

Name: Dr Elisabeth Wearne
Position held: Director
Qualifications: Fellowship of the Royal Australian College of General Practitioners (FRACGP)
Master of Clinical Education
Bachelor of Medicine/Surgery (Honours).
Special responsibilities: Bass Coast and South Gippsland Clinical Council (until December 2022)
Clinical Advisory Council (until December 2022)
Community Advisory Committee (Chair) (from December 2022)
Director Independent Selection and Remuneration Committee (from December 2022).

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Name: Dr Letitia Clark
Position held: Director
Qualifications: Fellow of the Royal Australian College of General Practitioners
Joint Consultative Committee on Anaesthesia
Australian Institute Company Directors (Graduate)
Diploma of Childrens' Health
Bachelor of Medicine-Bachelor of Surgery
Advanced Paediatric Life Support
REST course - Early Management of Severe Trauma.
Special responsibilities: Latrobe and Baw Baw Clinical Council
Clinical Advisory Council
Clinical Governance and Performance Committee

Name: Mary Sayers
Position held: Director (Appointed 16/11/2022)
Qualifications: Williamson Community Leadership Program
AICD Company Director's Course (GAICD)
Master of Commerce Degree
Graduate Diploma in Human Resources
Bachelor of Arts
Special responsibilities: Clinical Governance and Performance Committee (Chair) (from December 2022)
Bass Coast and South Gippsland Clinical Council (from December 2022)
Clinical Advisory Council (from December 2022)

Name: Anna Hall
Position held: Director (Appointed 16/11/2022)
Qualifications: Bachelor of Engineering, Electrical and Computer
Australian Institute Company Directors (Graduate)
Special responsibilities: Audit, Risk and Finance Committee (from December 2022)

Name: Ryan Brown
Position held: Director (Appointed 16/11/2022)
Special responsibilities: CEO Performance and Remuneration Committee (from December 2022)
Wellington and East Gippsland Clinical Council (from December 2022)
Clinical Advisory Council (from December 2022)

Meetings of directors

The table below provides details of the number of board and committee meetings of board directors held and the attendance by each director for the year ended 30 June 2023:

| | Board Meetings | | Audit, Risk & Finance Committee | | Clinical Governance & Performance Committee | |
|---------------------|----------------|----------|---------------------------------|----------|---|----------|
| | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| Ms Therese Tierney | 13 | 13 | - | - | 4 | 4 |
| Mr Nathan Voll | 13 | 13 | 5 | 5 | - | - |
| Ms Julie Rogalsky | 13 | 12 | - | - | - | - |
| Mr Murray Bruce | 13 | 10 | 5 | 5 | 2 | 2 |
| Dr Elisabeth Wearne | 13 | 12 | - | - | - | - |
| Dr Letitia Clark | 13 | 12 | - | - | 4 | 4 |
| Ms Mary Sayers | 7 | 7 | - | - | 2 | 2 |
| Ms Anna Hall | 7 | 7 | 5 | 5 | - | - |
| Mr Ryan Brown | 8 | 7 | - | - | - | - |
| Ms Anne Peek | 5 | 5 | - | - | - | - |
| Mr Alex Aeschlimann | 4 | 4 | 1 | 1 | - | - |
| Ms Andrea Buckland* | - | - | 5 | 5 | - | - |

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| | Independent Director Selection and Remuneration Committee | | CEO Performance and Remuneration Committee | | Community Advisory Committee | |
|---------------------|---|----------|---|----------|---------------------------------|----------|
| | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| Ms Therese Tierney | 5 | 5 | 2 | 2 | - | - |
| Mr Nathan Voll | - | - | - | - | - | - |
| Ms Julie Rogalsky | 5 | 5 | - | - | 2 | 2 |
| Mr Murray Bruce | 2 | 2 | - | - | - | - |
| Dr Elisabeth Wearne | 2 | 2 | - | - | 2 | 1 |
| Dr Letitia Clark | - | - | - | - | - | - |
| Ms Mary Sayers | - | - | - | - | - | - |
| Ms Anna Hall | - | - | - | - | - | - |
| Mr Ryan Brown | - | - | 1 | 1 | - | - |
| Ms Anne Peek | - | - | 1 | 1 | 1 | 1 |
| Mr Alex Aeschlimann | - | - | - | - | 1 | - |

| | Latrobe and Baw Baw Clinical Council | | Wellington and East Gippsland Clinical Council | | Bass Coast and South Gippsland Clinical Council | |
|---------------------|---|----------|---|----------|--|----------|
| | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| Ms Therese Tierney | - | - | 1 | - | - | - |
| Mr Nathan Voll | - | - | - | - | - | - |
| Ms Julie Rogalsky | - | - | - | - | - | - |
| Mr Murray Bruce | - | - | - | - | - | - |
| Dr Elisabeth Wearne | - | - | - | - | 1 | 1 |
| Dr Letitia Clark | 3 | 2 | - | - | - | - |
| Ms Mary Sayers | - | - | - | - | 2 | 2 |
| Ms Anna Hall | - | - | - | - | - | - |
| Mr Ryan Brown | - | - | 2 | 2 | - | - |
| Ms Anne Peek | - | - | - | - | - | - |
| Mr Alex Aeschlimann | - | - | - | - | - | - |

| | Clinical Advisory Council | |
|---------------------|---------------------------|----------|
| | Eligible | Attended |
| Ms Therese Tierney | 1 | - |
| Mr Nathan Voll | - | - |
| Ms Julie Rogalsky | - | - |
| Mr Murray Bruce | - | - |
| Dr Elisabeth Wearne | 1 | 1 |
| Dr Letitia Clark | 3 | 3 |
| Ms Mary Sayers | 2 | 2 |
| Ms Anna Hall | - | - |
| Mr Ryan Brown | 2 | 2 |
| Ms Anne Peek | - | - |
| Mr Alex Aeschlimann | - | - |

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

*Ms Andrea Buckland is an independent member of the Audit, Risk and Finance Committee from June 2022 but is not a Director.

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. There was no insurance paid for auditors.

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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 2023 the total amount that members of the company are liable to contribute if the company is wound up is \$2,850.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 60.40 of the *Australian Charities and Not-for-Profit Commission Act 2012* is set out on page 9 of this financial statement.

Signed in accordance with a resolution of the board of directors:



Ms Therese Tierney
Chair



Mr Nathan Voll
Deputy Chair

20 September 2023

Lead 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

As lead auditor for the audit of Gippsland Health Network Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of 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.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated this 20th day of September 2023



Adrian Downing
Lead Auditor

Gippsland Health Network Limited
Statement Of Profit Or Loss And Other Comprehensive Income
For the year ended 30 June 2023

| | Note | 2023 \$ | 2022 \$ |
|--|------|----------------|----------------|
| Revenue and other income | 3 | 38,017,721 | 31,600,065 |
| Expenses | | | |
| Program delivery expenses | | (26,018,437) | (21,249,464) |
| Employee benefits expense | | (6,883,943) | (5,724,903) |
| Administration expenses | | (3,148,779) | (3,035,074) |
| Office expenses | | (958,526) | (739,757) |
| Depreciation expense | 4 | (300,820) | (329,574) |
| Finance expenses | | (22,432) | (195,092) |
| Occupancy expenses | | (219,651) | (46,267) |
| Vehicle and equipment lease expenses | | (155,214) | (20,463) |
| Travel expenses | | (37,683) | (14,983) |
| Surplus before income tax expense | | 272,236 | 244,488 |
| Income tax expense | 1 | - | - |
| Surplus after income tax expense for the year attributable to the members of Gippsland Health Network Limited | | 272,236 | 244,488 |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income for the year attributable to the members of Gippsland Health Network Limited | | <u>272,236</u> | <u>244,488</u> |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Gippsland Health Network Limited
Statement Of Financial Position
As at 30 June 2023

| | Note | 2023 \$ | 2022 \$ |
|---|------|-------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 17,178,965 | 16,750,188 |
| Trade and other receivables | 6 | 743,984 | 1,043,530 |
| Total current assets | | <u>17,922,949</u> | <u>17,793,718</u> |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 275,638 | 294,209 |
| Right-of-use assets | 8 | 1,138,980 | 734,026 |
| Total non-current assets | | <u>1,414,618</u> | <u>1,028,235</u> |
| Total assets | | <u>19,337,567</u> | <u>18,821,953</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 9 | 7,631,021 | 6,703,996 |
| Grants in advance and grants refundable | 10 | 6,944,613 | 8,232,447 |
| Lease liabilities | 11 | 226,355 | 230,055 |
| Employee entitlements | 12 | 596,465 | 390,898 |
| Total current liabilities | | <u>15,398,454</u> | <u>15,557,396</u> |
| Non-current liabilities | | | |
| Lease liabilities | 11 | 924,851 | 560,240 |
| Employee entitlements | 12 | 189,229 | 151,520 |
| Total non-current liabilities | | <u>1,114,080</u> | <u>711,760</u> |
| Total liabilities | | <u>16,512,534</u> | <u>16,269,156</u> |
| Net assets | | <u>2,825,033</u> | <u>2,552,797</u> |
| Equity | | | |
| Retained surplus | | <u>2,825,033</u> | <u>2,552,797</u> |
| Total equity | | <u>2,825,033</u> | <u>2,552,797</u> |

The above statement of financial position should be read in conjunction with the accompanying notes

Gippsland Health Network Limited
Statement Of Changes In Equity
For the year ended 30 June 2023

| | Retained Surplus \$ | Total equity \$ |
|---|------------------------------------|----------------------------|
| Balance at 1 July 2021 | 2,308,309 | 2,308,309 |
| Surplus after income tax expense for the year | 244,488 | 244,488 |
| Other comprehensive income for the year, net of tax | - | - |
| | <hr/> | <hr/> |
| Total comprehensive income for the year | 244,488 | 244,488 |
| | <hr/> | <hr/> |
| Balance at 30 June 2022 | <u>2,552,797</u> | <u>2,552,797</u> |
| | <hr/> | <hr/> |
| | Retained Surplus \$ | Total equity \$ |
| Balance at 1 July 2022 | 2,552,797 | 2,552,797 |
| Surplus after income tax expense for the year | 272,236 | 272,236 |
| Other comprehensive income for the year, net of tax | - | - |
| | <hr/> | <hr/> |
| Total comprehensive income for the year | 272,236 | 272,236 |
| | <hr/> | <hr/> |
| Balance at 30 June 2023 | <u>2,825,033</u> | <u>2,825,033</u> |

The above statement of changes in equity should be read in conjunction with the accompanying notes

Gippsland Health Network Limited
Statement Of Cash Flows
For the year ended 30 June 2023

| | Note | 2023 \$ | 2022 \$ |
|--|------|--------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Grants revenue and other receipts | | 36,522,329 | 30,486,662 |
| Interest received | | 360,389 | 60,923 |
| Payments to suppliers and employees | | (35,908,542) | (29,844,953) |
| Interest paid | | (22,432) | (195,092) |
| Short term and low-value lease payments | | <u>(196,675)</u> | <u>(33,847)</u> |
| Net cash from operating activities | 13 | <u>755,069</u> | <u>473,693</u> |
| Cash flows from investing activities | | | |
| Net cash from investing activities | | <u>-</u> | <u>-</u> |
| Cash flows from financing activities | | | |
| Repayment of lease liabilities | | <u>(326,292)</u> | <u>(171,543)</u> |
| Net cash used in financing activities | | <u>(326,292)</u> | <u>(171,543)</u> |
| Net increase in cash and cash equivalents | | 428,777 | 302,150 |
| Cash and cash equivalents at the beginning of the financial year | | <u>16,750,188</u> | <u>16,448,038</u> |
| Cash and cash equivalents at the end of the financial year | 5 | <u><u>17,178,965</u></u> | <u><u>16,750,188</u></u> |

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The financial statements are for Gippsland Health Network Limited (herein referred to as Gippsland Health Network) as an individual entity, incorporated and domiciled in Australia. Gippsland Health Network Limited is a not-for-profit company limited by guarantee and is primarily involved in:

- healthcare systems and redeveloping models of care across the Gippsland PHN catchment through transparent planning, ongoing engagement, collaboration where and whenever possible, and resource allocation based on strong evaluation and evidence
- funding organisations, communities, and partners through good governance practice, regular and accurate reporting, quality staff expertise and by actively building a highly reputable, respected and valued organisation.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the *Australian Charities and Not-for-profits Commission Act 2012*.

The company does not have 'public accountability' as defined in AASB 1053: *Application of Tiers of Australian Accounting Standards* and is therefore eligible to apply the 'Tier 2' reporting framework under Australian Accounting Standards.

The financial statements comply with the recognition and measurement requirements of Australian Accounting Standards, the presentation requirements in those Standards as modified by AASB 1060: *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060) and the disclosure requirements in AASB 1060.

Accordingly, the financial statements comply with Australian Accounting Standards – Simplified Disclosures.

The financial statements were authorised for issue on 21 September 2023 by the directors of Gippsland Health Network.

Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Functional and presentation currency and rounding

These financial statements are presented in Australian dollars, which is Gippsland Health Networks' functional currency. The amounts have been rounded to the nearest dollar.

Historical cost convention

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

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 company's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Income tax

No provision for income tax has been raised as Gippsland Health Network is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997* as a charity registered under the *Australian Charities and Not-for-profits Commission Act 2012*.

Impairment of assets

At the end of each reporting period, Gippsland Health Network assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, Gippsland Health Network estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are stated inclusive of GST.

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 ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

Provisions

Provisions are recognised when Gippsland Health Network 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.

Comparative figures

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

Economic dependence

Gippsland Health Network is dependent on the Australian Government Department of Health for a material amount of its revenue used to operate the business. At the date of this report, the board of directors believe the Department of Health will continue to support Gippsland Health Network.

Accounting standards issued but not yet effective

An assessment of accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to Gippsland Health Network and their potential impact when adopted in future periods is outlined below:

| Standard | Expected impact |
|---|--|
| AASB 17: <i>Insurance Contracts</i> (applicable for reporting periods commencing on or after 1 January 2023). | Adoption of this standard is not expected to have a material impact. |

There are no other accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to Gippsland Health Network in future periods.

Note 2. Critical accounting judgements, estimates and assumptions

The following are the critical judgements, apart from those involving estimations that the directors have made in the process of applying Gippsland Health Network's accounting policies. These judgements have the most significant effect on the amounts recognised in the financial statements.

Annual leave

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. Gippsland Health Network expects most employees will take their annual leave entitlements within 24 months of the reporting period in which they were earned, but this will not have a material impact on the amounts recognised in respect of obligations for employees' leave entitlements.

Long service leave calculation

Gippsland Health Network assesses the long service leave liability in accordance with the requirements of AASB 119: *Employee Benefits* and applies probability factors reducing the balance of the liability on employees' balances that have not reached their vesting period i.e. not entitled to be paid out as at 30 June 2023. The probability factors are increased as the respective employees' years of service increase and are provided for at 100% probability at vesting period (in accordance with employment conditions).

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Useful lives of property, plant and equipment

Gippsland Health Network reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Impairment

Gippsland Health Network assesses impairment at each reporting period by evaluating the conditions and events specific to Gippsland Health Network that may be indicative of impairment triggers. Recoverable amount of the relevant assets are reassessed using the value-in-use calculation which incorporates various key assumptions.

Identifying performance obligations under AASB 15

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature/-type, cost/-value, quantity and the period of transfer related to the goods or services promised.

Lease term and option to extend under AASB 16

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include:

- the importance of the asset to the Gippsland Health Network's operations
- comparison of terms and conditions to prevailing market rates
- incurrence of significant penalties
- existence of significant leasehold improvements, and
- the costs and disruption to replace the asset.

Gippsland Health Network reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Borrowing rate under AASB 16

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for Gippsland Health Network's leases, Gippsland Health Network's incremental borrowing rate is used, being the rate Gippsland Health Network would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, Gippsland Health Network:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, eg term, country, currency and security.

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Notes To The Financial Statements
30 June 2023

Note 3. Revenue and other income

| | 2023 | 2022 |
|--|--------------------------|--------------------------|
| | \$ | \$ |
| <i>Revenue from government grants and other grants</i> | | |
| Core grant revenue – Primary Health Network | 31,216,161 | 29,946,142 |
| Other grant revenue | 4,826,336 | 955,362 |
| | <u>36,042,497</u> | <u>30,901,504</u> |
| <i>Other income</i> | | |
| Administration fees | 1,033,250 | 197,013 |
| Interest income | 360,389 | 60,923 |
| Sundry income | 581,585 | 440,625 |
| | <u>1,975,224</u> | <u>698,561</u> |
| Revenue and other income | <u><u>38,017,721</u></u> | <u><u>31,600,065</u></u> |

Disaggregation of revenue

The company has disaggregated revenue from contracts with customers by the nature of revenue.

| | 2023 | 2022 |
|--------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Funding body | | |
| Department of Health (Commonwealth) | 30,834,854 | 28,424,148 |
| Department of Health (Victoria) | 3,610,537 | 846,674 |
| Department of Education and Training | 150,282 | 471,645 |
| Latrobe Health Assembly | - | 415,368 |
| North Western Melbourne PHN | 207,801 | 242,486 |
| Australian Digital Health Agency | 55,000 | 152,000 |
| Royal Flying Doctor Service | 40,250 | 120,750 |
| Melbourne East GP Network | 15,000 | 33,375 |
| Western VIC/Murray/Gippsland PHNs | 438,169 | 25,961 |
| The Commonwealth of Australia | 113,916 | 20,479 |
| Cancer Shared Centre | 397,018 | - |
| Australian General Practice Training | 118,917 | - |
| Other | 60,753 | 148,618 |
| | <u>36,042,497</u> | <u>30,901,504</u> |

Gippsland Health Network's revenue and income disaggregated by pattern of revenue recognition is as follows:

| | 2023 | 2022 |
|--------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Services transferred over time | <u>36,042,497</u> | <u>30,901,504</u> |

Accounting policy for revenue recognition

The company recognises revenue as follows:

Grant revenue

Revenue arises mainly from the receipt of grants from the Department of Health, Federal Government and State Government.

To determine whether to recognise grant revenue, Gippsland Health Network follows a five step process:

Gippsland Health Network Limited
Notes To The Financial Statements
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Note 3. Revenue and other income (continued)

- (1) Identifying the contract with a customer
- (2) Identifying the performance obligations
- (3) Determining the transaction price
- (4) Allocating the transaction price to the performance obligations
- (5) Recognising revenue when/as performance obligation(s) are satisfied.

Gippsland Health Network enters into transactions involving a number of performance obligations. In these cases, the total transaction price for the contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices, as detailed in the customer approved Activity Work Plan. The transaction price for a contract excludes any amounts collected on behalf of a third party.

Revenue is recognised over time, when (or as) Gippsland Health Network satisfies performance obligations by transferring the promised goods or services to its customer, as detailed in the customer approved Activity Work Plan.

Gippsland Health Network recognises grants in advance for consideration received in respect of unsatisfied performance obligations and reports these amounts as liabilities in the Statement of Financial Position. Similarly, if Gippsland Health Network satisfies a performance obligation before it receives the consideration, Gippsland Health Network recognises either a contract asset or a receivable in its Statement of Financial Position, depending on whether something other than the passage of time is required before the consideration is due.

Capital grants

When Gippsland Health Network 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.

Gippsland Health Network recognises income in profit or loss when or as the company satisfies its obligations under terms of the grant.

Interest revenue

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Administration fees and sundry income

Administration fees and sundry income are recognised when it is received or when the right to receive payment is established.

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

Note 4. Surplus for the year

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

| | 2023 | 2022 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| <i>Depreciation expense:</i> | | |
| Buildings | 15,662 | 15,663 |
| Plant and equipment | 2,909 | 55,882 |
| Right-of-use assets | 282,249 | 258,029 |
| | <hr/> | <hr/> |
| Total depreciation expenses | <u>300,820</u> | <u>329,574</u> |

Gippsland Health Network Limited
Notes To The Financial Statements
30 June 2023

Note 4. Surplus for the year (continued)

| | 2023 | 2022 |
|--|----------------|---------------|
| <i>Short term and low value lease expenses</i> | | |
| Occupancy expenses | 41,461 | 13,384 |
| Equipment rental | - | 3,310 |
| Vehicles | 155,214 | 17,153 |
| | <u>196,675</u> | <u>33,847</u> |
| Total short term and low value lease expenses | <u>196,675</u> | <u>33,847</u> |

Note 5. Cash and cash equivalents

| | 2023 | 2022 |
|---------------------------------|-------------------|-------------------|
| | \$ | \$ |
| <i>Current assets</i> | | |
| Cash on hand | 15,938 | 13,401 |
| Cash at bank | 17,163,027 | 16,736,787 |
| | <u>17,178,965</u> | <u>16,750,188</u> |
| Total cash and cash equivalents | <u>17,178,965</u> | <u>16,750,188</u> |

Accounting policy for cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of six months or less.

Note 6. Trade and other receivables

| | 2023 | 2022 |
|-----------------------------------|----------------|------------------|
| | \$ | \$ |
| <i>Current assets</i> | | |
| Trade receivables | 292,450 | 234,030 |
| Other receivables | 451,534 | 809,500 |
| | <u>743,984</u> | <u>1,043,530</u> |
| Total trade and other receivables | <u>743,984</u> | <u>1,043,530</u> |

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Recognition of expected credit losses in financial statements

Gippsland Health Network 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 balance date, nor were there any provision movements or amounts written off during the year.

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Note 7. Property, plant and equipment

| | 2023 \$ | 2022 \$ |
|-------------------------------------|-----------------------|-----------------------|
| <i>Non-current assets</i> | | |
| Land - at cost | 166,000 | 166,000 |
| Buildings - at cost | 280,000 | 280,000 |
| Less: Accumulated depreciation | (170,362) | (154,700) |
| | <u>109,638</u> | <u>125,300</u> |
| Computer equipment - at cost | 207,804 | 207,804 |
| Less: Accumulated depreciation | (207,804) | (204,895) |
| | <u>-</u> | <u>2,909</u> |
| Total property, plant and equipment | <u><u>275,638</u></u> | <u><u>294,209</u></u> |

Reconciliations

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

| | Land \$ | Buildings \$ | Computer equipment \$ | Total \$ |
|-------------------------|-----------------------|-----------------------|-----------------------------|-----------------------|
| Balance at 1 July 2022 | 166,000 | 125,300 | 2,909 | 294,209 |
| Depreciation expense | - | (15,662) | (2,909) | (18,571) |
| Balance at 30 June 2023 | <u><u>166,000</u></u> | <u><u>109,638</u></u> | <u><u>-</u></u> | <u><u>275,638</u></u> |

Accounting policy for property, plant and equipment

Property, plant and equipment, are brought to account at cost less, where applicable, any accumulated depreciation and impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1 for details of impairment).

Plant and equipment that has been contributed at no cost, or for nominal cost, is valued and recognised at the fair value of the asset at the date it is acquired.

Gippsland Health Network Limited have an asset capitalisation policy in place whereby assets with an individual cost or value of \$10,000 or more will be capitalised. Costs below this threshold will be expensed as incurred.

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 straight line depreciation method is used for all assets. Rates used for each class of depreciable asset, which are consistent with the prior period, are:

| | |
|--------------------|-------|
| Buildings | 3.5% |
| Motor vehicles | 22.5% |
| Computer equipment | 40% |

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

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.

Gippsland Health Network Limited
Notes To The Financial Statements
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Note 8. Right-of-use assets

| | 2023 | 2022 |
|--------------------------------|-------------------------|-----------------------|
| | \$ | \$ |
| Leased photocopiers | 36,611 | 36,611 |
| Less: Accumulated depreciation | <u>(17,289)</u> | <u>(6,102)</u> |
| | <u>19,322</u> | <u>30,509</u> |
| Leased properties | 1,982,612 | 1,342,595 |
| Less: Accumulated depreciation | <u>(912,996)</u> | <u>(697,180)</u> |
| | <u>1,069,616</u> | <u>645,415</u> |
| Leased motor vehicles | 191,953 | 144,767 |
| Less: Accumulated depreciation | <u>(141,911)</u> | <u>(86,665)</u> |
| | <u>50,042</u> | <u>58,102</u> |
| | <u><u>1,138,980</u></u> | <u><u>734,026</u></u> |

Movements in carrying amounts

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

| | Leased photocopiers \$ | Leased properties \$ | Leased motor vehicles \$ | Total \$ |
|-------------------------|------------------------------|----------------------------|--------------------------------|-------------------------|
| Balance at 1 July 2022 | 30,509 | 645,415 | 58,102 | 734,026 |
| Additions | - | 640,017 | 47,186 | 687,203 |
| Depreciation expense | <u>(11,187)</u> | <u>(215,816)</u> | <u>(55,246)</u> | <u>(282,249)</u> |
| Balance at 30 June 2023 | <u><u>19,322</u></u> | <u><u>1,069,616</u></u> | <u><u>50,042</u></u> | <u><u>1,138,980</u></u> |

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Gippsland Health Network has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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Note 9. Trade and other payables

| | 2023 | 2022 |
|--|------------------|------------------|
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Trade payables | 1,187,343 | 1,462,542 |
| Accrued expenses and other payables | 6,338,896 | 5,157,239 |
| PAYG tax payable | 104,782 | 84,215 |
| | <u>7,631,021</u> | <u>6,703,996</u> |
| | \$ | \$ |
| <i>Financial liabilities classified as loans and receivables</i> | | |
| Total trade and other payables | 7,631,021 | 6,703,996 |
| PAYG tax payable | (104,782) | (84,215) |
| | <u>7,526,239</u> | <u>6,619,781</u> |

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Gippsland Health Network 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.

Note 10. Grants in advance and grants refundable

| | 2023 | 2022 |
|--|------------------|------------------|
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Grants in advance – Primary Health Network | <u>6,944,613</u> | <u>8,232,447</u> |

Accounting policy for grants in advance

Grants in advance represent Gippsland Health Network's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when Gippsland Health Network recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before Gippsland Health Network has transferred the goods or services to the customer.

Note 11. Lease liabilities

| | 2023 | 2022 |
|--------------------------------|------------------|----------------|
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Lease liability | <u>226,355</u> | <u>230,055</u> |
| <i>Non-current liabilities</i> | | |
| Lease liability | <u>924,851</u> | <u>560,240</u> |
| | <u>1,151,206</u> | <u>790,295</u> |

Note 11. Lease liabilities (continued)

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Gippsland Health Networks incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following:

- future lease payments arising from a change in an index or a rate used
- residual guarantee
- lease term
- certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 12. Employee entitlements

| | 2023 \$ | 2022 \$ |
|--------------------------------|-----------------------|-----------------------|
| <i>Current liabilities</i> | | |
| Annual leave | 384,532 | 315,028 |
| Long service leave | 211,933 | 75,870 |
| | <u>596,465</u> | <u>390,898</u> |
| <i>Non-current liabilities</i> | | |
| Long service leave | 189,229 | 151,520 |
| Total employee entitlements | <u><u>785,694</u></u> | <u><u>542,418</u></u> |

Accounting policy for employee benefits

Short-term employee benefits

Provision is made for Gippsland Health Network's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Gippsland Health Network's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the Statement of Financial Position.

Long-term employee benefits

Gippsland Health Network classifies employees' long service leave and annual leave entitlements as other long-term employee benefits as they are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for Gippsland Health Network's obligation for other long-term employee benefits, which are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss classified under employee benefits expense.

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Notes To The Financial Statements
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Note 12. Employee entitlements (continued)

Gippsland Health Network's obligations for long-term employee benefits are presented as non-current liabilities in its Statement of Financial Position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current liabilities.

Note 13. Reconciliation of surplus to net cash from operating activities

| | 2023 | 2022 |
|---|----------------|----------------|
| | \$ | \$ |
| Surplus after income tax expense for the year | 272,236 | 244,488 |
| Adjustments for: | | |
| Depreciation and amortisation | 300,820 | 329,574 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | 299,546 | (601,301) |
| Increase in trade and other payables | 927,025 | 844,656 |
| Decrease in grants in advance and grants refundable | (1,287,834) | (451,179) |
| Increase in employee benefits | 243,276 | 107,455 |
| Net cash from operating activities | <u>755,069</u> | <u>473,693</u> |

Note 14. 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 2023 the total amount that members of the company are liable to contribute if the company is wound up is \$2,850 (2022: \$2,750).

Note 15. 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:

| | 2023 | 2022 |
|------------------|------------------|----------------|
| | \$ | \$ |
| KMP compensation | <u>1,121,216</u> | <u>889,426</u> |

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Notes To The Financial Statements
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Note 15. Key management personnel compensation (continued)

| Name | Position Title |
|---------------------|--------------------------------------|
| Ms Therese Tierney | Chair |
| Mr Nathan Voll | Director |
| Ms Julie Rogalsky | Director |
| Mr Murray Bruce | Director |
| Dr Elisabeth Wearne | Director |
| Dr Letitia Clark | Director |
| Ms Mary Sayers | Director |
| Ms Anna Hall | Director |
| Mr Ryan Brown | Director |
| Ms Anne Peek | Director |
| Mr Alex Aeschlimann | Director |
| Amanda Proposch | Chief Executive Officer |
| Angela Jacob | Executive Manager Operations |
| Steve Morgan | Executive Manager Corporate Services |
| Jared Slater | Acting Executive Manager Operations |

Note 16. Auditor's remuneration

During the financial year the following fees were paid or payable for services provided by, the auditor of Gippsland Health Network:

| | 2023 | 2022 |
|---|---------------|---------------|
| | \$ | \$ |
| <i>Audit services:</i> | | |
| Audit of the financial statements - Andrew Frewin Stewart | 22,500 | 21,315 |
| Completion of acquittal audit - Andrew Frewin Stewart | 11,000 | 10,290 |
| | <u>33,500</u> | <u>31,605</u> |
| <i>Other non-audit services:</i> | | |
| Preparation of financial statements - Andrew Frewin Stewart | <u>1,500</u> | <u>1,500</u> |

Note 17. 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:

The Doctors in Secondary Schools program is run under the auspices of the Department of Education and Training. Nathan Voll has an appointment in that Department. The total value of these transactions is \$376,855 (2022: \$471,645).

Latrobe Community Health Service is a contracted service provider for various programs. Murray Bruce and Nathan Voll are Board Directors of Latrobe Community Health Service. The total value of these transactions is \$4,070,098 (2022: \$1,343,589).

Gippsland & East Gippsland Aboriginal Cooperative is a contracted service provider for various programs. Dr Liz Wearne is employed in a decision-making capacity at Gippsland & East Gippsland Aboriginal Cooperative. The total value of these transactions is \$802,321 (2022: \$93,266).

West Gippsland Health Care Group is a contracted service provider. Dr Letitia Clark is CMO at West Gippsland Health Care Group. The total value of these transactions is \$27,260 (2022: \$81,642).

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Notes To The Financial Statements
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Note 17. Related party transactions (continued)

East Gippsland Water provide water to Bairnsdale Units. Therese Tierney is an independent member of East Gippsland Water's Audit and Risk Committee. The total value of these transactions is \$2,233 (2022: \$420).

Omeo District Health Board is a contracted service provider for various programs. Therese Tierney is a director of Omeo District Health Board. The total value of these transactions is \$205,589 (2022: \$667,096).

Monash University is a contracted research provider. Anne Peek (ceased as Director 16/11/2022) is a co-investigator for Monash University. The total value of these transactions is nil (2022: \$205,400).

Julie Rogalsky has a position at Bairnsdale Regional Health Service. The total value of these transactions is \$93,934 (2022: \$12,592).

Angela Jacob (Acting CEO) is a Director at Yallambee Aged Care Services. The total value of these transactions is \$12,155 (2022: \$550).

Anna Hall has a position at headspace Youth Mental Health. The total value of these transactions is \$3,625,409 (2022: \$3,433,624).

There were no other related party transactions during the year.

Note 18. Capital expenditure commitments

No capital expenditure commitments were contracted for at year end (2022: nil).

Note 19. Events after the reporting period

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

Note 20. Contingent assets and liabilities

Contingent assets

Gippsland Health Network is not aware of any contingent assets as at 30 June 2023 (2022: nil).

Contingent liabilities

Gippsland Health Network is not aware of any contingent liabilities at 30 June 2023 (2022: nil).

Note 21. Company Details

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

Gippsland Health Network Limited
11 Seymour Street
Traralgon Victoria 3844

Note 22. Financial risk management

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

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

Note 22. Financial risk management (continued)

| | Note | 2023 \$ | 2022 \$ |
|--|------|-------------------|-------------------|
| Financial assets | | | |
| Cash and cash equivalents | 5 | 17,178,965 | 16,750,188 |
| Trade and other receivables | 6 | 743,984 | 1,043,530 |
| Financial assets recognised at amortised cost | | <u>17,922,949</u> | <u>17,793,718</u> |
| Financial liabilities | | | |
| Trade and other payables | 9 | 7,526,239 | 6,619,781 |
| Lease liabilities | 11 | 1,151,206 | 790,295 |
| Financial liabilities recognised at amortised cost | | <u>8,677,445</u> | <u>7,410,076</u> |

Accounting policy for financial instruments

Initial Recognition and Measurement

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

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15: *Revenue from Contracts with Customers*.

Classification and Subsequent Measurement

Financial liabilities

Financial liabilities are subsequently measured at amortised cost 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.

Gippsland Health Network classify trade and other payables and lease liabilities in this category.

A financial liability cannot be reclassified.

Financial assets

Financial assets are measured at amortised costs if both of the following criteria are met:

- 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.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

Gippsland Health Network recognises cash and cash equivalents and trade and other receivables in this category.

Note 22. Financial risk management (continued)

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the Statement of Financial Position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. 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.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

All the following criteria need to be satisfied for the 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
- Gippsland Health Network no longer controls the asset (i.e. has no practical ability to make unilateral decision 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.

Gippsland Health Network Limited
Directors' Declaration
30 June 2023

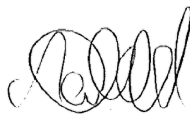
In accordance with a resolution by the directors of Gippsland Health Network Limited, the directors of the company declare that the financial statements and notes, as set out on pages 9 to 27, are in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012* and:

- Comply with Australian Accounting Standards – Simplified Disclosures
- Give a true and fair view of the financial position of the company as at 30 June 2023 and of its performance for the financial year ended on that date.
- 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 section 60.12 of the *Australian Charities and Not-for-Profits Commission Act 2012*:



Ms Therese Tierney
Chair



Mr Nathan Voll
Deputy Chair

20 September 2023



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
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(03) 5443 0344

Independent auditor's report to the Directors of Gippsland Health Network Limited

Report on the audit of the financial statements

Opinion

We have audited the financial report of Gippsland Health Network Limited (the company), which comprises:

- Statement of financial position as at 30 June 2023
- Statement of profit or loss and other comprehensive income for the year then ended
- Statement of changes in equity for the year then ended
- Statement of cash flows for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory notes
- The directors' declaration of the company.

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

- i. giving a true and fair view of the company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date, and
- ii. complying with Australian Accounting Standards - Simplified Disclosure and 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 company in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (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 audit opinion.



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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 - Simplified Disclosure 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 the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility 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. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

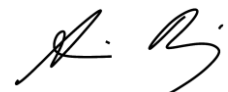
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 company'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 company 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.
- Communicate with the directors 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.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated this 20th day of September 2023



Adrian Downing
Lead Auditor