GIPPSLAND HEALTH NETWORK LIMITED
(ACN 155 514 702)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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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 2017.

Directors

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

Appointed Director	Appointment Date	Cessation Date
Mr Murray BRUCE	18/11/2016	
Mr Duncan MALCOLM** / *****	25/10/2012	
Ms Kellie O'CALLAGHAN****	25/10/2012	
Mr James (Jim) TURCATO**	24/10/2012 (Date elected)	
Elected Director	**Date Elected**	**Cessation Date**
Mr Mark BIGGS* / ******	24/10/2012	
Mr Benedict (Ben) LEIGH*	24/10/2012	16/11/2016
Dr Sinead DE GOOYER	12/11/2014	
Ms Anne Peek	16/11/2016	
Ms Julie ROGALSKY	12/11/2014	
Dr Nola MAXFIELD***	25/10/2012	

* Directors re-elected 23 October 2013
** Directors re-reappointed 12 November 2014
*** Directors re-elected 18 November 2015
**** Directors re-appointed 18 November 2015
***** Directors re-appointed 16 November 2016
****** Director re-elected 16 November 2016

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

The principal activity of the Company during the financial year was to coordinate primary health care delivery in Gippsland, address local health care needs and identify service gaps.

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.

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 the directors

Director's Name:	Dr Nola MAXFIELD
Position held:	Chairperson (ceased 21 December 2016)
Special responsibilities:	Chair GPHN Board, Chair Nominations and Remunerations Committee (ceased 21/12/16) Chair Director Independent Selection and Remuneration Committee (commenced 21/12/16) Member Clinical Governance Committee (commenced 21/12/16) Member Clinical Advisory Council (commenced 21/12/16)
Qualification and experience:	General Practitioner MBBS, FACRRM General Practice, Primary Health

Director's Name:	Mr Duncan MALCOLM AM
Position held:	Director / Deputy Chair (commenced 21/12/16)
Special responsibilities:	Member Audit, Risk and Finance Committee Member Community Advisory Committee Member CEO Performance and Remuneration Committee
Qualification and experience:	JP Business Management, Boards, Primary Industries

Director's Name:	Mr Mark BIGGS
Position held:	Director / Deputy Chair (ceased 21/12/16)
Special responsibilities:	Member Clinical Governance Committee Member Clinical Advisory Council
Qualification and experience:	BA/BSocSC GDipCP Psychologist Business, Allied Health, Psychology, Governance

Details of the directors (continued)

Director's Name:	Ms Kellie O'CALLAGHAN
Position held:	Director
Special responsibilities:	Member Nominations and Remunerations Committee (ceased 21/12/16) Member Director Independent Selection and Remuneration Committee (commenced 21/12/16)
Qualification and experience:	GAICD BA SocSc Grad Dip Mental HthSc Health and Community Services, Governance, Board Chair / Local Government Mayor / Councillor, consumer representation.

Director's Name:	Mr James (Jim) TURCATO
Position held:	Director
Special responsibilities:	Chair Audit, Risk and Finance Committee
Qualification and experience:	CPA FAICD Dip. Bus. (Acc), Grad. Dip. Ed., Grad Dip in Comp. Ed. Cert. IV Training & Assessment Finance Services

Director's Name:	Dr Sinead DE GOOYER
Position held:	Board Chair (commenced 21/12/16)
Special responsibilities:	Chair CEO Performance and Remuneration Committee (commenced 21/12/16)
Qualification and experience:	MBBS FRACGP DRANZCOG GAICD General Practice

Director's Name:	Ms Julie ROGALSKY
Position held:	Director
Special responsibilities:	Chair Clinical Governance Committee Member Clinical Advisory Council
Qualification and experience:	MHSM, BAppSc(HP) GAICD GradDipRuralHealth Foundations of Directorship Program Integrated Risk and Compliance Management Training Program

Director's Name:	Mr Murray BRUCE
Position held:	Director
Special responsibilities:	Member Audit, Risk and Finance Committee Member Community Advisory Committee
Qualification and experience:	BA, LL.B Lawyer Risk Management, Contract Management, Governance, Business

Details of the directors (continued)

Director's Name:	Ms Anne PEEK
Position held:	Director
Special responsibilities:	Member CEO Performance and Remuneration Committee Chair Community Advisory Committee
Qualification and experience:	Bachelor of Applied Science Health Information Management Graduate Certificate Quality Assurance in Health Care Associate Diploma, Management & Medical Record Administration Foundations of Directorship AICD GAICD

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 2017:

Director	Board meetings		Audit, Risk & Finance Committee		Clinical Governance Committee		Independent Director Selection & Remuneration Committee		CEO Performance & Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr Mark BIGGS	14	13			4	3				
Mr Murray BRUCE	14	14	11	9						
Dr Sinead DE GOOYER	14	14			3	3			2	2
Mr Benedict (Ben) LEIGH	6	6								
Mr Duncan MALCOLM	13	13	11	11					2	2
Dr Nola MAXFIELD	14	14			2	2	5	5	1	1
Ms Kellie O'CALLAGHAN	14	12					5	5	1	1
Ms Anne PEEK	8	8							2	2
Ms Julie ROGALSKY	14	13			4	4				
Mr James (Jim) TURCATO	14	13	11	10						

Director	Community Advisory Committee		Latrobe/Baw Baw Clinical Council		Wellington/East Gippsland Clinical Council		Bass Coast/South Gippsland Clinical Council		Clinical Advisory (combined) Council	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr Mark BIGGS			4	4					4	3
Mr Murray BRUCE	4	2								
Dr Sinead DE GOOYER		1					3	2	2	2
Mr Benedict (Ben) LEIGH	2	2								
Mr Duncan MALCOLM	4	3								
Dr Nola MAXFIELD							3	2	3	3
Ms Kellie O'CALLAGHAN	-	-	-	-	-	-	-	-	-	-
Ms Anne PEEK	2	2								
Ms Julie ROGALSKY					5	5			4	4
Mr James (Jim) TURCATO	-	1								

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 2017 the total amount that members of the company are liable to contribute if the Company is wound up is $6,650.

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 7 of this financial statement.

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

Dr Sinead de Gooyer	Mr James (Jim) Turcato
Chair	Director

Dated this 20th day of September 2017.

McLean Delmo Bentleys
THINKING AHEAD

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 2017 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
20 September 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		$	$
Continuing operations			
Income	2	13,910,262	11,264,756
Other income	2	167,541	129,810
Sub Total – Income		14,077,803	11,394,566
Administration expenses		(524,644)	(234,683)
Depreciation expense	3	(46,740)	(143,235)
Employee benefits expense		(3,406,216)	(2,563,213)
Occupancy expenses		(164,404)	(130,580)
Office expenses		(411,050)	(398,982)
Grant expenditure		-	(461,902)
Primary Health Network expenditure		(268,999)	(370,647)
Program delivery expenses		(9,000,764)	(7,902,752)
Travel expenses		(50,540)	(45,862)
Vehicle and equipment lease expenses		(129,799)	(72,438)
Sub Total – Expenses		(14,003,156)	(12,324,294)
Surplus / (Deficit) before tax expense		**74,647**	**(929,728)**
Income tax expense	1(b)	-	-
Surplus / (Deficit) for the year	3	**74,647**	**(929,728)**
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 / (deficit) for the year		**74,647**	**(929,728)**
Surplus / (Deficit) attributable to:			
Members of the Company		74,647	(929,728)
Surplus / (Deficit) for the year		**74,647**	**(929,728)**
Total comprehensive income / (deficit) attributable to:			
Members of the Company		74,647	(929,728)
Total comprehensive income / (deficit) for the year		**74,647**	**(929,728)**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017	2016
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	8,865,591	4,644,031
Trade and other receivables	5	252,221	202,830
TOTAL CURRENT ASSETS		**9,117,812**	**4,846,861**
NON-CURRENT ASSETS			
Property, plant and equipment	6	399,060	445,800
TOTAL NON-CURRENT ASSETS		**399,060**	**445,800**
TOTAL ASSETS		**9,516,872**	**5,292,661**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	2,828,961	1,482,138
Other liabilities	8	5,492,133	2,759,645
Current provisions	9	164,643	113,109
TOTAL CURRENT LIABILITIES		**8,485,737**	**4,354,892**
NON-CURRENT LIABILITIES			
Non-current provisions	9	47,363	28,644
TOTAL NON-CURRENT LIABILITIES		**47,363**	**28,644**
TOTAL LIABILITIES		**8,533,100**	**4,383,536**
NET ASSETS		**983,772**	**909,125**
EQUITY			
Retained surplus		983,772	909,125
TOTAL EQUITY		**983,772**	**909,125**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2017

	Retained Surplus	Total
	$	$
Balance at 1 July 2015	1,838,853	1,838,853
Deficit for the year	(929,728)	(929,728)
Other comprehensive income for the year	-	-
Total comprehensive deficit for the year	(929,728)	(929,728)
Balance at 30 June 2016	**909,125**	**909,125**
Balance at 1 July 2016	909,125	909,125
Surplus for the year	74,647	74,466
Other comprehensive income for the year	-	-
Total comprehensive income for the year	74,647	74,466
Balance at 30 June 2017	**983,772**	**983,591**

STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		$	$
CASH FLOW FROM OPERATING ACTIVITIES			
Grants received		16,617,987	13,071,500
Fees received		13,999	8,690
Receipts from other services provided		10,073	185,149
Payments to suppliers and employees		(12,577,967)	(11,546,705)
Interest received		157,468	96,560
Net cash provided by operating activities	13(b)	**4,221,560**	**1,815,194**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment		-	(40,003)
Proceeds from the disposal of plant and equipment		-	-
Net cash used in investing activities		**-**	**(40,003)**
Net increase in cash and cash equivalents		4,221,560	1,775,191
Cash and cash equivalents at beginning of year		4,644,031	2,868,840
Cash and cash equivalents at end of year	13(a)	8,865,591	**4,644,031**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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 a financial statement containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial statement 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 Company becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(i) the amount at which the financial asset or financial liability is measured at initial recognition;
(ii) less principal repayments;
(iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
(iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost.

ii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

iii. Financial liabilities, including trade and other payables

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments (continued)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment loss has arisen. Impairment losses are recognised immediately in profit or loss.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(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

Grant revenue is recognised in the profit or loss when the Company obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

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

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

Where the entity receives a non-reciprocal contribution of assets from the government and other parties for zero or a nominal value, these assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue (continued)

A liability for unexpended grants is recognised where there is a condition in the funding terms that unspent grants will be required to be repaid and the organisation has not received formal notification that they are entitled to retain this funding at balance date; or where the grantor of the funding (being the other party to the contract) has created an expectation that unspent funds should be treated as a current liability.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Interest revenue is recognised using the effective interest rate method.

Donations and sponsorships are recognised as revenue when received.

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

(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

Leases of plant and equipment, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under operating leases, where substantially all the risk and benefits remain with the lessor, are charged as expenses on a straight line basis over the period of the lease.

(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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Current and non-current classification (continued)

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, revised or amending Accounting Standards and Interpretations adopted

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

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

(p) Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

(q) Comparative Figures

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

	Note	2017	2016
		$	$
NOTE 2: REVENUE			
Revenue from government grants and other grants			
Core grant revenue – Primary Health Network		13,110,129	10,569,902
Grant revenue – Headspace		500,000	218,249
Other grant revenue		286,134	467,915
		13,896,263	11,256,066
Other operating revenue			
- Administration fees		13,999	8,690
Total operating revenue		13,910,262	11,264,756
Other income			
- Interest income		157,468	96,560
- Sundry income		10,073	33,250
Total other income		167,541	129,810
Total revenue and other revenue		14,077,803	11,394,566

NOTE 3: SURPLUS / (DEFICIT0 FOR THE YEAR

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

		2017	2016
Depreciation expense:			
- Buildings		13,687	9,800
- Motor vehicles		9,689	9,678
- Furniture and fittings		-	165
- Computer equipment		23,364	123,592
		46,739	143,235
Loss on disposal of plant and equipment:			
- Furniture and fittings		-	2,069
Operating lease expenses:			
- Office rental		100,959	142,706
- Equipment rental		12,790	12,920
- Vehicles		117,009	109,302
		230,758	264,928

NOTE 4: CASH AND CASH EQUIVALENTS

	Note	2017	2016
Cash at bank		8,855,510	4,634,943
Cash on hand		10,081	9,088
	14	8,865,591	4,644,031

	Note	2017	2016
		$	$
NOTE 5: TRADE AND OTHER RECEIVABLES			
Trade receivables		146,878	136,114
Less: Provision for impairment of receivables	(a)	-	-
		146,878	136,114
Other receivables		131,044	25,223
	14	277,922	161,337
Statutory assets:			
Net GST (payable) / receivable		(25,701)	41,493
		252,221	202,830

(a) Current trade and term receivables are unsecured and generally on 14 day terms. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. There was no provision for impairment of receivables at balance date, nor were there any provision movements or amounts written off during the year.

	2017	2016
NOTE 6: PROPERTY, PLANT AND EQUIPMENT		
Land:		
At cost	166,000	166,000
Buildings:		
At cost	280,000	280,000
Accumulated depreciation	(76,387)	(62,700)
	203,613	217,300
Total land and buildings	369,613	383,300
Motor vehicles:		
At cost	43,019	43,019
Accumulated depreciation	(28,252)	(18,563)
	14,767	24,456
Computer equipment:		
At cost	325,748	325,748
Accumulated depreciation	(311,068)	(287,704)
	14,680	38,044
Total plant and equipment	29,447	62,500
Total property, plant and equipment	399,060	445,800

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	Motor vehicles	Computer equipment	Total
	$	$	$	$
Balance at 1 July 2016	383,300	24,456	38,044	445,799
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	(13,687)	(9,689)	(23,364)	(46,740)
Balance at 30 June 2017	369,613	14,767	14,680	399,060

	Note	2017	2016
		$	$
NOTE 7: TRADE AND OTHER PAYABLES			
Current			
Trade payables		1,401,326	281,816
Accrued expenses and other payables		1,382,253	1,151,481
	14	2,783,579	1,433,297
Statutory liabilities:			
PAYG tax payable		45,382	48,841
		2,828,961	1,482,138
NOTE 8: OTHER LIABILITIES			
Current			
Unexpended grants liability – Primary Health Network		1,027,393	1,132,616
Grants in advance – Primary Health Network		4,464,740	1,627,029
		5,492,133	2,759,645
NOTE 9: PROVISIONS			
Current			
Annual leave		164,643	113,109
Non-current			
Long service leave		47,363	28,644
		212,006	141,753

	Note	2017	2016
		$	$

NOTE 9: PROVISIONS (Continued)

(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 10: 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 2017 the total amount that members of the Company are liable to contribute if the Company is wound up is $6,650.

NOTE 11: 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:

	2017	2016
KMP compensation	838,360	577,797

NOTE 12: 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:

	2017	2016
Mark Biggs and Ben Leigh – Latrobe Community Health Service is a contracted service provider for various programs. Mark Biggs is Board Chair of Latrobe Community Health Service and Ben Leigh is the Chief Executive Officer of Latrobe Community Health Service	930,614	141,654
Kellie O'Callaghan – Latrobe Regional Hospital is a contracted service provider for various programs. Kellie O'Callaghan is the Board Chair of Latrobe Regional Hospital	372,063	253,650

There were no other related party transactions during the year.

	Note	2017	2016
		$	$
NOTE 13: 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:			
Cash at bank		8,855,510	4,634,943
Cash on hand		10,081	9,088
Total cash and cash equivalents	4	8,865,591	4,644,031
(b) *Reconciliation of net cash provided by operating activities with deficit for the year*			
Deficit for the year		74,647	(929,728)
Non-cash flows included in the deficit for the year			
Depreciation		46,740	143,235
Loss/(Gain) on disposal of plant and equipment		-	2,069
Changes in assets and liabilities:			
Decrease/(Increase) in trade and other receivables		(49,391)	303,675
Increase in trade and other payables		1,346,823	763,399
Increase in grants in advance		2,837,711	515,027
Increase/(Decrease) in unexpended grants liability		(105,223)	1,108,349
(Decrease)/Increase in provisions		70,253	(90,832)
		4,221,560	1,815,194

(c) *Non-cash transactions:*

There were no non-cash investing or financing activities.

NOTE 14: 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	2017 $	2016 $
Financial Assets			
Cash and cash equivalents	4	8,865,591	4,644,031
Receivables (excluding statutory receivables)	5	252,221	161,337
Total Financial Assets		9,117,812	4,805,368
Financial Liabilities			
Financial liabilities at amortised cost:			
- Trade and other payables (excluding statutory liabilities)	7	2,783,579	1,433,297
Total Financial Liabilities		2,783,579	1,433,297

NOTE 15: LEASING COMMITMENTS

Operating Lease Commitments

	2017 $	2016 $
Payable - minimum lease payments		
- not later than one year	237,138	252,364
- later than one year and not later than five years	37,007	296,297
Present value of minimum lease payments	274,145	548,661

Operating leases comprise:

a) Fourteen motor vehicle lease commitments under a Toyota Fleet Lease Arrangement that are non-cancellable operating leases contracted for but not capitalised in the financial statements with remaining 14, 20 and 22 month terms expiring in August 2018, February 2019 and April 2019 respectively; and

b) Office leases for the premises at Moe, Bairnsdale and Wonthaggi that are non-cancellable operating leases contracted for but not capitalised in the financial statements with a remaining 12 month terms, expiring in June 2018.

c) Equipment leases for photocopiers that are non-cancellable operating leases contracted for but not capitalised in the financial statements with a remaining 12 month terms, expiring in June 2018.

NOTE 16: 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 17: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2017 (2016: $nil).

NOTE 18: COMPANY DETAILS

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

Gippsland Health Network Limited
16 Kirk Street
MOE VICTORIA 3825

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 8 to 24, 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 2017 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:

Dr Sinead de Gooyer Chair	Mr James (Jim) Turcato Director

Dated this 20th day of September 2017.

To be provided as a separate document

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 2017, 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 2017 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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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
20 September 2017