

**CAPITAL HEALTH NETWORK LIMITED
(FORMERLY ACT MEDICARE LOCAL LIMITED)
ABN 82 098 499 471**

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016**

**CAPITAL HEALTH NETWORK LIMITED
(FORMERLY ACT MEDICARE LOCAL LIMITED)**

ABN 82 098 499 471

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CAPITAL HEALTH NETWORK LIMITED
(FORMERLY ACT MEDICARE LOCAL LIMITED)

ABN 82 098 499 471

DIRECTORS' REPORT

The directors present their report on Capital Health Network Limited, referred to as 'the company' and 'CHN' for the financial year ended 30 June 2016.

Directors

The names of the directors in office at any time during or since the end of the financial year are (in alphabetical order):

Professor Gabrielle Cooper

Professor Kirsty Douglas (appointed 24 September 2015)

Dr Jeffrey Harmer

Ms Roslyn Jackson (appointed 26 November 2015)

Mr Glenn Keys (appointed 19 April 2016)

Dr Martin Liedvogel

Mr Richard Lord

Dr John Norgrove

Ms Linda Spurrier (term ended 26 November 2015)

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

Operating Results

The result from ordinary activities amounted to a net surplus of \$193,670 (2015: surplus \$89,638).

Membership in the Company

The Entity is a Company limited by guarantee. If the Entity was wound up, the Constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the Company. At 30 June 2016 the number of members was 1,217 (2015: 1,254).

Change of name of Company

On 3 July 2015 ACT Medicare Local Limited changed its name to Capital Health Network Limited.

Significant Changes in State of Affairs

No significant changes in the state of affairs of the company occurred during the financial year, other than the matters referred to in Note 15.

Principal Activity

The principal activities of the Company involved the administration of government and non-government funded programs during the financial year. These involved:

- Population health and service planning for the ACT region;
- Development of commissioning systems and capacity;
- The provision of training and other support services to general practitioners and primary health care clinicians in the ACT
- Supporting better coordination of primary health care services across the ACT; and
- The provision of primary health care services to the ACT community.

The Company's activities during the year resulted in the implementation of national and regionally based programs and initiatives that focused on delivering relevant primary health care solutions to meet community needs. These have included improved access to services for disadvantaged communities and those with poor access to primary health care, support to general and allied health practices, and improved integration between general practice, primary health care, hospital, social and aged care systems. The Company continually embraced a culture of quality improvement, engagement and good governance practices in the ACT and surrounding region.

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DIRECTORS' REPORT (CONTINUED)

After Balance Date Events

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 years.

Objectives and Strategies

Goals and Objectives	Long Term or Short Tem Objective	Strategies to meet objectives
Whole person, one system healthcare	Short and long term	<ul style="list-style-type: none"> • Understand the needs of our communities • Commission for outcomes • Collaborate for aligned, collective results • Channel and leverage resources for maximum benefit. • Champion issues leadership, innovations and research.
High performing primary and community care	Short and long term	<ul style="list-style-type: none"> • Develop the capability of the workforce • Measurably improve consumer experiences • Use information to support evidence based care • Improve service efficiencies and support business practices that yield the most cost effective care • Champion clinical and consumer leadership to inform models of care and services.

Measurement of Performance

The Company's performance is continually measured by the following means:

- Financial budgets for the Company and the underlying programs are compiled by the Chief Financial Officer, informed by the Executive team and reviewed by the Chief Executive Officer. The Company's Audit and Risk Committee recommend the budget to the Board of Directors who then approve the Budget. Actual results on a monthly basis are measured against the budget on a Company and program level to ensure performance is in line with milestone deliverables, objectives and stakeholder expectations;
- Program and organisational operational and financial performance and reported to funders every six months after approval by the board;
- Staff performance reviews are conducted during the year to measure the staff's actual performance against program deliverables and Company objectives and expectations, identify potential areas of improvement and monitor staff morale and capabilities;
- On an ongoing basis the Audit and Risk Committee and Governance Committee, with the approval of the Board, assess, develop, implement, monitor and update the Company's risk management framework to ensure any existing identified and prospective risks are managed, mitigated or prevented to ensure the Company operates in line with performance expectations; and
- On a continual basis the Audit and Risk Committee and Governance Committee, with the approval of the Board, assess the effectiveness of the corporate governance framework and strive to implement and maintain good corporate governance practices in order to maintain and strengthen stakeholder relationships and to ensure that the processes, policies and procedures are adequate in the achievement of the Company's objectives.

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DIRECTORS' REPORT (CONTINUED)

Information on Board Members

Professor Gabrielle Cooper

Qualifications

Relevant Experience

B Pharm, DHP, PhD, MAICD, MPSA, MSHPA

Professor of Pharmacy in the Faculty of Health at the University of Canberra having established the Discipline of Pharmacy in 2004. Gabrielle has had extensive national and international experience in hospital pharmacy and her research interests include clinical toxicology, pharmacist and technician education, dementia care and communication between health care settings and providers. She is a member of the ACT Branch Committee of the Pharmaceutical Society of Australia and the Society of Hospital Pharmacists and a range of other professional committees with a focus on optimal medication management and improved communication between consumers and care providers.

Special Responsibilities

Member Governance Committee

Professor Kirsty Douglas

Qualifications

Relevant Experience

MBBS, MD, FRACGP, DipRACOG, Graduate Certificate in Higher Education

Kirsty is Professor of General Practice at ANU and Director of the Academic Unit of General Practice at ACT Health. Kirsty's academic experience includes health services research at the Australian Primary Health Care Research Institute, curriculum development and teaching at the ANU Medical School and management roles in both organisations. She is on the executive of the Australasian Association of Academic Primary Care. Kirsty has been an active GP clinician in Canberra since 1995; she worked for 12 years at Yarralumla Surgery, for 9 years at Winnunga Nimmityjah Aboriginal Health Service and has recently joined the team at the Interchange General Practice.

Special Responsibilities

Member General Practice Advisory Committee

Dr Jeffrey Harmer AO

Qualifications

Relevant Experience

BA (Hons) (UNSW), Dip Ed (UNSW), PhD (UNSW), HonD (University of Canberra), FAIM, FIPPA, FANZSOG

With a career in the public system spanning 33 years, Jeff has occupied a range of executive positions including Managing Director of the Health Insurance Commission, Secretary of the Department of Education, Science and Training, and Secretary of the Department of Families, Housing, Community Services and Indigenous Affairs. In 2009, Jeff was voted the inaugural Australian Government Leader of the Year, and in 2010 he was made an Officer of the Order of Australia (AO) in the Australia Day Honours List for the significant achievements in his public service career. Jeff holds a range of Board appointments with a number of not-for-profit organisations, was Chair of the Advisory Group for the Australian National Disability Insurance Scheme in the lead up to its introduction in July 2013 and is Co-Chair of the Ministerial Council on Child Care and Early Learning.

Special Responsibilities

Member Governance Committee

**CAPITAL HEALTH NETWORK LIMITED
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DIRECTORS' REPORT (CONTINUED)

Information on Board Members (continued)

Ms Roslyn Jackson

Qualifications

Relevant Experience

Roslyn Jackson is a Chartered Accountant with over 30 years' experience and has enjoyed a very diverse and exciting career. She has worked in public practice providing taxation advice, as a corporate accountant in the Australian Government, CFO for a large NFP and COO for an Australian Government Company.

Roslyn has also owned and operated a training and consulting company, based in Canberra, for over 20 years. She has developed and facilitated training packages for many businesses; both for profit and not-for-profit, and for the government sector; Australian, State and Local government.

Roslyn has facilitated courses on behalf of the Australian Institute of Company Directors for just over 20 years, helping directors to read and interpret their Board financial statements as well as governance and risk issues. She has taught the professional year of study for Chartered Accountants Australia New Zealand (CA ANZ) and has been an assessor for their examinations. Roslyn has also been an assessor for the Institute of Public Administration Australia annual reports awards presented to Australian Government Departments.

Roslyn is an experienced non-executive director, having held numerous positions predominantly in the NFP health sector. She has held the Chair of several Boards and also chaired Audit, Finance and Risk sub-committees. Roslyn is currently a director of Capital Health Network Ltd and is an independent audit committee member for the Australian Pharmacy Council Ltd.

Special Responsibilities

Member Audit and Risk Committee

Mr Glenn Keys

Qualifications

Relevant Experience

MAICD, FIEAust

Glenn is a graduate of the University of New South Wales and the International Test Pilots School. He is a member of the Australian Institute of Project Management, the Australian Institute of Company Directors and a Fellow of Engineers Australia. In 2003 Glenn co-founded Aspen and is Co-Executive Chairman of Canberra-based Aspen Medical Pty Ltd. Glenn also sits on a number of other Boards in the health care sector, disability sector and social businesses. In 2013 Glenn was appointed to the Board of the National Disability Insurance Agency (NDIA). Glenn was inducted into the EY Entrepreneur Global Hall of Fame in 2014. In November 2014, Glenn was awarded the 2015 ACT Australian of the Year and represented the ACT at the National Australia Day Awards in January 2015. He is an active Board Member of the National Capital Authority and was appointed Chair of the Canberra Business Chamber in February 2015. Glenn is the founder and Chair of Project Independence, a housing initiative for people with intellectual disabilities, which was officially launched in Canberra in February 2015.

Special Responsibilities

**CAPITAL HEALTH NETWORK LIMITED
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DIRECTORS' REPORT (CONTINUED)

Information on Board Members (continued)

Dr Martin Liedvogel

Qualifications

Relevant Experience

B Med, FRACGP

Practice Principal of Fisher Family Practice since 2006 and Holder Family Practice since 2016. Fisher Family Practice is a teaching practice for both registrars and medical students. Martin is a GP Supervisor and Medical Educator with GP Synergy, with an interest in practice ownership/leadership. He is also a FRACGP Examiner. Past experience includes Directorship of the General Practice Registrars Association, membership of the Royal Australian College of GP's Standing Committee — GP Advocacy and Support, a lecturer position at the University of NSW's School of Rural Health in Albury, Director training from the Australian Institute of Company Directors, and being the Medical Director at the Canberra Afterhours Locum Medical Service.

Special Responsibilities

Chair of the Board

Chair Governance Committee

Member General Practice Advisory Committee

Mr Richard Lord

Qualifications

Relevant Experience

BPharm

Member of the Council of the Ageing ACT Board and chair of its Policy Committee since 2011. Rick is a member of the Health Care Consumers' Association of the ACT, and the Canberra Hospital Cancer Clinical Governance Committee and Cancer Plan Advisory Committee. Rick has recently been appointed to the University of Canberra Pharmacy Advisory Committee as consumer representative. He is also Secretary of the Majura Men's Shed. Rick is a former president of the Weston Creek Community Association, and a retired pharmacist with experience in government, community and hospital pharmacy, and five years working with the World Health Organization as a consultant.

Special Responsibilities

Chair Community Advisory Council

Member Audit and Risk Committee

Dr John Norgrove

Qualifications

Relevant Experience

BSc, MBBS (Hons), FRACGP

A full-time GP current practising at the Annie Lim Family Practice in Deakin and at Duntroon Health Centre. John has previously worked as a medical officer in the Royal Australian Air Force (RAAF) and remains a Special Reservist. John has held the position of senior medical officer in several locations during his service with the RAAF, and serves as the chairman of the Board for his son's school.

Special Responsibilities

Chair General Practice Advisory Committee

Ms Linda Spurrier

Qualifications

Relevant Experience

Registered Nurse

Employed as a Practice Nurse at Gordon Family Practice for the past four years, and was awarded the ACT Primary Health Care Nurse for 2013. Previous to practice nursing, Linda worked for 13 years in the Emergency Department at the Canberra Hospital. Linda is the Consumer Director on the Board of Arthritis ACT, and ACT representative on the National Arthritis Consumer Representative Committee.

Special Responsibilities

**CAPITAL HEALTH NETWORK LIMITED
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DIRECTORS' REPORT (CONTINUED)

Meetings of Directors

During the financial year 12 meetings were held. Attendances by each director were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Professor Gabrielle Cooper	7	6
Professor Kirsty Douglas	6	6
Dr Jeffrey Harmer	7	7
Ms Roslyn Jackson	5	5
Mr Glenn Keys	2	1
Dr Martin Liedvogel	7	7
Mr Richard Lord	7	7
Dr John Norgrove	7	7
Ms Linda Spurrier	2	1

Dividends Paid or Recommended

The company is a company limited by guarantee and is prohibited by its objects from distributing to its members.

Indemnification of Officer or Auditor

During or since the end of the financial year, the Company has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director, other than conduct involving a wilful breach of duty in relation to the Company.

Proceeds 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 year.


Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and is included immediately following the Directors' Report.

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

Dated this 28th day of September 2016


 NAME: M. Liedvogel
 Director


 NAME: ROSLYN JACKSON
 Director

RSM Australia Pty Ltd

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Capital Health Network Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

RSM

RSM Australia Pty Ltd

A handwritten signature in black ink, appearing to read 'Ged Stenhouse'.

GED STENHOUSE
Director

Canberra, Australian Capital Territory

Dated: 28 September 2016

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Pty Ltd ABN 65 319 382 479

Liability limited by a scheme approved under Professional Standards Legislation

CAPITAL HEALTH NETWORK LIMITED
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		\$	\$
Revenue	2	8,984,270	11,204,294
Other Income	2	372,352	526,645
Audit fees		(23,400)	(29,990)
Communications		(287,992)	(226,026)
Consultants and contractors		(3,855,240)	(4,427,709)
Corporate services allocation		-	-
Depreciation		(12,820)	(193,266)
Employee costs		(4,104,230)	(5,968,099)
Event coordination		(108,925)	(114,848)
Financial		(46,207)	(75,539)
Occupancy		(353,131)	(353,843)
Professional development		(73,142)	(24,801)
Service provision		-	(1,116)
Travel and accommodation		(78,672)	(68,946)
Other expenses		(219,193)	(157,118)
Profit / (Deficit) for the year		193,670	89,638
Other comprehensive income		-	-
Total comprehensive income		193,670	89,638

The accompanying notes form part of these financial statements.

CAPITAL HEALTH NETWORK LIMITED
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BALANCE SHEET
AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	5,218,835	3,955,914
Trade and other receivables	5	674,289	120,420
Other assets	6	128,948	111,666
TOTAL CURRENT ASSETS		6,022,072	4,188,000
NON CURRENT ASSETS			
Property, plant and equipment	7	54,316	-
TOTAL NON CURRENT ASSETS		54,316	-
TOTAL ASSETS		6,076,388	4,188,000
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	1,102,824	873,374
Unearned revenue	9	3,552,980	2,040,887
Provisions	10	261,904	378,361
TOTAL CURRENT LIABILITIES		4,917,708	3,292,622
NON CURRENT LIABILITIES			
Provisions	10	110,619	40,987
TOTAL NON CURRENT LIABILITIES		110,619	40,987
TOTAL LIABILITIES		5,028,327	3,333,609
NET ASSETS		1,048,061	854,391
EQUITY			
Retained earnings		581,424	310,532
Reserves		466,637	543,859
TOTAL EQUITY		1,048,061	854,391

The accompanying notes form part of these financial statements.

CAPITAL HEALTH NETWORK LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Retained Earnings	Reserves	Total
	\$	\$	
Balance at 1 July 2014	247,255	517,498	764,753
Surplus/(Deficit) for the year	89,638	-	89,638
Transfers from / (to) reserves	<u>(26,361)</u>	<u>26,361</u>	<u>-</u>
Balance at 30 June 2015	<u>310,532</u>	<u>543,859</u>	<u>854,391</u>
Surplus/(Deficit) for the year	193,670	-	193,670
Transfers from / (to) reserves	<u>77,222</u>	<u>(77,222)</u>	<u>-</u>
Balance at 30 June 2016	<u><u>581,424</u></u>	<u><u>466,637</u></u>	<u><u>1,048,061</u></u>

The accompanying notes form part of these financial statements.

CAPITAL HEALTH NETWORK LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers, government and others		11,113,651	12,324,602
Payments to suppliers and employees		(9,908,009)	(12,639,284)
Interest received		115,324	132,118
Net cash generated from operating activities		<u>1,320,966</u>	<u>(182,564)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from the sale of equipment		9,092	1,937
Payments for plant and equipment		(67,136)	(28,132)
Net cash used in investing activities		<u>(58,044)</u>	<u>(26,195)</u>
Net increase in cash held		1,262,922	(208,759)
Cash and cash equivalents at the beginning of the year		<u>3,955,914</u>	<u>4,164,673</u>
Cash and cash equivalents at end of the financial year		<u>5,218,836</u>	<u>3,955,914</u>

The accompanying notes form part of these financial statements.

CAPITAL HEALTH NETWORK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Australian Charities and Not-for-profits Commission Act 2012*. The Company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial report of the Company was authorised for issue on the date of signing of the attached Directors' Declaration by the directors.

Change in name of Company

On 3 July 2015 ACT Medicare Local Limited changed its name to Capital Health Network Limited.

Accounting Policies

(a) Income Tax

The Company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*,

(b) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment write-offs. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the remaining service potential of these assets. All classes of property, plant and equipment are depreciated using the straight line basis over the shorter of their useful lives and the Company's legal life commencing from the time the asset is held ready for use.

The depreciation rates for each category of property, plant and equipment are:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	10 – 25%
Leased Motor Vehicles	25%
Leasehold Improvements	16.7%

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Leased assets

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets.

(d) Employee benefits Short-term employee benefits

Provision is made for the Company'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 and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Company's obligations for short-term employee benefits such as wages and salaries, employees' vested long service leave, time off in lieu and annual leave entitlements are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

The Company classifies employees' unvested long service leave 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 the Company'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 obligations is recognised in profit or loss classified under employee benefits expense.

The Company'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.

Retirement benefit obligations

Defined contribution superannuation benefits

All employees of the Company receive defined contribution superannuation entitlements, for which the Company pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employee's defined contributions entitlements are recognised as an expense when they become payable. The Company's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Company's statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks or financial institutions.

(f) Revenue

Goods and services

Revenue from the sale of goods or the rendering of a service is recognised upon the delivery of the goods or service to the customer. Revenues recognized in respect of the outsourcing of medical practice operations exclude amounts collected but attributable to general practitioners under the respective service agreements.

Grants

Grants are recognised as revenue to the extent that the monies have been applied in accordance with the conditions of the grant, Grant funds received prior to yearend but unexpended as at that date are recognised as unexpended grants (liabilities, unearned revenue).

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office. 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 balance sheet are shown inclusive of GST,

(h) Impairment

At each reporting date, the Company reviews the carrying values of its tangible and intangible 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 value in use, is compared to the asset's carrying value. As a not-for-profit entity, value in use for the Company, according to *AASB 136 Impairment of Assets*, is depreciated replacement cost. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

(i) Critical accounting judgement and estimates

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates - Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Should an impairment indicator exist, the determination of the recoverable amount of the asset may require incorporation of a number of key estimates. As at 30 June 2016, there were no indicators of impairment.

Employee benefits provision

As discussed above 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.

Accrual for ATAPS program

The accrual for clinical session payable in the following 12 months has been reduced by 36% to reflect the average rate of delivery of full services. In determining this accrual the Company has used data from prior year accruals and actual payments.

CAPITAL HEALTH NETWORK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Comparative information

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the financial statements.

NOTE 2. REVENUE AND OTHER INCOME

	2016	2015
	\$	\$
Revenue:		
Grants received	8,984,270	11,204,294
	<u>8,984,270</u>	<u>11,204,294</u>
Other revenue:		
Interest	115,324	132,118
Sponsorships and event registration	86,169	132,798
Profit on sale of plant and equipment	9,092	1,937
Other	161,767	259,792
	<u>372,352</u>	<u>526,645</u>
	<u>9,356,622</u>	<u>11,730,939</u>

NOTE 3. NET SURPLUS FROM ORDINARY ACTIVITIES

Depreciation and amortisation of non-current assets:		
Plant and equipment	5,555	80,737
Motor vehicles	-	19,597
Leasehold improvements	7,265	92,932
Total depreciation and amortisation	<u>12,820</u>	<u>193,266</u>
Rental expense on operating leases:		
Premises		
Other parties	<u>294,733</u>	<u>305,567</u>
Employee benefits expense:		
Defined contributions superannuation plans	<u>333,594</u>	<u>381,001</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

NOTE 4. CASH AND CASH EQUIVALENTS

	2016	2015
	\$	\$
Cash on hand and at bank	4,561,758	3,312,536
Term deposits	657,077	643,378
	<u>5,218,835</u>	<u>3,955,914</u>

NOTE 5. TRADE AND OTHER RECEIVABLES

CURRENT		
Trade debtors	671,554	25,412
Other receivables	2,735	95,008
	<u>674,289</u>	<u>120,420</u>

NOTE 6. OTHER CURRENT ASSETS

CURRENT		
Prepayments	128,948	111,666
	<u>128,948</u>	<u>111,666</u>

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment - at cost	281,116	256,478
Accumulated depreciation	(242,981)	(256,478)
	<u>38,135</u>	<u>-</u>
Motor vehicles - at cost	92,210	112,533
Accumulated depreciation	(92,210)	(112,533)
	<u>-</u>	<u>-</u>
Leasehold improvements - at cost	198,331	174,885
Accumulated depreciation	(182,150)	(174,885)
	<u>16,181</u>	<u>-</u>
Total property, plant and equipment	<u>54,316</u>	<u>-</u>

CAPITAL HEALTH NETWORK LIMITED
(FORMERLY ACT MEDICARE LOCAL LIMITED)
ABN 82 098 499 471

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Movements in carrying amounts

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

	Plant and equipment	Motor vehicles	Leasehold Improvements
	\$	\$	\$
Balance at 1 July 2015	-	-	-
Additions	43,690	-	23,446
Depreciation	(5,555)	-	(7,265)
Balance at 30 June 2016	38,135	-	16,181

NOTE 8. TRADE AND OTHER PAYABLES

	2016	2015
	\$	\$
Creditors and accrued expenses	812,542	631,546
Employee benefits	187,372	241,828
Net GST payable	102,910	-
	1,102,824	873,374

NOTE 9. UNEARNED REVENUE

CURRENT

Unexpended grants	3,552,980	2,040,887
	3,552,980	2,040,887

NOTE 10. PROVISIONS

CURRENT

Provision for annual leave	218,758	299,258
Provision for time in lieu	4,215	11,237
Provision for long service leave	38,931	67,866
	261,904	378,361

NON CURRENT

Provision for long service leave	94,610	24,978
Provision for restoration obligations	16,009	16,009
	110,619	40,987

**CAPITAL HEALTH NETWORK LIMITED
(FORMERLY ACT MEDICARE LOCAL LIMITED)**

ABN 82 098 499 471

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave, time off in lieu and long service leave.

The current portion for this provision includes the total amount accrued for annual leave and time off in lieu entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

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 discussed in Note 1e.

NOTE 11. LEASING COMMITMENTS

Operating lease commitments payable

Operating leases relate to office premises at 1 Geils Court, Deakin ACT and for office equipment. The office premises lease for 1 Geils Court expires in June 2018 and with an option to renew for a further 3 years. Rental payments for the 1 Geils Court lease increase by 4% per annum, applied in April each year. These rental increases are included in the figures disclosed below. Office equipment leases are for two photocopiers expiring October 2016 and April 2018.

	2016	2015
	\$	\$
Operating lease commitments payable:		
- not later than 1 year	187,325	202,014
- later than 1 year but not later than 5 years	181,890	0
Minimum lease payments	<u>369,215</u>	<u>202,014</u>

NOTE 12. KEY MANAGEMENT PERSONNEL

Key management personnel compensation	<u>845,972</u>	<u>941,966</u>
	<u>845,972</u>	<u>941,966</u>

CAPITAL HEALTH NETWORK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 13. OTHER RELATED PARTY TRANSACTIONS

The following transactions were conducted on normal terms and conditions no different to those applying to the general public.

Dr. Martin Liedvogel is the Director of Fisher Family Practice who were engaged by CHN to provide services for the HealthPathways program. In 2015-16, Fisher Family Practice were paid \$10,057 to provide services.

Capital Health Network Limited has engaged the University of Canberra to undertake an evaluation of the Pharmacists in General Practice program. Professor Gabrielle Cooper is the Lead Evaluator in this engagement. In 2015-16, The University of Canberra was paid \$30,000 to provide these services.

Mr. Glenn Keys is a Director of Aspen Medical. Aspen Corporate Health provided flu vaccinations to CHN staff at the cost of \$875 in 2015-16.

There were no other related party transactions during the year.

NOTE 14. COMPANY DETAILS

The registered office and principal place of business of the Company is:
Capital Health Network Limited
Unit 2, 1 Geils Court
Deakin ACT 2600

NOTE 15. ECONOMIC DEPENDENCY

The Company receives significant financial support from the Commonwealth Department of Health in the form of grant funding. The current major funding contract with the Department of Health commenced on the 1st of June 2015 and expires on the 30th June 2018.

NOTE 16. CONTINGENT LIABILITY

The Company has provided bank guarantees of \$74,877 to the National Australia Bank for its obligations under its office lease.

CAPITAL HEALTH NETWORK LIMITED

ABN 82 098 499 471

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes are in accordance with the *Australian Charities and Not-for-profit Commission Act 2012*:
 - (a) Comply with Australian Accounting Standards – Reduced Disclosure Requirements; and
 - (b) Give a true and fair view of the financial position as at 30 June 2016 and of the performance for the financial year ended on that date of the Company.
2. In the directors' opinion, subject to note 15 in the financial report, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



MARTIN LIEDVOGEL (Director)

Dated this 28th day of September 2016



ROSLYN JACKSON (Director)

Dated this 28th day of September 2016

RSM Australia Pty Ltd

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

We have audited the accompanying financial report of Capital Health Network Limited ("the registered entity"), which comprises the balance sheet as at 30 June 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the responsible directors' declaration.

Responsible Persons' Responsibility for the Financial Report

The responsible persons of the registered entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commissions Act 2012* and for such internal control as the responsible persons determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion:

- (a) the financial report of Capital Health Network Limited is in accordance with the *Australian Charities and Not-for-profits Commissions Act 2012*, including:
- (i) giving a true and fair view of the registered entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

RSm

RSM AUSTRALIA PTY LTD

G M Stenhouse

G M STENHOUSE
Director

Canberra, ACT

Dated: 28 September 2016