

CAPITAL HEALTH NETWORK LIMITED

ABN 82 098 499 471

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

CAPITAL HEALTH NETWORK LIMITED
ABN 82 098 499 471

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General information

The financial statements cover Capital Health Network Limited (CHN) as an individual entity. The financial statements are presented in Australian dollars, which is Capital Health Network Limited's functional and presentation currency.

Capital Health Network Limited is a not-for-profit unlisted public company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 12 November 2020. The directors have the power to amend and reissue the financial statements.

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 2020.

Directors

The following persons were Directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Ms. Darlene Cox
Dr. Mel Deery
Ms. Roslyn Jackson
Dr. Lyndal Thorburn
Dr. Niral Shah
Professor Peter Radoll
Ms. Julie Blackburn

Operating Results

The result from ordinary activities amounted to a deficit of \$5,952 (2019: surplus of \$771,462).

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 2020 the number of members was 573, (2019: 572). Membership is cyclical, requiring renewals every three years.

Significant Changes in State of Affairs

No significant changes in the state of affairs of the company occurred during the financial year.

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.

DIRECTORS' REPORT (CONTINUED)

Objectives and Strategies

Goals and Objectives	Long Term or Short Term 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 clinical and consumer leadership to inform models of care and services
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 issues leadership, innovations and research

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 Operating 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 are reported to funders every six months. 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, 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 appropriate in the achievement of the Company's objectives.

DIRECTORS' REPORT (CONTINUED)

INFORMATION ON BOARD MEMBERS

Ms. Darlene Cox

Appointment to office	Elected for a 2 nd term at the 2017 AGM.
Qualifications	BADipEd GradDipAppEc Bed
Experience	Darlene has been involved in the consumer movement since the late 1990s. She is an experienced health advocate with an excellent knowledge of the health system. She has been the Executive Director of Health Care Consumers' Association since 2008. She is active on a range of local and national committees including the Australian Health Practitioner Regulation Agency, Australian Commission on Safety and Quality in Healthcare, and NPS Medicine Wise. Darlene is also a Director of ACT Council of Social Service and a member of their Audit and Governance Committee.
Special Responsibilities	Member Audit and Risk Committee

Dr. Mel Deery

Appointment to office	Elected for a 1 st term at the 2017 AGM.
Qualifications	MBBS (UNSW).
Experience	Along with her husband John, Mel is a GP and practice owner at YourGP. She is passionate about developing YourGP to better fulfil the vision of 'genuine care, clinical excellence'. She enjoys all areas of general practice with special interests in paediatrics, women's health, pregnancy care and mental health.
Special Responsibilities	Chair General Practice Advisory Committee

Ms. Roslyn Jackson

Appointment to office	Re-appointed for a 2 nd term in November 2018.
Qualifications	FCA, FGIA, GAICD.
Experience	Roslyn is a Fellow Chartered Accountant with over 30 years' experience working 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. She also Managing Director of a training and consulting company based in Canberra, specialising in government accounting and financial legislation. Roslyn is an experienced Non-Executive Director holding positions predominantly in the Health not-for-profit sector
Special Responsibilities	Member Audit and Risk Committee (Jul – Nov 2019) Deputy Chair Capital Health Network Board (Nov 2019 – Jun 2020) Chair Audit and Risk Committee (Nov 2019 – Jun 2020)

DIRECTORS' REPORT (CONTINUED)

Dr. Lyndal Thorburn

Appointment to office	Elected for a 1 st term at the 2018 AGM.
Qualifications	BSc (Hons), Grad Dip Legal Studies, Grad Dip Ed, Dip Accounting, PhD, FAICD, MIPA.
Experience	<p>Lyndal is an experienced company Director and business founder. Her consulting career supported development of many new health care products and services, and she has advised government on structural healthcare issues including Australia's clinical trials capacity and the role of pharmacy in primary care.</p> <p>Lyndal has been awarded ACT Telstra Businesswoman of the Year (Business Owner) and has been a national finalist.</p>
Special Responsibilities	Member Audit and Risk Committee (Jul - Nov 2019) Member Governance Committee (Jul - Nov 2019) Chair, Governance Committee (Nov 2019 – Jun 2020) Chair, Board of Directors (Nov 2019 – Jun 2020)

Professor Peter Radoll

Appointment to office	Appointed for a 1 st Term in November 2019
Qualifications	PhD, FRSN, MAICD
Experience	<p>Professor Peter Radoll, Pro Vice-Chancellor Indigenous at the University of Canberra, is descended from the Anaiwan people of northern New South Wales, Australia. Professor Radoll is recognised as a national and international authority in the area of Science, Technology, Engineering and Mathematics, Indigenous research and Digital Inclusion. He is a member of the Advisory Group for the CSIRO Indigenous Girls' STEM Academy. Peter is an experienced Non-Executive Director holding positions in Education, Charity and not-for-profit sectors.</p>
Special Responsibilities	Member Audit and Risk Committee

Dr. Niral Shah

Appointment to office	Elected for a 1 st term at the 2019 AGM.
Qualifications	MBBS, MS (Orthopaedics), MHSM, DCH, FRACGP
Experience	<p>Niral is a GP medical educator. He graduated in medicine from India and relocated to his new home Canberra in 2008. He is passionate about improving access to affordable quality health care for everyone especially disadvantaged and under privileged part of the community. He enjoys all areas of general practice with a specific interest in musculoskeletal health, sports injury and mental health. He is actively involved in GP training as a GP supervisor and medical educator. Niral has also been involved in broader advocacy role as a RACGP faculty board member for the ACT. He has previous governance experience as a medical administrator and board member on Coast City country GP training board.</p>
Special Responsibilities	Member General Practice Advisory Committee

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DIRECTORS' REPORT (CONTINUED)

Ms. Julie Blackburn

Appointment to office	Elected for a 1 st term at the 2019 AGM.
Qualifications	RN, RM, GAICD
Experience	Julie has a variety of experiences as a registered nurse, midwife, and company Director. Julie currently works as a Clinical Liaison Nurse at the University of Canberra. In addition to this she conducts antenatal education at Calvary Public Hospital, and contributes to the work of Karralika Programmes, Inc as Company Director/Deputy Chair. Julie has previous board experience in Private Health Insurance. Over the past decade, she has also worked with government through a variety of ministerial appointments, providing advice and advocacy on matters relating to military families, women and family health, primary health care, and drug and alcohol policy.
Special Responsibilities	Member Governance Committee

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DIRECTORS' REPORT (CONTINUED)

Meetings of Directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

DIRECTOR	HELD	ELIGIBLE TO ATTEND	ATTENDED
Ms. Darlene Cox	8	8	6
Dr. Mel Deery	8	8	6
Ms. Roslyn Jackson	8	8	8
Dr. Lyndal Thorburn	8	8	8
Dr. Niral Shah	8	6	5
Professor Peter Radoll	8	5	4
Ms. Julie Blackburn	8	6	5

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.

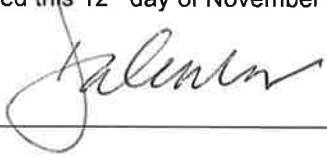
The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration is set out immediately after this directors' report.

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

Dated this 12th day of November 2020



Signature



Signature

DARLENE COX

Print name

JULIE BLACKBURN

Print name

CHAIR, AUDIT & RISK COMMITTEE

Position

DIRECTOR

Position

RSM Australia Partners

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GPO Box 200 Canberra ACT 2601

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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 2020, 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 Australia Pty Ltd



Ged Stenhouse
Director

Canberra, Australian Capital Territory
Dated: 12 November 2020

CAPITAL HEALTH NETWORK LIMITED
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
Revenue	3	<u>18,633,967</u>	<u>16,666,968</u>
Expenses			
Audit fees		(26,184)	(60,139)
Communications		(147,898)	(168,445)
Consultants and contractors		(89,915)	(134,900)
Depreciation		(114,762)	(109,601)
Right-of-use asset depreciation		(291,165)	-
Employee costs		(4,901,150)	(4,975,463)
Event coordination		(85,982)	(139,552)
Financial expenses		(165,759)	(35,988)
Occupancy		(56,547)	(337,493)
Professional development		(35,783)	(184,720)
Service provision		(12,252,638)	(9,430,849)
Travel and accommodation		(62,753)	(139,426)
Other expenses		(409,383)	(178,930)
Total expenses		<u>(18,639,919)</u>	<u>(15,895,506)</u>
Surplus/(Deficit) before income tax expense		<u>(5,952)</u>	<u>771,462</u>
Income tax expense		-	-
Surplus/(Deficit) after income tax expense for the year		<u>(5,952)</u>	<u>771,462</u>
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>(5,952)</u>	<u>771,462</u>

The accompany notes form part of these financial statements.

CAPITAL HEALTH NETWORK LIMITED
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STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	9,160,171	10,840,237
Trade and other receivables	5	447,596	280,031
Other assets	6	99,462	64,397
Total current assets		9,707,229	11,184,665
Non-current assets			
Property, plant and equipment	7	813,323	928,893
Right-of-use asset	8	1,185,335	-
Total non-current assets		1,998,658	928,893
TOTAL ASSETS		11,705,887	12,113,558
LIABILITIES			
Current liabilities			
Lease liabilities	9	289,955	-
Trade and other payables	10	496,730	1,703,608
Contract liabilities	11	7,863,435	8,330,377
Provisions	12	312,595	248,335
Total current liabilities		8,962,715	10,282,320
Non-current liabilities			
Lease liabilities	9	972,648	-
Provisions	12	76,844	131,606
Total non-current liabilities		1,049,492	131,606
TOTAL LIABILITIES		10,012,207	10,413,926
NET ASSETS		1,693,680	1,699,632
EQUITY			
Retained earnings		1,693,680	1,642,927
Reserves		-	56,705
TOTAL EQUITY		1,693,680	1,699,632

The accompany notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Retained earnings	Reserves	Total Equity
	\$	\$	\$
Balance at 1 July 2018	754,710	173,460	928,170
Surplus for the year	771,462	-	771,462
Transfers to/(from) reserves	116,755	(116,755)	-
Balance at 30 June 2019	<u>1,642,927</u>	<u>56,705</u>	<u>1,699,632</u>
Surplus for the year	(5,952)	-	(5,952)
Transfers to/(from) reserves	56,705	(56,705)	-
Balance at 30 June 2020	<u><u>1,693,680</u></u>	<u><u>-</u></u>	<u><u>1,693,680</u></u>

The accompany notes form part of these financial statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers, government and others		19,666,466	17,960,000
Payments to suppliers and employees		(21,037,685)	(17,621,083)
Interest received		152,339	254,745
Interest paid on lease		(94,991)	-
Net cash from operating activities		<u>(1,313,871)</u>	<u>593,662</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment	7	(118,777)	(777,847)
Net cash (used in) investing activities		<u>(118,777)</u>	<u>(777,847)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liability		(247,418)	-
Net cash (used in) financing activities		<u>(247,418)</u>	<u>-</u>
Net (decrease)/increase in cash held		(1,680,066)	(184,185)
Cash at the beginning of the financial year	4	10,840,237	11,024,422
Cash at the end of the financial year	4	<u><u>9,160,171</u></u>	<u><u>10,840,237</u></u>

The accompany notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New or amended Accounting Standards and Interpretations adopted

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

AASB 15 Revenue from Contracts with Customers

The company has adopted AASB 15 from 1 July 2019. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

AASB 1058 Income of Not-for-Profit Entities

The company has adopted AASB 1058 from 1 July 2019. The standard replaces AASB 1004 'Contributions' in respect to income recognition requirements for not-for-profit entities. The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt. Income under the standard is recognised where: an asset is received in a transaction, such as by way of grant, bequest or donation; there has either been no consideration transferred, or the consideration paid is significantly less than the asset's fair value; and where the intention is to principally enable the entity to further its objectives. For transfers of financial assets to the entity which enable it to acquire or construct a recognisable non-financial asset, the entity must recognise a liability amounting to the excess of the fair value of the transfer received over any related amounts recognised. Related amounts recognised may relate to contributions by owners, AASB 15 revenue or contract liability recognised, lease liabilities in accordance with AASB 16, financial instruments in accordance with AASB 9, or provisions in accordance with AASB 137. The liability is brought to account as income over the period in which the entity satisfies its performance obligation. If the transaction does not enable the entity to acquire or construct a recognisable non-financial asset to be controlled by the entity, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income immediately. Where the fair value of volunteer services received can be measured, a private sector not-for-profit entity can elect to recognise the value of those services as an asset where asset recognition criteria are met or otherwise recognise the value as an expense.

AASB 16 Leases

The company has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets and an interest expense on the recognised lease liabilities. In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. At transition date, there was no impact on the opening balances due to the adoption of this standard.

Impact of adoption

AASB 15, AASB 16 and AASB 1058 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on opening retained profits as at 1 July 2019.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), the *Australian Charities and Not-for-profits Commission Act 2012* and associated regulations, as appropriate for not-for-profit oriented entities.

Historical cost convention

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

Critical accounting estimates

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

(a) Revenue recognition

The company recognises revenue as follows:

Government Grants

Grant funding that contain specific conditions and enforceable obligations on the use of those funds are recognised as and when the entity satisfies its performance obligations stated within the funding agreements. A contract liability is recognised for unspent grant funds for which a refund obligation exists in relation to the funding period. General grants that do not impose specific performance obligations on the entity are recognised as income when the entity obtains control of those funds, which is usually on receipt.

Sponsorship & event registration

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer. Revenues recognised in respect to registration are utilised to offset the associated expense incurred with the administration of registration.

Non-government funding sources

Funds received from non-government funding sources are recognised as revenue to the extent that the monies have been applied in accordance with the conditions of the terms of agreement between the non-government funding entity and CHN. Any non-government funds received prior to year-end but unexpended as at that date are recognised as a contract liability.

Interest Income

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(b) Income tax

As the company is a charitable institution in terms of subsection 50-5 of the Income Tax Assessment Act 1997, as amended, it is exempt from paying income tax.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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 classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Trade and other receivables

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

(f) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Plant and equipment	3-10 years
Motor vehicles	4 years
Leasehold improvements	6 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

(g) Trade and other payables

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

(h) Right-of-use assets

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

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Lease liability

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

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(j) Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Tax Office (ATO). In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included in other receivables or other 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 ATO, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

(l) Contract liabilities

Contract liabilities represent the company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the company has transferred the goods or services to the customer.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its plant and equipment and finite life intangible assets. 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 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, 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.

	2020	2019
	\$	\$
NOTE 3. REVENUE		
Grants received	18,126,617	16,077,199
Sponsorship and event registration	26,804	21,436
Non-Government funding sources	38,007	313,588
Interest income	152,339	254,745
Government subsidies	290,200	-
	18,633,967	16,666,968

	2020	2019
	\$	\$
NOTE 4. CASH AND CASH EQUIVALENTS		
Cash on hand	327	201
Cash at bank	3,237,979	10,139,911
Term deposits - 3 months or less	-	102,465
Term deposits - more than 3 months	5,921,865	597,660
	9,160,171	10,840,237

	2020	2019
	\$	\$
NOTE 5. TRADE AND OTHER RECEIVABLES		
Trade debtors	83,488	92,774
Other receivables	187,700	62,997
Net GST receivables	176,408	124,260
	447,596	280,031

	2020	2019
	\$	\$
NOTE 6. OTHER ASSETS		
Deposits received	13,538	1,441
Prepayments	85,924	62,956
	99,462	64,397

CAPITAL HEALTH NETWORK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
NOTE 7. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment - at cost	822,455	802,709
Less: Accumulated depreciation	<u>(370,268)</u>	<u>(323,394)</u>
	452,187	479,315
Motor vehicles - at cost	-	92,210
Less: Accumulated depreciation	<u>-</u>	<u>(92,210)</u>
	-	-
Leasehold improvements - at cost	476,867	497,421
Less: Accumulated depreciation	<u>(115,731)</u>	<u>(47,843)</u>
	361,136	449,578
Total property, plant and equipment	<u>813,323</u>	<u>928,893</u>

Movements in carrying amounts

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

	Plant and equipment	Leasehold improvements	Total
	\$	\$	\$
Balance at 1 July 2018	260,647	-	260,647
Additions	306,805	471,042	777,847
Depreciation expense	<u>(88,137)</u>	<u>(21,464)</u>	<u>(109,601)</u>
Balance at 30 June 2019	<u>479,315</u>	<u>449,578</u>	<u>928,893</u>
Additions	118,777	-	118,777
Disposals	(99,031)	(20,554)	(119,585)
Depreciation expense	<u>(46,874)</u>	<u>(67,888)</u>	<u>(114,762)</u>
Balance at 30 June 2020	<u>452,187</u>	<u>361,136</u>	<u>813,323</u>

	2020	2019
	\$	\$
NOTE 8. Right-of-use asset		
Right-of-use asset	1,476,500	-
Accumulated depreciation	<u>(291,165)</u>	<u>-</u>
	<u>1,185,335</u>	<u>-</u>

CAPITAL HEALTH NETWORK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
NOTE 9. LEASE LIABILITIES		
Current	289,955	-
Non-current	972,648	-
	<u>1,262,603</u>	<u>-</u>

	2020	2019
	\$	\$
NOTE 10. TRADE AND OTHER PAYABLES		
Creditors and accrued expenses	372,723	1,477,501
Employee benefits	124,007	226,107
	<u>496,730</u>	<u>1,703,608</u>

	2020	2019
	\$	\$
NOTE 11. CONTRACT LIABILITIES		
Contractual obligations	<u>7,863,435</u>	<u>8,330,377</u>

	2020	2019
	\$	\$
NOTE 12. PROVISIONS		
CURRENT		
Provision for annual leave	236,082	183,685
Provision for long service leave	76,513	64,650
	<u>312,595</u>	<u>248,335</u>
NON-CURRENT		
Provision for long service leave	76,844	97,335
Provision for restoration obligations	-	-
Provision for lease incentive	-	34,271
	<u>76,844</u>	<u>131,606</u>

CAPITAL HEALTH NETWORK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
NOTE 13. LEASING COMMITMENTS		
Operating lease commitments payable:		
- not later than 1 year	-	304,243
- later than 1 year but not later than 5 years	-	1,311,023
- later than 5 years	-	28,605
Minimum lease payments	<u>-</u>	<u>1,643,871</u>

Lease commitments have been recognised as liabilities in the balance sheet for the year ended 30 June 2020, in accordance with AASB 16 Leases (refer note 9).

	2020	2019
	\$	\$
NOTE 14. KEY MANAGEMENT PERSONNEL		
Aggregate compensation	<u>1,235,529</u>	<u>1,216,964</u>

NOTE 15. CONTINGENT LIABILITIES

The Company has provided bank guarantees of \$74,877 (2019: \$74,877) to the National Australia Bank for its obligations under its office lease.

NOTE 16. RELATED PARTY TRANSACTIONS

Key management personnel Disclosures relating to key management personnel are set out in note 14.

Transactions with related parties

Ms Darlene Cox is the Executive Director of Health Care Consumers Association (HCCA). Capital Health Network Limited paid HCCA \$11,000 (gross, inclusive of GST) 2019-20 to provide consumer representation on CHN committees, support and advice on consumer matters & advice in relation to the Health Pathways Program.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

NOTE 17. ECONOMIC DEPENDENCY

The Company receives significant financial support from the Commonwealth Department of Health in the form of grant funding. A Deed of Variation was executed on 6 May 2020 for the funding agreement with the Commonwealth Department of Health to be extended for operations through to 30 June 2023.

NOTE 18. EVENTS AFTER THE REPORTING PERIOD

The impact of the Coronavirus (COVID-19) pandemic is ongoing, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

**CAPITAL HEALTH NETWORK LIMITED
ABN 82 098 499 471**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 19. 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

CAPITAL HEALTH NETWORK LIMITED
ABN 82 098 499 471

DIRECTOR'S 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 2020 and of the performance for the financial year ended on that date of the Company.
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.

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

Dated this 12th day of November 2020



Signature

DARLENE COX

Print name

CHAIR, AUDIT & RISK
COMMITTEE

Position



Signature

JULIE BLACKBURN

Print name

DIRECTOR

Position

INDEPENDENT AUDITOR'S REPORT To the Members of Capital Health Network Limited

Opinion

We have audited the financial report of Capital Health Network Limited ("the entity"), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the financial report of Capital Health Network Limited has been prepared 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 registered entity's financial position as at 30 June 2020 and of its financial performance and cash flows for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Regime and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Capital Health Network Limited 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.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in Capital Health Network Limited's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profit Commission Act 2012*, and for such internal control as they determine is necessary to enable the preparation of the 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 ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.


Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A handwritten signature in black ink that reads 'RSM'.

RSM Australia Pty Ltd

A handwritten signature in black ink that reads 'Ged Stenhouse'.

Canberra, Australian Capital Territory
Dated: 12 November 2020

Ged Stenhouse
Director