Annual Financial Report

For the year ended 30 June 2017

phn NORTH WESTERN MELBOURNE

An Australian Government Initiative

Melbourne Primary Care Network (MPCN)
operates North Western Melbourne PHN.

North Western Melbourne Primary Health Network (NWMPHN)
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Parkville, Victoria 3052

ABN 93 153 323 436

Acknowledgements
North Western Melbourne PHN acknowledges the peoples of the Kulin nation as the Traditional Owners of the land on which our work in the community takes place. We pay our respects to their Elders past and present.

Images on page 2 and 5 courtesy of Drummond Street Services.

Australian Government

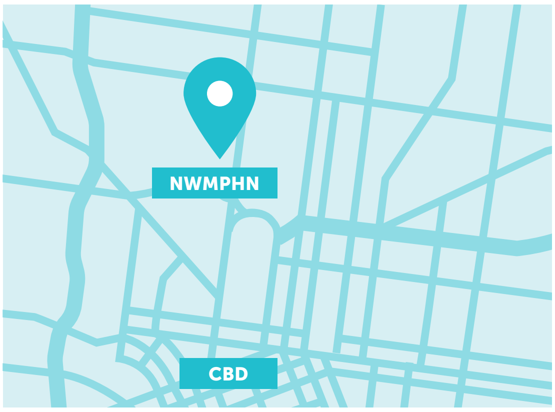
Melbourne Primary Care Network

Contents

Corporate information

ABN 93 153 323 436

Directors	Dr Ines Rio (Chairperson) Mr Phillip Bain Mr Robert Gerrand Mr Michael Gorton (ceased 30 June 2017) Ms Nancy Hogan (Deputy Chairperson) Dr Catherine Hutton Dr Robyn Mason Mr Paul Montgomery
Company Secretary	Mr Christopher Carter (CEO)
Registered office and principal place of business	Level 1, 369 Royal Parade Parkville, VIC, 3052 Tel. (03) 9347 1188 nwmphn@nwmphn.org.au **nwmphn.org.au**



Bankers	National Australia Bank Limited Level 28, 500 Bourke Street Melbourne, VIC, 3000
Auditors	William Buck Audit (VIC) Pty Ltd Level 20, 181 William Street Melbourne, VIC, 3000

Directors' report

Your directors present this report on the company for the year ended 30 June 2017

Director appointment and meetings attended:

Names	Date Appointed	Date of Cessation	A	B
Ines Rio (Chairperson)	20 Sep 2011		9	9
Phillip Bain	06 May 2015		9	9
Robert Gerrand	01 July 2012		9	9
Michael Gorton	06 Jan 2015	30 June 2017	6	9
Nancy Hogan	20 Sept 2011		8	9
Catherine Hutton	20 Nov 2012		8	9
Robyn Mason	01 Aug 2011		5	9
Paul Montgomery	01 July 2012		7	9

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

Directors' qualifications, experience and special responsibilities

Dr Ines Rio

MBBS (Hons), MPH, GDip Ven, DCOG, FRACGP, GAICD

Responsibilities

Chairperson
Chair, Remuneration Committee

Experience

A local GP, Senior Medical Staff and Head of GP Liaison Unit at The Royal Women's Hospital. Currently holds appointments as a member of the Victorian Department of Health and Human Services Human Research Ethics Committee, Emergency Clinical Leadership Network and Ministerial Advisory Council for the Statewide Services and Infrastructure Plan. Chair of General Practice section of the Victorian AMA.

Phillip Bain

MBus, DipEd, BA

Responsibilities

Chair, Quality & Clinical Governance Committee

Experience

Currently Chief Executive of Plenty Valley Community Health Centre, and a current Director of North Link Industry Association. Previously a Commissioner of the Victorian Multicultural Commission, providing advice to the State Minister on migrant and refugee issues in rural Victoria. University of Melbourne: Senior Fellow, School of Rural Health. Quality Innovation Performance (QIP) Ltd – Non-Executive Director. Extensive leadership experience in local government, community health and primary health care in Victoria.

Robert Gerrand

BA, FAMI, FAICD

Responsibilities

Finance, Audit & Risk Management Committee Member, Remuneration Committee Member

Experience

Chair of Healthy Parks Healthy People Global and is a Director of the Dax Centre. He is an AICD Nexus Chair, heads the marketing and communications consultancy Gerrand & Associates, and was General Manager of Group Public Affairs at ANZ Bank. Previous board appointments include Chair of Parks Victoria and Director of Alfred Health, the Financial Planning Association of Australia, the Florey Institute of Neuroscience and Mental Health, Melbourne City Marketing, the Koorie Heritage Trust and the Melbourne Convention and Marketing Bureau. He is a former director of the marketing and communications consultancy Turnbull Fox Phillips and is a published author.

Michael Gorton (ceased)

LLB, BCom, FAICD, FRACS (Hon), FANZCA (Hon)

Responsibilities

Remuneration Committee Member
Quality & Clinical Governance Committee Member

Experience

At the time of ceasing Michael was a Partner at Russell Kennedy Solicitors. Michael had several government roles, including Chair, VEOHRC; President of the Health Services Review Council; Chair of the Biotechnology Ethics Advisory Committee and Chair of the Infertility Treatment Authority. He has also been a member of the Advisory Board of the Monash Institute for Medical Research; National President of Greening Australia and inaugural Co-Chair of Reconciliation Victoria Inc. Michael advises many of the Australasian medical colleges, and for his work was awarded Honorary Fellowships with Royal Australasian College of Surgeons and Australian & New Zealand College of Anaesthetists and was made a Member in the Order of Australia in 2004 for his community contribution.

Nancy Hogan

MBA, Grad Dip Rehab Studies,
BA (Political Science) Magna Sum Laude
Phi Beta Kappa; FACHSM, MAICD

Responsibilities

Deputy Chairperson
Chair, Community Advisory Council
Remuneration Committee Member

Experience

Chairperson Peninsula Health and a member of the MSC Sisters Financial Advisory Board. Former Deputy Chairperson Victorian Healthcare Association (VHA). Former Board Chair Aged and Community Care Australia (ACSA), Victorian Aged and Healthcare Association (VAHEC now LASA). Melbourne GP Network and Catholic Healthcare Victoria. Former Board positions with Superpartners, Hazelwood Power Corporation, Catholic Healthcare Australia, Private Hospitals Association Victoria, Church and Charitables Hospitals Association, Mayfield Education Centre and HESTA.

Dr Catherine Hutton

MPH, DRCOG, MBBS, FRACGP,
GAICD, FAMA

Responsibilities

Chair, Clinical Council
Quality & Clinical Governance Committee Member

Experience

Current General Practitioner, past director of North West Melbourne Division of General Practice and AMA Victoria. Previously on the board of the Peter MacCallum Cancer Centre for five years. Currently a non-executive Director on the board of the Royal Women's Hospital and chair of its Primary Care and Population Health Committee.

Dr Robyn Mason

MAdmin, MBBS, FRACMA, FAICD, FAMA

Responsibilities

Chair, Finance, Audit & Risk
Management Committee

Experience

Currently Board Member Health Purchasing Victoria and the Senior Medical Advisor to Skilled Medical Pty Ltd. Former Chair of the Victorian Doctors' Heath Program, Secretary General of Federal AMA, Chief Executive of AMA Victoria. Former board experience with Southern Health and senior medical administration roles at Royal Victorian Eye and Ear Hospital and St Vincent's Hospital, Melbourne.

Paul Montgomery

LLB, BA, MAICD

Responsibilities

Finance, Audit & Risk Management
Committee Member

Experience

Current Chairman of Wellways Australia Limited. Chair of Medisecure Limited and Candlefox Group Pty Ltd. Former Partner of law firm Freehills, Melbourne for 28 years and Managing Partner for 12 years. Former board member and chair of Royal District Nursing Service. President of the Mental Illness Fellowship Victoria and Chair of its Carer and Consumer Committee. Member Deakin University Geelong's Clinical Leadership Advisory Board (Medical School).

Principal activities and objectives

The principal objective of the entity during the financial year continued to be to improve the health of the local community and achieve measurable health outcomes.

To achieve its stated objective, the company has adopted the following goals:

1. Respond to local and national priorities in order to reduce the burden of disease and improve population health outcomes.
2. Improve quality of care and individual outcomes.
3. Improve integration and coordination of care across the continuum.
4. Create a sustainable organisation which is well positioned to influence the reform of the health care system and take advantage of new opportunities.

The company achieves this by:

- identifying and understanding the priority needs in our region;
- supporting, developing, innovating, coordinating and measuring service responses to address priorities;
- strengthening and supporting general practice and the system as a whole;
- demonstrating a commitment to quality, safety, efficiency, genuine value and innovation in everything we do; and
- working closely and collaboratively with government (Commonwealth, State and Local), general practice and other primary health care service providers, Local Hospital Networks, Non-Government Organisations, the private sector and patients, consumers and carers.

Melbourne Primary Care Network Strategy Plan 2016-18 sets 10 strategic objectives

1. Improve the prevention and management of chronic disease

   We take evidence-based action to address the risk factors which can lead to chronic disease and to reduce the impact of chronic disease on sufferers.

2. Improve access to care, and coordination of care across settings

   We identify and address barriers to access and work with a broad range of providers to improve coordination across the patient journey.

3. Enhance the mental and emotional health and wellbeing of our community

   We strive to promote wellbeing and to support early identification and intervention, treatment and recovery from mental illness in our region.

4. Improve health outcomes for vulnerable populations

   We engage with vulnerable populations in our region to understand their specific health needs, improve the responsiveness of mainstream services and support dedicated services to provide the best possible care.

5. Engage and support General Practice and other care providers

   We work with general practitioners, practice managers and practice nurses to: enhance the delivery of primary health care, implement the patient-centred Health Care Home model of care; and support the sustainability of general practice.

Continued...

6 Achieve robust governance and stewardship

We implement and uphold best practice governance and management practices across all aspects of the organisation.

7 Effectively engage our stakeholders

We engage and partner with our community, providers and funders to identify, understand and respond to our stakeholders and their priorities.

8 Undertake effective, evidence-based commissioning

We engage clinicians and the community in our approach to commissioning, which emphasises the importance of evidence-based action and effective monitoring and evaluation.

9 Develop our people and our culture to support organisational excellence

We value our people as our core asset, and pursue excellence through our recruitment, management and development of staff.

10 Be an effective and accountable organisation

We build accountability into every aspect of our work, and systematically review, monitor and evaluate our effectiveness to ensure excellence.

Members' guarantee

In accordance with the company's constitution, each member is liable to contribute $50 in the event that the company is wound up. The total amount members would contribute is $2,850.

Significant Changes in State of Affairs

There was no significant change in the nature of the company's activities during the financial year.

Auditors' independence

The auditors' declaration of independence as required under section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012 appears on page 12 and forms part of the Directors' report for the year ended 30 June 2017.

Signed in accordance with a resolution of the directors made pursuant to section 60-15(2) of the Australian Charities and Not-for-profits Regulation 2013.

On behalf of the directors:

Ines Rio

Dr Ines Rio, Chairperson
Melbourne, 26 September 2017

Auditors' independence declaration

**AUDITORS INDEPENDENCE DECLARATION
IN ACCORDANCE WITH SECTION 60-40 OF THE AUSTRALIAN CHARITIES AND NOT-FOR-PROFITS COMMISION ACT
TO THE DIRECTORS OF MELBOURNE PRIMARY CARE NETWORK LTD**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there has 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.

William Buck

**WILLIAM BUCK AUDIT (VIC) PTY LTD
ABN 59 116 151 136**

**A. P. MARKS
Director**

Melbourne (Victoria), this 26th Day of September 2017

CHARTERED ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

	Notes	2017 ($)	2016 ($)
REVENUE			
Grants	(3a)	30,604,408	17,888,416
Provision of Services	(3a)	30,720	594
Investment Income	(3a)	535,514	256,362
Other Income	(3b)	145,378	60,500
TOTAL REVENUE		**31,316,020**	**18,205,872**
EXPENSES			
Program Expenses	(3c)	28,176,071	14,903,702
Depreciation Expense	(3c)	135,891	83,822
Accountability and Administration Expense		1,851,970	1,527,873
Other Expense		616,702	597,512
TOTAL EXPENSES		**30,780,634**	**17,112,909**
Surplus before income tax		535,386	1,092,963
Income tax expense	(2j)	–	–
Surplus for the year		535,386	1,092,963
Other comprehensive income for the year, net of tax		–	–
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE ENTITY		**535,386**	**1,092,963**

The attached notes form part of these financial statements.

Statement of financial position

As at 30 June 2017

ASSETS	Notes	2017 ($)	2016 ($)
CURRENT ASSETS			
Cash and Cash Equivalents	(4)	23,459,925	12,968,225
Trade and Other Receivables	(5)	278,074	228,621
Other Assets	(6)	3,795,971	1,885,615
Total Current Assets		**27,533,970**	**15,082,461**
NON CURRENT ASSETS			
Property, Plant & Equipment	(7)	554,789	350,389
Other Assets	(6)	281,646	281,646
Total Non Current Assets		**836,435**	**632,035**
TOTAL ASSETS		**28,370,405**	**15,714,496**

LIABILITIES	Notes	2017 ($)	2016 ($)
CURRENT LIABILITIES			
Trade and Other Payables	(8)	16,152,557	9,848,184
Provisions	(9)	9,074,473	3,277,011
Total Current Liabilities		**25,227,030**	**13,125,195**
NON CURRENT LIABILITIES			
Provisions	(9)	105,373	86,685
Total Non Current Liabilities		**105,373**	**86,685**
TOTAL LIABILITIES		**25,332,403**	**13,211,880**
NET ASSETS		**3,038,002**	**2,502,616**
EQUITY			
Retained Earnings		3,038,002	2,502,616
TOTAL EQUITY		**3,038,002**	**2,502,616**

The attached notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2017

	Notes	2017 ($)	2016 ($)
OPENING BALANCE		2,502,616	1,409,653
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
Surplus attributable to members		535,386	1,092,963
Total other comprehensive income		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE ENTITY		535,386	1,092,963
CLOSING BALANCE		**3,038,002**	**2,502,616**

The attached notes form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2017

	Notes	2017 ($)	2016 ($)
CASH FLOWS FROM OPERATING ACTIVITIES			
Grants Revenue Receipts		42,601,247	24,221,176
Receipts from Other Operating Activities		176,098	61,093
Interest Receipts		535,514	256,362
Payments to Employees, Directors and Creditors		(32,480,868)	(15,361,573)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES		**10,831,991**	**9,177,058**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Office Equipment, Furniture & Fittings		(340,291)	(290,574)
Payments for Security Deposits		–	(113,585)
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		**(340,291)**	**(404,159)**
NET INCREASE (DECREASE) IN CASH HELD		**10,491,700**	**8,772,899**
Cash Held At The Beginning Of The Year		12,968,225	4,195,326
CASH HELD AT THE END OF THE YEAR	(4)	**23,459,925**	**12,968,225**

The attached notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2017

1. Significant Accounting Policies

a. Basis of Preparation

Melbourne Primary Care Network Limited applies Australian Accounting Standards – Reduced Disclosure Requirements as set out in MSB 1053: *Application of Tiers of Australian Accounting Standards* and MSB 2010-2: *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*.

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 (MSB) and the *Australian Charities and Not-for-profit 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 MSB 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 accruals 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 statements were authorised for issue on 26 September 2017 by the directors of the company.

b. Revenue recognition

Grant revenue is recognised in the statement of profit or loss and other comprehensive income when the entity 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 entity 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.

Melbourne Primary Care Network Ltd receives non-reciprocal contributions 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 statement of comprehensive income.

Donations and bequests are recognised as revenue when received.

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

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

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

c. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, accumulated depreciation and any impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(e) for details of impairment).

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

Depreciation

The depreciable amount of all fixed assets are depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20% – 40%
Leasehold Improvements	2.5% – 16.67%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

d. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to the entity, are classified as finance leases.

Finance leases are capitalised, recognising 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. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

e. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is 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 transactions 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

Financial instruments are subsequently measured at fair value (refer to note 1(q)), amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

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 amount with a consequential recognition of an income or expense item in profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) 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 subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) 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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence that impairment as a result of one or more events (a "loss event") has occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance accounts.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when 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 when the related obligations are discharged or cancelled, or have expired. The difference between the carrying amount of the financial liability, which is 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.

f. Impairment of assets

At the end of each reporting period, the entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

g. 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, salaries and sick leave. 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, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

Other long-term employee benefits
The company classifies employees' long service leave and annual leave entitlements as other long-term employee benefits as they are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for 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 obligation 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 employees' defined contribution 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.

h. 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.

i. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

j. Income tax

No provision for income tax has been raised as the entity is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

k. Provisions

Provisions are recognised when the entity 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 the end of the reporting period.

l. Comparative figures

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

m. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the company during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

n. Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements 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.

o. Economic dependence

Melbourne Primary Care Network Limited is dependent on the Department of Health 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 the Department will not continue to support Melbourne Primary Care Network Limited.

p. 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 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 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 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.

q. Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

r. Fair value of Assets and Liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standards.

"Fair value" is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, market information is extracted from the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (if any) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

2. Critical accounting judgements, estimates and assumptions

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, 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 property, 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 lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

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.

3. Revenue, income and other expenses

a. Revenue

	Notes	2017 ($)	2016 ($)
Grants		30,604,408	17,888,416
Provision of Services		30,720	594
Investment Income – Interest		535,514	256,362
Total Revenue		**31,170,642**	**18,145,372**

b. Other income

	Notes	2017 ($)	2016 ($)
Sponsorships/advertising/misc income		145,378	60,500
Total revenue and other income		**31,316,020**	**18,205,872**

c. Expenses

	Notes	2017 ($)	2016 ($)
Program Expenditure			
Funds to Programs		6,679,159	6,298,031
Funds to other implementing agencies		19,359,457	7,531,503
Program support costs		2,137,455	1,074,168
Total Program Expenditure		**28,176,071**	**14,903,702**
Depreciation – plant and equipment		135,891	83,822
Auditor remuneration			
Incurred for audit services		25,000	26,200
Total audit remuneration		**25,000**	**26,200**

4. Cash and cash equivalents

	Notes	2017 ($)	2016 ($)
Current			
Cash on hand and at bank		23,459,925	12,968,225
Total cash and cash equivalents	(15)	**23,459,925**	**12,968,225**

5. Trade and other receivables

	Notes	2017 ($)	2016 ($)
Trade receivables		278,074	228,621
Provision for impairment of receivables		–	–
Total receivables	**(15)**	**278,074**	**228,621**

6. Other assets

	Notes	2017 ($)	2016 ($)
Current			
Prepaid expenses		3,774,807	1,880,408
Accrued Income		21,164	5,207
Total		**3,795,971**	**1,885,615**
Non-Current			
Security Deposit – Level 1 & part Level 5 / 369 Royal Parade		281,646	281,646
Total		**281,646**	**281,646**

7. Property, plant and equipment

	Notes	2017 ($)	2016 ($)
Plant and Equipment – at cost		468,161	319,564
Less accumulated depreciation		(254,099)	(175,958)
Total		**214,062**	**143,606**
Leasehold Improvements – at cost		595,839	404,145
Less accumulated depreciation		(255,112)	(197,362)
Total		**340,727**	**206,783**
Total Property, Plant and Equipment		**554,789**	**350,389**
Movements in property, plant & equipment		Plant & Equipment	Leasehold Improvements
Written down value at start of year		143,606	206,783
Additions		148,597	191,694
Disposals		–	–
Depreciation charge for year		(78,141)	(57,750)
Written down value at end of year		**214,062**	**340,727**

8. Trade and other payables

	Notes	2017 ($)	2016 ($)
Current			
Unexpended Grants		13,279,146	5,859,171
Trade and Sundry Creditors		2,035,559	3,633,117
Accrued expenses		837,852	355,896
Total payables		**16,152,557**	**9,848,184**

8a. Financial liabilities at amortised cost classified as trade and other payables

	Notes	2017 ($)	2016 ($)
Trade and other payables:			
Total Current		16,152,557	9,848,184
Less deferred income		(13,279,146)	(5,859,171)
Financial liabilities as trade and other payables	(15)	**2,873,411**	**3,989,013**

9. Provisions

	Outstanding psychologist sessions ($)	Contracts Payable ($)	Employee entitlements – current ($)	Employee entitlements – non current ($)	Total ($)
Opening Balance as at 1 July 2016	989,712	1,698,182	589,117	86,685	3,363,696
Additional provisions raised during year	1,989,832	16,334,992	531,916	18,688	18,875,428
Amount used	(989,712)	(11,667,387)	(402,179)	–	(13,059,278)
Balance as at 30 June 2017	**1,989,832**	**6,365,787**	**718,854**	**105,373**	**9,179,846**

9. Provisions – continued

	Notes	2017 ($)	2016 ($)
ANALYSIS OF TOTAL PROVISIONS			
Current provisions			
Employee entitlements		718,854	589,117
Outstanding psychologist and mental health nurse sessions		1,989,832	989,712
Contracts Payable		6,365,787	1,698,182
Total current provisions		**9,074,473**	**3,277,011**
Non current provisions			
Employee entitlements		105,373	86,685
Total provisions		**9,179,846**	**3,363,696**

Provision for long-term employee benefits

A provision has been recognised for employee entitlements relating to long service leave. 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 on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 2 to this report.

10. Capital and leasing commitments

	Notes	2017 ($)	2016 ($)
Operating lease commitments			
Non-cancellable operating leases contracted for but not capitalised			
Payable – minimum lease payments			
Within one year		429,330	399,085
After one year but not more than five years		369,348	772,182
More than five years		–	–
Total minimum lease payments		**798,678**	**1,171,267**

Leasing commitments include the property lease for Level 1 & part Level 5 / 369 Royal Parade Parkville VIC 3052. The lease is for an eight-year term to 31 March 2024 with the right to break from 30 April 2019. For this reason, lease commitments have been included up to 30 April 2019.

The property lease commitments are non-cancellable operating leases contracted for but not capitalised in the financial statements with an eight-year lease term (cancellable after three years). Increase in lease commitments will occur at a rate of 4% per annum.

11. Events after reporting date

The directors are not aware of any significant events since the end of the reporting period.

12. Key management personnel compensation

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of that entity is considered key management personnel.

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2017 ($)	2016 ($)
Key management personnel compensation	**1,203,960**	**887,099**

13. Related party transactions

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel individually or collectively with their close family members.

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

There were no related party transactions during the financial year ended 30 June, 2017.

14. Contingent liabilities and contingent assets

A contingent liability exists in the form of a bank guarantee held by Riverlee Corporation Pty Ltd of $281,646 in relation to the property lease.

15. Financial risk management

The entity's financial instruments consist mainly of deposits with banks, accounts receivable and payables. The entity does not have any derivative instruments at 30 June 2017.

The carrying amounts of each category of financial instruments, measured in accordance with AASB 139 as detailed in the account policies to these financial statement, are as follows:

Financial risk management policies

The organisation's overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Finance, Audit and Risk Management Committee on a regular basis. These include credit risk policies and future cash flow requirements.

	Notes	2017 ($)	2016 ($)
Financial assets			
Cash and cash equivalents	(4)	23,459,925	12,968,225
Receivables	(5)	278,074	228,621
		23,737,999	**13,196,846**
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables	(8)	2,873,411	3,989,013
		2,873,411	**3,989,013**

Directors' declaration

In accordance with a resolution of the directors of Melbourne Primary Care Network Limited, the directors of the entity declare that:

1. The financial statements and notes, as set out on pages 13 to 30 are in accordance with the *Australian Charities and Not-for-profit Commission Act 2012* and:

    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 2017 and of the performance for the year ended on that date of the entity.

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

Ines Rio

Dr Ines Rio (Chairperson)

Dated this 26th day of September 2017

Independent audit report

William Buck

Melbourne Primary Care Network Ltd

Independent auditor's report to members

Report on the Audit of the Financial Statements

Opinion

We have audited the financial report of Melbourne Primary Care Network Ltd. (the Company), 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 the directors' declaration.

In our opinion the financial report of Melbourne Primary Care Network Ltd 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 Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; 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 Company in accordance with the auditor independence requirements of the Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act) and 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 the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

CHARTERED ACCOUNTANTS
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Independent audit report

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 of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Regime and the ACNC Act and for such internal control as the directors 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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.

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

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Independent audit report

William Buck

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

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

William Buck Audit (Vic.) Pty Ltd
ABN: 59 116 151 136

A. P. Marks
Director

Melbourne, 26th September 2017

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