

**Inner East Community
Health Service**

ABN 82 136 672 681

Financial report
For the year ended 30 June 2016

Pitcher Partners

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**INNER EAST COMMUNITY
HEALTH SERVICE
ABN 82 136 672 681**

DIRECTORS' REPORT

The directors present their report together with the financial report of Inner East Community Health Service for the year ended 30 June 2016 and auditor's report thereon.

Directors' names

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

Kathryn Arndt

Joanne Booth

Diana Brown (from 16 December 2015)

Rod Davitt (from 16 December 2015)

Kerryn Grabau

Dr Michael Kennedy OAM (until 26 November 2015)

John Michailidis

Maxine Morand

Lou Panaccio (until 26 November 2015)

Alan Studley (from 16 December 2015)

Chris Trafford (until 26 November 2015)

Peter Turner

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

Results

The surplus of the company for the year amounted to \$1,358,036 (2015: \$357,944 deficit).

Significant changes in state of affairs

Significant changes in the state of affairs of the company during the financial year, were as follows:

On 14 December 2015, the company merged with Manningham Community Health Services Limited (MCHSL). From that date, the community health services previously undertaken by MCHSL were provided by Inner East Community Health Service.

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DIRECTORS' REPORT

Short-term and long-term objectives, and strategies

The company's short-term objectives are to:

- Promote new name Access Health and Community as the leading Primary Health Service in Boroondara, Manningham and Yarra.
- Create a unified platform of care across all of our communities in all services.
- Restructure operations to match the new funding environment of National Disability Insurance Scheme and the Commonwealth Home Support Program.
- Create business systems to support fee for service activities.
- Create an innovation platform to create and deliver health solutions.

The company's long-term objectives are to:

- Deliver high quality comprehensive services to all whilst ensuring that the disadvantaged have equitable access.
- Build business systems to operate in a consumer driven environment.
- Develop and promote an integrated model of care as a point of difference from other providers across all our communities.
- Build strong relationships and collaborations to drive quality of service and growth.
- Reduce dependence on block funding and increase capacity to deliver fee for service programs for both government supported and private services.
- Create differentiation, relevance and influence through innovation in the delivery of primary health services.
- Establish facilities across all our communities as a platform to deliver comprehensive integrated care.

The company has commenced the Journey towards becoming the Excellent Primary Health Service of 2020 serving the vulnerable with the same excellent outcomes as others in the community: a quality service for all. To achieve this, the following strategies have been adopted:

- Increased levels of service to patients and clients which will drive demand.
- Cost efficient operations by coordinated care system tailored for all levels of need.
- Stimulate self management and community care opportunities for patients and clients.
- Blending private and public funding to create unified care model.
- Strategic targeting of vulnerable communities to increase impact.

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DIRECTORS' REPORT

Principal activities

The principal activities of Inner East Community Health Service involve the provision of primary health care services primarily in the cities of Yarra, Manningham and Boroondara. These services include:

- Accredited bulk billing allied health/medical clinics located at:
 - 283 Church Street, Richmond
 - 378 Burwood Road, Hawthorn
 - 7 Samarinda Avenue, Ashburton
 - Headspace : Hawthorn, 360 Burwood Road, Hawthorn
- Community Dental Clinic at 7 Samarinda Avenue, Ashburton.
- Community and HACC funded allied health, nursing services and health promotion activities at:
 - 283 Church Street, Richmond
 - 378 Burwood Road, Hawthorn
 - 7 Samarinda Avenue, Ashburton
 - 1020 Doncaster Road, East Doncaster
 - 44 Balmoral Avenue, Lower Templestowe
- Drug and alcohol counselling services for the Eastern Metropolitan region of Melbourne in partnership with Eastern Health - Turning Point, Salvo Eastcare and Monashlink Community Health Service.
- Commonwealth Home Support Program funded carer support services.
- Planned Activity Groups and social support activities at:
 - 283 Church Street, Richmond
 - 32 Henry Street, Hawthorn
 - 584 Glenferrie Road, Hawthorn
 - 687 Doncaster Road, Doncaster
 - 37 Wetherby Road, Doncaster
- Hawthorn Community House and Occasional Child Care Service located at 39 William Street, Hawthorn and 32 Henry Street, Hawthorn.
- Early Childhood Intervention Services at 44 Balmoral Avenue, Lower Templestowe.

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DIRECTORS' REPORT

Key performance indicators

To help evaluate whether the activities the company established during the year have achieved its short-term and long-term objectives, the company uses the following key performance indicators to measure, analyse and monitor its performance:

- Improved performance infrastructure to support clinical activities.
- Successful meeting of accreditation standards for clinical care.
- Successful performance of contracted clinical and health services in terms of patients and client seen.
- Increases in numbers of individuals accessing services.
- Positive feedback regarding quality of service from patients, clients and the community.
- Increased partnerships and collaborations.
- New services launched.

After balance date events

On 20th July 2016, the company merged with Biala Box Hill Inc., an independent provider of Early Childhood Intervention Services. From the date, these services have been provided by Inner East Community Health Service.

Information on directors

Kathryn Arndt

Qualifications

Bachelor of Business (HRM)
Graduate Diploma (OHS)
Member of the Australian Institute of Company Directors

Experience

A senior executive with experience in not-for-profit, health services and community based organisations, FMCGs, financial services, start ups and industry associations.
Managing Director, Kathryn Arndt Consulting & BM Hotel Holdings Pty Ltd;
Non Executive Director, Diabetes Victoria; Company Secretary, Royal Melbourne Tennis Club (RMTTC).

Special responsibilities

Audit committee member

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DIRECTORS' REPORT

Information on directors (Continued)

Joanne Booth

Qualifications	Master of Public Health Graduate Diploma in Occupational Health Bachelor of Arts – Sociology / Politics Graduate Australian Institute of Company Directors Certificate in Non-Profit Governance Certificates in General and Advanced Nursing Practitioners Certificate in Mediation Graduate Certificate in Internal Audit (current)
Experience	Experienced Non-Executive Director, Chairperson and former Chief Executive Officer in the health, public and not-for-profit sectors. Governance and Risk Consultant in Melbourne and Regional Victoria. Expertise in governance, strategic planning, public policy, risk analysis and internal audit.
Special responsibilities	Chair, Quality and Risk Committee

Diana Brown

Qualifications	Bachelor of Psychology
Experience	Executive and senior management roles in superannuation, financial services information technology, consulting organisations and not-for-profits.
Special responsibilities	Quality and Risk Committee Member

Rod Davitt

Qualifications	Bachelor Economics, Bachelor Business (Accounting), Fellow Certified Practising Accountant, Graduate Australian Institute Company Directors,
Experience	Extensive experience across industries with leading Australian and international organisations resolving a diverse range of strategic, structural and operational issues resulting in improvements in performance, market position and/or reputation. Non Executive Director Manningham Community Enterprises
Special responsibilities	Chair, Audit Committee.

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DIRECTORS' REPORT

Information on directors (Continued)

Kerryn Grabau

Qualifications	Bachelor of Arts Diploma of Education Bachelor of Social Work
Experience	Extensive experience in employee health and organisational wellbeing Expertise in industrial relations, including negotiation of agreements Knowledge, involvement and commitment to the community, especially the City of Yarra Secondary Teacher Educational Management Statewide Committees on Student and Teacher Welfare Member Teaching Service Appeals Board Member of School Councils
Special responsibilities	Governance Committee member.

Dr Michael Kennedy OAM

Qualifications	Bachelor of Business Doctor of Business Administration Fellow Australian Institute of Company Directors Fellow Institute of Public Administration Australia Fellow Local Government Professionals
Experience	Experience as CEO/senior executive in public and private sectors. Experience as Director and Chairman in community sector and with peak bodies. Experience in Community Health, local government, change/reform management and advocacy.
Special responsibilities	Chair, Audit Committee

John Michailidis

Qualifications	Bachelor of Science Diploma In Education Executive MBA Harvard University Fellow Australian Institute of Management Member Australian Institute of Company Directors
Experience	Broad experience and expertise in strategic planning, organisational growth, business development. Non-executive Director, Australian Diabetes Educators Association Director JEM Pharmaceuticals Pty Ltd Managing Director Teva Pharma Australia Pty Ltd
Special responsibilities	Chair, Governance Committee

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DIRECTORS' REPORT

Information on directors (Continued)

Maxine Morand

Qualifications	Bachelor of Arts Masters of Arts Preliminary (Hons) Graduate Australian Institute of Company Directors
Experience	Member of the Victorian Parliament for eight years Minister for Children, Early Childhood Development and Women's Affairs (2007-2010). CEO of Breast Cancer Network Australia Chair Board of Directors, Peter MacCallum Cancer Centre (current)
Special responsibilities	Governance Committee member

Lou Panaccio

Qualifications	Bachelor of Economics Chartered Accountant Member Australian Institute of Company Directors
Experience	Chartered Accountant with strong management experience in business and healthcare services. Currently Executive Chairman (from July 2011) of ASX listed Genera Biosystems Limited (Director from November 2010) Chairman of Avita Medical Limited (from July 2014) Executive Chairman of Health Networks Australia Non Executive Director of Yarra Community Housing Limited
Special responsibilities	Audit Committee member

Alan Studley

Qualifications	Masters of Business Administration Graduate Diploma Management Systems Bachelor Business (Accounting / Marketing) Fellow CPA Australia Fellow Australian Institute of Company Directors
Experience	Consultancy and management positions in health and financial sector, community based organisations, director positions with Revenue Clearing House, Sausage Software, Hospital Superannuation Board, Metropolitan Ambulance Service and Victorian Hospitals Association
Special responsibilities	Quality and Risk Committee Member Audit Committee Member

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DIRECTORS' REPORT

Information on directors (Continued)

Chris Trafford

Qualifications	Bachelor of Commerce Fellow Australian Institute of Company Directors
Experience	Chairman Close The Loop Ltd Director Health Networks Australia Pty Ltd Director ReThink Pty Ltd
Special responsibilities	Governance Committee member

Peter Turner

Qualifications	Masters of Health Administration Diploma of Business – Accounting Fellow of CPA Australia (FCPA) Fellow of the Australian Institute of Management (FAIM) Associate Fellow of the Australian College of Health Service Management Member of the Australian Institute of Company Directors
Experience	Mr Turner is the Managing Director of Independence Australia. He has worked in a range of senior management positions in the health and community services industry for over 25 years in the public, private and not-for-profit sectors. He is a Harvard Club Fellow, an Alumnus of Leadership Victoria, a volunteer Surveyor for the Australian Council on Healthcare Standards, and has also served as the pro-bono Chief Executive of a charitable trust. Mr. Turner has extensive experience in corporate governance, capital, service planning and the management of health and community services. He has special interests in corporate governance and risk management.
Special responsibilities	Chairman Governance Committee member

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DIRECTORS' REPORT

Meetings of directors

Directors	Directors' meetings		Audit committee meetings		Quality and Risk committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Kathryn Arndt	10	10	4	3	-	-
Joanne Booth	10	10	-	-	1	1
Diana Brown	7	6	-	-	-	-
Rod Davitt	7	6	3	3	-	-
Kerryn Grabau	10	8	-	-	-	-
Dr Michael Kennedy OAM	4	3	3	3	-	-
John Michailidis	10	10	-	-	-	-
Maxine Morand	10	9	-	-	1	1
Lou Panaccio	4	3	3	3	-	-
Alan Studley	7	7	3	3	-	-
Chris Trafford	4	4	-	-	-	-
Peter Turner	10	10	-	-	2	2

Members guarantee

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute to a maximum of \$10 each towards meeting any outstandings and obligations of the company. At 30 June 2016 the number of members was 147 (2015: 147). The combined total amount that members of the company are liable to contribute if the company is wound up is \$1,470 (2015: \$1,470).

Auditor's independence declaration

A copy of the auditor's independence declaration under APES 110 *Code of Ethics for Professional Accountants* in relation to the audit for the financial year is provided with this report.

Signed on behalf of the board of directors.

Director: _____

Peter Turner

Director: _____

Rod Davitt

Dated this 28 day of September 2016

INNER EAST COMMUNITY
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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF INNER EAST COMMUNITY HEALTH SERVICE

In relation to the independent audit for the year ended 30 June 2016, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *APES 110 Codes of Ethics for Professional Accountants*; and
- (ii) no contraventions of any applicable code of professional conduct.



M J HARRISON

Partner

29 September 2016



PITCHER PARTNERS

Melbourne

**INNER EAST COMMUNITY
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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 \$
Revenue and other income			
Revenue	2	13,986,722	10,952,769
Gain on merger	2	<u>1,358,595</u>	<u>-</u>
	2	<u>15,345,317</u>	<u>10,952,769</u>
Less: expenses			
Employee benefits expense	3	(10,941,812)	(8,720,606)
Contract labour		(232,015)	(322,313)
Depreciation and amortisation expense	3	(420,968)	(421,171)
Computer expenses		(304,840)	(172,694)
Medical expenses		(146,226)	(137,238)
Repairs and maintenance expense		(283,251)	(146,752)
Occupancy expense		(185,627)	(130,090)
Office costs		(93,907)	(130,224)
Contract cleaning costs		(172,628)	(138,484)
Contractor and consultant costs		(258,192)	(100,782)
Telephone expenses		(210,805)	(106,179)
Motor vehicle expenses		(114,510)	(85,886)
Finance costs	3	(9,312)	(115,086)
Utility expenses		(99,635)	(56,383)
Advertising expense		(42,518)	(22,988)
Professional fees		(49,668)	(49,777)
Accreditation expense		(27,718)	(13,448)
Catering costs		(28,757)	(36,145)
Other expenses		<u>(364,892)</u>	<u>(123,650)</u>
		<u>(13,987,281)</u>	<u>(11,029,896)</u>
Surplus / (deficit) from continuing operations		<u>1,358,036</u>	<u>(77,127)</u>
Deficit from discontinued operations		<u>-</u>	<u>(280,817)</u>
Surplus / (deficit) for the year		<u>1,358,036</u>	<u>(357,944)</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit and loss</i>			
Revaluation of land and buildings		<u>-</u>	<u>1,210,731</u>
Total comprehensive income		<u>1,358,036</u>	<u>852,787</u>

The accompanying notes form part of these financial statements.

**INNER EAST COMMUNITY
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**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	Note	2016 \$	2015 \$
Current assets			
Cash and cash equivalents	5	6,130,702	4,216,674
Receivables	6	162,715	338,398
Other assets	7	<u>306,382</u>	<u>238,175</u>
Total current assets		<u>6,599,799</u>	<u>4,793,247</u>
Non-current assets			
Property, plant and equipment	8	<u>12,817,506</u>	<u>12,650,971</u>
Total non-current assets		<u>12,817,506</u>	<u>12,650,971</u>
Total assets		<u>19,417,305</u>	<u>17,444,218</u>
Current liabilities			
Payables	9	966,079	607,954
Provisions	10	1,590,842	1,662,536
Other liabilities	11	<u>92,480</u>	<u>150,377</u>
Total current liabilities		<u>2,649,401</u>	<u>2,420,867</u>
Non-current liabilities			
Provisions	10	<u>432,057</u>	<u>45,540</u>
Total non-current liabilities		<u>432,057</u>	<u>45,540</u>
Total liabilities		<u>3,081,458</u>	<u>2,466,407</u>
Net assets		<u>16,335,847</u>	<u>14,977,811</u>
Equity			
Reserves	12	7,550,992	7,550,992
Accumulated surplus	13	<u>8,784,855</u>	<u>7,426,819</u>
Total equity		<u>16,335,847</u>	<u>14,977,811</u>

The accompanying notes form part of these financial statements.

**INNER EAST COMMUNITY
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

	Reserves \$	Accumulated surplus \$	Total equity \$
Balance as at 1 July 2014	9,509,303	4,615,721	14,125,024
Deficit for the year	-	(357,944)	(357,944)
Revaluation of land and buildings	<u>1,210,731</u>	<u>-</u>	<u>1,210,731</u>
Total comprehensive income for the year	<u>1,210,731</u>	<u>(357,944)</u>	<u>852,787</u>
Transactions with owners in their capacity as owners:			
Transfers to reserves	-	3,169,042	3,169,042
Transfers from reserves	<u>(3,169,042)</u>	<u>-</u>	<u>(3,169,042)</u>
Total transactions with owners in their capacity as owners	<u>(3,169,042)</u>	<u>3,169,042</u>	<u>-</u>
Balance as at 30 June 2015	<u>7,550,992</u>	<u>7,426,819</u>	<u>14,977,811</u>
Balance as at 1 July 2015	7,550,992	7,426,819	14,977,811
Surplus for the year	<u>-</u>	<u>1,358,036</u>	<u>1,358,036</u>
Total comprehensive income for the year	<u>-</u>	<u>1,358,036</u>	<u>1,358,036</u>
Balance as at 30 June 2016	<u>7,550,992</u>	<u>8,784,855</u>	<u>16,335,847</u>

The accompanying notes form part of these financial statements.

**INNER EAST COMMUNITY
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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 \$
Cash flow from operating activities			
Receipts from customers		3,395,016	3,268,735
Operating grant receipts		11,524,839	9,278,765
Donations received		20,306	9,589
Payments to suppliers and employees		(15,143,294)	(12,450,709)
Interest received		107,214	92,450
Finance costs		<u>(9,312)</u>	<u>(108,421)</u>
Net cash provided by / (used in) operating activities		<u>(105,231)</u>	<u>90,409</u>
Cash flow from investing activities			
Proceeds from sale of Sir Eric Pearce House		-	2,784,689
Payment for property, plant and equipment		(223,421)	(98,105)
Proceeds from property, plant and equipment		<u>17,273</u>	<u>14,000</u>
Net cash provided by / (used by) in investing activities		<u>(206,148)</u>	<u>2,700,584</u>
Cash flow from financing activities			
Repayment of borrowings		-	(1,500,000)
Cash acquired via merger with MCHS		<u>2,225,407</u>	<u>-</u>
Net cash provided by / (used in) financing activities		<u>2,225,407</u>	<u>(1,500,000)</u>
Reconciliation of cash			
Cash at beginning of the financial year		4,216,674	2,925,681
Net increase / (decrease) in cash held		<u>1,914,028</u>	<u>1,290,993</u>
Cash at end of financial year	16(a)	<u><u>6,130,702</u></u>	<u><u>4,216,674</u></u>

The accompanying notes form part of these financial statements.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, Australian Accounting Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commissions Act 2012*.

The financial report was approved by the directors as at the date of the directors' report.

The financial report is for the entity Inner East Community Health Service as an individual entity. Inner East Community Health Service is a company limited by guarantee, incorporated and domiciled in Australia. Inner East Community Health Service is a not-for-profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by the company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards Reduced Disclosure Requirements, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards, Board and the *Australian Charities and Not for profits Commissions Act 2012*.

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

(b) Economic dependence

Inner East Community Health Service is dependent on the grant funding from State, Federal and local sources for the majority of its revenue used to operate the business. At the date of this report the directors have no reason to believe the funding will not continue to support Inner East Community Health Service.

(c) Revenue

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

Grant income is recognised when the entity obtained control of the grant, it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be reliably measured.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

Rent revenue is recognised on a straight-line basis over the rental term.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other revenue is recognised when the right to receive the revenue has been established.

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

(d) Income tax

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

(e) Assets and liabilities held for sale

Assets and liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Assets are not depreciated or amortised while they are classified as held for sale.

Assets and liabilities classified as held for sale are presented separately from the other assets and liabilities on the balance sheet.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(g) Property, plant and equipment

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (Continued)

Property

Freehold land and buildings are measured at fair value. At each balance date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. To the extent that the increase reverses a decrease of the same class of asset previously recognised in profit or loss, the increase is recognised in profit or loss. Decreases that offset previous increases of the same class of asset are recognised in other comprehensive income under the heading of revaluation surplus; all other decreases are charged to profit and loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment is measured on the cost basis.

Depreciation

The depreciable amount of all fixed assets is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of fixed asset is not depreciated.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Class of fixed asset	Depreciation rates	Depreciation basis
Buildings at valuation	2.5%	Straight line
Plant and equipment at cost	10-25%	Straight line
Leasehold improvements at cost	40%	Straight line
Motor vehicles at cost	16%	Straight line

INNER EAST COMMUNITY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of non-financial assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

Depreciated replacement costs is used to determine value in use. Depreciated replacement costs is the current replacement cost of an asset less, where applicable, accumulated depreciation to date, calculated on the basis of such cost.

(i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

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

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

(j) Borrowing costs

Borrowing costs including interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, in which case the costs are capitalised until the asset is ready for its intended use or sale.

INNER EAST COMMUNITY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(l) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

**INNER EAST COMMUNITY
HEALTH SERVICE
ABN 82 136 672 681**

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

	2016	2015
	\$	\$
NOTE 2: REVENUE AND OTHER INCOME		
<i>Grant and subsidies income</i>		
Dental Health Services Victoria	1,046,920	832,272
Department of Health and Ageing	771,904	794,582
Eastern Access Community Health	328,051	305,668
Headspace	911,460	887,156
Local government grants	107,643	83,329
Eastern Health	442,749	435,416
St Vincent's Hospital	142,844	384,137
State government grant - Department of Health	6,132,987	3,990,519
State government grant - Department of Education	294,482	-
Community Offenders Advice & Treatment Service	-	8,120
Other grants	<u>321,275</u>	<u>177,022</u>
	<u>10,500,315</u>	<u>7,898,221</u>
<i>Income from operations</i>		
Client fees and medical supply sales	815,557	832,519
Medicare fees	1,128,261	883,060
Practice incentive payments	275,813	265,363
Rental charges	<u>991,518</u>	<u>912,411</u>
	<u>3,211,149</u>	<u>2,893,353</u>
Interest income	107,214	72,924
<i>Other revenue</i>		
Donations received	20,306	9,589
Other revenue	135,395	78,682
Profit on sale of non current assets	<u>12,343</u>	<u>-</u>
	<u>168,044</u>	<u>88,271</u>
	<u>13,986,722</u>	<u>10,952,769</u>
Other Income		
Gain on merger	<u>1,358,595</u>	<u>-</u>
	<u>15,345,317</u>	<u>10,952,769</u>

On 14 December 2015, the company merged with Manningham Community Health Services Limited (MCHSL). From that date, the community health services previously undertaken by MCHSL were provided by Inner East Community Health Service. A gain on merger of \$1,358,595 has been recorded in the current financial year.

**INNER EAST COMMUNITY
HEALTH SERVICE
ABN 82 136 672 681**

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

	2016	2015
	\$	\$
NOTE 3: OPERATING PROFIT		
Surplus has been determined after:		
Finance costs		
- bank loan interest	-	108,421
- bank charges and borrowing costs	<u>9,312</u>	<u>6,665</u>
	9,312	115,086
Depreciation		
- buildings	119,267	119,179
- leasehold improvements	99,240	90,000
- plant and equipment	139,626	142,542
- motor vehicles	<u>62,835</u>	<u>69,450</u>
	420,968	421,171
Bad and doubtful debts	5,876	768
Employee benefits	10,941,812	8,720,606
NOTE 4: KEY MANAGEMENT PERSONNEL COMPENSATION		
Compensation received by key management personnel of the company		
- short-term employee benefits	761,092	802,356
- post-employment benefits	72,061	74,396
- termination benefits	<u>-</u>	<u>160,273</u>
	<u>833,153</u>	<u>1,037,025</u>

**INNER EAST COMMUNITY
HEALTH SERVICE
ABN 82 136 672 681**

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

	2016	2015
	\$	\$
NOTE 5: CASH AND CASH EQUIVALENTS		
Cash on hand	4,440	2,500
Cash at bank	531,764	5,201
Cash on deposit	<u>5,594,498</u>	<u>4,208,973</u>
	<u>6,130,702</u>	<u>4,216,674</u>
 NOTE 6: RECEIVABLES		
CURRENT		
Trade debtors	163,491	338,398
Provision for doubtful debts	<u>(776)</u>	<u>-</u>
	<u>162,715</u>	<u>338,398</u>
	<u>162,715</u>	<u>338,398</u>
 NOTE 7: OTHER ASSETS		
CURRENT		
Prepayments	90,674	39,689
Accrued income	<u>215,708</u>	<u>198,486</u>
	<u>306,382</u>	<u>238,175</u>
 NOTE 8: PROPERTY, PLANT AND EQUIPMENT		
Land at independent valuation		
283 Church Street, Richmond	4,736,000	4,736,000
378 Burwood Road, Hawthorn	<u>2,487,000</u>	<u>2,487,000</u>
Total freehold land	<u>7,223,000</u>	<u>7,223,000</u>
 Buildings at independent valuation		
283 Church Street, Richmond	767,126	764,000
Accumulated depreciation	<u>(18,942)</u>	<u>-</u>
	748,184	764,000
378 Burwood Road, Hawthorn	4,013,000	4,013,000
Accumulated depreciation	<u>(200,650)</u>	<u>(100,325)</u>
	<u>3,812,350</u>	<u>3,912,675</u>
Total buildings	<u>4,560,534</u>	<u>4,676,675</u>
Total land and buildings	<u>11,783,534</u>	<u>11,899,675</u>

**INNER EAST COMMUNITY
HEALTH SERVICE
ABN 82 136 672 681**

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

	2016	2015
	\$	\$
NOTE 8: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Plant and equipment		
Plant and equipment at cost	1,718,556	1,380,255
Accumulated depreciation	<u>(1,147,078)</u>	<u>(919,382)</u>
	571,478	460,873
Works in progress	21,080	-
Leasehold improvements	984,259	300,000
Accumulated depreciation	<u>(837,413)</u>	<u>(165,000)</u>
	146,846	135,000
Motor vehicles at cost	729,245	512,400
Accumulated depreciation	<u>(434,677)</u>	<u>(356,977)</u>
	<u>294,568</u>	<u>155,423</u>
Total plant and equipment	<u>1,033,972</u>	<u>751,296</u>
Total property, plant and equipment	<u><u>12,817,506</u></u>	<u><u>12,650,971</u></u>

(a) Details for measurement of revalued amounts

Independent valuations of the fair value of the land and buildings at 283 Church Street and 378 Burwood Road, Hawthorn were completed as at 30 June 2015 and 30 June 2014 respectively. Directors are of the view that these properties are still recorded at their fair values.

(b) Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

Freehold land

Opening carrying amount	7,223,000	6,039,000
Net revaluation increment	<u>-</u>	<u>1,184,000</u>
Closing carrying amount	<u><u>7,223,000</u></u>	<u><u>7,223,000</u></u>

Buildings

Opening carrying amount	4,676,675	4,761,000
Additions	3,126	8,123
Net revaluation increment	-	26,731
Depreciation expense	<u>(119,267)</u>	<u>(119,179)</u>
Closing carrying amount	<u><u>4,560,534</u></u>	<u><u>4,676,675</u></u>

INNER EAST COMMUNITY
HEALTH SERVICE
ABN 82 136 672 681

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 8: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
(b) Reconciliations (Continued)		
<i>Plant and equipment</i>		
Opening carrying amount	460,873	529,227
Additions	195,061	74,806
Disposals	-	(618)
Additions through merge of organisations	76,250	-
Depreciation expense	<u>(139,626)</u>	<u>(142,542)</u>
Closing carrying amount	<u>592,558</u>	<u>460,873</u>
<i>Leasehold improvements</i>		
Opening carrying amount	135,000	225,000
Additions through merge of organisations	111,086	-
Depreciation expense	<u>(99,240)</u>	<u>(90,000)</u>
Closing carrying amount	<u>146,846</u>	<u>135,000</u>
<i>Motor vehicles</i>		
Opening carrying amount	155,423	222,283
Additions	25,234	15,176
Disposals	(4,929)	(12,586)
Additions through merge of organisations	181,675	-
Depreciation expense	<u>(62,835)</u>	<u>(69,450)</u>
Closing carrying amount	<u>294,568</u>	<u>155,423</u>
<i>Total property, plant and equipment</i>		
Opening carrying amount	12,650,971	11,776,510
Additions	223,421	98,105
Disposals	(4,929)	(13,204)
Additions through merge of organisations	369,011	-
Net revaluation increment	-	1,210,731
Depreciation expense	<u>(420,968)</u>	<u>(421,171)</u>
Closing carrying amount	<u>12,817,506</u>	<u>12,650,971</u>

**INNER EAST COMMUNITY
HEALTH SERVICE
ABN 82 136 672 681**

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

		2016	2015
		\$	\$
NOTE 9: PAYABLES			
CURRENT			
<i>Unsecured liabilities</i>			
Trade creditors		14,095	107,151
Sundry creditors and accruals		<u>951,984</u>	<u>500,803</u>
		<u>966,079</u>	<u>607,954</u>
 NOTE 10: PROVISIONS			
CURRENT			
Employee benefits	(a)	1,509,050	1,662,536
Office restoration		<u>81,792</u>	<u>-</u>
		<u>1,590,842</u>	<u>1,662,536</u>
NON CURRENT			
Employee benefits	(a)	<u>432,057</u>	<u>45,540</u>
(a) Aggregate employee benefits liability		1,941,107	1,708,076
 NOTE 11: OTHER LIABILITIES			
CURRENT			
Deferred income		78,294	150,377
Grants received in advance		<u>14,186</u>	<u>-</u>
		<u>92,480</u>	<u>150,377</u>
 NOTE 12: RESERVES			
Asset revaluation reserve	12(a)	<u>7,550,992</u>	<u>7,550,992</u>

**INNER EAST COMMUNITY
HEALTH SERVICE
ABN 82 136 672 681**

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

	2016	2015
	\$	\$
NOTE 12: RESERVES (CONTINUED)		
(a) Asset revaluation reserve		
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.		
<i>Movements in reserve</i>		
Opening balance	7,550,992	9,509,303
Revaluation of land and buildings	-	1,210,731
Transfers from reserve	-	<u>(3,169,042)</u>
Closing balance	<u>7,550,992</u>	<u>7,550,992</u>

NOTE 13: ACCUMULATED SURPLUS

Accumulated surplus at beginning of year	7,426,819	4,615,721
Surplus / (deficit) for the year	1,358,036	(357,944)
Transfers from reserves	-	<u>3,169,042</u>
	<u>8,784,855</u>	<u>7,426,819</u>

NOTE 14: CAPITAL AND LEASING COMMITMENTS

(a) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable		
- not later than one year	262,498	69,544
- later than one year and not later than five years	<u>278,622</u>	<u>82,527</u>
	<u>541,120</u>	<u>152,071</u>

Operating lease commitments are in relation to leased premises at 1020 Doncaster Road, 360 Burwood Road, and office photo copiers.

NOTE 15: CONTINGENT ASSETS AND CONTINGENT LIABILITIES

At the date of this report, the Board of Directors is unaware of any assets or liabilities, contingent or otherwise that were not already disclosed elsewhere in this report. (2015: nil).

_____ - _____ -

INNER EAST COMMUNITY
HEALTH SERVICE
ABN 82 136 672 681

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 16: CASH FLOW INFORMATION		
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:		
Cash on hand	4,440	2,500
Cash at bank	531,764	5,201
At call deposits with financial institutions	<u>5,594,498</u>	<u>4,208,973</u>
	<u>6,130,702</u>	<u>4,216,674</u>

**INNER EAST COMMUNITY
HEALTH SERVICE
ABN 82 136 672 681**

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

NOTE 17: RELATED PARTY TRANSACTIONS

The related parties of Inner East Community Health Service are the directors as listed below:

- | | |
|--------------------------|--------------------|
| - Kathryn Arndt | - John Michailidis |
| - Kerry Grabau | - Chris Trafford |
| - Dr Michael Kennedy OAM | - Maxine Morand |
| - Lou Panaccio | - Joanne Booth |
| - Peter Turner | - Rod Davitt |
| - Alan Studley | - Diana Brown |

No services were rendered to Inner East Community Health Service during the year or the prior year by the Directors and/or their related parties (an entity in which the Director is a member/shareholder/Director or with a Company in which the Director has a substantial financial interest).

NOTE 18: EVENTS SUBSEQUENT TO REPORTING DATE

(a) On 20th July 2016, the company merged with Biala Box Hill Inc., an independent provider of Early Childhood Intervention Services. From the date, these services have been provided by Inner East Community Health Service.

(b) An estimation of the financial effect of the amalgamation cannot be reliably made.

NOTE 19: MEMBERS' GUARANTEE

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute to a maximum of \$10 each towards meeting any outstandings and obligations of the company. At 30 June 2016 the number of members was 147 (2015: 1470). The combined total amount that members of the company are liable to contribute if the company is wound up is \$1,470 (2015: \$1,470).

NOTE 20: COMPANY DETAILS

The registered office of the company is:

Inner East Community Health Service
283 Church Street
RICHMOND VIC 3121

INNER EAST COMMUNITY
HEALTH SERVICE
ABN 82 136 672 681

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 11 - 28, are in accordance with the *Australian Charities and Not-for-profits Commissions Act 2012*: and
 - (a) comply with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profit Commission Regulation 2013*; and
 - (b) give a true and fair view of the financial position as at 30 June 2016 and performance for the 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 Board of Directors.

Director: _____

Peter Turner

Director: _____

Rod Davitt

Dated this 28 day of September 2016

**INNER EAST COMMUNITY
HEALTH SERVICE
ABN 82 136 672 681**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INNER EAST COMMUNITY HEALTH SERVICE**

We have audited the accompanying financial report of Inner East Community Health Service, which comprises the statement of financial position as at 30 June 2016, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commissions Act 2012* 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *APES 110 Code of Ethics for Professional Accountants*.

INNER EAST COMMUNITY
HEALTH SERVICE
ABN 82 136 672 681

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INNER EAST COMMUNITY HEALTH SERVICE

Opinion

In our opinion, the financial report of Inner East Community Health Service is in accordance with the *Australian Charities and Not-for-profits Commissions Act 2012*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Regulation 2013*.



M J HARRISON

Partner



PITCHER PARTNERS

Melbourne

Date *29 September 2016*

