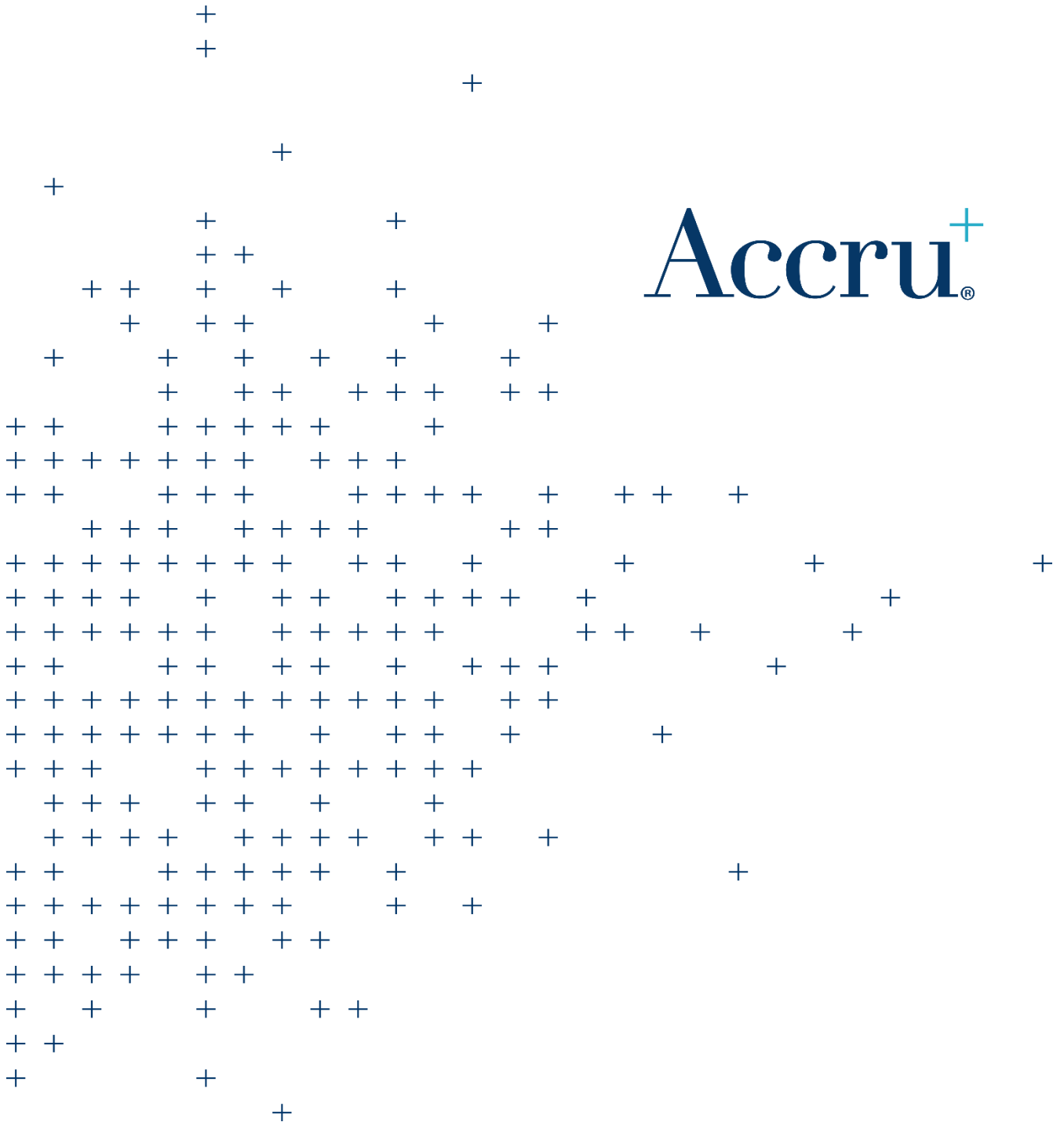


STAR HEALTH GROUP LIMITED
ABN 74 711 038 580

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019



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Star Health Group Limited

ABN: 74 711 038 580

Contents

For the Year Ended 30 June 2019

	Page
Financial Statements	
Directors' Report	1 - 5
Auditor's Independence Declaration under Section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012	6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 - 27
Responsible Entities' Declaration	28
Independent Audit Report	29 - 30

Directors' Report

30 June 2019

Your directors present their report on Star Health Group Limited for the financial year ended 30 June 2019.

Information on Directors

The names of each person who has been a Director during the year and to the date of this report are:

Tass Mousaferiadis	Chair as of June 2019 Commenced 2012
Qualifications & Experience	Graduate Australian Institute of Company Directors, Graduate Certificate in Business Management, Graduate Diploma in Health Education, Bachelor of Education. Health policy advisor and consultant. Eastern Health Board Chair, Foodbank Victoria and the Victorian Responsible Gambling Foundation Board Director, Radio presenter on JOY 94.9.
Special responsibilities	Chair of the Executive Performance & Development Committee
Michelle Towstoless	Deputy Chair Commenced 2018
Qualifications & Experience	PhD (University of Melbourne), Bachelor of Science (Honours) First Class. Former: Pro Vice Chancellor; Executive Dean Faculty of Health Engineering & Science; and Chair of the Academic Board at Victoria University as well as former member of Victoria University Council. Former President and member Western Region Health Centre Board and former Board member Women's Health West. Member of Australian Institute of Company Directors
Special responsibilities	Chair of the Nominations committee, Member of the Executive Performance & Development Committee, Member of the Clinical Governance & Quality Committee
Eddie Micallef	Term ended 24 October 2018
Qualifications & Experience	OH&S Officer for the AMWU, served in the Victorian Parliament from 1983 1999, Chairperson of Ethnic Communities Council of Victoria, Member of the Health Services Review Council, Member of the Hepatitis Victoria Board, President of the Beacon Cove Neighbourhood Association.
Special responsibilities	Member of the Clinical Governance and Quality Committee.
Frank O'Connor	Term ended 24 October 2018
Qualifications & Experience	GAICD, ARMIT, MACS (Snr), former Councillor and Mayor of the City of Port Phillip and former Mayor of City of South Melbourne, Director of a number of other Not for Profit organisations.
Special responsibilities	Member of the Finance & Audit Committee.
Michael McGartland	Commenced 1991
Qualifications & Experience	Bachelor of Science (Hons), Master of Science, FCCLP, FCCOUNP, MAPS. Principal Clinical Psychologist, Alfred Health. Adjunct Associate Professor, Swinburne University. Former Foundation Director, Community Health Research & Development Centre, LaTrobe University (now Australian Institute for Primary Care and Ageing).
Special responsibilities	Chair of the Clinical Governance and Quality Committee.

Directors' Report

30 June 2019

Information on Directors (Continued)

Nick Capes	Treasurer Commenced 2014
Qualifications & Experience	Bachelor of Commerce (Hons), Chartered Accountant, previously the General Manager at Repco Cycles Company and Chief Financial Officer with the Walt Disney Company (Australia).
Special responsibilities	Chair of Finance & Audit Committee. Member of the Executive Performance & Development Committee
Judith Klepner	Chair from 2014 - May 2019 Commenced 2014
Qualifications & Experience	GAICD, Bachelor of Arts, Diploma of Education, Graduate Diploma Inter Ethnic Studies & Education, Practitioner's Certificate in Mediation, Former Board member of Dental Health Services Victoria, Former Councillor of City of Port Phillip, Former Board member Adult, Community and Further Education State Board.
Special responsibilities	Member of the Clinical Governance & Quality Committee.
David Endean	Commenced 2014
Qualifications & Experience	Bachelor of Arts, Diploma of Education, over 40 years' experience in education both in Australia & Overseas, including 25 years in senior executive positions, as well as experience in governance.
Special responsibilities	Member of the Finance & Audit Committee.
Anne Garrow	Commenced 2013
Qualifications & Experience	Bachelor of Commerce, Bachelor of Social Work, Masters of Public Health, over 30 years' experience working in the community sector, including work in Aboriginal health services in remote regional and urban Australia.
Special responsibilities	Member of the Finance & Audit Committee.
Melanie Eagle	Commenced 2013
Qualifications	GAICD, formal qualifications in Arts, Social Work, International Development and Law, CEO of Hepatitis Victoria, Director of Hepatitis Australia and Alfred Health.
Special responsibilities	Member of the Clinical Governance & Quality Committee.
Tori Berquist	Commenced 2018
Qualifications	Bachelor of Medicine/Bachelor of Surgery (Honours) and Bachelor of Medical Science (Honours). director of Midsumma Festival.
Special responsibilities	Member of the Clinical Governance & Quality Committee, Member of the Executive Performance & Development Committee.
Bronwyn Gresham	Commenced 2018
Qualifications	Bachelor of Psychology (Honours), Doctor of Psychology (clinical), senior psychologist with Alfred Mental and Addiction Health, member of the Australian Psychological Society, Committee member with Psychology for a Safe Climate, Member of the Climate and Health Alliance.
Special responsibilities	Member of the Clinical Governance & Quality Committee.

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

Directors' Report

30 June 2019

Principal activities

The principal activity of Star Health Group Limited is the delivery of primary health care. Support services are delivered within the area of mental health, oral health, health promotion, case management, counselling, drug and alcohol, family and youth, community nursing as well as services to alleviate the pressures on hospitals and emergency departments including a GP clinic.

No significant changes in the nature of the entity's activity occurred during the financial year.

Short term objectives

The Company's short term objectives are to:

- Develop a more comprehensive primary health care service;
- Deliver more accessible and responsive services;
- Reduce the health equity gap;
- Support and resource our people (staff) to deliver our vision.

Long term objectives

The Company's long term objectives are to:

- Develop and deliver quality health services that respond to the needs of our communities, with a particular focus on engaging those who may not readily access mainstream services; and
- Advocate for a social model of health and address the structural reasons for health inequity.

Strategy for achieving the objectives

To achieve these objectives, the Company has adopted the following strategies:

- Develop a Star Health model of 'comprehensive primary health care';
- Provide models of service that support and care for people in community settings and reduce their need for hospital based services;
- Continue to be innovators in responding to chronic and complex conditions;
- Increase our focus on prevention and early intervention, particularly for new funded services;
- Foster entrepreneurial approaches to service delivery and service development;
- Respond to each client's full range of needs, not just their presenting issue;
- Be at the forefront of responsive service delivery, aligning service responses to best meet community need;
- Over time, develop new service models that promote universal access where they can complement and sustain our traditional platform and our traditional client base;

Directors' Report

30 June 2019

Strategy for achieving the objectives (Continued)

- Encourage stronger ownership and involvement of clients and communities in their health and engage them in the organisation;
- Build the capacity of individuals and communities (population groups) to improve their health and wellbeing;
- Increase our knowledge and focus on the structural barriers that create and perpetuate health inequalities, through research and advocacy and respond to those inequities;
- Foster our role as a leader in the primary health care domain;
- Maintain a healthy and constructive culture, which encourages client focused, performance oriented behaviour, innovation and excellence in the provision of health services;
- Ensure our workforce will be appropriately configured, developed, qualified and skilled to deliver an effective and client focused health service;
- Continue to manage our physical resources to ensure an effective, safe and efficient service;
- Continue to have safety and quality systems that are integrated and managed systematically with clear lines of accountability to ensure continuously improving performance; and
- Ensure our financial management will continue to reflect our goals and support an efficient and sustainable service.

Significant changes in state of affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Members' guarantee

Star Health Group Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$ 1.

At 30 June 2019 the collective liability of members was \$ 236 (2018: \$ 236).

Star Health Group Limited

ABN: 74 711 038 680

Directors' Report

30 June 2019

Meetings of Directors

During the financial year, 9 meetings of Directors were held. Attendances by each Director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Tass Mousaferiadis	9	8
Michelle Towstoless	7	6
Eddie Micallef	3	2
Frank O'Connor	3	3
Judith Klepner	9	8
Michael McGartland	9	7
Nick Capes	9	8
David Endean	9	7
Anne Garrow	7	4
Melanie Eagle	9	7
Tori Berquist	9	9
Bronwyn Gresham	9	8

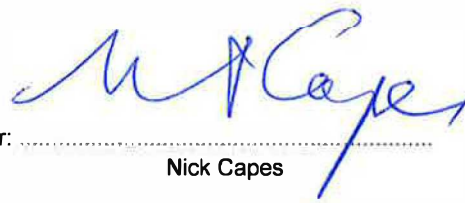
Auditor's independence declaration

The auditor's independence declaration in accordance with section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, for the year ended 30 June 2019 has been received and can be found on page 6 of the financial report.

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



Director:
Tass Mousaferiadis



Director:
Nick Capes

Dated 23 October 2019

Star Health Group Limited

ABN: 74 711 038 580

Auditor's Independence Declaration under Section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012 to the Directors of Star Health Group Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

ACCRU MELBOURNE (AUDIT) PTY LTD



C J FLYNN
Director

23 October 2019

Star Health Group Limited

ABN: 74 711 038 580

Statement of Comprehensive Income For the Year Ended 30 June 2019

		2019	2018
	Note	\$	\$
Revenue	2	34,081,411	29,466,488
Other income	2	842,872	1,040,463
Employee benefits expense		(24,099,218)	(22,173,499)
Depreciation and amortisation expense		(1,131,652)	(780,350)
Client costs and medical supplies		(3,811,888)	(3,293,793)
Computer expenses		(884,821)	(637,334)
Motor vehicle expenses		(263,888)	(262,245)
Consulting and professional fees		(565,521)	(665,226)
Other expenses		(2,355,847)	(1,796,536)
Operating surplus for the year		1,811,448	897,968
Profit on sale of land and buildings		-	853,700
Surplus for the year		1,811,448	1,751,668
Other comprehensive income			
Net fair value movements for financial assets		166,282	60,401
Realised loss on sale of investments		(48,665)	-
Other comprehensive income for the year		117,617	60,401
Total comprehensive income for the year		1,929,065	1,812,069

The accompanying notes form part of these financial statements.

Star Health Group Limited

ABN: 74 711 038 580

Statement of Financial Position

As at 30 June 2019

	Note	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	5,145,758	11,523,950
Trade and other receivables	5	713,687	300,063
Other assets	7	634,601	555,197
TOTAL CURRENT ASSETS		6,494,046	12,379,210
NON-CURRENT ASSETS			
Financial assets	6	10,931,773	4,325,142
Property, plant and equipment	8	6,415,400	5,186,588
Intangible assets	9	333,270	160,022
TOTAL NON-CURRENT ASSETS		17,680,443	9,671,752
TOTAL ASSETS		24,174,489	22,050,962
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	2,589,308	2,010,976
Employee benefits	11	3,393,632	3,252,756
Other liabilities	12	2,016,741	2,341,846
TOTAL CURRENT LIABILITIES		7,999,681	7,605,578
NON-CURRENT LIABILITIES			
Employee benefits	11	664,170	863,811
TOTAL NON-CURRENT LIABILITIES		664,170	863,811
TOTAL LIABILITIES		8,663,851	8,469,389
NET ASSETS		15,510,638	13,581,573
EQUITY			
Reserves		226,683	60,401
Accumulated surplus		15,283,955	13,521,172
TOTAL EQUITY		15,510,638	13,581,573

The accompanying notes form part of these financial statements.

Star Health Group Limited

ABN: 74 711 038 580

Statement of Changes in Equity**For the Year Ended 30 June 2019****2019**

	Accumulated Surplus	Investment Fluctuation Reserve	Asset Revaluation Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2018	13,521,172	60,401	-	13,581,573
Surplus for the year	1,811,448	-	-	1,811,448
Revaluation increment (decrement)	-	166,282	-	166,282
Realised losses on disposal of financial assets	(48,665)	-	-	(48,665)
Balance at 30 June 2019	15,283,955	226,683	-	15,510,638

2018

	Accumulated Surplus	Investment Fluctuation Reserve	Asset Revaluation Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2017	10,967,525	(83,603)	885,582	11,769,504
Surplus for the year	1,751,668	-	-	1,751,668
Revaluation increment (decrement)	-	60,401	-	60,401
Transfers from reserves	801,979	83,603	(885,582)	-
Balance at 30 June 2018	13,521,172	60,401	-	13,581,573

The accompanying notes form part of these financial statements.

Star Health Group Limited

ABN: 74 711 038 580

Statement of Cash Flows For the Year Ended 30 June 2019

	2019	2018
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from grants, customers and Medicare	36,891,294	33,817,718
Payments to suppliers and employees	(34,894,760)	(29,999,035)
Dividends received	315,432	78,308
Donations received	11,907	6,365
Interest received	229,355	230,654
Net cash provided by (used in) operating activities	2,553,228	4,134,010
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	53,537	3,648,797
Proceeds from sale/(purchase) of financial assets	(6,489,014)	(4,132,759)
Purchase of property, plant and equipment	(2,495,943)	(1,824,646)
Net cash used by investing activities	(8,931,420)	(2,308,608)
Net increase (decrease) in cash and cash equivalents held	(6,378,192)	1,825,402
Cash and cash equivalents at beginning of year	11,523,950	9,698,548
Cash and cash equivalents at end of financial year	5,145,758	11,523,950

The accompanying notes form part of these financial statements.

Star Health Group Limited

ABN: 74 711 038 580

Notes to the Financial Statements

For the Year Ended 30 June 2019

The financial statements are for Star Health Group Limited as an individual entity, incorporated and domiciled in Australia. Star Health Group Limited is a not-for-profit Company limited by guarantee.

1 Summary of Significant Accounting Policies

(a) Basis of preparation

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

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements 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.

(b) Revenue and other income

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of Star Health Group Limited's activities as discussed below.

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Grant revenue

Grant revenue is recognised in the Statement of Comprehensive Income when the entity obtains 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 measured reliably.

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.

Where Star Health Group Limited 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

Donations and bequests are recognised as revenue when received.

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (Continued)

(b) Revenue and other income (Continued)

Interest revenue

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

Dividend revenue

Dividend revenue is recognised when the right to receive a dividend has been established.

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, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic valuations by Directors, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against this reserve directly in equity; all other decreases are charged to the Statement of Comprehensive Income.

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.

Freehold land and buildings 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.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. Cost includes expenditure that is directly attributable to the asset.

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 including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Company 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. Land is not depreciated.

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (Continued)

(c) Property, plant and equipment (Continued)

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

Buildings	2.5 - 8%
Motor Vehicles	10 - 20%
Office Equipment	10% - 33%
Leasehold improvements	8.33%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Financial instruments

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Company classifies its financial assets into the following categories, those are measured at:

- amortised cost;
- fair value through profit or loss - FVTPL;
- fair value through other comprehensive income - equity instrument (FVOCI - equity); and
- fair value through other comprehensive income - debt investments (FVOCI - debt).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Amortised cost

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (Continued)

(d) Financial instruments (Continued)

Financial assets (Continued)

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Fair value through other comprehensive income

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to retained earnings and is not reclassified to profit or loss.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at FVOCI

When determining whether the credit risk of financial assets has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to by the Company to actions such as realising security (if any is held); or

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (Continued)

(d) Financial instruments (Continued)

Financial assets (Continued)

- the financial assets are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced a significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Company comprise trade payables, bank and other loans and finance lease liabilities.

(e) Leases

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

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives (where it is likely that the Company will obtain ownership of the asset) or over the term of the lease.

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (Continued)

(e) Leases (Continued)

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

(f) Impairment of non-financial assets

At the end of each reporting year, the Company reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Value in use is either the discounted cash flows relating to the asset or depreciated replacement cost if the criteria in AASB 136 'Impairment of Assets' are met. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Impairment losses are recognised as an expense immediately, unless the relevant asset is property, plant and equipment held at fair value (other than investment property carried at a revalued amount) in which case the impairment loss is treated as a revaluation decrease as described in the accounting policy for property, plant and equipment.

(g) 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 which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

(h) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting year. Employee benefits that have become unconditional and could be settled within one year have been measured at the amounts payable if the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred.

Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (Continued)

(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 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.

(j) Income tax

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

(k) Comparative figures

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

When the Company applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a Statement of Financial Position as at the beginning of the earliest comparative period will be presented.

(l) Trade and other payables

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

(m) 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.

Key estimates - fair value of land and buildings

The Company carries its land and buildings at fair value with changes in the fair value recognised in revaluation reserve. Independent valuations are obtained at least triennially and at the end of each reporting period, the Directors update their assessment of the fair value of each property, taking into account the most recent valuations and movements in the market.

(n) Adoption of new and revised accounting standards

During the current year, the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has not had a significant impact on the recognition, measurement and disclosure of transactions.

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (Continued)

(n) Adoption of new and revised accounting standards (Continued)

First time adoption of AASB 9: Financial Instruments – Applicable from financial year 1 July 2018

AASB 9: Financial Instruments replaces AASB 139: Financial Instruments: Recognition and Measurement for the annual period beginning on or after 1 January 2018, bring together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The company has applied AASB 9 with an initial application date of 1 July 2018. The company has not restated the comparative information, which continues to be reported under AASB 139.

The nature and effect of the changes as a result of adoption of AASB 9 are described as follows:

In summary, upon the adoption of AASB 9, the company had the following required or elected reclassification as at 1 July 2018.

Financial Instruments as at 30 June 2018:

Trade and other receivables

AASB 139 Measurement: Loans and Receivables

AASB 9 Classification: Amortised cost

Change in carrying amount as at 30 June 2018 under AASB 139 and carrying amount as at 1 July 2018 under AASB 9: None

Financial assets – term deposits

AASB 139 Measurement: Amortised cost

AASB 9 Classification: Amortised cost

Change in carrying amount as at 30 June 2018 under AASB 139 and carrying amount as at 1 July 2018 under AASB 9: None

Financial assets – equity instruments

AASB 139 Measurement: fair value through profit or loss

AASB 9 Classification: fair value through other comprehensive income - equity instrument (FVOCI - equity)

Differences arising from the adoption of AASB 9 are recognised directly in accumulated surplus and other components of equity.

Trade and other payables

AASB 139 Measurement: Amortised cost

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (Continued)

(n) Adoption of new and revised accounting standards (Continued)

First time adoption of AASB 9: Financial Instruments – Applicable from financial year 1 July 2018 (Continued)

AASB 9 Classification: Amortised cost

Change in carrying amount as at 30 June 2018 under AASB 139 and carrying amount as at 1 July 2018 under AASB 9: None

Impairment

Upon adoption of AASB 9 the Company has found that there was no change in accounting for impairment losses for the financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss approach.

(o) New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Company where the standard is relevant:

Standard Name	Effective date for entity	Requirements	Impact
AASB 15 Revenue from Contracts with Customers	1/01/2019	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on revenue derived from provision of services and contract modifications. We do not anticipate this Standard to materially impact the financial statements of Star Health.
AASB 16 Leases	1/01/2019	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	The changes in operating lease recognition requirements in AASB 16 may result in recognising a number of operating lease commitments on the Statement of Financial Position. It is anticipated that this may increase the balances of right-to-use assets and lease liabilities. The disclosure requirements have also been updated in this standard. We do not anticipate this Standard to materially impact the financial statements of Star Health.

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (Continued)

(o) New accounting standards for application in future periods (Continued)

Standard Name	Effective date for entity	Requirements	Impact
AASB 1058 – Income of NFP (Not-For-Profit) Entities	1/01/2019	The Standard supersedes all the income recognition requirements relating to private sector NFP entities and the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 Contributions. The timing of income recognition depends on whether such transactions give rise to a liability or other performance obligations (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity to enable the entity to further its objectives.	Each revenue stream, including grant agreements will need to be reviewed to determine the impact of AASB 1058. Some grant agreements which were previously recognised immediately on receipt may be able to be deferred and recognised as revenue as the performance obligations are satisfied. The impact of AASB 1058 on recognition and measurement of the right-to-use assets and leases liabilities have not been assessed at this stage. We do not anticipate this Standard to materially impact the financial statements of Star Health.

Star Health Group Limited

ABN: 74 711 038 580

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Revenue and Other Income

	2019	2018
	\$	\$
Revenue		
- Client fees and Medicare payments	1,757,025	1,617,011
- Interest received	229,355	230,654
- Dividends received	315,432	78,308
- Operating grants	31,767,692	27,529,297
- Donations	11,907	11,218
Total Revenue	34,081,411	29,466,488
Other income	842,872	1,001,568
Net gain on disposal of property, plant and equipment	-	38,895
	842,872	1,040,463

3 Auditor's Remuneration

Remuneration of the auditor of the company for:

- auditing or reviewing the financial statements	27,750	27,000
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4 Cash and Cash Equivalents

Cash on hand	13,015	12,935
Cash at bank	2,001,116	2,571,133
Short-term bank deposits	3,131,627	8,939,882
	5,145,758	11,523,950

5 Trade and Other Receivables

CURRENT

Trade receivables	317,005	118,433
Other receivables	396,682	181,630

Total current trade and other receivables	713,687	300,063
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6 Other Financial Assets

NON-CURRENT

Financial Assets	10,931,773	4,325,142
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Investments comprise a long term investment and a shorter term investment, both of which are structured to provide an income yield above term deposit rates. The long term investments account for approximately 50% of total investments and are managed by JB Were and are in equities and bonds. It is understood over a typical long term period of 7 years that there is a risk that the capital value may fluctuate, however the income yield is traditionally well above term deposit rates. The shorter term investments are also managed by JB Were and consist mainly of hybrids (including subordinated Bonds and Capital Notes) which by their nature have very low capital value fluctuations but earn income yields above term deposit rates.

Star Health Group Limited

ABN: 74 711 038 580

Notes to the Financial Statements

For the Year Ended 30 June 2019

7 Other Assets

	2019	2018
	\$	\$
CURRENT		
Prepayments	618,817	528,637
Accrued income	15,784	26,560
	<u>634,601</u>	<u>555,197</u>

8 Property, Plant and Equipment

LAND AND BUILDINGS

Buildings

At Directors' valuation	4,481,613	4,571,023
Accumulated depreciation	(2,437,553)	(2,402,336)
Total buildings	<u>2,044,060</u>	<u>2,168,687</u>

PLANT AND EQUIPMENT

Motor vehicles

At cost	1,563,617	1,556,534
Accumulated depreciation	(975,541)	(762,039)
Total motor vehicles	<u>588,076</u>	<u>794,495</u>

Furniture and equipment

At cost	2,749,688	2,985,134
Accumulated depreciation	(1,418,938)	(1,871,211)
Total furniture and equipment	<u>1,330,750</u>	<u>1,113,923</u>

Leasehold Improvements

At cost	2,783,832	1,217,745
Accumulated depreciation	(331,318)	(108,262)
Total improvements	<u>2,452,514</u>	<u>1,109,483</u>

Total property, plant and equipment	<u>6,415,400</u>	<u>5,186,588</u>
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Notes to the Financial Statements

For the Year Ended 30 June 2019

8 Property, Plant and Equipment (Continued)

Movements in Carrying Amounts

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

	Land	Buildings	Motor Vehicles	Furniture & Equipment	Improvements	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018						
Balance at the beginning of year	-	2,168,687	794,495	1,113,923	1,109,483	5,186,588
Additions	-	-	96,570	797,557	1,601,816	2,495,943
Disposals - written down value	-	(44,646)	(68,748)	(8,036)	(14,049)	(135,479)
Depreciation expense	-	(79,981)	(234,241)	(572,694)	(244,736)	(1,131,652)
Balance at 30 June 2019	-	2,044,060	588,076	1,330,750	2,452,514	6,415,400
Balance at 1 July 2017						
Balance at the beginning of year	501,600	4,362,520	710,718	913,866	404,063	6,892,767
Additions	-	-	422,411	611,216	791,019	1,824,646
Disposals - written down value	(501,600)	(2,085,424)	(105,926)	(39,591)	(17,934)	(2,750,475)
Depreciation expense	-	(108,409)	(232,708)	(371,568)	(67,665)	(780,350)
Balance at 30 June 2018	-	2,168,687	794,495	1,113,923	1,109,483	5,186,588

9 Intangible Assets

	2019	2018
	\$	\$
Computer software	333,270	160,022

10 Trade and Other Payables

CURRENT

Unsecured liabilities

Trade payables	943,304	741,587
GST payable	96,794	217,870
Sundry payables and accrued expenses	1,549,210	1,051,519
	2,589,308	2,010,976

Star Health Group Limited

ABN: 74 711 038 580

Notes to the Financial Statements

For the Year Ended 30 June 2019

11 Employee Benefits

	2019	2018
	\$	\$
CURRENT		
Long service leave	1,758,244	1,753,819
Annual leave	1,635,388	1,498,937
	<u>3,393,632</u>	<u>3,252,756</u>
NON-CURRENT		
Long service leave	<u>664,170</u>	863,811

12 Other Liabilities

CURRENT		
Grants received in advance	<u>2,016,741</u>	2,341,846

As described in Note 1 (b) Grants received in advance represents reciprocal transfers of grant funds where funding conditions have not been met.

13 Capital and Leasing Commitments

Operating lease commitments

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

Payable - minimum lease payments:

- no later than 1 year	240,705	256,681
- between 1 year and 5 years	645,133	268,514
	<u>885,838</u>	<u>525,195</u>

Operating leases consist of leases of premises, motor vehicles and furniture and equipment.

14 Contingent Liabilities and Contingent Assets

Contingent Liabilities

In the opinion of the Directors, the company did not have any contingencies at 30 June 2019 (2018: NIL).

Notes to the Financial Statements

For the Year Ended 30 June 2019

15 Interests of Key Management Personnel

The totals of remuneration paid to the key management personnel of Star Health Group Limited during the year are as follows:

	2019	2018
	\$	\$
Short-term employee benefits	909,907	834,504
Post-employment benefits	86,441	79,278
	<u>996,348</u>	<u>913,782</u>

16 Events after the end of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

17 Related Party Transactions

There were no related party transactions during the financial year, other than those already disclosed elsewhere in this financial report.

18 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities		
Surplus for the year	1,811,448	1,751,668
Non-cash flows in surplus:		
- depreciation	1,131,652	780,349
- net (gain)/loss on disposal of property, plant and equipment	81,942	(898,321)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(413,624)	29,719
- (increase)/decrease in other assets	(252,652)	31,630
- increase/(decrease) in trade and other payables	578,332	784,064
- increase/(decrease) in other liabilities	(325,105)	1,183,463
- increase/(decrease) in employee benefits	(58,765)	471,438
Cashflow from operations	<u>2,553,228</u>	<u>4,134,010</u>

19 Financial Risk Management

The main risks Star Health Group Limited is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and equity price risk.

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable.

The totals for each category of financial instruments are the same as the carrying value as shown in the Statement of Financial Position.

Notes to the Financial Statements

For the Year Ended 30 June 2019

19 Financial Risk Management (Continued)

Financial risk management policies

The Board of Directors has overall responsibility for the establishment of Star Health Group Limited's financial risk management framework. This includes the development of policies covering specific areas such as interest rate risk, credit risk and investments .

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Star Health Group Limited's activities.

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to Star Health Group Limited and arises principally from Star Health Group Limited's receivables.

At 30 June 2019 the Company does not believe it is exposed to any material credit risk.

(b) Liquidity Risk

At 30 June 2019 the Company does not believe it is exposed to any material liquidity risk.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and may not reflect management's expectations. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

Financial liability maturity analysis

	Within 1 Year		1 to 5 Years		Total	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Trade and other payables (excluding GST)	2,492,514	1,668,019	-	-	2,492,514	1,668,019
Total contractual outflows	2,492,514	1,668,019	-	-	2,492,514	1,668,019

The timing of expected outflows is not expected to be materially different from contracted cashflows.

No financial assets have been pledged as security for any financial liability.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Notes to the Financial Statements

For the Year Ended 30 June 2019

19 Financial Risk Management (Continued)

(c) Market risk (Continued)

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Company is also exposed to earnings volatility on floating rate instruments.

At 30 June 2019 the Company does not believe it is exposed to any material interest rate risk.

ii. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held being available-for-sale or fair value through profit and loss.

Such risk is managed through diversification of investments across industries and geographic locations.

20 Company Details

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

Southport Centre

341 Coventry St

South Melbourne VIC 3205

Star Health Group Limited

ABN: 74 711 038 580

Responsible Entities' Declaration

The Directors of the entity are the responsible persons and the responsible persons declare that:

1. The financial statements and notes, as set out on pages 7 to 27, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and:
 - (a) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Australian Charities and Not-for-profits Commission Regulation 2013*; and
 - (b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the entity.
2. In the responsible persons' 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.

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

Director

Tass Mousaferiadis

Director

Nick Capes

Dated 23 October 2019

Star Health Group Limited

Independent Audit Report to the members of Star Health Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Star Health Group Limited (the Company), which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Responsible Entities' Declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) that the financial records kept by the company are such as to enable financial statements to be prepared in accordance with Australian Accounting Standards.

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* 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.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in the Directors' report for the year ended 30 June 2019.

Our opinion on the financial report comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income, the statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Responsible Entities' Declaration. 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 on the other information obtained prior to the date of this auditor's report, 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 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 and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the Directors determine is necessary to enable the preparation of 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 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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

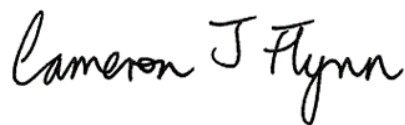
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.



ACCRU MELBOURNE (AUDIT) PTY LTD



C J FLYNN
Director

23 October 2019