

# Merri Community Health Services Limited

**ABN 24 550 946 840**

Financial Statements

For the Year Ended 30 June 2022

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## Directors' Report

### 30 June 2022

The directors present their report on Merri Community Health Services Limited for the financial year ended 30 June 2022.

#### Directors

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

NAME	ROLES DURING 2021-2022	BOARD MEETINGS	
		Eligible	Attended
<b>Julie McCormack</b>	<b>Director (Chair: from November 2021)</b> Quality, Safety and Clinical Governance Committee Commissioning Committee Finance, Audit & Risk Management Committee	11	11
<b>Benjamin Maxfield</b>	<b>Director (Deputy Chair)</b> Commissioning Committee Quality, Safety and Clinical Governance Committee Community Engagement Committee	11	11
<b>Ann Taylor</b>	<b>Director</b> Community Engagement Committee Commissioning Committee	11	10
<b>Roxanne Adams</b>	<b>Director</b> Quality, Safety and Clinical Governance Committee Commissioning Committee	11	11
<b>Joe Caputo</b>	<b>Director</b> Community Engagement Committee	11	10
<b>Seide Raffoul</b>	<b>Director</b> Quality, Safety and Clinical Governance Committee Community Engagement Committee	11	9
<b>Sam Garrasi</b>	<b>Director</b> Finance, Audit & Risk Management Committee Commissioning Committee	11	11
<b>Michael de Bruyn</b> (from 22 November 2021)	<b>Director</b> Commissioning Committee	7	7
<b>Anne Jungwirth</b> (from 22 November 2021)	<b>Director</b> Quality, Safety and Clinical Governance Committee	7	7
<b>Carlo Carli</b> (to 25 October 2021)	<b>Director (Chair: to October 2021)</b> Commissioning Committee Finance, Audit & Risk Management Committee	4	4
<b>Darryl Annett</b> (to 25 June 2022)	<b>Director</b> Finance, Audit & Risk Management Committee	11	11
<b>Kenneth Cheng</b> (from 11 September 2022)	<b>Director</b>	0	0

## Merri Community Health Services Limited

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The Directors attended the following Board sub-committee meetings.

NAME	Quality, Safety & Clinical Gov.		Finance, Audit & Risk Mgt		Community Engagement		Commissioning	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
Julie McCormack	4	4	4	4			4	4
Benjamin Maxfield	2	1			2	1	4	4
Ann Taylor	2	2			4	4	4	4
Roxanne Adams	3	2					2	1
Joe Caputo					4	4		
Seide Raffoul	2	0			2	0		
Sam Garrasi			6	5			4	4
Michael de Bruyn							2	1
Anne Jungwirth	2	2						
Carlo Carli			2	1				
Darryl Annett			6	6				

### Principal activities

The principal activity of the entity during the financial year was to meet the health and welfare needs of individuals in the region.

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

### Short and long term objectives

The Company's short and long term objectives are to meet the health and welfare needs of individuals by:

- using a social model of health which recognises the needs of individuals who cannot readily access the health and welfare system;
- focussing on individuals who have complex health care needs, in particular those who are frail, aged, youth, disabled or mentally ill;
- giving priority to individuals who, aside from illness, are suffering from distress, misfortune, helplessness or poverty; providing these services in a culturally appropriate, effective and empowering manner;
- directly providing and facilitating the provision of a range of health, welfare and support services to individuals;
- assessing the needs of individuals and developing and implementing care plans to meet individual and carer needs;
- co-ordinating, implementing and monitoring the quality and effectiveness of care provided to individuals and modifying as appropriate; and
- directly providing a range of community-based services to individuals.

### Strategy for achieving the objectives

To achieve these objectives, the entity has adopted the following strategies which include:

- The entity strives to attract and retain quality staff and volunteers who are committed to working with the community in need, and this is evidenced by low staff turnover. The entity believes that attracting and retaining quality staff and volunteers will assist with the success of the entity in both the short and long term.
- Staff and volunteers work in partnership with a range of community stakeholders, and this is evidenced by ongoing support of the entity's projects and initiatives. The entity ensures community stakeholders understand and are committed to the objectives of the entity through ongoing education in order for the projects to succeed.

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- Staff and volunteers are committed to providing the best of all possible outcomes on behalf of the community with whom the organisation is involved. This is evidenced by the success of new and existing programs in support of the community in need. Committed staff and volunteers allow the entity the ability to engage in continuous improvement.
- The entity's staff and volunteers strive to meet consistent standards of best practice and provide clear expectations of professional accountabilities and responsibilities to all stakeholders. This is evidenced by the performance of staff and volunteers being assessed based on these accountabilities, and ensure that staff are operating in the best interests of the community.

### **How principal activities assisted in achieving the objectives**

To help evaluate whether the activities of the entity during the year have achieved both short-term and long-term objectives, the entity uses the following key performance measures to monitor performance:

- The entity monitors service delivery as measured against service targets. These service targets are either set as directed by funding requirements, or developed in consultation with the relevant funding organisations.
- The entity maintains a reporting calendar detailing compliance issues and requirements.
- The entity produces a monthly set of management and financial reports. These reports are reviewed by the Board of Directors, and by the executive team, to evaluate performance against the defined objectives for the financial year.

### **Members' Guarantee**

Merri Community Health Services 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 \$2 for members, subject to the provisions of the company's constitution.

At 30 June 2022 the collective liability of members was \$ 644 (2021: \$ 642).

### **Review of operations**

The Company continued to provide quality services in accordance with the mission, vision and values of the organisation. The restrictions imposed due to the COVID-19 pandemic resulted in changes to the Company's operations during the financial year.

### **Impact of COVID-19 pandemic**

In 2020, a global pandemic caused by the COVID-19 Coronavirus (COVID-19) was declared. To contain the spread of COVID-19 and prioritise the health and safety of our community, Merri Community Health Services Limited was required to comply with various restrictions announced by the Commonwealth and State Governments, which in turn, has continued to impact the way in which the Company operates.

Merri Community Health Services Limited introduced a range of measures in both the prior and current year, including:

- introducing restrictions on non-essential visitors
- greater utilisation of telehealth services
- performing COVID-19 testing
- implementing work from home arrangements where appropriate.

As restrictions eased during the financial year the Company was able to revise some measures where appropriate including increasing client contact hours and transitioning staff back to on-site working arrangements.

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**Significant events after year end**

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the results reported as at the reporting date or that affects the assessment of a going concern.

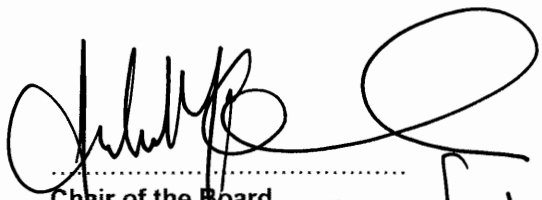
**Significant changes in state of affairs**

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

**Auditor's independence declaration**

A copy of the auditor's independence declaration in relation to the audit for the financial year ended 30 June 2022 is provided with this report.

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



.....  
Chair of the Board

Dated at Coburg this 25 day of November 2022.

## Auditor-General's Independence Declaration

### To the Board of Directors, Merri Community Health Services Limited

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General, an independent officer of parliament, is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised.

Under the *Audit Act 1994*, the Auditor-General is the auditor of each public body and for the purposes of conducting an audit has access to all documents and property, and may report to parliament matters which the Auditor-General considers appropriate.

### *Independence Declaration*

As auditor for Merri Community Health Services Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit.
- no contraventions of any applicable code of professional conduct in relation to the audit.



Sanchu Chummar

*as delegate for the Auditor-General of Victoria*

MELBOURNE  
28 November 2022

**Statement of Comprehensive Income**  
**For the year ended 30 June 2022**

	<b>Note</b>	<b>2022</b> <b>\$</b>	<b>2021</b> <b>\$</b>
Revenue		41,535,518	38,120,335
Income		31,626,784	29,428,025
<b>Total revenue and income</b>	<b>2</b>	<b>73,162,302</b>	<b>67,548,360</b>
Employee benefits expense	<b>3</b>	(37,632,005)	(34,003,072)
Depreciation and amortisation expense	<b>3</b>	(2,629,370)	(2,710,477)
Client costs		(8,888,882)	(6,816,345)
Payments to Other Agencies	<b>3</b>	(14,069,940)	(16,839,181)
Occupancy costs		(1,018,790)	(1,321,037)
Repairs and Maintenance		(230,090)	(262,965)
Communication		(629,035)	(571,681)
Supplies		(270,558)	(186,807)
Computer expenses		(1,591,605)	(1,421,789)
Employment expenses		(755,924)	(501,421)
Motor vehicle expenses		(243,251)	(257,837)
Consulting & legal costs		(1,058,512)	(958,785)
Other expenses		(2,675,274)	(1,063,985)
Finance costs	<b>3</b>	(114,872)	(190,517)
Loss on disposal of property, plant & equipment		(234)	-
<b>Total expenses</b>		<b>(71,808,342)</b>	<b>(67,105,899)</b>
<b>Surplus for the year</b>		<b>1,353,960</b>	<b>442,461</b>
<b>Other comprehensive income:</b>			
Items that will not be subsequently classified to profit and loss			
- Net fair value movements for financial assets		(297,410)	226,442
<b>Other comprehensive income for the year</b>		<b>(297,410)</b>	<b>226,442</b>
<b>Total comprehensive income for the year</b>		<b>1,056,550</b>	<b>668,903</b>



**Statement of Financial Position**  
**As at 30 June 2022**

	Note	2022 \$	2021 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	16,804,856	21,369,446
Trade and other receivables	5	513,171	520,866
Financial assets	6	1,184,140	724,685
Other current assets	7	5,887,485	2,445,775
Asset classified as held for sale	8	4,018,448	-
<b>Total current assets</b>		<b>28,408,100</b>	<b>25,060,772</b>
<b>Non-current assets</b>			
Right of use assets	9	1,767,528	2,723,676
Financial assets	6	6,152,953	6,912,780
Property, plant and equipment	10	6,855,480	11,404,632
<b>Total non-current assets</b>		<b>14,775,961</b>	<b>21,041,088</b>
<b>Total assets</b>		<b>43,184,061</b>	<b>46,101,860</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	5,445,575	9,202,366
Employee benefits	13	4,846,059	4,690,954
Other liabilities	14	10,342,170	9,596,403
Lease liabilities	9	1,001,576	1,175,688
<b>Total current liabilities</b>		<b>21,635,380</b>	<b>24,665,411</b>
<b>Non-current liabilities</b>			
Borrowings	12	2,852,500	2,852,500
Employee benefits	13	1,466,183	1,592,676
Lease liabilities	9	885,667	1,703,492
<b>Total non-current liabilities</b>		<b>5,204,350</b>	<b>6,148,668</b>
<b>Total liabilities</b>		<b>26,839,730</b>	<b>30,814,079</b>
<b>NET ASSETS</b>		<b>16,344,331</b>	<b>15,287,781</b>
<b>Equity</b>			
Reserves		1,425,943	1,723,353
Accumulated surplus		14,918,388	13,564,428
<b>TOTAL EQUITY</b>		<b>16,344,331</b>	<b>15,287,781</b>

**Statement of Changes in Equity**  
**For the year ended 30 June 2022**

	Total	Accumulated surplus	Reserves
	\$	\$	\$
<b>2022</b>			
<b>Balance at 1 July 2021</b>	<b>15,287,781</b>	<b>13,564,428</b>	<b>1,723,353</b>
Surplus for the year	1,353,960	1,353,960	-
Revaluation of financial assets	(297,410)	-	(297,410)
<b>Balance at 30 June 2022</b>	<b>16,344,331</b>	<b>14,918,388</b>	<b>1,425,943</b>
<b>2021</b>			
<b>Balance at 1 July 2020</b>	<b>14,618,878</b>	<b>13,121,967</b>	<b>1,496,911</b>
Surplus for the year	442,461	442,461	-
Revaluation of financial assets	226,442	-	226,442
<b>Balance at 30 June 2021</b>	<b>15,287,781</b>	<b>13,564,428</b>	<b>1,723,353</b>

**Statement of Cash Flows**  
**For the year ended 30 June 2022**

	<b>Note</b>	<b>2022</b> <b>\$</b>	<b>2021</b> <b>\$</b>
<b>Cash flows from operating activities</b>			
Government grants received		68,866,861	69,282,544
Receipts from clients		2,247,401	471,159
Interest payments		(114,872)	(190,517)
Payments to suppliers and employees		(76,378,637)	(67,055,453)
Interest received		185,447	236,355
Other income received		2,765,429	6,146,444
<b>Cash provided by/(used in) operating activities</b>		<b>(2,428,371)</b>	<b>8,890,532</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant & equipment		-	1,124
Net payment for financial assets		-	(193,732)
Purchase of property, plant and equipment		(839,723)	(430,805)
<b>Net cash used in investing activities</b>		<b>(839,723)</b>	<b>(623,413)</b>
<b>Cash flows from financing activities</b>			
Payment for lease liabilities		(1,296,496)	(1,222,808)
<b>Net cash provided used in financing activities</b>		<b>(1,296,496)</b>	<b>(1,222,808)</b>
Net increase/(decrease) in cash held		<b>(4,564,590)</b>	<b>7,044,311</b>
Cash at the beginning of the financial year		21,369,446	14,325,135
<b>Cash at end of the financial year</b>	<b>4</b>	<b>16,804,856</b>	<b>21,369,446</b>

## **1 Summary of Significant Accounting Policies**

### **Basis of preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Simplified Disclosures. This includes compliance with the recognition and measurement requirements of all Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the disclosure requirements of AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

The prior year financial statements were prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements. The transition from the previous financial reporting framework to Australian Accounting Standards - Simplified Disclosures has not affected the organisation's reported financial position, financial performance and cash flows.

Merri Community Health Services Limited ('the Company') is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to a "not-for-profit" entity under the Australian Accounting Standards.

The financial statements are prepared on a going concern basis. All amounts in the financial statements have been rounded to the nearest dollar, unless otherwise stated.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions.

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

### **(a) Impact of COVID-19 pandemic**

In 2020, a global pandemic caused by the COVID-19 Coronavirus (COVID-19) was declared. To contain the spread of COVID-19 and prioritise the health and safety of our community, Merri Community Health Services Limited was required to comply with various restrictions announced by the Commonwealth and State Governments, which in turn, has continued to impact the way in which the Company operates.

Merri Community Health Services Limited introduced a range of measures in both the prior and current year, including:

- introducing restrictions on non-essential visitors
- greater utilisation of telehealth services
- performing COVID-19 testing
- implementing work from home arrangements where appropriate.

As restrictions eased during the financial year the Company has been able to revise some measures where appropriate, including increasing client contact hours and transitioning staff back to on-site working arrangements.

### **(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 the Company's activities as discussed below.

Revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

Generally, the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

**(b) Revenue and other income** (continued)

Income from grants that are enforceable and with sufficiently specific performance obligations are recognised in the Statement of Comprehensive Income when the Company has satisfied the performance obligations under the terms of the grant. The Company exercises judgement over whether the performance obligations have been met, on a grant by grant basis. The performance obligations for activity-based funding are the number of services provided or program objectives achieved in accordance with terms and conditions agreed to with the grant providers. Revenue is recognised when a service provision is completed or a program objective is achieved. The performance obligations have been selected as they align with funding conditions set out in the agreements issued by the grant providers.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when the Company has an unconditional right to receive the cash which usually coincides with receipt of cash.

Grant revenue was previously 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.

The Department of Health confirmed that funding provided in 2021-22 for delivery of services, that was impacted by COVID-19, could be retained.

Fee for service and contract revenue are earned from provision of services when performance obligations are either satisfied over time or at a point in time. Generally, the supply of health services under a contract with a customer will represent the satisfaction of a performance obligation at a point in time, which is when health advice and treatment are provided to the customer.

Donations and bequests are recognised as income when received.

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

Other income is recognised on an accruals basis when performance obligations are satisfied.

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

Where estimates are required in the recognition of revenue and income, the organisation uses assumptions based on performance data available, historical experience and other factors that are considered to be relevant.

**(c) Property, plant and equipment**

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

**Property**

Leasehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

**Plant and equipment**

Plant and equipment are measured on the cost basis. 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, are depreciated on a straight-line basis over the asset's useful life 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.

Where estimates are required in the calculation of an asset's useful life, the organisation uses assumptions based on historical experience of existing asset classes where applicable.

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

Buildings **2.5%**

Building leasehold improvements **10-20%**

Plant and Equipment **8.33-33%**

The depreciation rates are consistent with the prior year.

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.

**(d) Financial instruments**

Financial instruments are recognised initially on the date that the entity 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 in their entirety measured at either amortised cost or fair value, depending on the classification of financial assets.

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

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

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

**Fixed interest investment portfolio**

The fixed interest investment portfolio is managed by JBWere and is measured at fair value according to the active market price at at balance date. Net changes in fair value are recognised in other comprehensive income for the financial year.

**Trade receivables**

Trade receivable impairments are recorded in a separate provision 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 provision.

Where the entity 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 the Statement of Comprehensive Income.

**Amortised cost**

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 entity'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 the Statement of Comprehensive Income.

**Financial liabilities**

The entity 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 entity comprise trade payables, bank and other loans and finance lease liabilities.

**(e) Expenses from transactions**

Expenses are recognised as they are incurred and reported in the financial year to which they relate. All expenses are stated net of the amount of goods and services tax (GST).

Employee benefits expense includes salaries and wages (including associated on-costs), leave expenses, termination payments, superannuation expenses (i.e. employer contributions), fringe benefits tax, work cover premium and other employee related expenses.

Client costs and Payments to Other Agencies are recognised as expenses in the reporting period in which they relate.

Other expenses are recognised as expense in the reporting period in which they are incurred.

**(f) Impairment of non-financial assets**

At the end of each reporting year, the entity 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) Leases**

At inception of a contract, the entity assesses whether a lease exists i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The entity has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The entity has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

At the lease commencement, the entity recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the entity believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the entity's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the entity's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

*Exceptions to lease accounting*

The entity has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The entity recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

**(i) Employee benefits**

*Employee Benefit Recognition*

Provision is made for benefits accruing to employees in respect of annual leave and long service leave for services rendered to the reporting date as an expense during the period the services are delivered.

*Provisions*

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when 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 cash flows.

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

*Annual Leave*

Liabilities for annual leave are recognised in the provision for employee benefits as 'current liabilities' because the Company does not have an unconditional right to defer settlements of these liabilities. Depending on the expectation of the timing of settlement, liabilities for annual leave and accrued days off are measured at:

- Nominal value – if the Company expects to wholly settle within 12 months; or
- Present value – if the Company does not expect to wholly settle within 12 months.

*Long Service Leave*

The liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability even where the Company does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period. The components of this current LSL liability are measured at:

- Nominal value – if the Company expects to wholly settle within 12 months; or
- Present value – if the Company does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in estimations e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as other economic flows.

*Termination Benefits*

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee decides to accept an offer of benefits in exchange for the termination of employment.

*On-Costs Related to Employee Benefits*

Provision for on-costs such as workers compensation and superannuation are recognised separately from provisions for employee benefits. They are a consequence of employing employees but are not employee benefits. As such provisions for on-costs are to be disclosed separately from provision for employee benefits.

**(j) 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.



## **Merri Community Health Services Limited**

ABN 24 550 946 840

### **(k) Income tax**

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

### **(l) 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 entity 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.

### **(m) 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 entity 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.

### **(n) Economic dependence**

Merri Community Health Services Limited is dependent on the State and Federal Government bodies 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 State and Federal Government bodies will not continue to support Merri Community Health Services Limited.

### **(o) 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.

### **(p) Accounting standards issued but not yet effective**

An assessment of Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to Merri Community Health Services Limited and their potential impact when adopted in future periods are discussed below:

- AASB 2020-1: Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current (applicable for reporting periods commencing on or after 1 January 2022). Adoption of this standard is not expected to have a material impact.

- AASB 2020-3: Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments (applicable for reporting periods commencing on or after 1 January 2022). Adoption of this standard is not expected to have a material impact.

- AASB 17: Insurance Contracts (applicable for reporting periods commencing on or after 1 January 2023). Adoption of this standard is not expected to have a material impact.

There are no other accounting standards and interpretations issued by the AASB that are not yet mandatory to the company in future periods.

**Notes to the Financial Statements**  
**For the year ended 30 June 2022**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>2 Revenue</b>		
<b>(a) Revenue from contracts with customers</b>		
Government grants (State) - Operating	8,987,791	8,695,034
Government grants (Commonwealth) - Operating	28,863,937	25,103,242
Other revenue	1,607,064	1,108,077
Fees for service	2,076,726	3,213,982
	<b>41,535,518</b>	<b>38,120,335</b>
<b>(b) Other sources of income</b>		
Government grants (State) - Operating	15,801,632	16,967,128
Government grants (Commonwealth) - Operating	14,607,319	10,168,929
Interest income	235,055	236,355
Donation income	5,000	7,800
Other income from operating activities	977,778	2,047,813
	<b>31,626,784</b>	<b>29,428,025</b>
<b>Total revenue and income</b>	<b>73,162,302</b>	<b>67,548,360</b>
<b>3 Result for the Year</b>		
<b>Finance costs:</b>		
Interest and bank fees	42,785	86,540
Interest expense on lease liabilities	72,087	103,977
	<b>114,872</b>	<b>190,517</b>
<b>Amortisation of:</b>		
leasehold improvements	545,581	545,343
right of use assets	1,260,707	1,329,011
	<b>1,806,288</b>	<b>1,874,354</b>
<b>Depreciation of:</b>		
buildings	96,160	109,768
plant and equipment	726,922	726,355
motor vehicles	-	-
	<b>823,082</b>	<b>836,123</b>
<b>Total depreciation and amortisation costs</b>	<b>2,629,370</b>	<b>2,710,477</b>
<b>Employee benefits:</b>		
Salaries & wages	33,991,921	29,682,625
Superannuation	3,023,931	2,690,649
Workers compensation	154,381	197,562
Long-term & post-employment benefits	461,772	1,432,236
	<b>37,632,005</b>	<b>34,003,072</b>

**Notes to the Financial Statements**  
**For the year ended 30 June 2022**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Other costs:</b>		
Payments to Other Agencies	14,069,940	16,839,181
<p>Payments to Other Agencies represents contracted payments to external agencies for delivery of funded services.</p>		
<b>4 Cash and cash equivalents</b>		
Cash on hand	7,550	7,550
Cash at bank	3,718,725	8,528,342
Short-term term deposits	12,746,176	12,654,404
Cash trust account	332,405	179,150
	<b><u>16,804,856</u></b>	<b><u>21,369,446</u></b>
<b>5 Trade and other receivables</b>		
<b>Current</b>		
Receivables for funding and client fees	567,391	546,242
Less: Provision for impairment of receivables	(70,900)	(107,300)
	<b><u>496,491</u></b>	<b><u>438,942</u></b>
Other receivables	16,680	81,924
	<b><u>16,680</u></b>	<b><u>81,924</u></b>
<b>Total current trade and other receivables</b>	<b><u>513,171</u></b>	<b><u>520,866</u></b>
<b>(a) Provision for impairment of receivables</b>		
Movement in provision for impairment of receivables is as follows:		
Balance at beginning of the year	107,300	80,000
Increase in allowance	-	78,573
Amounts written off during the year	(36,400)	(51,273)
<b>Balance at the end of the year</b>	<b><u>70,900</u></b>	<b><u>107,300</u></b>
<b>6 Other financial assets</b>		
<b>Current</b>		
Fixed interest investment portfolio	1,184,140	724,685
<b>Non-Current</b>		
Fixed interest investment portfolio	6,152,953	6,912,780
<b>7 Other assets</b>		
<b>Current</b>		
Prepayments	851,099	584,715
Accrued revenue from contracts with customers	4,711,528	1,062,336
Accrued Income	324,858	798,724
	<b><u>5,887,485</u></b>	<b><u>2,445,775</u></b>

**Notes to the Financial Statements**  
**For the year ended 30 June 2022**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>8 Asset classified as held for sale</b>		
Land and buildings - at fair value	4,018,448	-
	<b>4,018,448</b>	<b>-</b>
<b>9 Leases</b>		
<b>(a) Right-of-use assets</b>		
Under lease at beginning of the year	5,231,584	4,508,524
Additions	307,937	723,060
Accumulated amortisation	(3,771,993)	(2,507,908)
<b>Total carrying amount of lease assets</b>	<b>1,767,528</b>	<b>2,723,676</b>

The company's lease portfolio includes rental properties, motor vehicles and office equipment.  
 The lease terms for each type of lease arrangements are:

<b>Class of Lease</b>	<b>Lease Term</b>
Rental Properties	3 - 6 years
Motor Vehicles	2 - 5 years
Office Equipment	3 years

<b>(b) Lease liabilities</b>		
Current lease liabilities	1,001,576	1,175,688
Non-current lease liabilities	885,667	1,703,492
<b>Total Carrying Amount of Lease Liabilities</b>	<b>1,887,243</b>	<b>2,879,180</b>

<b>Maturity Analysis of future lease payments</b>		
Not later than 1 year	994,027	1,166,827
Later than 1 year and not later than 5 years	902,562	1,735,988
Later than 5 years	-	-
	<b>1,896,589</b>	<b>2,902,815</b>

<b>(c) Lease expenses and cashflow</b>		
Interest expense on lease liabilities	72,087	103,977
Amortisation	1,260,707	1,329,011

<b>10 Property, plant and equipment</b>		
Land and buildings - at fair value	2,768,526	7,190,360
Less: Accumulated depreciation	(79,899)	(387,125)
	<b>2,688,627</b>	<b>6,803,235</b>
Building improvements on leasehold land - at cost	8,159,560	8,107,287
Less: Accumulated amortisation	(5,800,049)	(5,254,467)
	<b>2,359,511</b>	<b>2,852,820</b>

**Notes to the Financial Statements**  
**For the year ended 30 June 2022**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Plant and equipment - at cost	5,740,015	4,953,084
Less: Accumulated depreciation	(3,932,673)	(3,204,507)
	<b>1,807,342</b>	<b>1,748,577</b>
	<b>6,855,480</b>	<b>11,404,632</b>

As at 30 June 2022, one of the properties had been pledged as security for the borrowings as identified in Note 12.

**Movements in Carrying Amounts**

**Land and buildings**

Balance at the beginning of year	6,803,235	6,913,003
Additions	-	-
Disposals	-	-
Reclassified as asset held for sale	(4,018,448)	-
Depreciation expense	(96,160)	(109,768)
Balance at 30 June 2022	<b>2,688,627</b>	<b>6,803,235</b>

**Building improvements on leasehold land**

Balance at the beginning of year	2,852,820	3,302,541
Additions	52,272	95,622
Disposals	-	-
Amortisation expense	(545,581)	(545,343)
Balance at 30 June 2022	<b>2,359,511</b>	<b>2,852,820</b>

**Plant and equipment**

Balance at the beginning of year	1,748,577	2,140,873
Additions	787,451	335,183
Disposals	(1,764)	(1,124)
Depreciation expense	(726,922)	(726,355)
Balance at 30 June 2022	<b>1,807,342</b>	<b>1,748,577</b>

**Total property, plant & equipment**

Balance at the beginning of year	11,404,632	12,356,417
Additions	839,723	430,805
Disposals	(1,764)	(1,124)
Reclassified as asset held for sale	(4,018,448)	-
Depreciation /Amortisation	(1,368,663)	(1,381,466)
Balance at 30 June 2022	<b>6,855,480</b>	<b>11,404,632</b>

**Valuations**

The fair values of freehold land, and buildings on freehold land have been determined for the purposes of assessing impairment by reference to independent valuation assessments obtained in 2020. The assessment by directors, based on the independent valuations, did not identify any impairment that was required in 2022. The independent valuations are performed on a fair value basis, being the amounts for which the assets could be exchanged between market participants in an arm's length transaction at the valuation date.

**Notes to the Financial Statements**  
**For the year ended 30 June 2022**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>11 Trade and other payables</b>		
<b>Current</b>		
<b>Unsecured liabilities</b>		
Trade payables	659,091	759,918
Salary and wage accruals	1,480,417	1,214,660
Accrued expenses	928,757	1,521,145
Client funds held	1,692,445	4,681,076
Other current liabilities	684,865	1,025,567
	<b>5,445,575</b>	<b>9,202,366</b>

Trade payable terms vary from 7 to 30 days generally. No interest is charged on trade payables. Other payables and accruals comprise invoices for goods and services received subsequent to the close off of trade creditors. Client funds held represent balances of Commonwealth Home Care Packages held by the Company on behalf of Home Care Package recipients.

**12 Borrowings**

Property Loan - Commonwealth Bank of Australia	2,852,500	2,852,500
<b>Total non-current borrowings</b>	<b>2,852,500</b>	<b>2,852,500</b>

**Property, plant and equipment pledged as security**

Assets pledged as security relating to the above financial instruments:

- First registered mortgage over the property purchased with the property loan, located at the corner of Bell Street and Sydney Road in Coburg.
- General security comprising first ranking charge over all present and after acquired property.

**13 Employee Benefits**

**Current**

**Annual leave**

Unconditional & expected to be settled wholly within 12 months (i)	2,194,887	2,162,232
Unconditional & expected to be settled wholly after 12 months (ii)	-	-
	<b>2,194,887</b>	<b>2,162,232</b>

**Long service leave**

Unconditional & expected to be settled wholly within 12 months (i)	705,912	1,092,320
Unconditional & expected to be settled wholly after 12 months (ii)	1,663,215	1,181,710
	<b>2,369,127</b>	<b>2,274,030</b>

**Provisions related to employee benefit on-costs**

Unconditional & expected to be settled wholly within 12 months (i)	79,582	122,340
Unconditional & expected to be settled wholly after 12 months (ii)	202,463	132,352
	<b>282,045</b>	<b>254,692</b>
	<b>4,846,059</b>	<b>4,690,954</b>

**Notes to the Financial Statements**  
**For the year ended 30 June 2022**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Non Current</b>		
<b>Long service leave</b>		
Conditional long service leave	1,301,302	1,432,263
Provisions related to employee benefit on-costs	164,881	160,413
	<b>1,466,183</b>	<b>1,592,676</b>

i The amounts disclosed are nominal amounts.

ii The amounts disclosed are discounted to present values.

**14 Other Liabilities**

**Current**

**Unsecured liabilities**

Contract liabilities	9,106,369	9,011,429
Prepaid grant income	935,801	284,974
Deferred capital income	300,000	300,000
	<b>10,342,170</b>	<b>9,596,403</b>

Contract liabilities represent revenue received for unperformed performance obligations.

**15 Key Management Personnel Compensation**

The totals of remuneration paid to the key management personnel of Merri Community Health Services Limited during the year are as follows:

Short-term employee benefits	1,294,414	1,388,190
Post-employment benefits	132,017	128,072
Termination benefits	-	53,841
	<b>1,426,431</b>	<b>1,570,103</b>

## Notes to the Financial Statements

For the year ended 30 June 2022

Ms Julie McCormack	Board Member
Ms Seide Raffoul	Board Member
Ms Anne Jungwirth	Board Member
Mr Sam Garrasi	Board Member
Mr Joe Caputo	Board Member
Ms Ann Taylor	Board Member
Mr Benjamin Maxfield	Board Member
Mr Darryl Annett	Board Member
Ms Roxanne Adams	Board Member
Mr Carlo Carli	Board Member
Mr Michael de Bruyn	Board Member
Ms Tassia Michaleas	Chief Executive Officer
Dr Antoinette Mertins	Member of Executive
Dr Carolyn Wallace	Member of Executive
Ms Nessa Pastoors	Member of Executive
Mr Gavin Thompson	Member of Executive
Ms Maryanne Tadic	Member of Executive
Ms Amie Reed	Member of Executive

### 16 Remuneration of auditors

	2022	2021
	\$	\$
Remuneration of auditors for auditing the financial report		
Victorian Auditor-General's Office	47,000	-
Pitcher Partners	-	40,843
Remuneration of auditors for auditing financial funding acquittals		
RSD Audit	14,700	-
Pitcher Partners	6,600	8,100
	<b>68,300</b>	<b>48,943</b>

### 17 Operating Segment

The company operates in one business and geographical segment, being the Health Industry in the state of Victoria.

### 18 Events Subsequent to Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the organisation, the results of the operations or the state of affairs of Merri Community Health Services Limited in the future financial years.



**Notes to the Financial Statements**  
**For the year ended 30 June 2022**

	2022	2021
	\$	\$

**19 Related parties**

Other than compensation paid to Key Management Personnel (refer note 15), there were no related party transactions that involved key management personnel, their close family members and their personal business interests. There were no related party transactions required to be disclosed for the Company's Board of Directors, Chief Executive Officer and Executive Leadership Team in 2022.

**20 Financial Risk Management**

The company's financial instruments consist mainly of deposits with banks, borrowings from banks, accounts receivable and payable and lease liabilities.

The carrying amount for each category of financial instruments, measured in accordance with AASB9: Financial Instruments as detailed in the accounting policies to these financial statements, are as follows:

	Note	2022	2021
		\$	\$
<b>Financial assets at fair value</b>			
Cash and cash equivalents	4	16,804,856	21,369,446
Trade and other receivables	5	513,171	520,866
Fixed Interest Investment portfolio	6	7,337,093	7,637,465
<b>Total financial assets</b>		<b>24,655,120</b>	<b>29,527,777</b>
<b>Financial liabilities at fair value</b>			
Trade and other payables	11	5,445,575	9,202,366
Borrowings	12	2,852,500	2,852,500
		<b>8,298,075</b>	<b>12,054,866</b>
<b>Financial liabilities at amortised cost</b>			
Lease liabilities	9	1,887,243	2,879,180
		<b>1,887,243</b>	<b>2,879,180</b>
<b>Total financial liabilities</b>		<b>10,185,318</b>	<b>14,934,046</b>

**21 Company Details**

The financial statements are for Merri Community Health Services Limited as an individual entity, incorporated and domiciled in Australia. Merri Community Health Services Limited is a not-for-profit company limited by guarantee.

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

Merri Community Health Services Limited  
 11 Glenlyon Road  
 Brunswick Vic 3056

## **Notes to the Financial Statements**

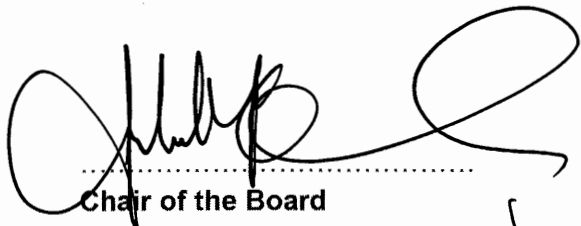
**For the year ended 30 June 2022**

### **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 24, are in accordance with the Australian Charities and Not-for-profits Commission Act 2012 and:
  - (a) comply with Australian Accounting Standards - Simplified Disclosures 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 2022 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.



.....  
**Chair of the Board**

Dated at Coburg this 25 day of November 2022.

# Independent Auditor's Report

## To the Directors of Merri Community Health Services Limited

<b>Opinion</b>	<p>I have audited the financial report of Merri Community Health Services Limited (the company) which comprises the:</p> <ul style="list-style-type: none"> <li>• statement of financial position as at 30 June 2022</li> <li>• statement of comprehensive income for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• statement of cash flows for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• responsible entities' declaration.</li> </ul> <p>In my opinion the financial report is in accordance with Division 60 of the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, including:</p> <ul style="list-style-type: none"> <li>• giving a true and fair view of the financial position of the company as at 30 June 2022 and of its financial performance and its cash flows for the year then ended</li> <li>• complying with Australian Accounting Standards – Simplified Disclosures and Division 60 of the <i>Australian Charities and Not-for-profits Commission Regulations 2013</i>.</li> </ul>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the company in accordance with the auditor independence requirements of the <i>Australian Charities and Not-for-profits Commission Act 2012</i> and the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Directors' responsibilities for the financial report</b>	<p>The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Simplified Disclosures and the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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**Auditor's  
responsibilities  
for the audit of  
the financial  
report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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MELBOURNE  
28 November 2022



Sanchu Chummar

*as delegate for the Auditor-General of Victoria*