STAR HEALTH GROUP LIMITED
ABN 74 711 038 580

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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Star Health Group Limited
ABN: 74 711 038 580

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For the Year Ended 30 June 2017

Star Health Group Limited
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Directors' Report
30 June 2017

Your directors present their report on Star Health Group Limited for the financial year ended 30 June 2017.

Information on directors

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

Judith Klepner - President	
Qualifications & Experience	GAICD, Bachelor of Arts, Diploma of Education, Graduate Diploma Inter Ethnic Studies & Education, Practitioner's Certificate in Mediation, Former Councillor of City of Port Phillip, Former Board member Adult, Community and Further Education State Board.
Special responsibilities	Chair of the Strategy & Performance Committee.
Tass Mousaferiadis – Vice President	
Qualifications & Experience	Graduate Certificate in Business Management, Graduate Diploma in Health Education, Bachelor of Education.
Special responsibilities	Member of the Strategy & Performance Committee.
Robyn Byrne - OAM	
Qualifications & Experience	Bachelor of Arts.
Special responsibilities	Member of the Clinical Governance & Quality Committee.
Frank O'Connor	
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	
Qualifications & Experience	Bachelor of Science (Hons), Master of Science, MAPS, MACE.
Special responsibilities	Chair of the Clinical Governance and Quality Committee.
Eddie Micallef	
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.
Nick Capes - Treasurer	
Qualifications	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 Strategy & Performance Committee.

Information on directors

David Endean	Company Secretary
Qualifications	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, Member of the Strategy & Performance Committee.
Anne Garrow	
Qualifications	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, Member of the Strategy & Performance Committee.
Melanie Eagle	
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.

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

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

Long term objectives

- 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 an ISCHS 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;
- 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;
- 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
- Our financial management will continue to reflect our goals and support an efficient and sustainable service.

Directors' Report
30 June 2017

Significant changes in state of affairs

The following significant changes in the state of affairs of the Company occurred during the financial year:

During the year, the company changed its name from Inner South Community Health Service Limited to Star Health Group Limited.

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 2017 the collective liability of members was $ 236 (2016: $ 252).

Meetings of directors

During the financial year, 12 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Judith Klepner	12	10
Tass Mousaferiadis	12	12
Robyn Byrne - OAM	12	11
Frank O'Connor	12	8
Michael McGartland	12	9
Eddie Micallef	12	9
Nick Capes	12	10
David Endean	12	11
Anne Garrow	12	11
Melanie Eagle	12	9

Star Health Group Limited
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Directors' Report
30 June 2017

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 2017 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: ....
Judith Klepner - President

Director: ....
Nick Capes - Treasurer

Dated 28 August 2017

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 2017, 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
Chartered Accountants

Cameron J Flynn

C J FLYNN
Director

28 August 2017

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Statement of Comprehensive Income
For the Year Ended 30 June 2017

	Note	2017 $	2016 $
Revenue	2	**26,698,483**	25,825,925
Other income	2	**842,426**	520,920
Employee benefits expense		**(20,219,915)**	(18,241,174)
Depreciation and amortisation expense		**(688,225)**	(630,713)
Client costs and medical supplies		**(2,918,311)**	(3,176,144)
Computer expenses		**(493,754)**	(400,776)
Motor vehicle expenses		**(267,003)**	(235,612)
Consulting and professional fees		**(606,080)**	(407,634)
Other expenses		**(1,718,298)**	(1,522,268)
Operating surplus for the year		**629,323**	1,732,524
Non-recurrent capital grant	3	**1,000,000**	-
Surplus for the year		**1,629,323**	1,732,524
Other comprehensive income		**-**	-
Total comprehensive income for the year		**1,629,323**	1,732,524

The accompanying notes form part of these financial statements.

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Statement of Financial Position
As at 30 June 2017

	Note	2017 $	2016 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**9,698,548**	8,442,827
Trade and other receivables	6	**329,782**	180,650
Other financial assets	7	**28,501**	25,227
Other assets	8	**721,890**	154,736
TOTAL CURRENT ASSETS		**10,778,721**	8,803,440
NON-CURRENT ASSETS			
Financial assets	7	**103,481**	146,042
Property, plant and equipment	9	**6,892,767**	6,542,747
Intangible assets	10	**24,959**	-
TOTAL NON-CURRENT ASSETS		**7,021,207**	6,688,789
TOTAL ASSETS		**17,799,928**	15,492,229
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	**1,226,912**	1,344,054
Employee benefits	12	**2,915,584**	2,571,617
Other liabilities	13	**1,158,383**	670,172
TOTAL CURRENT LIABILITIES		**5,300,879**	4,585,843
NON-CURRENT LIABILITIES			
Employee benefits	12	**729,545**	766,205
TOTAL NON-CURRENT LIABILITIES		**729,545**	766,205
TOTAL LIABILITIES		**6,030,424**	5,352,048
NET ASSETS		**11,769,504**	10,140,181
EQUITY			
Reserves		**801,979**	791,368
Accumulated surplus		**10,967,525**	9,348,813
TOTAL EQUITY		**11,769,504**	10,140,181

The accompanying notes form part of these financial statements.

Star Health Group Limited
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Statement of Changes in Equity
For the Year Ended 30 June 2017

2017

	Accumulated Surplus	Investment Fluctuation Reserve	Asset Revaluation Reserve	Total
	$	$	$	$
Balance at 1 July 2016	9,348,813	(94,214)	885,582	10,140,181
Surplus for the year	1,629,323	-	-	1,629,323
Transfers from reserves	(10,611)	10,611	-	-
Balance at 30 June 2017	10,967,525	(83,603)	885,582	11,769,504

2016

	Accumulated Surplus	Investment Fluctuation Reserve	Asset Revaluation Reserve	Total
	$	$	$	$
Balance at 1 July 2015	7,707,030	(184,955)	885,582	8,407,657
Surplus for the year	1,732,524	-	-	1,732,524
Transfers from reserves	(90,741)	90,741	-	-
Balance at 30 June 2016	9,348,813	(94,214)	885,582	10,140,181

The accompanying notes form part of these financial statements.

Star Health Group Limited

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Statement of Cash Flows

For the Year Ended 30 June 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from grants, customers and Medicare		**30,603,615**	28,631,242
Payments to suppliers and employees		**(28,613,061)**	(26,220,459)
Dividends received		**4,762**	4,599
Donations received		**6,364**	4,699
Interest received		**191,859**	184,677
Net cash provided by (used in) operating activities	19	**2,193,539**	2,604,758
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		**90,662**	61,731
Proceeds from sale of available-for-sale investments		**39,287**	70,775
Purchase of property, plant and equipment		**(1,067,767)**	(874,448)
Net cash used by investing activities		**(937,818)**	(741,942)
Net increase (decrease) in cash and cash equivalents held		**1,255,721**	1,862,816
Cash and cash equivalents at beginning of year		**8,442,827**	6,580,011
Cash and cash equivalents at end of financial year	5	**9,698,548**	8,442,827

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 30 June 2017

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.

1 Summary of Significant Accounting Policies

(b) Revenue and other income

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.

1 Summary of Significant Accounting Policies

(c) Property, plant and equipment

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) 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.

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.

(e) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

1 Summary of Significant Accounting Policies

(e) Financial instruments

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

(d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

The Company does not designate any interest as being subject to the requirements of accounting standards specifically applicable to financial instruments.

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting year.

Notes to the Financial Statements
For the Year Ended 30 June 2017

1 **Summary of Significant Accounting Policies**

(e) **Financial instruments**

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the Company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets

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

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be sold within 12 months after the end of the reporting period.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, and reference to similar instruments.

Impairment

Objective evidence that a financial asset is impaired includes default by a debtor, evidence that the debtor is likely to enter bankruptcy or adverse economic conditions in the stock exchange. At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to indicate that an impairment has arisen.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss.

1 Summary of Significant Accounting Policies

(e) Financial instruments

Impairment

However, any reversal in the value of an impaired available for sale asset is taken through other comprehensive income rather than profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

When available-for-sale investments are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(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.

Assets, other than goodwill that have an allocated impairment loss are reviewed for reversal indicators at the end of each reporting period. After recognition of an impairment loss, the amortisation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

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.

Notes to the Financial Statements
For the Year Ended 30 June 2017

1 Summary of Significant Accounting Policies

(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.

(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.

1 Summary of Significant Accounting Policies

(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.

(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 9 Financial Instruments	1/01/2018	The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	Financial instruments classified as available-for-sale (AFS) will now be reported through other comprehensive income (OCI) and no longer recognised through the profit or loss. AASB 9 is not likely to have a material impact on the financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Summary of Significant Accounting Policies

(o) New accounting standards for application in future periods

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 requires additional disclosures on revenue derived from provision of services and contract modifications. The impact of AASB 15 on revenue recognition and measurement has not been assessed at this stage.
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. The impact of AASB 16 on recognition and measurement of the right-to-use assets and leases liabilities have not been assessed at this stage.
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. 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. Star Health's use of buildings as part of a "peppercorn" lease agreement will need to recognise the fair value of the remaining right of use asset and the present value of remaining lease payments.

Notes to the Financial Statements
For the Year Ended 30 June 2017

2 Revenue and Other Income

	2017	2016
	$	$
Revenue		
- Client fees and Medicare payments	**1,555,259**	1,155,346
- Interest received	**191,859**	184,677
- Dividends received	**4,762**	4,599
- Operating grants	**24,940,238**	24,476,604
- Donations	**6,365**	4,699
Total Revenue	**26,698,483**	25,825,925
Other income	**781,286**	467,038
Net gain on disposal of property, plant and equipment	**61,140**	53,882
	842,426	520,920

3 Non-recurrent capital grant

During the year a non-recurrent capital grant was received and recognised as revenue in accordance with Accounting Standard requirements.

DHHS non-recurrent capital grant	**1,000,000**	-

4 Auditor's Remuneration

Remuneration of the auditor of the company for:

- auditing or reviewing the financial statements	**26,250**	25,350

5 Cash and Cash Equivalents

Cash on hand	**17,645**	17,645
Cash at bank	**3,285,773**	2,076,843
Short-term bank deposits	**6,395,130**	6,348,339
	9,698,548	8,442,827

6 Trade and Other Receivables

CURRENT		
Trade receivables	**112,639**	50,821
Other receivables	**217,143**	129,829
Total current trade and other receivables	**329,782**	180,650

7 Other Financial Assets

CURRENT		
Available for sale financial assets	**28,501**	25,227
NON-CURRENT		
Available for sale financial assets	**103,481**	146,042

Notes to the Financial Statements
For the Year Ended 30 June 2017

7 Other Financial Assets

Available-for-sale financial assets comprise of investments in the ordinary issued capital of listed entities, managed funds and mortgage trusts. There are no fixed returns or fixed maturity dates attached to these investments.

8 Other Assets

	2017 $	2016 $
CURRENT		
Prepayments	**681,824**	154,736
Accrued income	**40,066**	-
	721,890	154,736

9 Property, Plant and Equipment

	2017 $	2016 $
LAND AND BUILDINGS		
Freehold land		
At directors' valuation	**501,600**	501,600
Buildings		
At directors' valuation	**7,862,109**	7,862,109
Accumulated depreciation	**(3,499,589)**	(3,274,859)
Total buildings	**4,362,520**	4,587,250
Total land and buildings	**4,864,120**	5,088,850
PLANT AND EQUIPMENT		
Motor vehicles		
At cost	**1,598,858**	1,493,580
Accumulated depreciation	**(888,140)**	(938,329)
Total motor vehicles	**710,718**	555,251
Furniture and equipment		
At cost	**3,121,941**	2,691,492
Accumulated depreciation	**(2,208,075)**	(1,989,323)
Total furniture and equipment	**913,866**	702,169
Leasehold Improvements		
At cost	**815,114**	568,445
Accumulated depreciation	**(411,051)**	(371,968)
Total improvements	**404,063**	196,477
Total property, plant and equipment	**6,892,767**	6,542,747

Star Health Group Limited
ABN: 74 711 038 580

Notes to the Financial Statements
For the Year Ended 30 June 2017

9 Property, Plant and Equipment

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 2016						
Balance at the beginning of year	501,600	4,587,250	555,251	702,169	196,477	6,542,747
Additions	-	-	361,699	459,250	246,818	1,067,767
Disposals - written down value	-	-	(29,522)	-	-	(29,522)
Depreciation expense	-	(224,730)	(176,710)	(247,553)	(39,232)	(688,225)
Balance at 30 June 2017	501,600	4,362,520	710,718	913,866	404,063	6,892,767
Balance at 1 July 2015						
Balance at the beginning of year	501,600	4,754,357	428,499	515,696	106,709	6,306,861
Additions	-	59,706	293,008	410,012	111,722	874,448
Disposals - written down value	-	-	-	(7,849)	-	(7,849)
Depreciation expense	-	(226,813)	(166,256)	(215,690)	(21,954)	(630,713)
Balance at 30 June 2016	501,600	4,587,250	555,251	702,169	196,477	6,542,747

10 Intangible Assets

	2017	2016
	$	$
Computer software	24,959	-

11 Trade and Other Payables

	2017	2016
CURRENT		
Unsecured liabilities		
Trade payables	264,439	530,845
GST payable	263,704	128,644
Sundry payables and accrued expenses	698,769	684,565
	1,226,912	1,344,054

Notes to the Financial Statements
For the Year Ended 30 June 2017

12 Employee Benefits

	2017	2016
	$	$
CURRENT		
Long service leave	**1,493,250**	1,328,755
Annual leave	**1,422,334**	1,242,862
	2,915,584	2,571,617
NON-CURRENT		
Long service leave	**729,545**	766,205

13 Other Liabilities

	2017	2016
CURRENT		
Grants received in advance	**1,158,383**	670,172

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

14 Capital and Leasing Commitments

Operating lease commitments

	2017	2016
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- no later than 1 year	**256,681**	174,684
- between 1 year and 5 years	**268,514**	248,987
	525,195	423,671

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

15 Contingent Liabilities and Contingent Assets

Contingent Liabilities

In the opinion of the Directors, the company did not have any contingencies at 30 June 2017 (2016: NIL).

Notes to the Financial Statements

For the Year Ended 30 June 2017

16 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:

	2017	2016
	$	$
Short-term employee benefits	**795,941**	**763,826**
Post-employment benefits	**74,613**	**67,338**
	870,554	**831,164**

17 Events after the end of the Reporting Period

After the end of the reporting period the Company entered into a contract of sale on the property located at Mitford St, St Kilda.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

18 Related Party Transactions

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

19 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities		
Surplus for the year	**1,629,323**	1,732,524
Non-cash flows in surplus:		
- depreciation	**688,225**	630,713
- net (gain)/loss on disposal of property, plant and equipment	**(61,140)**	(53,882)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**(149,132)**	101,194
- (increase)/decrease in other assets	**(162,493)**	(35,716)
- increase/(decrease) in trade and other payables	**(77,076)**	162,960
- increase/(decrease) in other liabilities	**18,525**	(39,978)
- increase/(decrease) in employee benefits	**307,307**	106,943
Cashflow from operations	**2,193,539**	2,604,758

20 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.

20 Financial Risk Management

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 2017 the Company does not believe it is exposed to any material credit risk.

(b) Liquidity Risk

At 30 June 2017 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	
	2017	2016	2017	2016	2017	2016
	$	$	$	$	$	$
Financial liabilities due for payment						
Trade and other payables (excluding GST)	963,908	1,215,410	-	-	963,908	1,215,410
Total contractual outflows	963,908	1,215,410	-	-	963,908	1,215,410

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.

20 Financial Risk Management

(c) Market risk

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 2017 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.

21 Company Details

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

Star Health Group Limited
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, 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 2017 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 ....
Judith Klepner - President

Director ....
Nick Capes - Treasurer

Dated 28 August 2017

Accru.

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 2017, 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 2017 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 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 if this auditor's report is included in the Directors' report for the year ended 30 June 2017.

Our opinion on the financial report coprises the statement of financial position as at 30 June 2017, 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 theresponsible 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.

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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

ACCRU MELBOURNE (AUDIT) PTY LTD
Chartered Accountants

Cameron J Flynn

C J FLYNN
Director

28 August 2017