
IPC Health Ltd

ACN: 136 685 151

Financial Report

For the year ended 30 June 2021

IPC Health Ltd

30 June 2021

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IPC Health Ltd

Directors' Report

Your directors present their report of IPC Health Ltd for the year ended 30 June 2021.

Directors

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

George Kogios	Board Member/Chairperson
Daryl Whitfort	Board Member/ Deputy Chairperson / Chair Finance, Audit and Risk Management Committee
John Hedditch	Board Member
Peter Gluskie	Board Member/Chair Strategy and Planning Committee
Sanela Osmic	Board Member/Chair Clinical Governance and Clinical Risk Committee
Paul Geyer	Board Member
Rennis Witham	Board Member/Chair Governance, Nominations and Remuneration Committee (until February 2021)
Jenny McMahon	Board Member/Chair Governance, Nominations and Remuneration Committee (from February 2021)
Ngaire Anderson	Board Member (appointed 10 March 2021)
Patricia Collocott	Board Member (resigned 9 July 2020)

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

Principal Activities

IPC Health Ltd aims to improve the quality of life for the people we serve by maximising access to health and wellbeing services. We deliver innovative, high quality services that are client centred, collaborative, coordinated and demonstrate value through measured impact.

IPC Health Ltd delivers services primarily, but not limited to, the cities of Brimbank, Wyndham and Hobsons Bay with a total population of over 500,000 across the west. We exist so that communities are healthy and well, and individuals, through a single point of contact, can connect to a full spectrum of care and support using consistent approaches including those of our partners.

Our role spans primary prevention, quality of life support, service navigation, secondary prevention and harm reduction and primary health treatment.

Our care addresses a full range of health conditions including those most prominently contributing to the health burden in Melbourne's West, namely: heart disease, diabetes, hepatitis, mental health, dental health, chronic obstructive pulmonary disease and stroke.

Our services are provided in a range of settings including care at home and via telehealth. Our six campuses are located across Western Melbourne at: St Albans, Sunshine, Deer Park, Hoppers Crossing, Wyndham Vale and Altona Meadows.

We collaborate with our partners including local government authorities in support of their Health and Wellbeing Plans that focus attention on the determinants of health and associated risk factors and behaviours such as physical inactivity, mental health, and alcohol and drug consumption.

IPC Health Ltd

Directors' Report

Significant Changes

In the previous financial year, 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, IPC Health Ltd 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 IPC Health Ltd operates.

IPC Health Ltd introduced a range of measures in both the prior and current year, including:

- greater utilisation of telehealth services
- performing COVID-19 testing
- implementing work from home arrangements where appropriate.

As restrictions eased towards the end of the financial year IPC Health Ltd was able to revise some measures where appropriate. Subsequent to year end however, the Victorian Government issued further lockdown restrictions for Metropolitan Melbourne from 5 August 2021 which continue to impact day-to-day operations.

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

Short Term Objectives

The company's short term objectives are set out in the IPC Health Ltd Strategy 2020-2025: Phase One: Embedding Innovation as IPC Health Ltd becomes known as Design Innovators by introducing and testing business innovations that have potential to enhance access to services.

The Company's medium term objectives are set out in the IPC Health Ltd Strategy 2020-2025. These can be described as Phase Two: Scaling for Demand (to commence in 2022) and Phase Three: Evidence of Impact (to commence in 2024).

Long Term Objectives

IPC Health Ltd's long term objectives are to deliver innovative, high quality services that are client centred, collaborative, coordinated and demonstrate value through measured impact.

How Principal Activities Assist in Achieving the Objectives

The company has recently adopted a service delivery model of holistic care which focuses on the individual needs of clients where a health and wellbeing plan is co-designed with the client to address not just the health aspect but psychosocial needs and linking many clients to their local community. Through strong partnerships and alliances with funding bodies, research bodies, the acute health sector and other community health organisations, IPC Health Ltd will achieve the 12 objectives set out in the IPC Health Ltd Strategy 2020 – 2025.

Performance Measures

We judge our success by three factors:

- We have a positive reputation;
- We provide person centred care that is valued by all; and
- We are an effective viable business.

Our governance structures are currently being reviewed in alignment with the adoption of our new Strategy. The 12 Strategic Objectives as outlined in this Strategy are the KPIs on which the organisation measures its performance.

IPC Health Ltd

Directors' Report

Members' Guarantee

IPC Health Ltd 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 members and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$10 for all members, subject to the provisions of the company's constitution.

At 30 June 2021 the collective liability of members was \$90 (2020: \$80).

Review of Operations

During the 2020/21 financial year, operations have continued to be impacted by the COVID-19 pandemic. During state-wide imposed lockdowns many services for clients continued to be delivered using innovative technological solutions. However some services such as group sessions, dental procedures and some allied health services that can only be performed face-to-face, were restricted to emergency procedures only.

During the financial year IPC Health Ltd continued to operate two drive through Acute Respiratory Clinics at our Deer Park and Wyndham Vale campuses, and two other semi-permanent pop-up testing sites at Tarneit and Sunshine West. IPC Health Ltd successfully tendered as lead agency for additional state funded COVID-19 pandemic support as part of the C-19 Network. The C-19 Network consists of DPV Health, Star Health, coHealth, and Each. The C-19 Network undertook rapid response testing, community engagement, and high risk accommodation response with community engagement. Testing was performed at airports, workplaces, public residential accommodation (including high rise and share houses), local prisons, schools, meat processing factories, distribution centres, and various local sites working closely with communities. The C-19 Network expanded its service offering to provide COVID-19 vaccinations at multiple pop-up sites across metropolitan Melbourne, continuing to work with local communities. The GP clinics at Deer Park and Wyndham Vale were also involved in the Commonwealth vaccine roll out.

The accounting surplus for the company for the 2020/21 financial year amounted to \$5.2 million, compared to \$1.2 million for 2019/20. This increase was largely driven by the significant increase in COVID-19 pandemic services provided to the State. This surplus has been used to invest in a number of strategic and innovation projects that would not have otherwise been possible. These included the following:

- An organisation wide Information Technology roll out, which involved the replacement of all devices, migration to Teams, Sharepoint, Office 365, and the deployment of a new Citrix workspace environment to allow our staff to work remotely as seamlessly as possible.
- It has also allowed for a sizeable investment to fit-out infrastructure and activate 8 dental chairs at our Wyndham Vale campus positioning the organisation to be able to respond if additional funding is provided to catch up on the pandemic impacted dental wait lists.
- A significant investment into hybrid vehicles, replacing 19 cars that had reached the end of their useful life.

In addition to the impact of our expanded C-19 Network operations on our surplus, the State Department of Health provided a waiver of the outstanding performance obligations for Community Health and other programs related to the year ended 30 June 2021. This resulted in \$1.4m of grant funding being recognised as revenue that would have otherwise been recognised as a contract liability, under a strict interpretation of our contractual obligations.

IPC Health Ltd

Directors' Report

After Balance Date Events

The COVID-19 pandemic has created unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by IPC Health Ltd at the reporting date. Management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on IPC Health Ltd, its operations, its future results and financial position. The Victorian Government issued lockdown restrictions for Metropolitan Melbourne commencing 5 August 2021 and regional Victoria commencing 21 August 2021.

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

Environmental Issues

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in Note 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

The company has indemnified all directors and the Chief Executive Officer in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or Chief Executive Officer of the company except where the liability arises out of conduct involving a lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Information on Directors

George Kogios

Qualifications:	BBus (Accounting); MAICD; Post Graduate Diploma (Taxation); Diploma of Superannuation Management; Fellow - Association of Superannuation Funds of Australia (FASFA); Regulatory Guidelines (RG146 Accredited).
Special Responsibilities:	Chairperson

IPC Health Ltd

Directors' Report

Information on Directors (continued)

Daryl Whitfort

Qualifications: MBA; BBus (Accounting); FCPA; GAICD.
Special Responsibilities: Deputy Chairperson/Chair Finance, Audit and Risk Management Committee

Rennis Witham

Qualifications: BA Soc.Sc; Cert IV Training Assessment.
Special Responsibilities: Board Member/Chair Governance, Nominations and Remuneration Committee (until February 2021)

Jenny McMahon

Qualifications: Bachelor of Business, GAICD, IECL Accredited Coach.
Special Responsibilities: Board Member/Chair Governance, Nominations and Remuneration Committee (from February 2021)

John Hedditch

Qualifications: Grad Dip Health Service Management.
Special Responsibilities: Board Member

Peter Gluskie

Qualifications: BEng; MBA; CPPD; GAICD, FAIPM.
Special Responsibilities: Board Member, Chair Strategy and Planning Committee

Sanela Osmic

Qualifications: Masters of International Business; Bbus (Economics, International Trade), GAICD, John Maxwell Certified Coach, Speaker & Trainer.
Special Responsibilities: Board Member, Chair Clinical Governance and Clinical Risk Committee

Patricia Collocott

Qualifications: Bachelor Applied Science (Speech Pathology), Graduate Diploma Public Sector Management, AFACHSM, GAICD
Special Responsibilities: Board Member (resigned 9 July 2020)

Paul Geyer

Qualifications: FAICD, MBA, Postgraduate Diploma in Management Studies, Bachelor of Science (Botany and Philosophy)
Special Responsibilities: Board Member

Ngairé Anderson

Qualifications: Bachelor of Health Science Degree (BHSc), Diploma of Occupational Health & Safety (DipOHS), Diploma of Project Management (DipProMgt), Master of Business Administration (MBA), GAICD
Special Responsibilities: Board Member (Appointed 10 March 2021)

IPC Health Ltd

Directors' Report

Meetings of Directors

During the financial year, 11 meetings of directors were held. IPC Health Ltd also has four subcommittees, including the Finance Audit and Risk Management Committee, Clinical Governance and Clinical Risk Committee, Strategy and Planning Committee and Governance Nominations and Remunerations Committee.

Attendances by each director were as follows:

	Board of Directors		Finance, Audit and Risk Management Committee		Clinical Governance and Clinical Risk Committee		Strategy and Planning Committee		Governance, Nominations & Remunerations Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
George Kogios	11	11	9	6	-	-	-	-	4	4
Daryl Whitfort	11	11	9	9	-	-	-	-	-	-
Rennis Witham	11	10	-	-	4	2	-	-	4	4
Jenny McMahon	11	11	6	6	-	-	5	2	1	1
John Hedditch	11	11	-	-	-	-	5	5	-	-
Peter Gluskie	11	11	-	-	-	-	5	5	-	-
Sanela Osmic	11	11	-	-	4	4	-	-	4	4
Patricia Collocott	-	-	-	-	-	-	-	-	-	-
Paul Geyer	11	11	3*	8	4	4	-	-	-	-
Ngaire Anderson	4	4	-	-	2	2	-	-	-	-

* Paul Geyer attended as an attendee only until April 2021

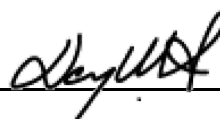
Auditors' Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2021 has been received and can be found on page 7 of the financial reports.

The directors' report is signed in accordance with a resolution of the board of directors.



George Kogios, Chairperson



Daryl Whitfort, Deputy Chairperson

Dated this 13th day of October 2021

IPC Health Ltd

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2021

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	2	71,489,670	40,788,257
Other income	2	2,694,118	3,419,269
Employee benefits expense		(36,452,406)	(32,018,653)
Depreciation and amortisation expense		(3,036,058)	(2,084,065)
Lease expense		(60,157)	(153,931)
Client services expenses		(19,507,469)	(2,839,262)
Medical and paramedical expenses		(2,287,555)	(688,398)
Repairs and maintenance expenses		(621,492)	(1,250,965)
Motor vehicle expenses		(120,905)	(148,690)
Utility expenses		(598,700)	(700,531)
Information technology expenses		(919,573)	(834,034)
Consulting and staff training		(2,318,495)	(1,162,401)
Other expenses		(3,083,177)	(1,111,964)
Surplus before income tax		5,177,801	1,214,632
Income tax	1(c)	-	-
Surplus after income tax		5,177,801	1,214,632
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on revaluation of land		-	2,870,000
Total other comprehensive income		-	2,870,000
Total comprehensive income for the year		5,177,801	4,084,632

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

IPC Health Ltd

Statement of Financial Position

As at 30 June 2021

	Notes	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	3	24,290,333	20,533,226
Trade and other receivables	4	12,748,773	1,919,343
Other assets	5	202,874	317,108
Total current assets		37,241,980	22,769,677
Non-current assets			
Property, plant and equipment	6	30,006,638	30,849,330
Right of use assets	8	1,399,831	1,788,748
Total non-current assets		31,406,469	32,638,078
Total assets		68,648,449	55,407,755
Current liabilities			
Trade and other payables	9	8,176,943	2,464,135
Contract liabilities	10	8,875,812	6,776,548
Lease liabilities	11	989,637	1,486,133
Employee benefits	13	7,000,983	6,490,725
Total current liabilities		25,043,375	17,217,541
Non-current liabilities			
Lease liabilities	11	151,970	151,902
Provisions	12	79,003	76,671
Employee benefits	13	1,374,115	1,139,456
Total non-current liabilities		1,605,088	1,368,029
Total liabilities		26,648,463	18,585,570
Net assets		41,999,986	36,822,185
Members' funds			
Accumulated surplus		39,129,986	33,952,185
Asset revaluation reserve	14	2,870,000	2,870,000
Total member's funds		41,999,986	36,822,185

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

IPC Health Ltd

Statement of Changes in Equity

For the Year Ended 30 June 2021

	Asset Revaluation Reserve \$	Accumulated Surplus \$	Total \$
Balance at 1 July 2019	-	32,737,553	32,737,553
Surplus for the year	-	1,214,632	1,214,632
Other comprehensive income for the year	2,870,000	-	2,870,000
Balance at 30 June 2020	2,870,000	33,952,185	36,822,185
Balance at 1 July 2020	2,870,000	33,952,185	36,822,185
Surplus for the year	-	5,177,801	5,177,801
Other comprehensive income for the year	-	-	-
Balance at 30 June 2021	2,870,000	39,129,986	41,999,986

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

IPC Health Ltd

Statement of Cash Flows

For the Year Ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from clients and government grants		68,677,460	45,325,050
Payments to suppliers and employees		(62,687,699)	(39,922,504)
Donations		31,283	9,882
Interest received		97,097	273,381
Interest paid on lease liabilities		(44,941)	(63,573)
Short term and low-value lease payments		(15,216)	(12,791)
Net cash provided by operating activities	16	6,057,984	5,609,445
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	61,363
Payments for property, plant and equipment		(1,804,449)	(883,310)
Net cash used in investing activities		(1,804,449)	(821,947)
Cash flows from financing activities			
Repayment of lease commitments		(496,428)	(633,374)
Net cash used in financing activities		(496,428)	(633,374)
Net increase in cash held		3,757,107	4,154,124
Cash and cash equivalents at the beginning of the financial year		20,533,226	16,379,102
Cash and cash equivalents at the end of the financial year	3	24,290,333	20,533,226

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of Significant Accounting Policies

The financial statements cover IPC Health Ltd as an individual entity, incorporated and domiciled in Australia. IPC Health Ltd is a not-for-profit company limited by guarantee, primarily involved in the provision of health and community services.

The financial statements were authorised for issue on 13 October 2021 by the directors of the company.

Basis of preparation

The directors have elected to apply AASB 1060: *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060) prior to its mandatory effective date (annual reporting periods beginning on or after 1 July 2021).

As a result of the early application of AASB 1060 these general purpose financial statements have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures made by the Australian Accounting Standards Board (AASB) and the *Australian Charities and Not-for-profits Commission Act 2012*.

These financial statements are the first general purpose financial statements prepared in accordance with Australian Accounting Standards – Simplified Disclosures. In the prior year, the financial statements were general purpose financial statements prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements. There was no impact on the recognition and measurement of amounts recognised in the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows of the company as a result of the change in the basis of preparation.

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 stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Statement of compliance

IPC Health Ltd does not have 'public accountability' as defined in AASB 1053 Application of Tiers of Australian Accounting Standards and is therefore eligible to apply the 'Tier 2' reporting framework under Australian Accounting Standards.

The financial statements comply with the recognition and measurement requirements of Australian Accounting Standards, the presentation requirements in those Standards as modified by AASB 1060 and the disclosure requirements in AASB 1060. Accordingly, the financial statements comply with Australian Accounting Standards – Simplified Disclosures.

Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Functional and presentation currency and rounding

These financial statements are presented in Australian dollars, which is the company's functional currency. The amounts have been rounded to the nearest dollar.

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

Impact of global COVID-19 pandemic

In the previous financial year, 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, IPC Health Ltd 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 IPC Health Ltd operates.

IPC Health Ltd introduced a range of measures in both the prior and current year, including

- greater utilisation of telehealth services
- performing COVID-19 testing and vaccinations
- implementing work from home arrangements where appropriate.

As restrictions eased towards the end of the financial year IPC Health Ltd were able to revise some measures where appropriate. Subsequent to year end, the Victorian Government issued further lockdown restrictions for Metropolitan Melbourne commencing 5 August 2021 and regional Victoria commencing 21 August 2021. During this period of time IPC Health Ltd have reintroduced such measures.

For further details refer to Note 2 Revenue and Note 19 Events After the Reporting Period.

(a) Changes in accounting policies and estimates

There have been no changes in accounting policies in preparing the financial report.

(b) Expenses

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Employee benefits expense

Employee expenses include:

- Salaries and wages (including fringe benefits tax, leave entitlements, termination payments)
- On-costs
- WorkCover premium.

Client services expense

Client service expenses include items utilised in the provision of direct patient care, including expenditure for aged care home support packages, interpreters and dental prosthetics.

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

(b) Expenses (continued)

Medical and paramedical expenses

Medical and paramedical expenses include general consumables used in dental health services, allied health and general medical services.

Other operating expenses

Other operating expenses represent the day to day running costs incurred in normal operations and include things such as:

- Motor vehicle expenses
- Utility expenses
- Information technology expenses
- Consulting and staff training
- Other administrative expenses

(c) Income tax

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

(d) Impairment of Assets

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible 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 of disposal and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in profit or loss.

Where the assets are not held primarily for their ability to generate net cash inflows – that is, they are specialised assets held for continuing use of their service capacity – the recoverable amounts are expected to be materially the same as fair value.

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

Where an impairment loss on a revalued individual asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

(e) 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 (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Cash flows are presented in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(f) Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by accounting standards or as a result of changes in accounting policy.

(g) Judgements and key sources of estimation uncertainty

The following are the critical judgements, apart from those involving estimations that the directors have made in the process of applying the company's accounting policies. These judgements have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets

The company assesses impairment at each reporting period by evaluating the conditions and events specific to the company that may be indicative of impairment triggers. The recoverable amount of the relevant assets are reassessed using the value-in-use calculation which incorporates various key assumptions.

Useful lives of property, plant and equipment

The company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Fair value of land

IPC Health Ltd measures its land at fair value. IPC Health Ltd obtains independent valuations for such non-current assets at least every five years. At the end of each reporting period, the directors update their assessment of the fair value of each non-current asset to ensure the fair values recorded are materially correct.

The directors determine a non-current assets value using a range of reasonable fair value estimates. The best evidence of fair value is current prices in an active market for similar assets. Where such information is not available the directors consider information from a variety of sources including current prices in an active market for assets of a different nature or recent prices of similar assets in less active markets.

Whilst the directors believe the fair value of IPC Health Ltd's land recorded at fair value are at risk of being impacted by significant uncertainty that COVID-19 has caused across Australia, the directors believe the fair values of such assets recorded at 30 June 2021 are considered materially correct given an independent valuation was obtained at 30 June 2020.

Note 1. Summary of Significant Accounting Policies (continued)

(g) Judgements and key sources of estimation uncertainty (continued)**Identifying performance obligations under AASB 15**

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature/-type, cost/-value, quantity and the period of transfer related to the goods or services promised.

Determination and timing of revenue recognition under AASB 15

For each revenue stream, the company applies significant judgement to determine when a performance obligation has been satisfied and the transaction price that is to be allocated to each performance obligation.

Accounting for revenue from consortium arrangements

The C-19 Network operates through a contract with the Department of Health Victoria, to provide COVID-19 response services across metropolitan Melbourne, since September 2020. The parties of the C-19 Network are IPC Health Ltd (Lead Agency), cohealth Limited, DPV Health Ltd, EACH and Star Health Group Limited. The key services provided by the C-19 Network are for marginalised and vulnerable communities and includes community engagement, COVID testing and vaccination services.

The contracts between the C-19 Network and the Department of Health Victoria contain sufficiently specific and enforceable performance obligations with respect to the services provided, and satisfy the revenue recognition requirements of AASB 15 – *Revenue from Contracts with Customers*, with revenue recognised when those obligations have been discharged. In accounting for the operations from the C-19 Network, management have taken the view that IPC Health Ltd is the Lead Agency and is ultimately responsible for fulfilling the obligations under the contracts involving the funding agency and has therefore recognised revenues, expenses, assets and liabilities stemming from the arrangement.

Lease term and option to extend under AASB 16

The lease term is defined as the non-cancellable period of a lease together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The options that are reasonably going to be exercised is a key management judgement that the company will make.

The company determines the likelihood to exercise the options on a lease-by-lease basis, looking at various factors such as which assets are strategic and which are key to future strategy of the company, in addition to the following:

- If there are significant penalties to terminate (or not to extend), the company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

All leases have been calculated including all renewal options, as it is reasonably certain that the leases will be extended (or not terminated). The lease term is reassessed if an option is not exercised or the company becomes obliged to not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

(g) Judgements and key sources of estimation uncertainty (continued)

Borrowing rate under AASB 16

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the company's leases, the company's incremental borrowing rate is used, being the rate that the company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, eg term, country, currency and security.

Depreciation of leased land

The company's leased land includes a purchase option which the company is reasonably certain to exercise. As the land has an indefinite useful life to the company, depreciation is not being applied to the right-of-use asset.

Make-good provision

A provision has been made for the present value of anticipated costs of future restoration of leased properties. The provision includes future cost estimates associated with dismantling furniture and fittings. The calculation of this provision requires assumptions which may result in future actual expenditure differing from the amounts currently provided for. The provision recognised for each property lease is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for properties is recognised in the Statement of Financial Position by adjusting both the expense or asset (if applicable) and provision.

Annual leave

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. The company expects most employees will take their annual leave entitlements within 24 months of the reporting period in which they were earned, but this will not have a material impact on the amounts recognised in respect of obligations for employees' leave entitlements.

Long service leave calculation

The company assesses the long service leave liability in accordance with the requirements of AASB 119: *Employee Benefits* and applies probability factors reducing the balance of the liability on employees' balances that have not reached their vesting period i.e. not entitled to be paid out as at 30 June 2021. The probability factors are increased as the respective employees' years of service increase and are provided for at 100% probability at vesting period (in accordance with employment conditions). The probability rates have been determined based historical employee attrition data.

(h) Economic Dependence

IPC Health Ltd is dependent upon the State of Victoria, via the Department of Health, for the funding of a significant proportion of its operations. At the date of this report the Board of Directors believe the department will continue to support IPC Health Ltd.

Note 1. Summary of Significant Accounting Policies (continued)

(i) Fair Value of Assets and Liabilities

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

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

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

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

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

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

(j) New Standards Applicable to Future Periods

An assessment of accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to IPC Health Ltd and their potential impact on IPC Health Ltd when adopted in future periods is discussed below:

- *AASB 2020-8: Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* (applicable for reporting periods commencing on or after 1 January 2021). Adoption of this standard is not expected to have a material impact.
- *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.

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 2. Revenue and Other Income	Notes	2021	2020
		\$	\$
Revenue from contracts with customers	2(a)	71,489,670	40,788,257
Other sources of income	2(b)	2,694,118	3,419,269
Total revenue and other income		74,183,788	44,207,526
(a) Disaggregated revenue			
The company has disaggregated revenue by the nature of revenue and timing of revenue recognition.			
Categories of disaggregation			
Commonwealth government recurrent funding		12,136,887	6,206,315
Victorian government recurrent funding		21,506,560	24,025,322
COVID-19		28,041,004	389,813
Medicare billing		3,177,715	2,965,868
Fees for service		794,014	711,246
Non-recurrent grants		4,411,490	5,089,693
Other revenue		1,422,000	1,400,000
Total disaggregated revenue from contracts with customers under AASB 15		71,489,670	40,788,257
Timing of revenue recognition			
Services transferred to customers:			
- at a point in time		3,971,729	3,677,114
- over time		67,517,941	37,111,143
		71,489,670	40,788,257
(b) Other sources of income			
Government funding recognised under AASB 1058		1,393,126	1,813,996
Other income		632,280	826,838
Rental income		291,657	427,892
Interest received		97,097	273,381
Donations		31,283	9,882
Minor works funding		248,675	-
Capital funding		-	32,000
Gain from sale of property, plant and equipment		-	35,280
Total other sources of income		2,694,118	3,419,269

How we recognise revenue and other income

Government grants

When the company receives revenue it assesses whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with AASB 15.

When both these conditions are satisfied, the company:

- identifies each performance obligation relating to the revenue
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfies its performance obligations, at the time of which services are rendered.

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 2. Revenue and Other Income (continued)

Recognition of revenue in accordance with AASB 1058: *Income of Not-for-Profit Entities*

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the company:

- recognises the asset received in accordance with the recognition requirements of other applicable Accounting Standards (for example AASB 9, AASB 16, AASB 116 and AASB 138)
- recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer) and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

During the year ended 30 June 2021, COVID-19 has impacted revenue recognition. The State Department of Health provided a waiver of the outstanding performance obligations for Community Health and other programs related to the year ended 30 June 2021. This resulted in \$1.4 million of funding being recognised as revenue in accordance with AASB 1058 (2020: \$1.3 million), that would otherwise have been recognised as a contract liability until subsequent years as the performance obligations were fulfilled.

Performance obligations

The types of government grants recognised under AASB 15: *Revenue from Contracts with Customers* includes:

- Federal Department of Health Community and Home Support - Allied Health and Therapy Services
- State Department of Health Community Health
- State Department of Health Individual, Child and Family Support
- State Department of Health HACC Allied Health
- State Department of Health Refugee and Asylum Seekers Health Services
- State Department of Health Healthy Mothers and Healthy Babies
- State Department of Health Integrated Chronic Disease Management

The performance obligations for each of these government grants are:

- Community and Home Support Allied Health and Therapy Services
This program funds a comprehensive range of services, including podiatry, occupational therapy, physiotherapy, social work, dietitians and speech pathology. IPC Health Ltd are required to provide a set number of hours of service delivery. Revenue is recognised over time, as and when the services are provided. IPC Health Ltd uses the output method to measure its progress in satisfying its performance obligations.
- Community Health
This program funds general counselling, allied health and nursing services and IPC Health Ltd are required to provide a set number of hours of service delivery. Revenue is recognised over time, as and when the services are provided. IPC Health Ltd uses the output method to measure its progress in satisfying its performance obligations.
- Individual, Child and Family Support
This program funds a comprehensive range of services for vulnerable children (from pre-birth up to 17 years old) and their families to promote children's safety, stability and healthy development. IPC Health Ltd are required to provide a set number of hours of service delivery. Revenue is recognised over time, as and when the services are provided. IPC Health Ltd uses the output method to measure its progress in satisfying its performance obligations.

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 2. Revenue and Other Income (continued)

- HACC Allied Health This program funds the provision of allied health services, including clinical assessment, treatment, therapy or professional advice, which may be provided in the client's home or at a centre. IPC Health Ltd are required to provide a set number of hours of service delivery. Revenue is recognised over time, as and when the services are provided. IPC Health Ltd uses the output method to measure its progress in satisfying its performance obligations.

- Refugee and Asylum Seekers Health Services This program responds to the poor health and complex health issues of arriving refugees in Victoria. IPC Health Ltd are required to provide a set number of hours of service delivery. Revenue is recognised over time, as and when the services are delivered. IPC Health Ltd uses the output method to measure its progress in satisfying its performance obligations.

- Healthy Mothers and Healthy Babies This program funds the provision of support, health educations and referrals for pregnant women. IPC Health Ltd are required to provide a set number of hours of service delivery. Revenue is recognised over time, as and when the services are delivered. IPC Health Ltd uses the output method to measure its progress in satisfying its performance obligations.

- Integrated Chronic Disease Management This program supports chronic disease management services. IPC Health Ltd is required to provide a set number of hours of service delivery. Revenue is recognised over time, as and when the services are delivered. IPC Health Ltd uses the output method to measure its progress in satisfying its performance obligations.

For other grants with performance obligations, IPC Health Ltd exercises judgement over whether the performance obligations have been met, on a grant by grant basis.

Volunteer services

A not-for-profit entity may, as an accounting policy choice, elect to recognise volunteer services, if the fair value of those services can be measured reliably, whether or not the services would have been purchased if they had not been donated. The company receives volunteer services from members of the community. Whilst the provision of such volunteer services are important to the achievement of the companies objectives, as an accounting policy choice, the company has elected not to recognise such volunteer contributions as revenue and expenditure within profit or loss. This election has no impact on the company's deficit or net assets.

Interest income

Interest income is recognised using the effective interest method.

Donations

Donations are recognised when the payment is received.

Contributed assets

The company may receive assets from the government and other parties for nil or nominal consideration in order to further its objectives. These assets are recognised in accordance with the recognition requirements of other applicable Accounting Standards (for example AASB 9, AASB 16, AASB 116, AASB 138 and AASB 1058).

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 2. Revenue and Other Income (continued)

On initial recognition of an asset, the company recognises related amounts being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer.

The company recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amounts.

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

Note 3. Cash and Cash Equivalents	Notes	2021 \$	2020 \$
Cash on hand		8,172	5,813
Cash at bank		6,140,183	2,484,595
Short term bank deposits		18,141,978	18,042,818
Total cash and cash equivalents	17	24,290,333	20,533,226

How we recognise cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Note 4. Trade and Other Receivables	Notes	2021 \$	2020 \$
<i>Current</i>			
Trade receivables		6,826,067	1,233,786
Other receivables		5,922,706	685,557
Total trade and other receivables	17	12,748,773	1,919,343

How we recognise trade and other receivables

Trade and other receivables includes amounts due from customers for services performed in the ordinary course of business, with other receivables predominately consisting of revenue accruals in relation to COVID-19 testing and vaccination programs. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

The company recognises a loss allowance for expected credit losses on trade receivables using the simplified approach, as applicable under AASB 9 where material. The expected credit losses were not considered material and therefore not brought to account.

Note 5. Other Assets		2021 \$	2020 \$
<i>Current</i>			
Prepaid expenses		202,874	317,108
Total other assets		202,874	317,108

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 6. Property, Plant and Equipment	2021	2020
	\$	\$
Land and Buildings		
Freehold land		
At fair value	3,130,000	3,130,000
	<u>3,130,000</u>	<u>3,130,000</u>
Capital works in progress		
At cost	627,200	623,660
Buildings		
At cost	36,471,773	36,255,744
Less accumulated depreciation	(12,466,053)	(11,446,140)
	<u>24,005,720</u>	<u>24,809,604</u>
Total land and buildings	<u>27,762,920</u>	<u>28,563,264</u>
Plant and Equipment		
Motor Vehicle		
At cost	862,713	496,271
Less accumulated depreciation	(256,757)	(121,738)
	<u>605,956</u>	<u>374,533</u>
Office Equipment		
At cost	2,220,758	2,191,284
Less accumulated depreciation	(1,616,610)	(1,385,117)
	<u>604,148</u>	<u>806,167</u>
Computer Equipment		
At cost	3,768,942	2,579,976
Less accumulated depreciation	(2,735,328)	(1,474,610)
	<u>1,033,614</u>	<u>1,105,366</u>
Total plant and equipment	<u>2,243,718</u>	<u>2,286,066</u>
Total property, plant and equipment	<u>30,006,638</u>	<u>30,849,330</u>

Movements in carrying amounts:

	Freehold Land	Capital WIP	Buildings	Motor Vehicles	Office Equipment	Computer Equipment	Total
	\$	\$	\$	\$	\$	\$	\$
1 July 2020	3,130,000	623,660	24,809,604	374,533	806,167	1,105,366	30,849,330
Additions	-	1,438,008	-	366,441	-	-	1,804,449
Transfers	-	(1,434,468)	216,028	-	29,474	1,188,966	-
Revaluation	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Depreciation	-	-	(1,019,912)	(135,018)	(231,493)	(1,260,718)	(2,647,141)
30 June 2021	<u>3,130,000</u>	<u>627,200</u>	<u>24,005,720</u>	<u>605,956</u>	<u>604,148</u>	<u>1,033,614</u>	30,006,638

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 6. Property, Plant and Equipment (continued)

As at 30 June 2020 the freehold land held by the company was valued by an independent valuer, Property Dynamics Independent Property Advisers Pty Ltd. The valuation was based on the fair value less cost to sell based on an active market and was determined to be \$3,130,000. The independent valuation report included significant uncertainty disclaimers noting there was material estimation uncertainty that existed within the market, due to the COVID-19 pandemic, which may result in a material adjustment to the freehold land in the future.

Where independent valuations were not obtained on balance date (ie during the year ended 30 June 2021), the directors have performed an assessment for the year ended 30 June 2021 in order to determine whether or not there has been a material change in fair value since the date the valuation was performed. No material changes in fair value were noted.

How we recognise 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.

Freehold Land

Freehold land is carried 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, but at least triennial, valuations by external independent valuers, less accumulated impairment losses.

Increases in the carrying amount arising on revaluation of freehold land is credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against the revaluation surplus directly in equity all other decreases are recognised in profit or loss.

Buildings

Buildings are measured at cost less accumulated depreciation and impairment losses.

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 (deemed cost).

Plant and Equipment

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

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

Depreciation

The depreciable amount of all fixed assets, 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.

The depreciation rates applicable to each class of asset, which are consistent with the previous reporting period, are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5-5%
Motor Vehicles	20%
Office Equipment	10-100%
Computer Equipment	33-100%

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 6. Property, Plant and Equipment (continued)

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

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

	2021	2020
	\$	\$
Note 7. Intangible Assets		
Customer database		
At cost	80,018	80,018
Less accumulated amortisation and impairment	(80,018)	(80,018)
Total intangible assets	-	-

How we recognise intangible assets

The Company's customer database was initially recognised at cost. It had a finite life and was carried at cost less any accumulated amortisation and impairment losses. The database had an estimated useful life of three years and was assessed annually for impairment.

	2021	2020
	\$	\$
Note 8. Right-of-use Assets		
Leased land - at cost	1,243,016	1,243,016
Accumulated depreciation	-	-
	1,243,016	1,243,016
Leased buildings - at cost	838,283	838,283
Accumulated depreciation	(692,244)	(346,122)
	146,039	492,161
Leased motor vehicles - at cost	173,095	173,095
Accumulated depreciation	(173,095)	(133,987)
	-	39,108
Leased equipment - at cost	17,015	17,015
Accumulated depreciation	(6,239)	(2,552)
	10,776	14,463
Total right-of-use assets	1,399,831	1,788,748

Movements in carrying amounts

Movements in carrying amounts for each class of right of use asset between the beginning and the end of the current financial year.

	Leased land	Leased buildings	Leased motor vehicles	Leased equipment	Total
	\$	\$	\$	\$	\$
1 July 2020	1,243,016	492,161	39,108	14,463	1,788,748
Additions	-	-	-	-	-
Depreciation expense	-	(346,122)	(39,108)	(3,687)	(388,917)
30 June 2021	1,243,016	146,039	-	10,776	1,399,831

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 8. Right-of-use Assets (continued)

How we recognise right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company's leased land includes a purchase option which the company is reasonably certain to exercise. As the land has an indefinite useful life to the company, depreciation is not being applied to the right-of-use asset.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets (new assets where the underlying asset value is \$10,000 or less). Lease payments on these assets are expensed to profit or loss as incurred.

For leases that have significantly below-market terms and conditions principally to enable the company to further its objectives (commonly known as peppercorn/concessionary leases), the company has adopted the temporary relief under AASB 2018-8: *Amendments to Australian Accounting Standards - Right-of-Use Assets of Not-for-Profit Entities* and measures the right-of-use assets at cost on initial recognition. Refer to Note 11 for further information regarding the company's leases with below market terms.

Note 9. Trade and Other Payables	Notes	2021 \$	2020 \$
<i>Current - unsecured</i>			
Trade payables		3,897	682,872
GST payable		465,074	96,695
Other payables		7,707,972	1,684,568
Total trade and other payables		<u>8,176,943</u>	<u>2,464,135</u>
(i) <i>Financial liabilities at amortised cost classified as trade and other payables</i>			
Total trade and other payables		8,176,943	2,464,135
Less GST payable		(465,074)	(96,695)
Total financial liabilities at amortised cost	17	<u>7,711,869</u>	<u>2,367,440</u>

How we recognise trade and other payables

Trade and other payables represent the liabilities for goods and services received by the company that remain unpaid at the end of the reporting period, with other payables including consortium partner expense accruals predominantly in relation to COVID-19 testing and vaccination programs. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 10. Contract Liabilities	Notes	2021	2020
		\$	\$
State Department of Health		-	3,139,358
Federal Department of Health		4,270,426	2,324,208
Other customers		4,605,386	1,312,982
Total contract liabilities		8,875,812	6,776,548

How we recognise contract liabilities

Contract liabilities represent IPC Health Ltd's obligation to transfer goods or services to customers and are recognised when a customer pays consideration, or when the company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the company has transferred the goods or services to the customer.

Note 11. Lease Liabilities	Notes	2021	2020
		\$	\$
<i>Current</i>			
Lease liability		989,675	1,528,712
Unexpired interest		(38)	(42,579)
Total current lease liabilities		989,637	1,486,133
<i>Non-Current</i>			
Lease liability		154,375	154,375
Unexpired interest		(2,405)	(2,473)
Total non-current lease liabilities		151,970	151,902
Total lease liability		1,144,050	1,683,087
Total unexpired interest		(2,443)	(45,052)
Total present value of lease liability	17	1,141,607	1,638,035
(a) Maturity analysis			
Payable			
- not later than 12 months		989,675	1,528,712
- between 12 months and 5 years		154,375	154,375
- greater than 5 years		-	-
Total undiscounted lease payments		1,144,050	1,683,087
Unexpired interest		(2,443)	(45,052)
Present value of lease liabilities		1,141,607	1,638,035

How we recognise lease liabilities

The Company's lease portfolio includes land, buildings, motor vehicles and equipment. The lease terms for each type of lease arrangement are:

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 11. Lease Liabilities (continued)

Class of lease	Lease term
Land	2 - 20 years
Buildings	2 - 12 years
Motor vehicles	1 - 2 years
Equipment	5 years

At inception of a contract, the company assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the company where the company is a lessee. However, all contracts that are classified as short-term leases (i.e. a lease with a remaining lease term of 12 months or less) and leases of low-value assets (i.e. fair value less than \$10,000) are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at lease commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the company uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability, where applicable, are as follows:

- fixed lease payments less any lease incentives
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- lease payments under extension options, if the lessee is reasonably certain to exercise the options
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Each of the company's lease arrangements are for use in the production of supply of goods or services, or for administrative purposes.

The company as lessor

The company has no lease arrangements under a sub-lease arrangement where it is a lessor.

Options to extend or terminate

The options to extend or terminate are contained in several of the Company's property leases. There were no extension options for equipment or motor vehicle leases. These clauses provide the Company opportunities to manage leases in order to align with its strategies. All of the extension or termination options are only exercisable by the Company. The extension options or termination options which were probable to be exercised have been included in the calculation of the right-of-use asset.

Concessionary/peppercorn leases

The company holds three concessionary leases:

- Deer Park The company holds a 20 year concessionary lease (expiring in 2032) with the Department of Health (DOH) for the exclusive use of the property located at 106 Station Road, Deer Park, from which IPC Health Ltd conduct services in accordance with the company's Service Agreement with the DOH. The company may not use this space for any other purpose during the lease term without prior consent of the DOH. The lease payments are \$104 (ex GST) per annum, payable yearly in advance.

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 11. Lease Liabilities (continued)

- St Albans The company holds a 20 year concessionary lease (expiring in 2023) with the Department of Human Services (DHS) for the exclusive use of the property located at 1 Andrea Street, St Albans, from which IPC Health Ltd conduct services in accordance with the company's Service Agreement with the DHS. The company may not use this space for any other purpose during the lease term without prior consent of the DHS. The lease payments are \$12 (ex GST) per annum, payable yearly in advance.

- Hoppers Crossing The company holds a 20 year concessionary lease (expiring in 2032) with the Department of Health for the exclusive use of the property located at 117-129 Warringa Crescent, Hoppers Crossing, from which IPC Health Ltd conduct services in accordance with the company's Service Agreement with the Department of Health. The company may not use this space for any other purpose during the lease term without prior consent of the DOH. The lease payments are \$104 (ex GST) per annum, payable yearly in advance.

The company is dependent on these leases to further its objectives. Without these concessionary leases, the company's service delivery to the community would be impacted.

	2021	2020
Note 12. Provisions	\$	\$
<i>Non-Current</i>		
Provision for make good	79,003	76,671
Total provisions	<u>79,003</u>	<u>76,671</u>

How we recognise provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

	2021	2020
Note 13. Employee Benefits	\$	\$
<i>Current</i>		
Provision for accrued days off (ADO's)	185,615	180,312
Provision for annual leave	3,281,436	2,714,679
Provision for long service leave	3,533,932	3,595,734
	<u>7,000,983</u>	<u>6,490,725</u>
<i>Non-Current</i>		
Provision for long service leave	<u>1,374,115</u>	<u>1,139,456</u>
Total employee benefits	<u>8,375,098</u>	<u>7,630,181</u>

Provision for Employee Benefits

In calculating the present value of future cash flows in respect of long service leave, the probability rates have been determined based on historical employee attrition data.

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 13. Employee Benefits

How we recognise employee benefits

Provision for employee benefits represents amounts accrued for ADO's, annual leave and long service leave.

Short term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including salaries, wages, ADOs, annual leave, sick leave and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required years of service. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled. The company's obligations for short-term employee benefits such as salaries and wages are recognised as part of current trade and other payables in the Statement of Financial Position.

Long-term employee benefits

The company classifies employees' long service leave entitlements as long term employee benefits where employees have not completed the required years of service and they are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for the company's obligation for long-term employee benefits, which are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality government bonds that have maturity dates that approximate the terms of the obligations. In calculating the present value of future cash flows in respect of long service leave, the probability rates have been determined based on historical employee attrition data. Any remeasurements for changes in assumptions of obligations for long-term employee benefits are recognised in profit or loss in the periods in which the

The company's obligations for long-term employee benefits are presented as non-current liabilities in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current liabilities.

Superannuation

Defined Contribution Plans

The amount recognised as an expense for defined contribution plans was \$2,759,439 (2020: \$2,523,654).

Defined Benefit Plans

The amount recognised as an expense for defined benefits \$12,371 (2020: \$13,939).

Note 14. Asset Revaluation Reserve

A reconciliation of movements to/(from) the asset revaluation reserve via other comprehensive income is disclosed as follows:

	Land \$	Total \$
Balance at 1 July 2020	2,870,000	2,870,000
Revaluation increment	-	-
Balance at 30 June 2021	<u>2,870,000</u>	<u>2,870,000</u>

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 14. Asset Revaluation Reserve (continued)

How we recognise the asset revaluation reserve

The revaluation reserve records the revaluation increments and decrements that relate to non-current land assets at valuation.

	2021	2020
	\$	\$
Note 15. Capital and Leasing Commitments		
(a) Short-term lease commitments		
The Company's lease commitments (GST exclusive) which relate to lease arrangements which meet the short-term lease exemption criteria of AASB 16 include:		
- not later than 12 months	8,100	12,791
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
	<u>8,100</u>	<u>12,791</u>

The Company's short-term lease commitments relate to the lease of two motor vehicles with lease expiry dates throughout the year ended 30 June 2022.

(b) Capital expenditure commitments

No capital commitments contracted for at year end.

	2021	2020
	\$	\$
Note 16. Cash Flow Information		
Reconciliation of surplus to net cash provided by operating activities		
Surplus	5,177,801	1,214,632
Non cash items:		
- depreciation and amortisation expense	3,036,058	2,084,065
- (gain) on disposal of assets	-	(35,280)
Changes in assets and liabilities:		
- (Increase) in trade and other receivables	(10,829,430)	(281,332)
- (Increase)/decrease in other assets	114,234	(212,825)
- Increase/(decrease) in trade and other payables	5,712,808	(97,129)
- Increase in contract liabilities	2,099,264	1,713,382
- Increase in employee benefits	744,917	1,147,261
- Increase in provisions	2,332	76,671
Net cash flows provided by operating activities	<u>6,057,984</u>	<u>5,609,445</u>

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 17. Financial Instruments

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

The carrying amounts for each category of financial instruments, measured in accordance with AASB 9: *Financial Instruments* as detailed in the accounting policies to these financial statements, are as follows:

	Notes	2021 \$	2020 \$
Financial assets			
Cash and cash equivalents	3	24,290,333	20,533,226
Trade and other receivables	4	12,748,773	1,919,343
Total financial assets		37,039,106	22,452,569
Financial liabilities			
Trade and other payables	9(i)	7,711,869	2,367,440
Lease liabilities	11	1,141,607	1,638,035
Total financial liabilities		8,853,476	4,005,475

How we measure financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions to the instrument. For financial assets, this is 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 (except for trade receivables) are initially measured at fair value plus transaction costs.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15: *Revenue from Contracts with Customers*.

Classification and Subsequent Measurement

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability cannot be reclassified.

IPC Health Ltd recognises trade and other payables and lease liabilities in this category.

Note 17. Financial Instruments (continued)

Financial assets

Financial assets are measured at amortised cost if both of the following criteria are met:

- the financial asset is managed solely to collect contractual cash flows and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

IPC Health Ltd recognises cash and cash equivalents and trade and other receivables in this category.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the Statement of Financial Position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred
- all risk and rewards of ownership of the asset have been substantially transferred and
- the company no longer controls the asset (i.e. has no practical ability to make unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Note 18. Contingent Liabilities and Contingent Assets

There are no known contingent assets or contingent liabilities for IPC Health Ltd as at 30 June 2021 (2020: nil).

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 19. Events after the Reporting Period

The COVID-19 pandemic has created unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by IPC Health Ltd at the reporting date. Management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on IPC Health Ltd, its operations, its future results and financial position. The Victorian Government issued lockdown restrictions for Metropolitan Melbourne commencing 5 August 2021 and regional Victoria commencing 21 August 2021.

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

Note 20. Key Management Personnel and Related Party Disclosures

Key Management Personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of IPC Health Ltd, directly or indirectly.

The KMP of IPC Health Ltd are deemed to be the:

- Board of Directors
- Chief Executive Officer
- General Manager Operations and Clinical Care
- General Manager Innovation and Community Care
- General Manager Financial and Corporate Services

The totals of remuneration paid to the key management personnel (including Board Directors) of IPC Health Ltd during the year are as follows:

	2021	2020
	\$	\$
Salary and fees	994,979	1,203,371
Superannuation	85,215	88,319
Non cash benefits	-	173,404
Total KMP remuneration	<u>1,080,194</u>	<u>1,465,094</u>

Outside of normal citizen type transactions with the company, there were no related party transactions that involved key management personnel, their close family members and their personal business interests.

	2021	2020
	\$	\$
Note 21. Auditor's Remuneration		
Remuneration of the Auditors, Victorian Auditor-General's Office for:		
- auditing the financial report	48,000	-
Remuneration of the Auditors, Andrew Frewin Stewart for:		
- auditing the financial report	-	38,450
- preparation of the financial statements	-	2,275
- assistance with the adoption of AASB 16: <i>Leases</i>	-	4,775
Total auditor's remuneration	<u>48,000</u>	<u>45,500</u>

IPC Health Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 22. Registered Office/Principal Place of Business

The registered office is:

IPC Health Ltd
106 Station Rd
Deer Park VICTORIA 3023

The principal place of business is:

IPC Health Ltd
106 Station Rd
Deer Park VICTORIA 3023

IPC Health Ltd

Directors' Declaration

In accordance with a resolution of the directors of IPC Health Ltd, the directors of the entity declare that:

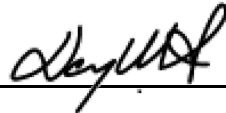
- 1 The financial statements and notes, as set out on pages 8 to 35, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and:
 - a. comply with Australian Accounting Standards - Simplified Disclosures, and
 - b. give a true and fair view of the company's financial position as at 30 June 2021 and of its performance and cash flows for the year ended on that date.
- 2 In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with subs 60.15(2) of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

George Kogios, Chairperson



Daryl Whitfort, Deputy Chairperson



Dated this 13th day of October 2021