# North Queensland Primary Healthcare Network Limited

ABN 35 605 757 640

Annual financial report
For the year ended 30 June 2021

Contents

# Statement of comprehensive income

## For the year ended 30 June 2021

| | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **Income** | | | |
| Revenue | 5 | 65,335,913 | 69,558,715 |
| Membership fees | 4(a) | 30,000 | 30,000 |
| Other income | | 26,732 | 63,290 |
| | | 65,392,645 | 69,652,005 |
| **Expenses** | | | |
| Board and governance | | 438,734 | 450,633 |
| Commissioned contracts | | 55,538,247 | 59,256,768 |
| Communications/IT | | 845,894 | 674,003 |
| Community/Provider engagement and workforce development | | 74,498 | 213,018 |
| Consultancy fees/Professional services | 6 | 811,335 | 913,343 |
| Depreciation and amortisation | 9 & 10 | 707,157 | 790,633 |
| Employee expenses | 7 | 6,800,379 | 7,424,715 |
| Low cost capital items | | 44,535 | 24,109 |
| Motor vehicle costs | | 14,608 | 9,270 |
| Occupancy costs | | 91,810 | 61,946 |
| Travel and accommodation | | 157,330 | 295,666 |
| Other expenses | | 159,210 | 407,693 |
| | | 65,683,737 | 70,521,797 |
| Results from operating activities | | (291,092) | (869,792) |
| Finance income | | 197,208 | 805,251 |
| Finance costs | | (114,121) | (119,350) |
| Net finance income | | 83,087 | 685,901 |
| Net surplus/(deficit) before tax | | (208,005) | (183,891) |
| Income tax expense | 4(d) | - | - |
| Net surplus/(deficit) | | (208,005) | (183,891) |
| Other comprehensive income | | - | - |
| Total comprehensive income | | (208,005) | (183,891) |

This statement should be read in conjunction with the notes to the financial statements.

# Statement of financial position

## As at 30 June 2021

| | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 28,603,931 | 34,560,725 |
| Trade and other receivables | 8 | 639,138 | 1,014,445 |
| **Total current assets** | | 29,243,069 | 35,575,170 |
| Property, plant and equipment | 9 | 1,590,671 | 2,418,668 |
| Intangible assets | 10 | 308,409 | 503,629 |
| **Total non-current assets** | | 1,899,080 | 2,922,297 |
| **Total assets** | | 31,142,149 | 38,497,467 |
| **Liabilities** | | | |
| Trade and other payables | 12 | 2,814,256 | 12,417,002 |
| Provision for restoration | 14 | 1,652 | - |
| Contract liabilities | 15 | 26,059,107 | 22,877,251 |
| Lease liabilities | 16 | 358,764 | 373,260 |
| **Total current liabilities** | | 29,233,779 | 35,667,513 |
| Lease liabilities | 16 | 1,108,540 | 1,833,454 |
| Provision for long service leave | 13 | 125,683 | 112,696 |
| Provision for restoration | 14 | 34,869 | 36,521 |
| **Total non-current liabilities** | | 1,269,092 | 1,982,671 |
| **Total liabilities** | | 30,502,871 | 37,650,184 |
| **Net assets** | | 639,278 | 847,283 |
| **Equity** | | | |
| Retained surplus | | 639,278 | 847,283 |
| **Total equity** | | 639,278 | 847,283 |

This statement should be read in conjunction with the notes to the financial statements.

# Statement of changes in equity

## For the year ended 30 June 2021

| | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **Retained surplus** | | | |
| Balance at 1 July | | 847,283 | 1,031,174 |
| Adjusted balance at 1 July | | 847,283 | 1,031,174 |
| **Total comprehensive income** | | | |
| Net surplus/(deficit) | | (208,005) | (183,891) |
| Total other comprehensive income | | - | - |
| Total comprehensive income | | (208,005) | (183,891) |
| Balance at 30 June | | 639,278 | 847,283 |

This statement should be read in conjunction with the notes to the financial statements.

# Statement of cash flows

## For the year ended 30 June 2021

| | Note | 2021<br>$ | 2020<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from funding bodies | | 70,981,098 | 74,678,963 |
| Other income | | 56,732 | 93,290 |
| Payments to suppliers | | (70,141,559) | (73,875,442) |
| Payments to employees | | (6,512,802) | (7,304,255) |
| Cash generated from/(used in) operating activities | | (5,616,531) | (6,407,444) |
| Interest received | | 197,208 | 805,251 |
| Interest paid | | (114,121) | (119,350) |
| **Net cash from/(used in) operating activities** | 20 | (5,533,444) | (5,721,543) |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | | (3,012) | (252,229) |
| **Net cash from/(used in) investing activities** | | (3,012) | (252,229) |
| **Cash flows from financing activities** | | | |
| Payment of lease liabilities | | (420,338) | (388,304) |
| **Net cash from/(used in) investing activities** | | (420,338) | (388,304) |
| Net increase/(decrease) in cash and cash equivalents | | (5,956,794) | (6,362,076) |
| Cash and cash equivalents at 1 July | | 34,560,725 | 40,922,801 |
| **Cash and cash equivalents at 30 June** | | 28,603,931 | 34,560,725 |

This statement should be read in conjunction with the notes to the financial statements.

# Notes to the financial statements

## 1 Reporting entity

North Queensland Primary Healthcare Network Limited (the "Company") is domiciled in Australia. The Company's registered office is at 36 Shields Street Cairns. The Company is a not-for-profit entity and primarily is involved in working with community-based general practitioners, dentists, pharmacists, nurses and allied health practitioners in Northern Queensland to improve and coordinate Primary Health Care across the local health system for patients requiring care from multiple providers.

## 2 Basis of accounting

### a Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the *Australian Charities and Not-for-profits Commission Act 2012*. The financial statements of the Company do not comply with International Financial Reporting Standards ("IFRSs") adopted by the International Accounting Standards Board. They were authorised for issue by the Board of Directors on the date shown on the directors' declaration.

### b Basis of measurement

The financial statements have been prepared on the historical cost basis.

### c Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

### d Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

During March 2020, the Coronavirus (COVID-19) outbreak was declared a pandemic by the World Health Organisation. The Company has not seen a significant impact on its operations to date. The outbreak and the response of Governments in dealing with the pandemic are interfering with general activity levels within the community, the economy and the Company's own operations. The scale and duration of these developments remain uncertain as at the date of this report and it is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. However, currently there does not appear to be any significant impact upon the financial statements nor any significant uncertainties with respect to events or conditions which may have an unfavourable impact on the Company as at the reporting date or subsequently as a result of the COVID-19 pandemic.

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following note:

Revenue recognition – Note 4(a)
Property, plant and equipment – Note 4(e)
Leases – Note 4(j).

### Assumptions and estimation uncertainties

Management is not aware of any assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

### e Economic dependency and going concern

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

The Company is a not-for-profit entity and is reliant on government funding in order to continue its operations. Management has no reason to believe that the required funding will not be forthcoming for the foreseeable future. However, should future government funding be significantly reduced or curtailed, the Company would be unlikely to be able to continue its operations at current levels.

## 3 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2020 and have not been applied in preparing these financial statements. AASB 1060 General Purpose Financial Statements — Simplified Disclosures for For-Profit and Not-for-Profit Entities is effective from 1 July 2021 so will be first applied for the year ending 30 June 2022. The Company has not yet assessed the full impact of these new or amended standards, although it is not expected to be significant. The Company does not plan to adopt these standards early.

**Accounting for Cloud Computing or Software as a Service (SaaS) arrangement**

IFRIC (the International Financial Reporting Interpretations Committee, a committee of the International Accounting Standards Board) has recently addressed in an Agenda Decision how a customer should account for costs of configuring or customising a supplier's application software in a Cloud Computing or Software as a Service (SaaS) arrangement. It was determined by IFRIC that sufficient guidance exists within the relevant accounting standards that no amendments to Accounting Standards was required.

Management have started to assess the impact of the Agenda Decision from IFRIC and have identified Software as a Service and Cloud Computing arrangements within the Company. At 30 June 2021 the carrying value of capitalised costs within intangible assets relating to capitalised computer software is $308,409 which is not material to the overall financial statements.

Management are continuing to review the accounting treatment of configuration costs vs customisation costs as outlined in the Agenda Decision and will adjust for these if necessary in the next financial year.

## 4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes in accounting policies as explained in Note 3.

### a Revenue

#### Commonwealth funding

Funding is provided predominantly by the Commonwealth Department of Health for specific primary health services purchased by the Department in accordance with a standard funding agreement. Funding is based on an agreed range of activities per the standard funding agreement and a nation wide price by which relevant activities are funded. The standard funding agreement will be reviewed periodically and updated for changes in activities and prices of services delivered.

To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price

4. Allocating the transaction price to the performance obligation
5. Recognising revenue when/as performance obligations are satisfied.

Revenue is recognised either at a point in time or over time when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers. The performance obligations are varied based on the requirements under the relevant funding agreements and include commissioning of primary health activities in accordance with the Company's Activity Work Plans.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

#### Other funding

Other funding comprises sundry grant funding. Grants (other than certain capital grants) are accounted for under AASB 15 where the grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations. As such, the revenue is recognised when each performance obligation is satisfied. The performance obligations are varied based on the requirements under the relevant funding agreements and include performing services and commissioning of primary health activities in accordance with the Project Plans. Payment terms also vary depending on the terms of the grant. Cash is received up front for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the recognition of revenue reflects the transfer of control. Within funding agreements, there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract. Where control is transferred over time, generally the input methods, being either costs or time incurred, are considered to be the most appropriate methods to reflect the transfer of benefits.

Other grants, including certain capital grants, are generally accounted for under AASB 1058.

The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt. Income under the standard is recognised where:

- an asset is received in a transaction, such as by way of grant, bequest or donation;
- there has either been no consideration transferred, or the consideration paid is significantly less than the asset's fair value; and
- the intention is to principally enable the entity to further its objectives.

Assets arising from grants in the scope of AASB 1058 are recognised at the assets' fair values when the assets are received. Any related liability or equity items associated with the asset are recognised in accordance with the relevant accounting standard. Once the asset and any related liability or equity items have been recognised, then income is recognised for any remaining asset value at the time the asset is received.

For transfers of financial assets (usually cash and/or a receivable) to the Company which enable it to acquire or construct a recognisable non-financial asset, a liability is recognised for the excess of the fair value of the transfer received over any related amounts recognised. Related amounts recognised may relate to contributions by owners, AASB 15 revenue or contract liability recognised, lease liabilities in accordance with AASB 16, financial instruments in accordance with AASB 9, or provisions in accordance with AASB 137. The liability is brought to account as income over the period in which the Company satisfies its performance obligation.

#### Membership fee

In line with Clause 7.4(d) of the Constitution all Members pay a membership fee currently set at $3,000 per annum.

### b Finance income and finance costs

Finance income and finance costs include interest income and interest expense. Interest income or expense is recognised using the effective interest method.

## c Employee benefits

### i Short-term benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### ii Long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in expenses in the period in which they arise.

## d Income tax

The Company has been granted exemption from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

## e Property, plant and equipment

### i Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in income or expenses.

Items of property, plant and equipment with a cost or other value equal to or greater than $10,000 are recognised in the statement of financial position in the year of acquisition. Items with a lesser value are expensed in the year of acquisition.

### ii Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

### iii Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight line basis over their estimated useful lives and is generally recognised in expenses. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives of property, plant and equipment are as follows:

- Right-of-use assets 1 – 8 years
- Leasehold improvements 3 – 5 years
- Office equipment 3 – 7 years
- Computer hardware 3 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## f Intangible assets

Intangible assets with a cost or other value equal to or greater than $10,000 are recognised in the statement of financial position. Items with a lesser value are expensed in the year of acquisition. Each intangible asset, less any anticipated residual value, is amortised over its estimated finite useful life to the Company. The residual value is zero for all the Company's intangible assets.

The Company's intangible assets are recognised and carried at cost less any accumulated amortisation and accumulated impairment losses.

Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit to the Company. The amortisation rates average 30%.

## g Financial instruments

### i Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

### ii Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI).

Classifications are determined by both:

- the Company’s business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

#### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company’s cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

#### *Impairment of financial assets*

AASB 9’s impairment requirements use forward looking information to recognise expected credit losses - the ‘expected credit losses (ECL) model’. Instruments within the scope of these requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

*Trade and other receivables*

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

The Company assesses impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

#### iii Classification and measurement of financial liabilities

The Company's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

### h Impairment

At each reporting date the Company reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that these assets have been impaired.

### i Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

### j Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into on or after 1 July 2019.

#### i Measurement and recognition of leases as a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following where applicable:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been presented as a separate line item.

The Company has elected not to apply the recognition exemption for leases of low-value assets and short-term leases.

### k Members' liability

The Company is a company limited by guarantee. Accordingly, each person who is a member during the year ending on the day of the commencement of the winding up of the Company undertakes to contribute to the property of the Company for:

(a) payment of debts and liabilities of the Company;

(b) payment of the costs, charges and expenses of winding up; and

(c) any adjustment of the rights of the contributories among members.

The amount of any such contribution is limited to $10.

## 5 Revenue

| | 2021 $ | 2020 $ |
|---|---|---|
| Commonwealth funding (under AASB 15) | | |
| Primary Health Networks – Operational & Flexible/Innovation | 16,468,530 | 14,698,273 |
| Primary Health Networks – After Hours Primary Health Care | 4,114,860 | 5,942,894 |
| Indigenous Australians' Health Programme | 6,823,520 | 6,938,490 |
| Mental Health and Suicide Prevention | 28,128,065 | 29,663,767 |
| Headspace Wait Time Reduction | 269,113 | 767,448 |
| Drug and Alcohol Treatment activities | 6,001,095 | 6,408,602 |
| Psychosocial Support | 2,724,177 | 4,404,843 |
| My Health Record Expansion | 94,865 | 443,357 |
| Residential Aged Care Influenza Vaccination Coordination | - | 110,000 |
| National Initial Assessment and referral in Mental Health | 86,657 | 8,343 |
| Other funding Grants (under AASB 15) | | |
| Queensland Health – Cancer Screening Quality Improvement | 31,956 | 34,795 |
| Queensland Health – The Way Back Support Service | 394,180 | - |
| Beyond Blue – The Way Back Support | 63,446 | - |
| | 65,200,464 | 69,420,812 |
| Other funding Grants (under AASB 1058) | | |
| Brisbane South PHN – Alternative Care | 80,449 | 74,659 |
| Diabetes Queensland – My Health for Life | 55,000 | 63,244 |
| | 135,449 | 137,903 |
| | 65,335,913 | 69,558,715 |

## 6 Professional services

| | 2021 $ | 2020 $ |
|---|---|---|
| Corporate services | 259,260 | 85,594 |
| Commissioning and programs | 165,415 | 128,014 |
| Information and communication technology services | 137,069 | 496,297 |
| Legal services | 100,812 | 121,757 |
| Internal, external and ISO audit services | 72,545 | 33,865 |
| Insurance | 44,538 | 45,206 |
| Other | 31,696 | 2,610 |
| | 811,335 | 913,343 |

## 7 Employee expenses

| | 2021 $ | 2020 $ |
|---|---|---|
| Employee benefits | | |
| Salaries and wages | 5,159,057 | 5,953,265 |
| Employer superannuation contributions | 508,337 | 610,113 |
| Annual leave expenses | 656,263 | 550,904 |
| Long service leave expenses | 12,987 | 45,822 |
| Other employee benefits | 188,134 | 144,151 |
| | 6,524,778 | 7,304,255 |
| Employee related expenses | | |
| Workers' compensation premium | 22,628 | 21,523 |
| Other employee expenses | 252,973 | 98,937 |
| | 6,800,379 | 7,424,715 |

## 8 Trade and other receivables

| | 2021 $ | 2020 $ |
|---|---|---|
| Current | | |
| Prepayments | 141,425 | 697,782 |
| GST receivable | 72,091 | - |
| Other receivables | 425,622 | 316,663 |
| | 639,138 | 1,014,445 |

# 9 Property, plant and equipment

## Reconciliation of carrying amount

| | Right-of-use buildings $ | Right-of-use vehicles $ | Right-of-use equipment $ | Leasehold improvements $ | Office equipment $ | Computer hardware $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance at 1 July 2020 | 2,480,056 | 96,373 | 18,589 | 401,731 | 46,731 | 284,648 | 3,328,128 |
| Remeasurement | (374,604) | 6,801 | - | - | - | - | (367,803) |
| Additions | - | - | 48,731 | - | - | 3,012 | 51,743 |
| Disposals | | (30,641) | (18,589) | - | - | - | (49,230) |
| Balance at 30 June 2021 | 2,105,452 | 72,533 | 48,731 | 401,731 | 46,731 | 287,660 | 2,962,838 |
| **Depreciation and impairment** | | | | | | | |
| Balance at 1 July 2020 | 371,575 | 51,608 | 17,159 | 156,010 | 42,257 | 270,851 | 909,460 |
| Depreciation for the year | 371,076 | 41,527 | 16,320 | 64,262 | 1,943 | 16,809 | 511,937 |
| Disposals | - | (30,641) | (18,589) | - | - | - | (49,230) |
| Balance at 30 June 2021 | 742,651 | 62,494 | 14,890 | 220,272 | 44,200 | 287,660 | 1,372,167 |
| , | | | | | | | |
| **Carrying amounts** | | | | | | | |
| At 30 June 2020 | 2,108,481 | 44,765 | 1,430 | 245,721 | 4,474 | 13,797 | 2,418,668 |
| At 30 June 2021 | 1,362,801 | 10,039 | 33,841 | 181,459 | 2,531 | - | 1,590,671 |

# 10 Intangible assets

| | 2021 $ | 2020 $ |
|---|---|---|
| **Computer software** | | |
| **Cost** | | |
| Balance at 1 July | 1,131,810 | 473,914 |
| Additions | - | 657,896 |
| Balance at 30 June | 1,131,810 | 1,131,810 |
| **Amortisation** | | |
| Balance at 1 July | 628,181 | 423,196 |
| Amortisation for period | 195,220 | 204,985 |
| Balance at 30 June | 823,401 | 628,181 |
| **Carrying amount at 30 June** | 308,409 | 503,629 |
| **Computer software – work in progress** | | |
| **Cost** | | |
| Balance at 1 July | - | 657,896 |
| Additions | - | - |
| Transfers | - | (657,896) |
| Balance at 30 June | - | - |
| **Carrying amount at 30 June** | - | - |
| | | 503,629 |

| | 2021 $ | 2020 $ |
|---|---|---|

## 11 Financial instruments – fair values

The Company's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable and payable and lease liabilities. The fair values of financial assets and financial liabilities approximate the carrying amounts shown in the statement of financial position.

| | 2021 $ | 2020 $ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 28,603,931 | 34,560,725 |
| Receivables | 497,713 | 316,663 |
| | 29,101,644 | 34,877,388 |
| **Financial liabilities** | | |
| Trade and other payables | 2,814,256 | 12,981,003 |
| Lease liabilities – current | 358,764 | 373,260 |
| Lease liabilities – non-current | 1,108,540 | 1,833,454 |
| | 4,281,560 | 15,187,717 |

## 12 Trade and other payables

| | 2021 $ | 2020 $ |
|---|---|---|
| Trade payables | 313,012 | 1,420,776 |
| Contract accruals | 1,903,918 | 7,747,083 |
| Other payables and accruals | 276,285 | 347,865 |
| Commonwealth funding repayable | - | 2,450,191 |
| GST payable | - | 9,681 |
| Liability for annual leave | 321,041 | 441,406 |
| | 2,814,256 | 12,417,002 |

During the year, for the majority of Contract for Services, the payments changed from payments in arrears to payments in advance. Less contract accruals were recorded at 30 June 2021 due to the change in payment arrangements.

## 13 Provision for long service leave

| | 2021 $ | 2020 $ |
|---|---|---|
| **Current** | | |
| Long service leave | - | - |
| **Non-current** | | |
| Long service leave | 125,683 | 112,696 |
| Balance at 1 July | 112,696 | 66,874 |
| Provisions made during the year | 18,428 | 61,840 |
| Provisions used during the year | - | - |
| Unwinding of discounts | (5,441) | (16,018) |
| Balance at 30 June | 125,683 | 112,696 |

**Long service leave**

The provision for long service leave represents the Company's best estimate of the future benefit that employees have earned. The amount and timing of the associated outflows is uncertain and dependent on employees attaining the required years of services. Where the Company no longer has the ability to defer settlement of the obligation beyond 12 months from the reporting date, liabilities are presented as current. This would usually occur when employees are expected to reach the required years of service in the 12 months from reporting date. The discount rate used to determine the present value of future benefits at 30 June 2021 was 0.09% (2020:0.29%).

## 14 Provision for restoration

| | 2021 $ | 2020 $ |
|---|---|---|
| **Current** | | |
| Restoration of building leases | 1,652 | - |
| **Non-current** | | |
| Restoration of building leases | 34,869 | 36,521 |
| Balance at 1 July | 36,521 | - |
| Provisions made during the year | - | 36,521 |
| Provisions used during the year | - | - |
| Balance at 30 June | 36,521 | 36,521 |

On 27 July 2021, the Company relocated its Mackay office from Level 1, 67-69 Sydney Street, Mackay QLD 4740 to 2/45 Victoria Street, Mackay QLD 4740. The current provision of $1,652 relates to the restoration of the Mackay office on Level 1, 67-69 Sydney Street.

## 15 Contract liabilities

| | 2021 $ | 2020 $ |
|---|---|---|
| Core Operational and Flexible, Establishment and Transition and Innovation | 8,564,244 | 11,540,025 |
| Core After Hours Primary Health Care | 2,446,967 | 1,279,868 |
| Indigenous Australians' Health Programme | 531,815 | 218,779 |
| Primary Mental Health | 9,468,238 | 6,641,538 |
| Drugs and Alcohol Treatment Services | 1,856,346 | 1,574,050 |
| Other programs | 3,191,497 | 1,622,991 |
| | 26,059,107 | 22,877,251 |
| Made up of: | | |
| Future funding received in advance | 257,356 | 1,309,814 |
| Current year funding held to meet future activity commitments | 19,780,112 | 15,111,414 |
| Unexpended and uncommitted funds: | | |
| Core Operational and Flexible, Establishment and Transition and Innovation | 3,128,011 | 3,011,061 |
| Core After Hours Primary Health Care | 26,061 | 109,246 |
| Indigenous Australians' Health Programme | 237,939 | 218,779 |
| Primary Mental Health | 2,028,570 | 2,093,738 |
| Drugs and Alcohol Treatment Services | 141,890 | 449,640 |
| Other programs | 459,168 | 573,559 |
| | 26,059,107 | 22,877,251 |

## 16 Lease liabilities

| | 2021 $ | 2020 $ |
|---|---|---|
| Current | 358,764 | 373,260 |
| Non-current | 1,108,540 | 1,833,454 |
| | 1,467,304 | 2,206,714 |
| Lease liabilities reconciliation | | |
| Lease liabilities 1 July | 2,206,714 | - |
| Additions to leases | 48,731 | 2,556,662 |
| Lease remeasurements | (367,803) | 38,356 |
| Lease payments | (420,338) | (388,304) |
| | 1,467,304 | 2,206,714 |

The Company has leases for buildings, vehicles and multifunction printers. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 9). Some leases contain an option to extend the lease for a further term at the end of the lease.

The Company reassessed the extension options on the building leases during the year to remeasure lease liabilities and right-of-use assets. The effect of the remeasurement is disclosed in property, plant and equipment (see Note 9).

The Company has elected not to apply the recognition exemption for leases of low-value assets and short-term leases.

Interest expense on lease liabilities for the year ended 30 June 2021 was $114,121 (2020 $119,350).

## 17 Capital management

The Company's policy is to maintain a strong capital base so as to maintain member, creditor and funding body confidence and to sustain future development of the business. Capital consists of retained surpluses. Management monitors the Company's operating surplus.

The Company is not subject to externally imposed capital requirements.

## 18 Commitments

The Company commits commissioned contracts against future funding. As at 30 June 2021, the Company committed $39,966,384 (2020: $43,750,664) in commissioned contracts against the 2021/22 grant funds. The 2021/22 funds had not been received at 30 June 2021 and accordingly are not reflected in the Company's 2020-21 financial statements. The 2021/22 committed contracts are expected to be settled within 12 months.

## 19 Contingent liabilities

A potential legal claim was identified against the Company in the prior year. Management considers the grounds for this potential legal claim to be unjustified and the probability that it will require settlement at the Company's expense to be remote. This evaluation is consistent with external independent legal advice.

# 20 Reconciliation of cash flows from operating activities

| | 2021 $ | 2020 $ |
|---|---|---|
| Net surplus/(deficit) | (208,005) | (183,891) |
| *Adjustments for:* | | |
| Depreciation and amortisation | 707,157 | 790,633 |
| Loss on disposal of assets | - | 109,406 |
| | 499,152 | 716,148 |
| *Changes in:* | | |
| Trade and other receivables | 375,307 | (867,986) |
| Trade and other payables | (9,602,746) | 1,920,061 |
| Provisions and employee benefits | 12,987 | 82,343 |
| Contract liabilities | 3,181,856 | (7,572,109) |
| Net cash from operating activities | (5,533,444) | (5,721,543) |

# 21 Related parties

### Transactions with key management personnel

i Remuneration of Board of Directors

Remuneration expense for Board of Directors comprises base remuneration, committee chair sitting fees, committee member sitting fees, and superannuation. The amounts disclosed below represent expenses recognised in the statement of comprehensive income.

Details of the nature and amount of each element of the remuneration of each Board Member of the Company are shown in the table below:

| | Remuneration $ | Superannuation $ | Allowances $ | Total $ |
|---|---|---|---|---|
| **2021** | | | | |
| Mr Nicholas Loukas | 87,502 | 8,313 | - | 95,815 |
| Mr Luckbir Singh | 38,156 | 3,625 | - | 41,781 |
| Dr Richard Malone | 39,016 | 3,707 | - | 42,723 |
| Ms Cate Whalan | 40,617 | 3,859 | - | 44,476 |
| Ms Suzanne Andrews | 37,648 | 3,577 | - | 41,225 |
| Mr Benjamin Tooth | 39,094 | 3,714 | - | 42,808 |
| Ms Nicole Higgins (appointed 30/06/2020) | 36,560 | 3,473 | - | 40,033 |
| Ms Tara Diversi (appointed 13/11/2020) | 24,652 | 2,342 | - | 26,994 |
| Ms Debra Burden (resigned 22/04/2021) | 32,125 | 3,052 | - | 35,177 |
| | 375,370 | 35,662 | - | 411,032 |
| **2020** | | | | |
| Mr Nicholas Loukas (elected 7/11/2019) | 24,676 | 2,344 | - | 27,020 |
| Mr Luckbir Singh | 37,948 | 3,605 | - | 41,553 |
| Dr Richard Malone | 39,969 | 3,797 | 3,600 | 47,366 |
| Ms Cate Whalan | 40,636 | 3,860 | 2,400 | 46,896 |
| Ms Suzanne Andrews | 37,248 | 3,539 | 2,400 | 43,187 |
| Ms Debra Burden (elected 7/11/2019) | 22,154 | 2,105 | - | 24,259 |
| Mr Benjamin Tooth (appointed 5/09/2019) | 32,389 | 3,077 | - | 35,466 |
| Dr Vladislav Matic (resigned 12/6/2020) | 73,279 | 6,961 | 10,572 | 90,812 |
| Dr Rodney Catton (term ended 21/05/2020) | 34,402 | 3,268 | - | 37,670 |
| Mr John Nugent (term ended 7/11/2019) | 15,545 | 1,477 | 601 | 17,623 |
| Mr Anthony Mooney, AM (term ended 30/09/2019) | 10,119 | 961 | - | 11,080 |
| | 368,365 | 34,994 | 19,573 | 422,932 |

ii Remuneration of other key management personnel

Remuneration and other terms of employment for the Company's other key management personnel are specified in employment contracts. The amounts disclosed below represent expenses recognised in the statement of comprehensive income. The following persons were members of the Executive Team during the financial year ended 30 June 2021:

| | |
|---|---|
| Ms Robin Whyte (appointed 18/01/2021) | Chief Executive Officer |
| Ms Karin Barron | Executive Director, Mackay |
| Ms Loretta Rigby (appointed 23/09/2020) | Acting Executive Director, Cairns, Cape and Torres |
| Mr Drong Vue (appointed 1/03/2021) | Acting Executive Director, Shared Services |
| Ms Janine Cox (appointed 26/04/2021) | Acting Executive Director, Townsville |
| Ms Gillian Yearsley (resigned 10/07/2020 | Executive Director, Clinical Governance |
| Dr Alister Keyser (resigned 13/08/2020) | Medical Policy Advisor |
| Mr John Gregg (resigned 18/08/2020) | Chief Executive Officer |
| Ms Frances Clive (resigned 11/09/2020) | Executive Director, Cairns, Cape & Torres |
| Mr Terry Mehan (appointed 5/10/2020, term ended 29/01/2021) | Interim Chief Executive Officer |
| Ms Megan Barrett (resigned 26/02/2021) | Executive Director, Shared Services |
| Ms Kath Skinner (appointed 16/11/2020, resigned 24/03/2021) | Executive Director Clinical Governance |
| Ms Melissa Freestun (resigned 23/04/2021) | Executive Director, Townsville |

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| During the year the following remuneration was paid to members of the Executive Team: | | |
| Short-term employee benefits | 1,080,800 | 1,247,947 |
| Post-employment benefits (superannuation) | 100,859 | 116,760 |
| Termination benefits | 217,286 | 7,421 |
| Other long term benefits | - | - |
| | 1,398,945 | 1,372,128 |

### iii Transactions with Members

A number of Members transacted with the Company during the year. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances were as follows:

| | | Expenditure for the year ended 30 June | | Balance receivable/ (payable) as at 30 June | |
|---|---|---|---|---|---|
| | | 2021<br>$ | 2020<br>$ | 2021<br>$ | 2020<br>$ |
| Cairns and Hinterland Hospital and Health Services | Health Services | 888,000 | 751,710 | 25,000 | - |
| Townsville Hospital and Health Services | Health Services | 350,000 | 260,000 | - | (55,000) |
| Torres and Cape Hospital and Health Services | Health Services | 1,007,406 | 1,205,815 | 70,094 | (80,400) |
| Mackay Hospital and Health Services | Health Services | 747,438 | 748,000 | - | 2,406 |
| Pharmacy Guild of Australia | Health Services | - | - | - | - |
| Australian College of Remote and Rural Medicine | Workforce Development | - | - | - | - |
| Northern Aboriginal and Torres Strait Islander Health Alliance | Health Services | 3,386,187 | 3,929,690 | 2,200 | - |
| Australian Primary Health Care Nurses Association | Health Services | 63,150 | 75,745 | - | - |

| | | Expenditure for the year ended 30 June | | Balance receivable/ (payable) as at 30 June | |
|---|---|---|---|---|---|
| | | 2021<br>$ | 2020<br>$ | 2021<br>$ | 2020<br>$ |
| Council on the Ageing | Resources | - | - | - | - |
| Queensland Alliance for Mental Health | Consulting Services | - | 2,000 | - | (1,650) |
| CheckUP | Health Services | 46,956 | 288,863 | 20,328 | - |

The Company used the services of Members in relation to health services, workforce development, resourcing and consulting services. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

### iv Membership contribution and interest in Tropical Australian Academic Health Centre Limited

Tropical Australian Academic Health Centre Limited ("TAAHCL") registered as a public company limited by guarantee on 3 June 2019. North Queensland Primary Healthcare Network Limited is one of seven founding members along with Cairns and Hinterland Hospital and Health Service, Mackay Hospital and Health Service, North West Hospital and Health Service, Townsville Hospital and Health Service, Torres and Cape Hospital and Health Service and James Cook University. Each founding member holds two voting rights in the company and is entitled to appoint two directors.

The members have incorporated the company and established a governance structure to enhance health and health services research in the region, leveraging economies of scale and the proven opportunities of the Academic Health Centre concept for northern Queensland.

As each member has the same voting entitlement (14.3%), it is considered that none of the individual members has power or significant influence over TAAHCL (as defined by AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*). Each member's liability to TAAHCL is limited to $10. TAAHCL's constitution prevents any income or property of the company being transferred directly or indirectly to or amongst the members.  Each member must pay annual membership fees as determined by the board of TAAHCL.

As TAAHCL is not controlled by North Queensland Primary Healthcare Network Limited and is not considered a joint operation or an associate of North Queensland Primary Healthcare Network Limited, financial results of TAAHCL are not required to be disclosed in these statements.

## 22 Subsequent events

The Board is not aware of any events which have occurred subsequent to balance date which would materially affect the financial statements at 30 June 2021, or the Company's state of affairs in future financial years.

# Directors' declaration

The directors of North Queensland Primary Healthcare Network Limited (the "Company") declare that in their opinion:

a the financial statements and notes satisfy the requirements of 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 2021 and of its performance for the financial year ended on that date; and

  ii complying with Australian Accounting Standards – Reduced Disclosure Requirements; and

b there are reasonable grounds to believe that the Company is able to pay all of its debts as and when they become due and payable; and

c Commonwealth government monies expended by the Company during the financial year have been applied for the purposes specified in the relevant Letter of Offer and the Company has complied with the terms and conditions relating to Commonwealth government funding received.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profits Commission Regulation 2013*:

Nicholas Loukas
Chairperson

20.10.21.

Date

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# Independent auditor's report

## Independent auditor's report
## to the members of North Queensland Primary Healthcare Network Limited

### Opinion

We have audited the financial report of North Queensland Primary Healthcare Network Limited (the "Company"), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of North Queensland Primary Healthcare Limited has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

a giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

b complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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, 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 the 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 – Reduced Disclosure Requirements. The directors' responsibility also includes 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 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.

The directors are responsible for overseeing the Company's financial reporting process.

### 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A D Cornes
Partner – Audit & Assurance

Cairns, 20 October 2021