North Queensland Primary Healthcare Network Limited

ABN 35 605 757 640

Annual financial report
For the year ended 30 June 2020

Contents

Statement of comprehensive income

For the year ended 30 June 2020

	Note	2020 $	2019 $
Income			
Revenue	5	69,558,715	56,916,391
Membership fees	4(a)	30,000	30,000
Other		63,290	83,738
		69,652,005	57,030,129
Expenses			
Board and governance		450,633	410,251
Commissioned contracts		59,256,768	47,654,394
Communications/IT		674,003	579,428
Community/Provider engagement and workforce development		213,018	250,741
Consultancy fees/Professional services	6	913,343	585,171
Depreciation and amortisation	9 & 10	790,633	234,844
Employee expenses	7	7,424,715	6,715,492
Low cost capital items		24,109	129,716
Motor vehicle costs		9,270	67,773
Occupancy costs		61,946	445,530
Travel and accommodation		295,666	288,942
Other expenses		407,693	281,853
		70,521,797	57,644,135
Results from operating activities		(869,792)	(614,006)
Finance income		805,251	1,037,057
Finance costs		(119,350)	-
Net finance income		685,901	1,037,057
Net surplus/(deficit) before tax		(183,891)	423,051
Income tax expense	4(d)	-	-
Net surplus/(deficit)		(183,891)	423,051
Other comprehensive income		-	-
Total comprehensive income		(183,891)	423,051

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

Statement of financial position

As at 30 June 2020

	Note	2020 $	2019 $
Assets			
Cash and cash equivalents		34,539,423	40,901,774
Trade and other receivables	8	1,014,445	146,459
Other investments		21,302	21,027
Total current assets		35,575,170	41,069,260
Property, plant and equipment	9	2,418,668	266,474
Intangible assets	10	503,629	708,614
Total non-current assets		2,922,297	975,088
Total assets		38,497,467	42,044,348
Liabilities			
Trade and other payables	12	12,417,002	10,496,941
Contract liabilities/Unearned revenue	15	22,877,251	30,449,359
Lease liabilities	16	373,260	-
Total current liabilities		35,667,513	40,946,300
Lease liabilities	16	1,833,454	-
Provision for long service leave	13	112,696	66,874
Provision for restoration	14	36,521	-
Total non-current liabilities		1,982,671	66,874
Total liabilities		37,650,184	41,013,174
Net assets		847,283	1,031,174
Equity			
Retained surplus		847,283	1,031,174
Total equity		847,283	1,031,174

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 2020

	Note	2020 $	2019 $
Retained surplus			
Balance at 1 July		1,031,174	608,123
Adjustment on initial application of AASB 15		-	-
Adjustment on initial application of AASB 16		-	-
Adjustment on initial application of AASB 1058		-	-
Adjusted balance at 1 July		1,031,174	608,123
Total comprehensive income			
Net surplus/(deficit)		(183,891)	423,051
Total other comprehensive income		-	-
Total comprehensive income		(183,891)	423,051
Balance at 30 June		847,283	1,031,174

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

Statement of cash flows

For the year ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Cash receipts from funding bodies		74,678,963	61,623,017
Other income		93,290	113,738
Payments to suppliers		(73,875,442)	(53,225,373)
Payments to employees		(7,304,255)	(6,455,994)
Cash generated from/(used in) operating activities		(6,407,444)	2,055,388
Interest received		805,251	1,037,057
Interest paid		(119,350)	-
Net cash from/(used in) operating activities	20	(5,721,543)	3,092,445
Cash flows from investing activities			
Net movement in term deposits		(275)	(12,777)
Acquisition of property, plant and equipment		(252,229)	(53,555)
Payment for intangible assets		-	(657,896)
Net cash from/(used in) investing activities		(252,504)	(724,228)
Cash flows from financing activities			
Payment of lease liabilities		(388,304)	-
Net cash from/(used in) investing activities		(388,304)	-
Net increase/(decrease) in cash and cash equivalents		(6,362,351)	2,368,217
Cash and cash equivalents at 1 July		40,901,774	38,533,557
Cash and cash equivalents at 30 June		34,539,423	40,901,774

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.

Judgements

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 Changes in significant accounting policies

The Company has initially applied AASBs 15, 16 and 1058 from 1 July 2019. A number of other new standards are also effective from 1 July 2019 but they are not relevant to and/or do not have a material effect on the Company's financial statements.

a AASB 15 and AASB 1058

AASB 15 *Revenue from Contracts with Customers*

AASB 15 has been adopted from 1 July 2019. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue.

Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

AASB 1058 *Income of Not-for-Profit Entities*

AASB 1058 has been adopted from 1 July 2019. The standard replaces AASB 1004 *Contributions* in respect of income recognition requirements for not-for-profit entities.

Grants received by an entity will now be accounted for under AASB 15 where the grant received arises from an agreement which is enforceable and contains sufficiently specific performance obligations. As such, the grant revenue is recognised when each performance obligation is satisfied. This excludes certain capital grants referred to below.

Other grants, including certain capital grants, will generally now be accounted for under AASB 1058. For those grants, 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.

For transfers of financial assets (usually cash or a receivable) to the entity which enable it to acquire or construct a recognisable non-financial asset, i.e. capital grants, the entity must recognise a liability amounting to 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 entity satisfies its performance obligation.

Impact of transition

While AASB 15 and AASB 1058 represent significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue or income recognised by the Company during the year. Similarly, there were no adjustments required to net surplus or opening retained surplus on transition.

b AASB 16 *Leases*

AASB 16 has been adopted from 1 July 2019. The standard replaces AASB 117 *Leases* and for lessees eliminates the classifications of operating leases and finance leases. Right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared with lease expenses under AASB 117. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments is separately disclosed in financing activities.

Impact of transition

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. AASB 16 allows the use of a number of practical expedients on transition. Practical expedients applied were:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Company’s incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability at that date (after adjustment for any prepaid or accrued lease payments).
- A single discount rate was applied to all leases with similar characteristics.
- Leases with an expiry date prior to 30 June 2020 were excluded on transition with lease expenses being recorded on a straight-line basis over the remaining term.
- Hindsight has been used when determining the lease term where the contract contains options to extend or terminate the lease.

The impact of adoption on opening retained surplus as at 1 July 2019 was as follows:

	1 July 2019 $
Operating lease commitments as at 1 July 2019 (AASB 117)	889,571
Options to extend the right-of-use buildings	2,126,535
Recognition of right-of-use multi-function photocopiers	18,589
Operating lease commitments discount based on the weighted average incremental borrowing rate of 5.53% (AASB 16)	(478,033)
Short-term leases not recognised as a right-of-use asset (AASB 16)	-
Low-value assets leases not recognised as a right-of-use asset (AASB 16)	-
Accumulated depreciation as at 1 July 2019 (AASB 16)	-
Right-of-use assets (AASB 16)	2,556,662
Lease liabilities - current (AASB 16)	(388,302)
Lease liabilities - non-current (AASB 16)	(2,168,360)
Tax effect on the above adjustments	-
Reduction in opening retained surplus as at 1 July 2019	-

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.

Policy applicable from 1 July 2019

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 commencing 1 July 2018. Members previously paid an application fee set at $10,409 per member.

Policy applicable before 1 July 2019

Revenue was recognised when it was probable that the economic benefit would flow to the Company and the revenue could be reliably measured. Revenue was measured at the fair value of the consideration received or receivable. At the end of the financial year, where the Company had received Commonwealth funding in advance of the services being performed, these funds were carried forward as unearned revenue.

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 – 5 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 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

The Company has applied AASB 16 *Leases* using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 117 *Leases*.

Policy applicable from 1 July 2019

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.

Policy applicable before 1 July 2019

i Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determined whether the arrangement was or contained a lease.

At inception or on reassessment of an arrangement that contained a lease, the Company separated payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concluded for a finance lease that it was impracticable to separate the payments reliably, an asset and a liability were recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability was reduced as payments were made and an imputed finance cost on the liability was recognised using the Company's incremental borrowing rate.

ii Leased assets

Assets held by the Company under leases which transferred to the Company substantially all of the risks and rewards of ownership were classified as finance leases. The leased assets were measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position.

iii Lease payments

Payments made under operating leases were recognised in expenses on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases were apportioned between the finance costs and the reduction of the outstanding liability. The finance costs were allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

	2020 $	2019 $

5 Revenue

Commonwealth funding (under AASB 15)		
Primary Health Networks – Operational & Flexible/Innovation	14,698,273	12,045,901
Primary Health Networks – After Hours Primary Health Care	5,942,894	4,688,022
Indigenous Australians' Health Programme	6,938,490	7,122,575
Mental Health and Suicide Prevention	29,663,767	25,420,045
Headspace Wait Time Reduction	767,448	-
Drug and Alcohol Treatment activities	6,408,602	5,798,805
Psychosocial Support	4,404,843	1,540,637
My Health Record Expansion	443,357	203,347
Other funding		
Grants (under AASB 1058)	137,903	97,059
Grants (under AASB 15)	153,138	-
	69,558,715	56,916,391

As indicated in Note 4a, for the year ended 30 June 2020, funding has been accounted for in accordance with AASB 15 or AASB 1058 as appropriate. In the prior year, all funding was accounted for in accordance with the previous accounting policy.

6 Consultancy fees/professional services

Professional services – corporate	740,966	287,858
Professional services – commissioning and programs	172,377	297,313
	913,343	585,171

7 Employee expenses

Employee benefits		
Salaries and wages	5,953,265	5,202,056
Employer superannuation contributions	610,113	523,757
Annual leave expenses	550,904	494,954
Long service leave expenses	45,822	66,874
Other employee benefits	144,151	168,353
	7,304,255	6,455,994
Employee related expenses		
Workers' compensation premium	21,523	14,272
Other employee expenses	98,937	245,226
	7,424,715	6,715,492

8 Trade and other receivables

Current		
Prepayments	697,782	114,520
Other receivables	316,663	31,939
	1,014,445	146,459

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 $	Capital WIP $	Total $
Cost								
Balance at 1 July 2019	-	-	-	433,207	46,731	257,397	53,555	790,890
Opening adjustment	2,453,787	84,286	18,589	-	-	-	-	2,556,662
Remeasurement	26,269	12,087	-	-	-	-	-	38,356
Additions	-	-	-	224,978	-	27,251	-	252,229
Transfers	-	-	-	53,555	-	-	(53,555)	-
Disposals	-	-	-	(310,009)	-	-	-	(310,009)
Balance at 30 June 2020	2,480,056	96,373	18,589	401,731	46,731	284,648	-	3,328,128
Depreciation and impairment								
Balance at 1 July 2019	-	-	-	285,548	40,312	198,556	-	524,416
Depreciation for the year	371,575	51,608	17,159	71,065	1,945	72,295	-	585,647
Disposals	-	-	-	(200,603)	-	-		(200,603)
Balance at 30 June 2020	371,575	51,608	17,159	156,010	42,257	270,851	-	909,460
Carrying amounts								
At 30 June 2019	-	-	-	147,659	6,419	58,841	53,555	266,474
At 30 June 2020	2,108,481	44,765	1,430	245,721	4,474	13,797	-	2,418,668

10 Intangible assets

	2020 $	2019 $
Computer software		
Cost		
Balance at 1 July	473,914	473,914
Additions	657,896	-
Balance at 30 June	1,131,810	473,914
Amortisation		
Balance at 1 July	423,196	322,074
Amortisation for period	204,985	101,122
Balance at 30 June	628,181	423,196
Carrying amount at 30 June	503,629	50,718
Computer software – work in progress		
Cost		
Balance at 1 July	657,896	-
Additions	-	657,896
Transfers	(657,896)	-
Balance at 30 June	-	657,896
Carrying amount at 30 June	-	657,896
	503,629	708,614

	2020 $	2019 $

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.

	2020 $	2019 $
Financial assets		
Cash and cash equivalents	34,539,423	40,901,773
Investments	21,302	21,027
Receivables	316,663	31,939
	34,877,388	40,954,739
Financial liabilities		
Trade and other payables	12,981,003	10,496,941
Lease liabilities - current	373,260	-
Lease liabilities – non current	1,833,454	-
	15,187,717	10,496,941

12 Trade and other payables

	2020 $	2019 $
Trade payables	1,420,776	1,372,883
Other payables and accruals	8,094,948	8,588,808
Commonwealth funding repayable	2,450,191	-
GST payable	9,681	171,922
Liability for annual leave	441,406	363,328
	12,417,002	10,496,941

13 Provision for long service leave

	2020 $	2019 $
Current		
Long service leave	-	-
Non-current		
Long service leave	112,696	66,874
Balance at 1 July	66,874	-
Provisions made during the year	61,840	66,874
Provisions used during the year	-	-
Unwinding of discounts	(16,018)	-
Balance at 30 June	112,696	66,874

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 2020 was 0.29% (2019:0.73%).

	2020 $	2019 $

14 Provision for restoration

Current

	2020 $	2019 $
Restoration of building leases	-	-

Non-current

	2020 $	2019 $
Restoration of building leases	36,521	-
Balance at 1 July	-	-
Provisions made during the year	36,521	-
Provisions used during the year	-	-
Balance at 30 June	36,521	-

15 Contract liabilities/Unearned revenue

	2020 $	2019 $
Core Operational and Flexible, Establishment and Transition and Innovation	11,540,025	12,339,954
Core After Hours Primary Health Care	1,279,868	4,390,995
Indigenous Australians' Health Programme	218,779	119,245
Primary Mental Health	6,641,538	8,755,668
Drugs and Alcohol Treatment Services	1,574,050	1,952,335
Other programs	1,622,991	2,891,162
	22,877,251	30,449,359

Made up of:

	2020 $	2019 $
Future funding received in advance	1,309,814	2,286,781
Current year funding held to meet future activity commitments	15,111,414	15,747,877
Unexpended and uncommitted funds:		
Core Operational and Flexible, Establishment and Transition and Innovation	3,011,061	4,418,317
Core After Hours Primary Health Care	109,246	2,897,292
Indigenous Australians' Health Programme	218,779	119,245
Primary Mental Health	2,093,738	3,140,343
Drugs and Alcohol Treatment Services	449,640	371,817
Other programs	573,559	1,467,687
	22,877,251	30,449,359

	2020 $	2019 $

16 Lease liabilities

Current	373,260	-
Non-current	1,833,454	-
	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 has elected not to apply the recognition exemption for leases of low-value assets and short-term leases.

2019 – Operating leases under AASB17

The Company leased a number of buildings and motor vehicles under operating leases. The leases typically run for a period of one to five years, with an option to renew the lease after that date. At 30 June 2019, the future minimum lease payments under non-cancellable leases were payable as follows:

	2019 $
Less than one year	490,693
Between one and five years	398,878
More than five years	-
	889,571

During the year ended 30 June 2019, $454,305 was recognised as an expense in respect of operating leases.

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 2020, the Company committed $43,750,664 (2019: $31,557,748) in commissioned contracts against the 2020/21 grant funds. The 2020/21 funds had not been received at 30 June 2020 and accordingly are not reflected in the Company's 2019-20 financial statements. The 2020/21 committed contracts are expected to be settled within 12 months.

19 Contingent liabilities

A potential legal claim was identified against the Company during the 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

	2020 $	2019 $
Net surplus/(deficit)	(183,891)	423,051
Adjustments for:		
Depreciation and amortisation	790,633	234,844
Loss on disposal of assets	109,406	-
	716,148	657,895
Changes in:		
Trade and other receivables	(867,986)	(89,955)
Trade and other payables	1,920,061	(1,213,398)
Provisions and employee benefits	82,343	66,874
Contract liabilities/Unearned revenue	(7,572,109)	3,671,029
Net cash from operating activities	(5,721,543)	3,092,445

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 $
2020				
Mr Nicholas Loukas (Chairperson, 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
2019				
Dr Vladislav Matic (Chairperson)	68,088	6,468	10,541	85,097
Mr Luckbir Singh	34,493	3,277	-	37,770
Dr Richard Malone	36,109	3,430	1,200	40,739
Ms Cate Whalan	33,679	3,199	-	36,878
Dr Rodney Catton	34,089	3,238	39	37,366
Ms Suzanne Andrews	33,594	3,191	-	36,785
Mr John Nugent	35,605	3,382	131	39,118
Mr Anthony Mooney, AM	33,833	3,214	-	37,047
Ms Ruth Faulkner (term ended 21/05/2019)	31,604	3,002	873	35,479
	341,094	32,401	12,784	386,279

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 2020:

Mr John Gregg	Chief Executive Officer
Ms Megan Barrett	Executive Director, Shared Services
Ms Gillian Yearsley	Executive Director, Clinical Governance & Performance
Ms Frances Clive	Executive Director, Cairns Cape & Torres
Ms Karin Barron	Executive Director, Mackay
Dr Alister Keyser (appointed 30/9/2019)	Medical Policy Advisor
Ms Melissa Freestun (appointed 6/04/2020)	Executive Director, Townsville
Ms Therese Cotter (resigned 13/12/2019)	Executive Director, Townsville

	2020 $	2019 $
During the year the following remuneration was paid to members of the Executive Team:		
Short-term employee benefits	1,247,947	1,067,761
Post-employment benefits (superannuation)	116,760	100,550
Termination benefits	7,421	-
Other long term benefits	-	-
	1,372,128	1,168,311

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	
		2020 $	2019 $	2020 $	2019 $
Cairns and Hinterland Hospital and Health Services	Health Services	751,710	823,793	-	-
Townsville Hospital and Health Services	Health Services	260,000	336,027	(55,000)	-
Torres and Cape Hospital and Health Services	Health Services	1,205,815	1,131,759	(80,400)	-
Mackay Hospital and Health Services	Health Services	748,000	496,136	2,406	-
Pharmacy Guild of Australia	Health Services	-	17,215	-	-
Australian College of Remote and Rural Medicine	Workforce Development	-	-	-	-
Northern Aboriginal and Torres Strait Islander Health Alliance	Health Services	3,929,690	3,613,988	-	-
Australian Primary Health Care Nurses Association	Health Services	75,745	75,101	-	-

		Expenditure for the year ended 30 June		Balance receivable/ (payable) as at 30 June	
		2020 $	2019 $	2020 $	2019 $
Council on the Ageing	Resources	-	610	-	(610)
Queensland Alliance for Mental Health	Consulting Services	2,000	-	(1,650)	-
CheckUP	Health Services	288,863	713,002	-	-

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. North Queensland Primary Healthcare Network Limited paid its 2019-20 TAAHCL membership contribution of $150,000 in April 2020.

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 2020, 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 2020 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

16 October 2020

Date

Grant Thornton

Cairns Corporate Tower
Level 13
15 Lake Street
Cairns QLD 4870

Correspondence to:
PO Box 7200
Cairns QLD 4870

T +61 7 4046 8888
F +61 7 4051 0116
E info.cairns@au.gt.com
W www.grantthornton.com.au

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 2020, 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 Network 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 2020 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 2020, 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 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

G J Coonan
Partner – Audit & Assurance

Cairns, 16 October 2020