

NORTH QUEENSLAND PRIMARY HEALTHCARE NETWORK LIMITED

ABN 35 605 757 640

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

NORTH QUEENSLAND PRIMARY HEALTHCARE NETWORK LIMITED
ABN 35 605 757 640
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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NORTH QUEENSLAND PRIMARY HEALTHCARE NETWORK LIMITED
ABN 35 605 757 640
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Company Information

General Information

The financial report covers North Queensland Primary Healthcare Network Limited as an individual entity.

The financial report consists of the financial statements, notes to the financial statements and the Directors' declaration.

The financial report was authorised for issue, in accordance with a resolution of Directors, as per the date of the Directors' declaration. The Directors have the power to amend and re-issue the financial report.

North Queensland Primary Health Network acknowledges the Traditional Custodians of the lands and seas on which we work, and pay our respects to Elders past and present.

Vision

Northern Queenslanders live happier, healthier, longer lives. The Company's vision is to ensure people of Northern Queensland access primary health care services that respond to their individual and community needs, and are relevant to their culture, informed by evidence, and delivered by an appropriately skilled, well-integrated workforce.

Strategic direction

The Company was established on 21 May 2015 and began operations on 1 July 2015 as a not for profit registered charitable company limited by guarantee. The Company is a Member based organisation with all Members being separate legal entities with a demonstrated involvement in primary health care.

The Company's principal purpose is to work 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.

The Company acknowledges the support of the Australian Government Department of Health.

Principal activities

Mental Health - Lead mental health and suicide prevention planning, commissioning and integration of services at a regional level to improve outcomes for people with or at risk of mental illness and/or suicide.

Integrated Team Care - Commissioning the prevention and management of chronic disease for Aboriginal and Torres Strait Islander people, through general practice and Aboriginal Medical Services.

Drugs and Alcohol Treatment Services - Commissioning services to reduce and treat illicit drug use, improve physiological health, and improve social functioning for people attending treatment for substance misuse.

Provider and Practice Engagement Support - Engagement and support for primary health care providers, including general practice, allied health, pharmacy and dentists.

Other activities directed to meet the needs identified in the NQPHN Health Needs Assessment, including: My Health Record Opt Out Trial, Maternal and Child Health, Chronic Disease Management, Afterhours Services, Workforce Development and Health Promotion.

NORTH QUEENSLAND PRIMARY HEALTHCARE NETWORK LIMITED
ABN 35 605 757 640

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018 \$ | 2017 \$ |
|-------------------------------------------------------|-------|-------------------|-------------------|
| Revenue | | | |
| Commonwealth funding | 4 | 51,164,843 | 43,801,956 |
| Interest | | 795,128 | 564,690 |
| Members' application fee | 3(a) | 16,409 | - |
| Other | | 125,281 | 1,405 |
| Total revenue | | <u>52,101,661</u> | <u>44,368,051</u> |
| Expenditure | | | |
| Board and governance | | 333,792 | 228,688 |
| Commissioned contracts | | 39,768,920 | 31,780,167 |
| Communications/IT | | 946,855 | 889,391 |
| Community/Provider engagement & workforce development | | 275,723 | 574,796 |
| Consultancy fees/Professional services | 5 | 648,425 | 808,756 |
| Depreciation and amortisation | 8,9 | 310,740 | 233,797 |
| Employee benefits costs | 6 | 8,417,836 | 7,881,380 |
| Low cost capital items | | 85,844 | 133,585 |
| Motor vehicle costs | | 92,511 | 97,991 |
| Occupancy costs | | 496,308 | 320,847 |
| Travel and accommodation | | 657,034 | 713,156 |
| Other expenses | | 245,002 | 411,157 |
| Total expenditure | | <u>52,278,990</u> | <u>44,073,711</u> |
| Operating result | | <u>(177,329)</u> | <u>294,340</u> |
| Total comprehensive income | | <u>(177,329)</u> | <u>294,340</u> |

The accompanying notes form part of these financial statements

NORTH QUEENSLAND PRIMARY HEALTHCARE NETWORK LIMITED
ABN 35 605 757 640

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

| | Notes | 2018 \$ | 2017 \$ |
|----------------------------------|-------|-------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | | 38,533,557 | 29,532,407 |
| Investments | | 8,250 | 60,579 |
| Receivables | 7 | <u>56,504</u> | <u>1,434,693</u> |
| Total current assets | | <u>38,598,311</u> | <u>31,027,679</u> |
| Non current assets | | | |
| Property, plant and equipment | 8 | 346,641 | 504,367 |
| Intangible assets | 9 | <u>151,840</u> | <u>260,267</u> |
| Total non current assets | | <u>498,481</u> | <u>764,634</u> |
| Total assets | | <u>39,096,792</u> | <u>31,792,313</u> |
| Current liabilities | | | |
| Trade and other payables | 10 | 11,710,339 | 11,838,458 |
| Unearned revenue | 11 | <u>26,778,330</u> | <u>19,168,403</u> |
| Total current liabilities | | <u>38,488,669</u> | <u>31,006,861</u> |
| Total liabilities | | <u>38,488,669</u> | <u>31,006,861</u> |
| Net assets | | <u>608,123</u> | <u>785,452</u> |
| Members equity | | | |
| Accumulated surplus | | <u>608,123</u> | <u>785,452</u> |
| Total members equity | | <u>608,123</u> | <u>785,452</u> |

The accompanying notes form part of these financial statements

NORTH QUEENSLAND PRIMARY HEALTHCARE NETWORK LIMITED
ABN 35 605 757 640

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

| | Total |
|--------------------------------|----------------|
| | \$ |
| Accumulated surplus | |
| Balance at 1 July 2016 | 491,112 |
| Operating result | 294,340 |
| Balance at 30 June 2017 | <u>785,452</u> |
| Balance at 1 July 2017 | 785,452 |
| Operating result | (177,329) |
| Balance at 30 June 2018 | <u>608,123</u> |

The accompanying notes form part of these financial statements

NORTH QUEENSLAND PRIMARY HEALTHCARE NETWORK LIMITED
ABN 35 605 757 640

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018 \$ | 2017 \$ |
|-------------------------------------------------------|-------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| Receipts from Commonwealth funding | | 56,499,132 | 52,972,199 |
| Other income | | 141,690 | - |
| Interest received | | 795,128 | 564,690 |
| Payments to suppliers | | (3,821,045) | (4,382,535) |
| Payments for commissioned contracts | | (36,180,995) | (27,065,879) |
| Payments to employees | | (8,437,102) | (7,815,117) |
| Net cash from operating activities | 13 | 8,996,808 | 14,273,358 |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | - | 1,405 |
| Payment for purchase of property, plant and equipment | | - | (427,139) |
| Payment for intangible assets | | (47,987) | (100,998) |
| Net movement in term deposits | | 52,329 | 11,997,057 |
| Net cash from investing activities | | 4,342 | 11,470,325 |
| Net increase in cash and cash equivalents | | 9,001,150 | 25,743,683 |
| Cash and cash equivalents at beginning of year | | 29,532,407 | 3,788,724 |
| Cash and cash equivalents at end of year | | 38,533,557 | 29,532,407 |

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. Basis of accounting

(a) 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 primarily 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.

(b) 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.

(c) Basis of measurement

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

(d) Functional and presentation currency

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

(e) 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.

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

(f) Economic dependency and going concern

These financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and liabilities in the normal 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. New and amended accounting standards

(a) New and amended standards adopted

The Company has adopted all the amendments to Australian Accounting Standards issued by the AASB which are relevant to, and effective for, the Company's financial statements for the annual period beginning 1 July 2017. None of the amendments have had a significant impact on the Company

(b) Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these financial statements. The following new standards may have an impact on the Company's financial statements.

AASB 9 *Financial Instruments* becomes mandatory for annual periods beginning on or after 1 January 2018 (with early adoption permitted) and includes revised guidance on the classification and measurement of financial instruments, a new revised credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. The new standard is not expected to have a material impact on the Company.

AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-profit Entities* become mandatory for annual periods on or after 1 January 2019. AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 sets out Australian requirements and provides guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*. Together, they establish a comprehensive framework for determining whether, how much and when revenue is recognised. The new standards are not expected to have a material impact on the Company.

AASB 16 *Leases* becomes mandatory for annual periods beginning on or after 1 January 2019 (with early adoption permitted) and in essence requires a lessee to:

- recognise all lease assets and liabilities (including those currently classified as operating leases) on the statement of financial position, initially measured at the present value of unavoidable lease payments;
 - recognise amortisation of lease assets and interest on lease liabilities as expenses over the lease term;
- and
- separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (which entities can choose to present within operating or financing activities consistent with presentation of any other interest paid) in the statement of cash flows. The impact of this new standard has not yet been fully assessed.

The Company does not plan to adopt these standards early.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. Significant accounting policies

(a) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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. At the end of the financial year, where the Company has received Commonwealth funding in advance of the of the services being performed, these funds are carried forward as unearned revenue.

Interest

Interest revenue is recognised on a proportional basis taking into account the interest rate applicable to the financial asset.

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.

(b) Commissioned contracts

The Company under its Agreement with the Commonwealth Department of Health is not a provider of health services direct to the public. Rather, it identifies areas of need in primary health care and commissions health service providers to provide direct services to the public to address these identified areas of need.

These commissioned payments to service providers are made on the basis of properly commissioned arms length contracts and are payable in accordance with the milestones contained in the service schedule or upon completion of the service.

(c) Income tax

The Company is a charitable institution under subsection 50-5 of the *Income Tax Assessment Act 1997* , and is therefore exempt from paying income tax.

(d) Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with financial institutions and in term deposits with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. Significant accounting policies (Continued)

(e) Financial Instruments

i Non- derivative financial assets and financial liabilities - Recognition and derecognition

The Company initially recognises loans and receivables on the date they are originated. All other financial assets and financial liabilities are initially recognised on the trade date

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

ii Non-derivative financial assets - Measurement

Loans and receivables

Loans and receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

iii Non -derivative financial liabilities - Measurement

Non-derivative financial liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at amortised cost.

Depreciation is calculated on all non-current assets using the straight line method based on the expected useful life of the asset. The depreciation rates used were in the range 2.5% to 30%.

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

Items of property, plant and equipment with a cost or other value equal to or in excess of \$10,000 are recognised for financial reporting purposes in the year of acquisition. Items with a lesser value are expensed in the year of acquisition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. Significant accounting policies (Continued)

(g) 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. 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%.

(h) Impairment of assets

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

(i) Leases

Leases are classified at their inception as either operating or finance leases based on the extent to which the risks and rewards incidental to ownership of the leased asset lie with the lessor or the lessee. The Company has no finance leases.

Payments made under operating leases, where substantially all the risks and rewards remain with the lessor, are recognised as expenses on a straight line basis over the term of the lease.

(j) Employee benefits

Wages and salaries

Short term employee benefits are expensed as the related service is provided. Liabilities for wages and salaries and annual leave expected to be settled within one year of the reporting date have been measured at the amounts expected to be paid when the liabilities are settled, plus related on costs.

Sick leave

Current trends indicate that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlement is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Long service leave

The liability for long service leave will be recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least one year after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

No liability for long service leave has been recognised as the liability would not be significant given the majority of employees have less than three years service at balance date and none more than 38 months.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. Significant accounting policies (Continued)

(k) Superannuation

The Company contributes employer superannuation on behalf of employees earning greater than \$450 per month. The Company is not legally obligated to contribute greater than the superannuation guarantee levy.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included in other receivables or other payables in the Statement of Financial Position.

(m) Members' liability

The Company is a company limited by guarantee. Accordingly each member of the Company undertakes to contribute to the assets of the Company in the event of it being wound up. The amount of any such contribution is limited to \$10.

| 4. Commonwealth funding | 2018 | 2017 |
|---------------------------------------------------------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| Primary Health Networks - Operational & Flexible/Innovation | 13,300,056 | 13,932,439 |
| Primary Health Networks - After Hours Primary Health Care | 5,520,496 | 2,166,623 |
| Indigenous Australians' Health Programme | 5,329,496 | 9,027,156 |
| Operational Mental Health and Suicide Prevention, and Drug & Alcohol Activities | 26,515,501 | 17,016,259 |
| Other programs | 499,294 | 1,659,479 |
| | <u>51,164,843</u> | <u>43,801,956</u> |

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED TO 30 JUNE 2018

| | 2018 | 2017 |
|--------------------------------------------------|------------------|------------------|
| | \$ | \$ |
| 5. Consultancy fees/professional services | | |
| Professional services - corporate | 382,572 | 234,836 |
| Professional services - health needs assessment | - | 303,013 |
| Professional services - program | 152,804 | 225,079 |
| Professional services - commissioning | 113,049 | 45,828 |
| | <u>648,425</u> | <u>808,756</u> |
| 6. Employee expenses | | |
| Employee benefits | | |
| Salaries and wages | 6,927,571 | 6,464,801 |
| Annual leave expense | 432,241 | 441,321 |
| Employer superannuation contributions | 654,490 | 537,875 |
| Other employee benefits | 144,405 | 95,358 |
| | <u>8,158,707</u> | <u>7,539,355</u> |
| Employee related expenses | | |
| Workers' compensation premium | 24,367 | 23,169 |
| Other employee costs | 234,762 | 318,856 |
| | <u>8,417,836</u> | <u>7,881,380</u> |
| 7. Receivables | | |
| Department of Health receivable | - | 1,404,826 |
| Sundry receivables | 56,504 | 20,191 |
| GST receivable | - | 6,935 |
| Prepayments | - | 2,741 |
| | <u>56,504</u> | <u>1,434,693</u> |

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2018

8. Property, plant and equipment

| 2018 | Leasehold improvements \$ | Office equipment \$ | Computer hardware \$ | Total \$ |
|------------------------------|---------------------------------|------------------------|----------------------------|----------------|
| Cost | | | | |
| Balance at beginning of year | 433,207 | 46,731 | 260,797 | 740,735 |
| Low cost asset expensed | - | - | (3,400) | (3,400) |
| Balance at end of year | <u>433,207</u> | <u>46,731</u> | <u>257,397</u> | <u>737,335</u> |
| Depreciation | | | | |
| Balance at beginning of year | 150,984 | 21,711 | 63,673 | 236,368 |
| Depreciation for period | 68,906 | 13,154 | 72,266 | 154,326 |
| Balance at end of year | <u>219,890</u> | <u>34,865</u> | <u>135,939</u> | <u>390,694</u> |
| Carrying amounts | | | | |
| At 30 June 2018 | <u>213,317</u> | <u>11,866</u> | <u>121,458</u> | <u>346,641</u> |
| 2017 | | | | |
| Cost | | | | |
| Balance at beginning of year | 142,462 | 46,731 | 124,403 | 313,596 |
| Additions | 290,745 | - | 136,394 | 427,139 |
| Balance at end of year | <u>433,207</u> | <u>46,731</u> | <u>260,797</u> | <u>740,735</u> |
| Depreciation | | | | |
| Balance at beginning of year | 83,262 | 8,556 | 22,615 | 114,433 |
| Depreciation for period | 67,722 | 13,155 | 41,058 | 121,935 |
| Balance at end of year | <u>150,984</u> | <u>21,711</u> | <u>63,673</u> | <u>236,368</u> |
| Carrying amounts | | | | |
| At 30 June 2017 | <u>282,223</u> | <u>25,020</u> | <u>197,124</u> | <u>504,367</u> |

9. Intangible assets

| Computer software | 2018 \$ | 2017 \$ |
|------------------------------|----------------|----------------|
| Cost | | |
| Balance at beginning of year | 425,927 | 324,929 |
| Additions | 47,987 | 100,998 |
| Balance at end of year | <u>473,914</u> | <u>425,927</u> |
| Amortisation | | |
| Balance at beginning of year | 165,660 | 53,798 |
| Amortisation for period | 156,414 | 111,862 |
| Balance at end of year | <u>322,074</u> | <u>165,660</u> |
| Carrying amounts | | |
| At 30 June | <u>151,840</u> | <u>260,267</u> |

10. Trade and other payables

| | | |
|-------------------------------------|-------------------|-------------------|
| Trade payables | 1,587,617 | 1,690,869 |
| Accrued expenses and other payables | 9,043,286 | 5,533,317 |
| Commonwealth funding repayable | 482,543 | 4,271,566 |
| GST payable | 266,372 | - |
| Liability for annual leave | 330,521 | 342,706 |
| | <u>11,710,339</u> | <u>11,838,458</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

| | 2018 \$ | 2017 \$ |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| 11. Unearned revenue | | |
| Unearned revenue represents future funding received in advance, current year funding held to meet future activity commitments, current year funding to be acquitted in the future and uncommitted funding approved for carryover by the funder. | | |
| Primary Health Networks - Operational & Flexible/Establishment & Transition/Innovation | 10,490,987 | 4,652,756 |
| Primary Health Networks - After Hours Primary Health Care | 3,266,059 | 7,184,924 |
| Indigenous Australians' Health Programme | 300,969 | 179,245 |
| Primary Mental Health | 9,387,948 | 3,651,255 |
| Drugs and Alcohol Treatment Services | 2,456,729 | 3,128,862 |
| Other programs | 875,638 | 371,361 |
| | 26,778,330 | 19,168,403 |

Made up of:

| | | |
|---------------------------------------------------------------|-------------------|-------------------|
| Future funding received in advance | 3,068,101 | 2,981,628 |
| Current year funding held to meet future activity commitments | 11,188,077 | 7,597,501 |
| Uncommitted funding approved for carryover by the funder | 9,988,403 | 5,314,254 |
| Uncommitted and unplanned project funding | 2,533,749 | 3,275,020 |
| | 26,778,330 | 19,168,403 |

12. Operating lease and other commitments

The Company leases a number of buildings and motor vehicles under operating leases. The leases typically run for a period of one to five years, with options to renew after that date.

Operating lease commitments being for rent of office space and motor vehicles

| | | |
|----------------------------------|------------------|------------------|
| Payable - minimum lease payments | | |
| - not later than 12 months | 457,714 | 444,605 |
| - between 12 months and 5 years | 792,699 | 877,105 |
| | 1,250,413 | 1,321,710 |

The Company also commits commission contracts against future funding. As at 30 June 2018, the Company committed \$24,777,750 (2017: \$19,031,520) in commission contracts against the 2018/19 grant funds. The 2018/19 grant funds had not been received at 30 June 2018 and accordingly are not reflected in the Company's 2017-18 financial statements. The 2018/19 committed contracts are expected to be settled within 12 months.

13. Cash flow information

Reconciliation of Cash Flows from Operating Activities

| | | |
|-------------------------------------------------|------------------|-------------------|
| Operating result | (177,329) | 294,340 |
| Non cash flow items in surplus: | | |
| Depreciation and amortisation | 310,740 | 233,797 |
| Gain on sale of property, plant and equipment | - | (1,405) |
| Changes in assets and liabilities: | | |
| Decrease/(increase) in receivables | 1,378,189 | (1,399,190) |
| Increase/(decrease) in trade and other payables | (124,719) | 8,371,002 |
| Increase in unearned revenue | 7,609,927 | 6,774,814 |
| Net cash from operating activities | 8,996,808 | 14,273,358 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED TO 30 JUNE 2018

14. Transactions with key management personnel and other related parties

The related parties of the Company include:

- the Key Management Personnel (KMP) because they have authority and responsibility for planning, directing and controlling the activities of the Company directly;
- spouses, children and dependants who are close family members of the KMP;
- any entities controlled or jointly controlled by KMPs or controlled or jointly controlled by their close family members; and
- any entity which is a member of NQPHN

Key Management Personnel

Key management personnel of the Company are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. These include the Directors and Executive Team as listed below.

Directors

The following Directors were in office during the financial year ended 30 June 2018:

Mr Trent Twomey (*ceased 1 January 2018*)
Mr Luckbir Singh
Dr Vladislav Matic
Ms Ruth Faulkner
Mr John Nugent
Dr Richard Malone
Dr Rodney Catton
Mr Anthony Mooney, AM
Ms Cate Whalan (*commenced 2 January 2018*)
Ms Sue Andrews (*commenced 13 October 2017*)

During the year the the following remuneration was paid to the Directors:

| | 2018 | 2017 |
|-------------------------------------|----------------|----------------|
| | \$ | \$ |
| Short term benefits | 223,015 | 184,414 |
| Post term benefits (superannuation) | 20,894 | 17,586 |
| | <u>243,909</u> | <u>202,000</u> |

Executive Team

The following persons were members of the Exective Team during the financial year ended 30 June 2018

| | |
|--------------------------------------------------------------------|-------------------------|
| Mr John Gregg (<i>commenced 2 January 2018</i>) | Chief Executive Officer |
| Mr Robin Moore (<i>ceased 19 December 2017</i>) | Chief Executive Officer |
| Mr Anthony Elliott (<i>ceased 15 December 2017</i>) | Chief Operating Officer |
| Ms Vicky Johnston (<i>ceased 9 April 2018</i>) | Chief Financial Officer |
| Ms Sara Vale (<i>commenced 3 July 2017, ceased 6 April 2018</i>) | Chief Corporate Officer |
| Ms Megan Barrett | Company Secretary |

During the year the the following remuneration was paid to members of the Executive Team:

| | 2018 | 2017 |
|-------------------------------------------|----------------|----------------|
| | \$ | \$ |
| Short-term employee benefits | 734,635 | 649,359 |
| Post-employment benefits (superannuation) | 77,384 | 61,186 |
| Termination benefits | 175,404 | - |
| | <u>987,423</u> | <u>710,545</u> |

NQPHN Members

The following transactions were entered into with NQPHN Members. All transactions were at arm's length and were in the normal course of the Company's operations. All transactions are disclosed net of GST.

| NQPHN Members | Transaction type | 2018 | | 2017 | |
|----------------------------------------------------------------|--------------------------------------------|-------------------|-----------------------------|-------------------|-----------------------------|
| | | Transaction value | Outstanding balance payable | Transaction value | Outstanding balance payable |
| | | \$ | \$ | \$ | \$ |
| Cairns and Hinterland Hospital and Health Services | Health Services expenditure | 873,516 | - | 801,621 | 224,516 |
| Townsville Hospital and Health Service | Health Services expenditure | 287,005 | - | 280,000 | 180,000 |
| Torres and Cape Hospital and Health Service | Health Services expenditure | 739,103 | 9,000 | 469,500 | 287,500 |
| Mackay Hospital and Health Service | Health Services expenditure | 303,494 | 45,000 | 353,231 | 200,000 |
| Pharmacy Guild of Australia | Health Services expenditure | 68,859 | - | 135,224 | 86,073 |
| Australian College of Remote and Rural Medicine | Workforce Development Services expenditure | - | - | 84,000 | - |
| Northern Aboriginal and Torres Strait Islander Health Alliance | Health Services expenditure | 2,014,479 | - | - | - |
| Australian Primary Health Care Nurses Association | Health Services expenditure | 60,651 | - | - | - |
| Council on the Ageing | Resource expenditure | 4,816 | - | - | - |
| Queensland Alliance for Mental Health | Consulting Services | 10,100 | - | - | - |
| | | <u>4,362,023</u> | <u>54,000</u> | <u>2,123,576</u> | <u>978,089</u> |

The following transactions were entered into with entities controlled or influenced by NQPHN KMPs. All transactions were at arm's length and were in the normal course of the Company's operations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED TO 30 JUNE 2018

15. Events after balance date

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 2018, or the Company's state of affairs in future financial years.

16. Financial instrument fair values

The Company's financial instruments consist of deposits with banks, short term investments, accounts receivable and payable.

| | 2018 | 2017 |
|------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 38,533,557 | 29,532,407 |
| Investments | 8,250 | 60,579 |
| Receivables | 56,504 | 1,431,952 |
| | 38,598,311 | 31,024,938 |
| Financial liabilities | | |
| Trade and other payables | 11,710,339 | 11,838,458 |
| | 11,710,339 | 11,838,458 |

Net fair values

The carrying values of financial assets and liabilities approximate their fair values.

NORTH QUEENSLAND PRIMARY HEALTHCARE NETWORK LIMITED

ABN 35 605 757 640

DIRECTORS' DECLARATION

The directors of North Queensland Primary Healthcare Network Limited declare that in their opinion:

- a 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
- b 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 2018 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements; 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*:



Chairperson

Dr Vlad Matic

Date

21st

September

2018

Independent auditor's report

Cairns Corporate Tower
15 Lake Street
Cairns QLD 4870

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F +61 7 4051 0116
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W www.grantthornton.com.au

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 2018, 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 2018 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 with 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.

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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 2018, 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 AUDIT PTY LTD
Chartered Accountants



Graham Coonan
Partner – Audit & Assurance

Cairns, 21 September 2018