North Queensland Primary Healthcare Network Limited

ABN 35 605 757 640

Annual financial report
For the year ended 30 June 2023

Contents

Statement of comprehensive income

For the year ended 30 June 2023

	Note	2023 $	2022 $
Income			
Revenue	6	75,833,896	79,162,304
Other income		124,805	7,151
		75,958,701	79,169,455
Expenses			
Board and governance		436,312	440,968
Commissioned contracts		63,753,644	68,117,705
Communications/IT		1,353,050	804,055
Community/Provider engagement and workforce development		586,486	191,320
Consultancy fees/Professional services	7	476,001	1,179,552
Depreciation and amortisation	11	566,948	821,162
Employee expenses	8	8,474,882	6,901,887
Low cost capital items		11,353	45,249
Motor vehicle costs		4,284	8,102
Occupancy costs		116,322	137,930
Travel and accommodation		490,095	271,275
Other expenses		304,383	496,989
		76,573,760	79,416,194
Results from operating activities		(615,059)	(246,739)
Finance income		895,370	109,760
Finance costs		(54,769)	(70,941)
Net finance income		840,601	38,819
Net surplus/(deficit) before tax		225,542	(207,920)
Income tax expense	5(d)	-	-
Net surplus/(deficit)		225,542	(207,920)
Other comprehensive income		-	-
Total comprehensive income		225,542	(207,920)

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

Statement of financial position

As at 30 June 2023

	Note	2023 $	2022 $
Assets			
Cash and cash equivalents	9	38,934,431	30,405,248
Trade and other receivables	10	402,078	415,721
Total current assets		39,336,509	30,820,969
Property, plant and equipment	11	1,145,280	1,692,455
Total non-current assets		1,145,280	1,692,455
Total assets		40,481,789	32,513,424
Liabilities			
Trade and other payables	13	5,554,517	11,837,612
Contract liabilities	16	32,905,214	18,413,635
Lease liabilities	17	398,034	433,812
Total current liabilities		38,857,765	30,685,059
Lease liabilities	17	762,108	1,237,289
Provision for long service leave	14	168,495	123,197
Provision for restoration	15	36,521	36,521
Total non-current liabilities		967,124	1,397,007
Total liabilities		39,824,889	32,082,066
Net assets		656,900	431,358
Equity			
Retained surplus		656,900	431,358
Total equity		656,900	431,358

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 2023

	Note	2023 $	2022 $
Retained surplus			
Balance at 1 July		431,358	639,278
Total comprehensive income			
Net surplus/(deficit)		225,542	(207,920)
Total other comprehensive income		-	-
Total comprehensive income		225,542	(207,920)
Balance at 30 June		656,900	431,358

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

Statement of cash flows

For the year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Cash receipts from funding bodies		95,831,604	87,724,846
Other income		76,940	7,151
Payments to suppliers		(79,838,140)	(79,035,547)
Payments to employees		(7,941,297)	(6,523,201)
Cash generated from operating activities		8,129,107	2,173,249
Interest received		895,370	109,760
Interest paid		(48,781)	(70,941)
Net cash from operating activities	21	8,975,696	2,212,068
Cash flows from financing activities			
Payment of lease liabilities		(446,513)	(410,751)
Net cash used in financing activities		(446,513)	(410,751)
Net increase in cash and cash equivalents		8,529,183	1,801,317
Cash and cash equivalents at 1 July		30,405,248	28,603,931
Cash and cash equivalents at 30 June		38,934,431	30,405,248

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 - Simplified Disclosures ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the *Australian Charities and Not-for-Profit Commission Act 2012*. The financial statements do not comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board.

These financial statements were authorized for use 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.

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 5(a)
- Property, plant and equipment – Note 5(e)
- Leases – Note 5(i).

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 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 2022. None of the amendments have had a significant impact on the financial performance and position of the Company.

4 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2023 and have not been applied in preparing these financial statements. The Company does not plan to adopt these standards early.

5 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a Revenue

Commonwealth funding

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

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

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligation
5. Recognising revenue when/as performance obligations are satisfied.

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

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract 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.

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 Defined contribution plan

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

iii 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.

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

- Leasehold improvements 3 – 5 years
- Office equipment 3 – 7 years
- Computer hardware 3 years.

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

f Financial instruments

i Recognition, initial measurement and derecognition

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset, unless it is a trade receivable without a significant financing component, or a financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A financial asset is 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 of ownership are transferred.

A financial liability is derecognised when its contractual obligations are discharged, cancelled or expire.

ii Classification and subsequent measurement

Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss
- equity instruments at fair value through other comprehensive income
- debt instruments at fair value through other comprehensive income

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 income, finance costs or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows, and
- its contractual terms give rise on specified dates 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 has determined that all of its financial assets fall within the amortised cost category.

Financial liabilities

For the purpose of subsequent measurement, financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as fair value through profit or loss if it is held-for-trading. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Company has only financial liabilities classified as measured at amortised cost.

g Impairment

Non-derivative financial assets

Financial assets and contract assets

The Company uses forward looking information to recognise expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of these requirements include loans and trade receivables.

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.

In applying this forward-looking approach, a distinction is made between:

- financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial asset.

Trade and other receivables

Receivables are amounts owed to the Company at year end. These are recognised as the amounts due at the time of sale or service delivery i.e. the agreed purchase price or contract price. Settlement of these amounts is required 30 days from invoice date.

Debts are regularly assessed for collectability and allowance is made where appropriate for impairment. All known bad debts are written off as the Company becomes aware of the inability to recover. If an amount is recovered in a subsequent period it is recognised as revenue. The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

Receivables are measured at amortised cost which appropriate fair value at reporting date. When the Company has no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance.

Grants payable by State and Commonwealth government and their agencies: A credit enhancement exists as these payments are effectively Government guaranteed and both the State and Commonwealth Governments have high credit ratings. Accordingly, the Company considers the level of credit risk exposure to be immaterial. The Company does not calculate ECL for grants.

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets, investment property, inventories and deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists then the asset’s recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. As the Company is a not-for-profit entity, value in use is the written down current replacement cost of an asset as the future economic benefits of the asset are not primarily dependent on the asset’s ability to generate net cash inflows and as the entity would, if deprived of the asset, replace its remaining future economic benefits.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in expenses.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

h 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.

i Leases

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

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 low value assets and short term leases.

j 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.

6 Revenue

	2023 $	2022 $
Commonwealth funding (under AASB 15)		
Primary Health Networks – Operational & Flexible/Innovation	17,084,678	17,582,225
Primary Health Networks – After Hours Primary Health Care	5,421,835	4,338,320
Indigenous Australians' Health Program	7,293,061	7,324,130
Mental Health and Suicide Prevention	29,147,595	37,299,797
Bilateral PHN Programs	-	862,726
Drug and Alcohol Treatment activities	6,164,205	6,826,464
Psychosocial Support	4,284,157	3,652,637
Pilots and Targeted Programs	2,867,463	50,000
Aged Care Funding	2,198,507	138,780
Urgent Care Clinic	625	-
Other funding Grants (under AASB 15)		
Queensland Health – Cancer Screening Quality Improvement	29,743	16,006
My Health Record Expansion	74,000	186,836
Queensland Health – The Way Back Support Service	344,764	510,519
Beyond Blue – The Way Back Support	259,865	48,831
Brisbane North PHN – Workforce Prioritision and Planning	95,398	-
Additional Service Delivery Funding for Drug and Alcohol	240,000	-
	75,505,896	78,837,271
Other funding Grants (under AASB 1058)		
Brisbane South PHN – Alternative Care	-	68,546
Western Queensland PHN – Resilient Kids	278,000	206,487
Diabetes Queensland – My Health for Life	50,000	50,000
	328,000	325,033
	75,833,896	79,162,304

7 Professional services

Corporate services	182,489	235,062
Commissioning and programs	84,012	725,633
Information and communication technology services	1,920	69,388
Legal services	63,837	23,471
Internal, external and ISO audit services	81,900	83,062
Insurance	61,828	40,429
Other	15	2,507
	476,001	1,179,552

8 Employee expenses

Employee benefits		
Salaries and wages	6,987,447	5,380,122
Employer superannuation contributions	766,740	548,154
Annual leave expenses	417,307	533,555
Long service leave expenses	45,298	(2,486)
Other employee benefits	7,972	134,158
	8,224,764	6,593,503
Employee related expenses		
Workers' compensation premium	23,918	18,483
Other employee expenses	226,200	289,901
	8,474,882	6,901,887

9 Cash and cash equivalents

Cash and cash equivalents include cash on hand, all cash and cheques receipted by not banked at the year end, deposits held at call with financial institutions, other short term, highly liquid investments 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, and bank overdrafts.

	2023 $	2022 $
Cash at bank and on hand	38,901,910	30,351,242
Term deposit	32,521	54,006
	38,934,431	30,405,248

The Company's cash and cash equivalents are subject to restrictions that limit amounts available for discretionary or future use. These include:

Unspent Commonwealth, State, and other grants (contract liabilities)	32,905,214	18,413,635

10 Trade and other receivables

Current		
Prepayments	125,248	95,132
GST receivable	190,664	128,719
Other receivables	86,166	191,870
	402,078	415,721

11 Property, plant and equipment

Reconciliation of carrying amount

	Right-of-use buildings	Right-of-use vehicles	Right-of-use equipment	Leasehold improvements	Office equipment	Computer hardware	Total
	$	$	$	$	$	$	$
Cost							
Balance at 1 July 2021	2,105,452	72,533	48,731	401,731	46,731	287,660	2,962,838
Remeasurement	92,638	-	-	-	-	-	92,638
Additions	493,800	28,098	-	-	-	-	521,898
Disposals	(130,126)	-	-	-	-	-	(130,126)
Balance at 30 June 2022	2,561,764	100,631	48,731	401,731	46,731	287,660	3,447,248
Balance at 1 July 2022	2,561,764	100,631	48,731	401,731	46,731	287,660	3,447,248
Remeasurement	(1,230,599)	(63,856)	-	-	-	-	(1,294,456)
Additions	648,426	-	-	-	-	-	648,426
Disposals	(423,368)	-	-	-	-	-	(423,368)
Balance at 30 June 2023	1,556,223	36,775	48,731	401,731	46,731	287,660	2,377,850
Depreciation and impairment							
Balance at 1 July 2021	742,651	62,494	14,890	220,272	44,200	287,660	1,372,167
Depreciation for the year	406,629	28,726	16,244	58,622	2,531	-	512,752
Disposals	(130,126)	-	-	-	-	-	(130,126)
Balance at 30 June 2022	1,019,154	91,220	31,134	278,894	46,731	287,660	1,754,793
Balance at 1 July 2022	1,019,154	91,220	31,134	278,894	46,731	287,660	1,754,793
Depreciation for the year	467,162	27,628	17,597	54,561	-	-	566,948
Remeasurement	(764,192)	(100,632)	-	-	-	-	(864,824)
Disposals	(224,347)	-	-	-	-	-	(224,347)
Balance at 30 June 2023	497,777	18,216	48,731	333,455	46,731	287,660	1,232,570
Carrying amounts							
At 30 June 2022	1,542,610	9,411	17,597	122,837	-	-	1,692,455
At 30 June 2023	1,058,446	18,559	-	68,276	-	-	1,145,281

Intangible assets

In the year ended 30 June 2022, amortisation of intangible assets was $308,410, resulting in these assets being fully written down by 30 June 2022 so no corresponding charge in the current year.

Leases

During the year the Company did not exercise the option to extend the lease for the offices in Townsville. This resulted in an effective disposal of the right-of-use asset and associated lease liability at the date of termination and a gain on disposal for $31,619 was recorded in other income. A new lease in a separate property was entered into and is reflected in the additions above.

During the year the Company decided it would not be exercising the option to extend the lease for the offices in Cairns which were due to expire in November 2023. This resulted in a remeasurement of the remaining lease liability by $519,008, a corresponding adjustment to the right-of-use asset of $466,407 and a gain on the remeasurement of $52,601 was recorded in other income.

Other remeasurements of $36,775 were made in respect of vehicle leases during the year where extensions on those assets were finalised.

12 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.

	2023 $	2022 $
Financial assets		
Cash and cash equivalents	38,934,431	30,405,248
Receivables	276,830	320,589
	39,211,260	30,725,837
Financial liabilities		
Trade and other payables	5,137,210	11,522,920
Lease liabilities – current	398,034	433,812
Lease liabilities – non-current	762,108	1,237,289
	6,297,352	13,194,021

13 Trade and other payables

Trade payables	325,821	1,176,936
Contract accruals	4,402,203	5,760,565
Other payables and accruals	394,186	308,148
Commonwealth funding repayable	15,000	4,277,271
Liability for annual leave	417,307	314,692
	5,554,517	11,837,612

14 Provision for long service leave

Non-current		
Long service leave	168,495	123,197
Balance at 1 July	123,197	125,683
Provisions made during the year	45,298	44,308
Provisions reversed during the year	-	(46,794)
Balance at 30 June	168,495	123,197

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 2023 was 4.36% (2022:1.49%).

15 Provision for restoration

	2023 $	2022 $
Non-current		
Restoration of building leases	36,521	36,521
Balance at 1 July	36,521	36,521
Provisions made during the year	-	-
Provisions used during the year	-	-
Balance at 30 June	36,521	36,521

16 Contract liabilities

Core Operational and Flexible, Establishment and Transition and Innovation	7,769,452	5,485,361
Core After Hours Primary Health Care	3,176,341	3,390,605
Indigenous Australians' Health Program	722,200	539,675
Mental Health and Suicide Prevention	10,519,110	4,183,097
Drugs and Alcohol Treatment Services	401,863	381,774
Bilateral PHN Programs	2,710,219	-
Psychosocial Support	1,650,374	-
Urgent Care Clinic	1,142,792	-
Aged Care Funding	2,315,515	-
Other programs	2,362,956	4,433,123
Other non-DoHAC programs	134,392	-
	32,905,214	18,413,635
Made up of:		
Future funding received in advance	343,132	679,535
Current year funding held to meet future activity commitments	17,567,094	12,904,208
Unexpended and uncommitted funds:		
Core Operational and Flexible, Establishment and Transition and Innovation	1,529,396	2,563,420
Core After Hours Primary Health Care	441,341	12,029
Indigenous Australians' Health Program	276,530	-
Mental Health and Suicide Prevention	4,558,201	774,110
Drugs and Alcohol Treatment Services	401,863	114,680
Bilateral PHN Programs	2,710,219	-
Psychosocial Support	97,995	-
Urgent Care Clinic	1,142,792	-
Aged Care Funding	1,339,303	-
Other DoHAC programs	2,362,956	1,365,654
Other non-DoHAC programs	134,392	-
	14,994,988	4,829,893
	32,905,214	18,413,635

17 Lease liabilities

	2023 $	2022 $
Current	398,034	433,812
Non-current	762,108	1,237,289
	1,160,142	1,671,101
Lease liabilities reconciliation		
Lease liabilities 1 July	1,671,101	1,467,304
Additions to leases	648,426	521,910
Lease remeasurements	(482,233)	92,638
Lease payments	(399,405)	(339,810)
Interest expense on lease liabilities	(47,107)	(70,941)
Disposals	(230,640)	-
	1,160,142	1,671,101

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 11). 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.

Details of the remeasurements and disposals reported during the year are shown in Note 11.

18 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.

19 Commitments

The Company commits commissioned contracts against future funding. As at 30 June 2023, the Company committed $45,373,812 (2022: $40,241,305) in commissioned contracts against the 2023/24 and subsequent years grant funds. This commitment amount excludes current year funding held to meet future activity commitments as these are included in the contract liabilities balance as disclosed in Note 16. The 2023/24 funds had not been received at 30 June 2023 and accordingly are not reflected in the Company's 2022/23 financial statements.

20 Contingent liabilities

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

21 Reconciliation of cash flows from operating activities

	2023 $	2022 $
Net surplus/(deficit)	225,542	(207,920)
Adjustments for:		
Depreciation and amortisation	566,948	821,162
Remeasurement of Cairns lease	(52,601)	-
Disposal of Townsville lease	(31,619)	-
	708,270	613,242
Changes in:		
Trade and other receivables	13,643	223,417
Trade and other payables	(6,283,094)	9,023,367
Provisions and employee benefits	45,298	(2,486)
Contract liabilities	14,491,579	(7,645,472)
Net cash from operating activities	8,975,696	2,212,068

22 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 $
2023				
Ms Suzanne Andrews	37,305	3,917	-	41,222
Ms Tara Diversi	50,743	5,328	-	56,071
Mr Nicholas Loukas (resigned 28/11/2022)	17,675	1,856	-	19,531
Ms Topaz McAuliffe	39,774	4,176	-	43,950
Mr Luckbir Singh	37,805	3,969	-	41,774
Mr Terry Mehan (appointed 28/11/2022)	40,289	4,230		44,519
Mr Benjamin Tooth	50,074	5,258	-	55,332
Ms Catherine Whalan	38,698	4,063	-	42,761
Dr Chris Stelmaschuk (appointed 28/11/2022)	21,781	2,287	-	24,068
Dr Konrad Kangru (appointed 1/7/2022)	35,180	3,694	1,328	40,202
Dr Nadeem Siddiqui (appointed 16/8/2022, resigned 28/11/2022)	10,232	1,074	-	11,306
	379,556	39,852	1,328	420,736

	Remuneration $	Superannuation $	Allowances $	Total $
2022				
Mr Nicholas Loukas	68,543	6,854	-	75,397
Mr Luckbir Singh	38,148	3,815	-	41,963
Dr Richard Malone (resigned 18/11/2021)	15,791	1,579	-	17,370
Ms Cate Whalan	39,764	3,976	-	43,740
Ms Suzanne Andrews	37,642	3,764	-	41,406
Mr Benjamin Tooth	38,148	3,815	-	41,963
Ms Nicole Higgins (resigned 15/03/2022)	28,177	2,818	-	30,995
Ms Tara Diversi	41,309	4,131	-	45,440
Ms Topaz McAuliffe (appointed 29/11/2021)	20,249	2,025	-	22,274
Ms Toni Weller (resigned 08/03/2022)	9,718	972		10,690
	337,489	33,749	-	371,238

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 2023:

Ms Robin Whyte	Chief Executive Officer
Ms Karin Barron	Executive Director, Health System Integration and Innovation
Ms Ruth Azzopardi	Executive Director, Health Services Commissioning
Ms Amanda Roser	Executive Director, Business Services

	2023 $	2022 $
During the year the following remuneration was paid to members of the Executive Team:		
Short-term employee benefits	821,339	749,717
Post-employment benefits (superannuation)	83,187	74,971
Termination benefits	-	-
Other long term benefits	-	-
	904,526	824,688

Compensation of the company's key management personnel includes salaries, non-cash benefits and contributions to a post employment defined contribution plan.

iii Loans to Directors and Key Management Personnel

No loans have been made to directors or key management personnel during the year ended 30 June 2023 (2022: nil)

iv 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 payable as at 30 June	
	2023 $	2022 $	2023 $	2022 $
Cairns and Hinterland Hospital and Health Services	167,692	110,000	58,333	127,447
Townsville Hospital and Health Services	1,245,458	660,202	560,666	150,000
Torres and Cape Hospital and Health Services	1,369,551	1,157,924	433,421	67,250
Mackay Hospital and Health Services	604,850	524,000	88,961	66,263
Pharmacy Guild of Australia	-	-	-	-
Australian College of Remote and Rural Medicine	-	-	-	-
Northern Aboriginal and Torres Strait Islander Health Alliance	-	3,837,735	-	-
Australian Primary Health Care Nurses Association	108,528	160,539	-	-
Queensland Alliance for Mental Health	-	550	-	-
CheckUP	550	-	-	-
selectability	1,837,989	-	562,773	-
Health Workforce Queensland	320,000	-	793,320	-
Royal Australian College of General Practitioners	14,432	-	-	-
Townsville Aboriginal and Islander Health Service	1,818,234	-	215,138	-

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.

v Membership contribution and interest in Tropical Australian Academic Health Centre Limited

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

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

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

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

23 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 2023, or the Company's state of affairs in future financial years.

24 Auditor's remuneration

Auditor's remuneration

	2023 $	2022 $
Audit services		
Auditors of the Corporation – Grant Thornton		
Audit of financial statements and Commonwealth, State and other Acquittals	53,500	53,000
Other audit services	7,500	6,000
	61,000	59,000
Other services		
Auditors of the Corporation – Grant Thornton		
Tender risks reviews and other reviews	13,000	97,765
	13,000	97,765

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 2023 and of its performance for the financial year ended on that date; and

ii complying with Australian Accounting Standards – Simplified Disclosure; 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 2022*:

Tara Diversi (Sep 15, 2023 15:33 GMT+10)

Tara Diversi
NQPHN Deputy Chair

Date: 15 September 2023

Grant Thornton

Grant Thornton Audit Pty Ltd
Cairns Corporate Tower
Level 13
15 Lake Street
PO Box 7200
Cairns QLD 4870

T +61 7 4046 8888

Independent Auditor's Report

To the Members of North Queensland Primary Healthcare Network Limited

Report on the audit of the financial report

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 2023, and 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 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 2023 and of its financial performance for the year then ended; and

b complying with Australian Accounting *Standards AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2022*.

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 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 2023, 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 – *AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and the ACNC Act, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on

the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A D Cornes
Partner – Audit & Assurance

Cairns, 15 September 2023

Financial Statements 22-23

Final Audit Report 2023-09-15

Created:	2023-09-15
By:	Margaret Marsden (margaret.marsden@nqphn.com.au)
Status:	Signed
Transaction ID:	CBJCHBCAABAARG4ztp50PZ2KB-s9AxoDTvget_nvb0jl

"Financial Statements 22-23" History

Document created by Margaret Marsden (margaret.marsden@nqphn.com.au)
2023-09-15 - 5:20:22 AM GMT

Document emailed to tara.diversi@nqphn.com.au for signature
2023-09-15 - 5:20:57 AM GMT

Email viewed by tara.diversi@nqphn.com.au
2023-09-15 - 5:32:53 AM GMT

Signer tara.diversi@nqphn.com.au entered name at signing as Tara Diversi
2023-09-15 - 5:33:12 AM GMT

Document e-signed by Tara Diversi (tara.diversi@nqphn.com.au)
Signature Date: 2023-09-15 - 5:33:14 AM GMT - Time Source: server

Agreement completed.
2023-09-15 - 5:33:14 AM GMT