

# **Hunter Primary Care Limited**

**Financial Statements**

**for the Financial Year Ended 30 June 2019**

# Hunter Primary Care Limited

## Financial Statements for the Financial Year Ended 30 June 2019

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# Hunter Primary Care Limited

## Directors' Report 30 June 2019

The directors present their report on Hunter Primary Care Limited for the financial year ended 30 June 2019.

### 1. General information

#### Directors

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

##### Names

Mr Steven Adams  
Mr Richard Anicich AM  
Dr Mark Foster  
Ms Jennifer Hayes  
Dr Peter Hopkins  
Mr Scott Puxty  
Dr Milton Sales OAM  
Mr Laurence (Benjamin) Wilkins

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

#### Company secretary

The following person held the position of Company secretary at the end of the financial year:

Mr Phillip (Jack) Hanson

Mr Phillip (Jack) Hanson is the Corporate Services Executive of Hunter Primary Care Limited.

#### Principal activities and significant changes in nature of activities

The principal activities of Hunter Primary Care Limited during the financial year were:

- A non-profit health promotion charity and community health services organisation, servicing the needs of primary health care clinicians in the delivery of care to their patients and communities.
- This includes operating GP Access After Hours which provides an integrated system of after hours primary medical care for four Local Government Areas.
- Mental Health Services supports primary health care clinicians in providing mental health care services and facilities access to mental health care for patients.
- IT Services provides systems and desktop support to general practice and other health providers both within and beyond the Medical local boundaries.

There were no significant changes in the nature of Hunter Primary Care Limited's principal activities during the financial year.

## 2. Operating results and review of operations for the year

### Operating results

The profit of the Company for the financial year ended 30 June 2019 amounted to \$ 744,108 (2018: \$ 741,363).

### 3. Other items

#### Events after the reporting date

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

#### Environmental matters

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

#### Information on directors

Mr Steven Adams	Director
Qualifications	FAICD, AdvDip Bus Man
Experience	Clinical Governance Committee
Mr Richard Anicich AM	Director
Qualifications	BCom, LLB, FAICD
Experience	Chair of Board; Chair of Nomination and Remuneration Committee
Dr Mark Foster	Director
Qualifications	MBBS; M Med Sci; FRACGP; DA FFARCS; Dip RACOG; GAICD
Experience	Clinical Governance Committee; Information, Communication and Technology Governance Committee
Ms Jennifer Hayes	Director
Qualifications	BBus, MBus, CPA, GAICD
Experience	Chair of Finance, Audit and Risk Management Committee
Dr Peter Hopkins	Director
Qualifications	MBBS (Hons); M Med Sc (EPI); FRACGP
Experience	Nomination and Remuneration Committee; Information, Communication and Technology Governance Committee
Mr Scott Puxty	Director
Qualifications	BCom, Dip Law, MBusAdmin, GAICD
Experience	Nomination and Remuneration Committee
Dr Milton Sales OAM	Director
Qualifications	MBBS; Dip RANZCOG; FRACGP
Experience	Deputy Chair of Board; Chair of Clinical Governance Committee

### Information on directors (Cont'd)

Mr Laurence (Benjamin) Wilkins Director  
 Qualifications BPharm; AACPA; GAICD  
 Experience Chair of Information, Communication and Technology Governance Committee; Finance, Audit and Risk Management Committee

Ms Kirsty Porteous External member  
 Qualifications BCom; CA; RCA  
 Experience Finance, Audit and Risk Management Committee

Mr Paul Goldsworthy External member  
 Qualifications BEng; LLB; GradCertMgt  
 Experience Information, Communication and Technology Governance Committee

### Meetings of directors

During the financial year, 20 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

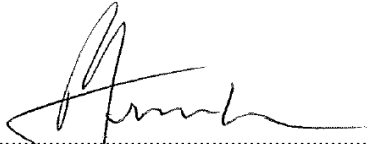
	Directors' Meetings		Finance Audit & Risk Management Committee		Clinical Governance Committee		Nomination and Remuneration Committee		Information, Communication and Technology Governance Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Steven Adams	6	6	-	-	3	3	-	-	-	-
Mr Richard Anicich AM	6	6	1	1	-	-	2	2	-	-
Dr Mark Foster	6	6	-	-	3	3	-	-	4	4
Ms Jennifer Hayes	6	6	4	4	-	-	-	-	-	-
Dr Peter Hopkins	6	5	-	-	-	-	3	3	4	4
Mr Scott Puxty	6	6	-	-	-	-	3	2	-	-
Dr Milton Sales OAM	6	6	-	-	3	3	-	-	-	-
Mr Laurence (Benjamin) Wilkins	6	6	3	3	-	-	1	1	4	4
Ms Kirsty Porteous	-	-	4	4	-	-	-	-	-	-
Mr Paul Goldsworthy	-	-	-	-	-	-	-	-	3	3

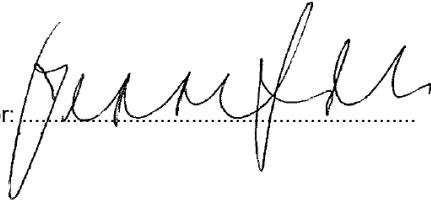
### Indemnification and insurance of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of Hunter Primary Care Limited, the company secretary and all executive officers of the Company against liability incurred as such a director, secretary or executive officer to the extent permitted by the Australian Charities and Not-for-Profits Commission (ACNC) Act 2012. The contract of insurance prohibits disclosure of the nature of the liability and the amount of insurance.

The Company has not otherwise, during or since the end of the financial year except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such an officer or auditor.

Signed in accordance with a resolution of the Board of Directors:

Director:  .....

Director:  .....

Dated this ..... *21<sup>st</sup>* day of *September* ..... 2019

## Hunter Primary Care Limited

### Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-Profits Commission (ACNC) Act 2012* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



PKF



MARTIN MATTHEWS  
PARTNER

4 September 2019  
NEWCASTLE, NSW

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF HUNTER PRIMARY CARE LIMITED

#### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Hunter Primary Care Limited (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by those charged with governance.

In our opinion, the accompanying financial report presents fairly, in all material respects, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended; and
- (ii) complying with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*.

#### 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 Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance 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 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 the financial report.



PKF



MARTIN MATTHEWS  
PARTNER

4 September 2019  
NEWCASTLE, NSW

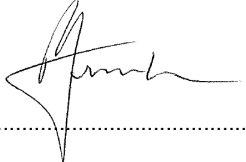
# Hunter Primary Care Limited

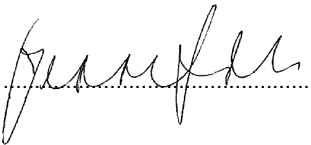
## Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes as set out on pages 9 to 30, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and:
  - (a) comply with Australian Accounting Standards; and
  - (b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the entity.
2. In the directors' opinion, 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Director  .....

Director  .....

Dated *4th September 2019*

# Hunter Primary Care Limited

## Statement of Profit or Loss and Other Comprehensive Income For the Financial Year Ended 30 June 2019

		2019	2018
	Note	\$	\$
Revenue	4	25,092,735	23,434,313
Other revenue	4	54,088	135,783
Employee benefits expense	5	(17,410,245)	(15,486,960)
Depreciation and amortisation expense	5	(109,252)	(180,109)
Administration expenses		(2,150,187)	(2,039,987)
Sub-contractors expense		(3,370,362)	(3,424,776)
Occupancy expense		(1,095,438)	(1,421,600)
Other operating expenses		(267,231)	(275,301)
<b>Surplus before income tax</b>		<b>744,108</b>	<b>741,363</b>
Income tax expense	2(h)	-	-
<b>Surplus for the year</b>		<b>744,108</b>	<b>741,363</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>744,108</b>	<b>741,363</b>

The accompanying notes form part of these financial statements.

# Hunter Primary Care Limited

## Statement of Financial Position

As at 30 June 2019

	Note	2019 \$	2018 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	15(a)	10,714,181	8,552,754
Trade and other receivables	7	1,217,707	1,386,287
Other current assets		202,768	188,493
Inventories		48,764	35,280
Other financial assets		155,019	145,665
<b>TOTAL CURRENT ASSETS</b>		<b>12,338,439</b>	<b>10,308,479</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	1,109,159	1,209,613
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,109,159</b>	<b>1,209,613</b>
<b>TOTAL ASSETS</b>		<b>13,447,598</b>	<b>11,518,092</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	1,444,392	1,432,006
Provisions	10	1,722,788	1,587,868
Other financial liabilities	11	5,058,010	4,102,994
<b>TOTAL CURRENT LIABILITIES</b>		<b>8,225,190</b>	<b>7,122,868</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee provisions	10	384,807	301,731
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>384,807</b>	<b>301,731</b>
<b>TOTAL LIABILITIES</b>		<b>8,609,997</b>	<b>7,424,599</b>
<b>NET ASSETS</b>		<b>4,837,601</b>	<b>4,093,493</b>
<b>EQUITY</b>			
Donations reserve	12	45,066	39,952
Retained earnings		4,792,535	4,053,541
<b>TOTAL EQUITY</b>		<b>4,837,601</b>	<b>4,093,493</b>

The accompanying notes form part of these financial statements.

# Hunter Primary Care Limited

## Statement of Changes in Equity

For the Year Ended 30 June 2019

2019

	Accumulated Surplus	Donations Reserve	Total
	\$	\$	\$
<b>Balance at July 1, 2018</b>	<b>4,053,541</b>	<b>39,952</b>	<b>4,093,493</b>
Surplus for the year	744,108	-	744,108
Transfer from accumulated surplus to donation reserve	(5,114)	5,114	-
<b>Balance at 30 June 2019</b>	<b>4,792,535</b>	<b>45,066</b>	<b>4,837,601</b>

2018

	Accumulated Surplus	Donations Reserve	Total
	\$	\$	\$
<b>Balance at July 1, 2017</b>	<b>3,322,639</b>	<b>29,491</b>	<b>3,352,130</b>
Surplus for the year	741,363	-	741,363
Transfer from accumulated surplus to donation reserve	(10,461)	10,461	-
<b>Balance at 30 June 2018</b>	<b>4,053,541</b>	<b>39,952</b>	<b>4,093,493</b>

The accompanying notes form part of these financial statements.

# Hunter Primary Care Limited

## Statement of Cash Flows For the Year Ended 30 June 2019

	2019	2018
Note	\$	\$
<b>Cash flows from operating activities:</b>		
Receipts from clients and funding bodies	<b>28,055,791</b>	25,586,699
Payments to suppliers and employees	<b>(26,060,268)</b>	(25,212,179)
Interest received	<b>198,358</b>	127,056
Net cash provided by operating activities	15(b) <b>2,193,881</b>	501,576
<b>Cash flows from investing activities:</b>		
Payment for plant and equipment	<b>(23,100)</b>	(1,206,726)
Purchase of financial assets	<b>(9,354)</b>	-
Net cash used by investing activities	<b>(32,454)</b>	(1,206,726)
<b>Cash flows from financing activities:</b>		
Net cash provided by/(used in) financing activities	-	-
<b>Net increase/(decrease) in cash and cash equivalents held</b>	<b>2,161,427</b>	(705,150)
<b>Cash and cash equivalents at beginning of year</b>	<b>8,552,754</b>	9,257,904
<b>Cash and cash equivalents at end of financial year</b>	15(a) <b>10,714,181</b>	8,552,754

The accompanying notes form part of these financial statements.

# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

The financial statements are for Hunter Primary Care Limited (Company) as an individual entity, incorporated and domiciled in Australia. Hunter Primary Care Limited is a not-for-profit Company limited by guarantee.

The functional and presentation currency of Hunter Primary Care Limited is Australian dollars.

### 1. Change in Accounting Policy

#### Financial Instruments - Adoption of AASB 9

The Company has adopted AASB 9 *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 July 2018. AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

As part of the adoption of AASB 9, the Company adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. In the comparative year, this information was presented as part of other expenses.
- AASB 7 *Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year.

The key changes to the Company's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except the Company has not restated any amounts relating to classification and measurement requirements including impairment which have been applied from July 1, 2018.

#### Classification of financial assets

The financial assets of the Company have been reclassified into one of the following categories on adoption of AASB 9 based on primarily the business model in which a financial asset is managed and its contractual cash flow characteristics:

- Measured at amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income - debt instruments (FVOCI - debt)
- Fair value through other comprehensive income - equity instruments (FVOCI - equity).

#### Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost, contract assets and fair value through other comprehensive income. This has resulted in the earlier recognition of credit loss (bad debt provisions). The entity has performed an assessment of the impact on the balance as at 1 July 2018, this has been deemed immaterial to the financial statements.

# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### 1. Change in Accounting Policy (Cont'd)

#### Financial Instruments - Adoption of AASB 9 (Cont'd)

##### Classification of financial assets and financial liabilities

###### (i) Reclassification from Held to Maturity to Amortised Cost

Term deposits that would previously have been classified as held to maturity are now classified at amortised cost. The Company intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

### 2. Summary of Significant Accounting Policies

#### (a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-Profits Commission (ACNC) Act 2012*.

Material accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

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

#### (b) Financial instruments

##### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The Company's financial liabilities include trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

##### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.



# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### 2. Summary of Significant Accounting Policies (Cont'd)

#### Financial assets (Cont'd)

##### Classification

On initial recognition, the Company classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL
- fair value through other comprehensive income - equity instrument (FVOCI - equity)
- fair value through other comprehensive income - debt investments (FVOCI - debt)

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

##### Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

##### Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### 2. Summary of Significant Accounting Policies (Cont'd)

#### (c) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### (d) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Contributions are made by the Company to an employee superannuation fund and are charged as expense when incurred.

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

#### (e) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

#### (f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Company are classified as finance leases.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

#### (g) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### (l) New Accounting Standards and Interpretations (Cont'd)

#### (h) Income Tax

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

#### (i) Property, plant and equipment

Classes of property, plant and equipment using the cost method.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

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

The depreciable amount of all property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the asset's useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Plant and Equipment	15% - 40%
Leasehold improvements	6.67% - 59%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

When an asset is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

#### (j) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefit required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### (k) Revenue recognition

Non-reciprocal grant revenue is recognised in profit and loss when the entity obtains the control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before the entity is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

Donations are recognised as revenue when received.

Revenue from the rendering of service is recognised upon the delivery of the service to the customer.

Interest is recognised using the effective interest method.

Revenue from the disposal of assets is recognised when the Company has passed control of the goods or other assets to the buyer.

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

### (l) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The following paragraphs summarise those future requirements, and their impact on the Company.

- AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods beginning on or after 1 January 2019). The entity has chosen not to early-adopt AASB 15. However, the entity has conducted a preliminary assessment of the impact of this new standard, as follows:

A core change under AASB 15 is that focus shifts from reciprocal/non-reciprocal basis to a basis of assessment that considers the enforceability of a contract and the specificity of performance obligations.

AASB 15 applies where there is an "enforceable" contract with a customer with "sufficiently specific" performance obligations which results in income being recognized when (or as) the performance obligations are satisfied under AASB 15.

Under AASB 15, there will be no differences in accounting of unexpended grant funds as these revenues will be recorded upon the achievement of performance obligation, which is consistent with the existing treatment.

If AASB 15 was in place at 30 June 2019, revenue and expenses would have decreased by approximately \$2,651,000. This is due to the company being considered as an agent for part of the Partners In Recovery program and PAHS program. There would have been no profit effect in 2019 arising from this treatment.

AASB 15 will be applied by the company from its mandatory adoption date of 1 July 2019. The modified transition approach will be the chosen approach, and thus the comparative amounts for the year prior to first adoption will not be restated and the entity will recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application.

# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### (I) New Accounting Standards and Interpretations (Cont'd)

- AASB 16: Leases (applicable for annual reporting periods beginning on or after 1 January 2019). The entity has chosen not to early-adopt AASB 16. However, the entity has conducted a preliminary assessment of the impact of this new standard, as follows.

A core change resulting from applying AASB 16 is that most leases will be recognised on the balance sheet by lessees as the standard no longer differentiates between operating and finance leases. An asset and a financial liability are recognized in accordance to this new standard. There are, however, two exceptions allowed: short-term and low-value leases.

The accounting for the Entity's operating leases will be primarily affected by this new Standard.

AASB 16 will be applied by the company from its mandatory date of 1 July 2019. The comparative amounts for the year prior to first adoption will not be restated, as the company has chosen to apply AASB 16 retrospectively with cumulative effect. All right-of-use assets will be measured at the amount of the lease liability on adoption (after adjustments for any prepaid or accrued lease expenses).

The company's non-cancellable operating lease commitments amount to \$2,139,560 as at the reporting date. Of this \$2,139,560, approximately \$157,816 of low-value leases will be recognized as expense in profit or loss on a straight line basis.

The company has performed a preliminary impact assessment and has estimated that on 1 July 2019, the company expects to recognise the right-of-use assets of \$7,161,490 and lease liabilities of \$6,731,551.

Following the adoption of this new Standard, the company's net profit after tax is expected to decrease by approximately \$311,332 in 2020.

- AASB 1058: Income of Not-for-Profits Entities (applicable for annual reporting periods beginning on or after 1 January 2019). As at the reporting date, the directors have concluded that the impact on the financial statements would not be material.

# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### 3. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimations in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **Long service leave provision**

As discussed in Note 2, the liability for long service leave is recognised and measured at the present value of estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

#### **Leasehold Improvements**

As discussed in Note 2, depreciation for leasehold improvements is determined over the shorter of the term of the lease and the asset's useful life. On initial recognition of the lease at Warabrook, management determined the lease of the property would be over a 10 year period and therefore depreciated the asset over 10 years. In the current year, management have re-estimated the life of the lease to be over 15 years as it is considered likely that the two 5 year options pertaining to the lease will be exercised.

# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### 4. Revenue

	2019	2018
	\$	\$
<b>Operating activities</b>		
Service revenue	5,840,209	5,321,857
Interest received	221,945	135,963
Government grants	19,030,581	17,976,493
Total operating revenue	<u>25,092,735</u>	<u>23,434,313</u>
<b>Other revenue</b>		
Donations	14,383	30,707
Other income	39,705	105,076
	<u>54,088</u>	<u>135,783</u>

### 5. Expenses

Rental expense on operating lease	724,120	962,278
Depreciation	109,252	180,109
Employee benefits expense	17,410,245	15,486,960

### 6. Remuneration of Auditors

Audit of the financial report	43,200	40,400
Other assurance services	9,000	7,500
	<u>52,200</u>	<u>47,900</u>

# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### 7. Current trade and other receivables

	2019	2018
	\$	\$
Trade receivables	169,554	269,291
Provision for impairment	-	(863)
GST receivable	1,866	13,897
Other receivables	1,046,287	1,103,962
	<u>1,217,707</u>	<u>1,386,287</u>

#### Reconciliation of changes in the provision for impairment of receivables is as follows:

The Company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company has not recognised a loss allowance because historical experience has indicated that the provision for impairment is immaterial.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or when the trade receivables are over 2 years past due, whichever occurs first.

#### Credit Risk

The Company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as 'trade and other receivables' is considered to be the main source of credit risk related to the Company.

The following table details the Company's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Company and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Company.



# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### 7. Current trade and other receivables (Cont'd)

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	<b>Gross amount</b>	<b>Past due and impaired</b>	<b>&lt;30</b>	<b>31 - 60</b>	<b>61 - 90</b>	<b>&gt; 90</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2019</b>						
Trade and term receivables	169,554	-	76,646	9,875	69,881	13,152
<b>Total</b>	<b>169,554</b>	<b>-</b>	<b>76,646</b>	<b>9,875</b>	<b>69,881</b>	<b>13,152</b>
<b>2018</b>						
Trade and term receivables	269,291	863	52,427	196,384	14,867	4,750
<b>Total</b>	<b>269,291</b>	<b>863</b>	<b>52,427</b>	<b>196,384</b>	<b>14,867</b>	<b>4,750</b>

# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### 8. Property, plant and equipment

#### Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and Equipment \$	Leasehold Improvements \$	Total \$
<b>Year ended 30 June 2019</b>			
Balance at the beginning of year	96,293	1,113,320	1,209,613
Additions	8,880	14,220	23,100
Disposals	(14,302)	-	(14,302)
Depreciation expense	(47,939)	(61,313)	(109,252)
<b>Balance at the end of the year</b>	<b>42,932</b>	<b>1,066,227</b>	<b>1,109,159</b>

	Plant and Equipment \$	Improvements \$	Total \$
<b>Year ended 30 June 2018</b>			
Balance at the beginning of year	148,802	34,194	182,996
Additions	45,001	1,161,725	1,206,726
Depreciation expense	(97,510)	(82,599)	(180,109)
<b>Balance at the end of the year</b>	<b>96,293</b>	<b>1,113,320</b>	<b>1,209,613</b>

### 9. Trade and other payables

	2019 \$	2018 \$
Trade payables	223,553	156,259
Sundry payables and accrued expenses	1,220,839	1,275,747
	<b>1,444,392</b>	<b>1,432,006</b>

# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### 10. Provisions

	2019	2018
	\$	\$
<b>Current</b>		
Provision for employee benefits	1,722,788	1,587,868
	<u>1,722,788</u>	<u>1,587,868</u>
<b>Non-Current</b>		
Provision for employee benefits	384,807	301,731
	<u>384,807</u>	<u>301,731</u>

### 11. Other Financial Liabilities

Deferred Income	5,058,010	4,102,994
	<u>5,058,010</u>	<u>4,102,994</u>

### 12. Donations Reserve

Balance at the beginning of the financial year	39,952	29,491
Total transfer from accumulated surplus	5,114	10,461
	<u>45,066</u>	<u>39,952</u>

### 13. Leases

#### Operating Leases

##### Non-cancellable operating lease payments

Not later than one year	744,353	668,000
Longer than 1 year and not longer than 5 years	1,395,207	1,718,647
	<u>2,139,560</u>	<u>2,386,647</u>

The Company has two photocopier leases and four property leases.

### 14. Members' Guarantee

The Company is incorporated under the *Australian Charities and Not-for-profits Commission Act 2012* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$20 each towards meeting any outstandings and obligations of the Company. At 30 June 2019, the number of members was 1,236 (2018: 1,254).

# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### 15. Notes to the statement of cash flows (Cont'd)

#### (a) Reconciliation of cash (Cont'd)

	2019	2018
	\$	\$
For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	<b>10,714,181</b>	8,552,754
	<b>10,714,181</b>	<b>8,552,754</b>

#### (b) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

Surplus for the year	<b>744,108</b>	741,363
Depreciation expense	<b>109,252</b>	180,109
Loss on disposal of assets	<b>14,302</b>	-
Changes in assets and liabilities:		
- decrease/(increase) in trade and other receivables	<b>168,580</b>	(78,216)
- increase in other assets	<b>(14,275)</b>	(27,216)
- increase in inventories	<b>(13,484)</b>	(24,687)
- increase/(decrease) in trade and other payables	<b>12,386</b>	(438,496)
- increase in provisions	<b>217,996</b>	112,780
- increase in other current liabilities	<b>955,016</b>	35,939
Cashflows from operations	<b>2,193,881</b>	501,576

### 16. Financial Risk Management

The main risks Hunter Primary Care Limited is exposed to through its financial instruments are credit risk, liquidity risk and interest rate risk.

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

The reporting Company limited by guarantee does not have any derivative financial instruments at 30 June 2019.

#### Liquidity risk

The Company's liquidity risk arises from the risk that it will encounter difficulty in meeting its obligations associated with financial liabilities. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching profiles of financial assets and liabilities.

# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### 16. Financial Risk Management (Cont'd)

#### Liquidity risk (Cont'd)

The Company's liabilities have contractual maturities which are summarised below:

	Less than 1 year		1 to 5 years		5+ years	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
Trade and other payables	1,444,392	1,432,006	-	-	-	-

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (where available).

#### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises from the holding cash and cash equivalents. The Company actively monitors interest rates for cash at bank and on deposits to maximise interest income. The Company accepts the risk in relation to fixed interest securities as they are held to generate income on surplus funds.

As at the reporting date, the Company had the following variable rate cash exposure:

	2019	2018
	\$	\$
<b>Cash and cash equivalents</b>		
Cash at bank	10,714,181	8,552,754

The sensitivity analysis below has been determined based on the exposure to interest rates for both non-derivative instruments at reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 1% higher or lower and all other variables were held constant, the Company's net profit would increase or decrease by \$107,141 (2018: \$86,984). This is attributable to the Company's exposure to interest rates on its variable cash deposits.

The short-term bank deposits were subject to interest at the market variable rate being between 0.2% and 1.15% (2018: 1.4%) as at 30 June 2019.

# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### 16. Financial Risk Management (Cont'd)

#### (i) Interest rate risk (Cont'd)

Financial assets are held as term deposits over a 3 - 6 month period at a fixed rate between 1.65% and 2.50% p.a. Financial liabilities are not subject to interest rate risk as they are non-interest bearing.

	2019	2018
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	10,714,181	8,552,754
Trade and other receivables	1,217,707	1,386,287
	<u>11,931,888</u>	<u>9,939,041</u>
<b>Financial Liabilities</b>		
Trade and other payables	1,444,392	1,432,006
	<u>1,444,392</u>	<u>1,432,006</u>

### 17. Key Management Personnel

The directors and other members of key management personnel of the Company during the year were:

Dr Peter Hopkins	Director
Mr Steven Adams	Director
Mr Richard Anicich AM	Director
Dr Mark Foster	Director
Ms Jennifer Hayes	Director
Dr Milton Sales OAM	Director
Mr Scott Puxty	Director
Mr Benjamin Wilkins	Director
Ms Brenda Ryan	CEO
Mr Phillip (Jack) Hanson	Company Secretary / Executive
Ms Katrina Delamothe	Executive
Mr Keith Drinkwater	Executive
Ms Kirsty Porteous	External member - Finance Audit and Risk Management Committee
Mr Paul Goldsworthy	External member – Information, Communication and Technology Governance Committee

# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### 17. Key Management Personnel (Cont'd)

The totals of remuneration paid to the key management personnel of Hunter Primary Care Limited during the year are as follows:

	2019	2018
	\$	\$
Short-term employee benefits	930,736	872,966
Post-employment benefits	76,827	71,942
	<u>1,007,563</u>	<u>944,908</u>

### 18. Related Parties

The Company's main related parties are as follows:

#### (a) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to Note 17 Key Management Personnel (KMP) Compensation.

#### (b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Mr Richard Anicich AM is a consultant at Sparke Helmore. Sparke Helmore provided legal services to the Company throughout the financial year to the total of \$15,693 (2018: \$53,338). Mr Anicich is also a Non-executive Director of Rural and Remote Medical Services Ltd. IT Services were provided to Rural and remote Medical Services Ltd throughout the financial year to the total of \$5,680.

Dr Mark Foster is a Director of Community Healthcare. IT services were provided to the organisation throughout the financial year to the total of \$13,799 (2018: \$13,500). The Company hired clinic rooms from Community Healthcare throughout the financial year to the total of \$15,274 (2018:\$10,780).

Mr Laurence (Benjamin) Wilkins is a Director of Hunter New England Local Health District (HNELHD). GP Access services were provided for HNELHD throughout the financial year to the total of \$307,890 and donations to the total of \$85. GP Access recharges were paid to HNELHD through the financial year totalling \$51,150.

Mr Milton Sales OAM is the Chairperson of The Hunter Postgraduate Medical Institute (HPMI). HPMI received \$462 for attendance at triage courses as well as \$17,000 for the 2019 HPMI Newcastle Weekend Conference Sponsorship.

### 19. Subsequent events

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

# Hunter Primary Care Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2019

### 20. Economic Dependency

During the year ended 30 June 2019, the Company received the majority of its funding from HNECC Limited and accordingly is economically dependent on the continued financial and other support it receives from HNECC Limited.

### 21. Contingencies

In the opinion of those charged with governance, the Company did not have any contingencies at 30 June 2019 (30 June 2018: None).

### 22. Company Details

The registered office of and principal place of business of the company is:

Hunter Primary Care Limited  
7 Warabrook Boulevard  
Warabrook NSW 2304