

HNECC Limited

ABN 51 604 341 362

Financial Statements

For the Year Ended 30 June 2023

HNECC Limited

ABN 51 604 341 362

Financial Statements

For the Year Ended 30 June 2023

Contents

	Page
Directors' Report	1
Auditor's Independence Declaration	13
Independent Audit Report	14
Directors' Declaration	17
Statement of Surplus or Deficit and Other Comprehensive Income	18
Statement of Financial Position	19
Statement of Changes in Funds	20
Statement of Cash Flows	21
Notes to the Financial Statements	22

HNECC Limited

ABN 51 604 341 362

Directors' Report

30 June 2023

The Directors present their report on HNECC Limited ("the Company") for the financial year ended 30 June 2023.

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

Names

Ms Wendy Machin

Chairperson (appointed 14/11/2022)

Experienced non-executive Director and Chair, Wendy Machin is the Chairperson of the Hunter New England and Central Coast Primary Health Network (PHN).

Wendy currently sits on Boards in the public, private and NFP sector. She is a Director of Heritage Bank, Golf Australia, Vice Chair of the NSW Nationals, Chair of Reflections Holiday Parks, and also operates her own beef cattle property on the mid north of NSW where she was born and raised.

Wendy's early and formative years were in politics, serving 11 years in the NSW Parliament as Deputy Speaker of the House, a Minister and a Shadow Minister, along the way becoming the first Australian woman to have a baby in office as a Minister.

Prior to her Board career Wendy worked in-house as Director of Corporate Affairs in Australia's largest funeral corporation, now known as InvoCare. She has also been the Executive Director of the Urban taskforce, an advocacy body for urban developers, and consulted to a wide range of businesses.

HNECC Limited

ABN 51 604 341 362

Directors' Report

30 June 2023

Dr David Stewart Briggs AM

Deputy Chairperson

David is a Member of the Order of Australia awarded for significant services to health services, medical administration and to education and holds a PhD (UNE), Dr Public Health (Hons NU) MHM (1st Class Hons UNE) BHA (UNSW).

David is a Fellow of the Australasian College of Health Service Management, a Foundation Fellow of the Hong Kong College of Health Service Executives, Adjunct Professor, Faculty of Medicine and Health, University of New England, Adjunct Professor, ASEAN Institute of Health Development, Mahidol University, Thailand and has been Honorary Editor in Chief of the Asia Pacific Journal of Health Management and the ASEAN Journal of Health Development, and a member of the International Advisory Committee of the Policy and Public Administration (PAAP Hong Kong) Journal and the Al-Sihah Public Health Science Journal, Universitas Islam Negeri Alauddin Makassar Indonesia

David has extensive senior management experience in the public health sector, which includes Chair, New England Medicare Local, CEO of a large Area Health Service, General Manager of a District Health Service, and CEO of a 300-bed acute regional referral hospital. He has had extensive experience in both rural and community health services and in the accreditation of health and aged care services and the international university sector. David is currently engaged in consultancy, research, and publications in the health sector, most recently in primary health care, in the Asia Pacific as well as Australia. David has also served in the RAAMC 2 Prev. Med. Coy. (Retd).

Dr Trent Watson PhD

Dr Trent Watson is CEO of Ethos Health, a multidisciplinary health and safety business based in Newcastle and the Hunter region. Trent combines this work with a number of appointments including Conjoint Senior Lecturer in the School of Health Sciences, University of Newcastle and media spokesperson with the Dietitians Association of Australia.

Trent was a former Director (2012 – 2015) and Chairperson (2014 – 2015) of the Hunter Medicare Local. Trent completed his undergraduate studies and PhD in nutrition and dietetics at the University of Newcastle, and has continued his research interests in workplace health, with a special interest in obesity, obesity-related lifestyle disease, and fatigue.

HNECC Limited

ABN 51 604 341 362

Directors' Report

30 June 2023

Dr Anita Watts

Anita is a proud Wiradjuri woman, currently working part time as a GP in a large mainstream urban general practice in Newcastle.

From 2005 to 2019 Anita was a Senior lecturer at the University of Newcastle, teaching Aboriginal and Torres Strait Islander Health with a special interest in the provision of health care to underserved communities.

She previously worked in the Aboriginal Community Controlled Sector and continues to work in close partnership with community- controlled health organisations.

Anita is the current NSW and ACT representative of the Aboriginal and Torres Strait Islander Health Council of the Royal Australian College of General Practitioners (RACGP) and was a previous board member of the Australian Indigenous Doctors Association.

Mrs Elizabeth Christine Ward

Elizabeth Ward is a Physiotherapist, AHTA Accredited Hand Therapist and President of the NSW Physiotherapy Council (HPCA). She is a member of the PHN Central Coast Clinical Council, Central Coast LHD Clinical Council, and chairs the Safety Quality and Performance Committee. She is also a member of the PHN Allied Health Reference Group and was recently appointed Treasurer of the International Federated Societies of Hand Therapy (IFSHT).

Elizabeth has completed a Bachelor of Science (UNSW), Post Graduate Diploma of Physiotherapy (USyd), Master of Public Health (USyd) majoring in health care management and health promotion, Master of Health Science (Physiotherapy) (USyd), and is a Graduate of the Australian Institute of Company Directors. Elizabeth is Practice Principal and Director of Coastal Physiotherapy Group Pty Ltd and Coastal Hand Clinic. She is also a Director of Core Health Pty Ltd, and Partner in Erina Sports and Spinal Physiotherapy.

HNECC Limited

ABN 51 604 341 362

Directors' Report

30 June 2023

Mrs Edwina Sharrock OAM

Managing director and founder of online digital health tech company Birth Beat, Edwina Sharrock OAM is a passionate health advocate focused on advocating for the advancement of primary healthcare.

A firm believer that high quality, sustainable primary healthcare is critical to ensuring regional communities thrive, the Tamworth-based influencer embraces technology and innovation as the keys to addressing the health challenges in regional and rural communities.

Edwina was a founding member of the PHN's Hunter New England Rural Clinical Council and is now the PHN's Board representative for that group.

She has a distinguished list of achievements, including being named as one of the Australian Financial Review's 100 Women of Influence and NSW Telstra Small Business Woman of the Year in 2019, and recently Australia's fellow of the Cartier Women's Initiative - an annual international entrepreneurship program.

Mrs Tracey McCosker

Appointed 21/03/2023

Tracey McCosker PSM is Chief Executive of Hunter New England Local Health District (HNELHD). She has worked in the NSW public health system for over 30 years and previously held the positions of Director of Finance, Director of Corporate Services and Director of Clinical Services with HNELHD. She started her health career as Business Manager for the Hunter Area Pathology Service, now part of NSW Health Pathology.

Tracey was appointed Chief Executive of NSW Health Pathology in 2012 after developing a business model for an integrated statewide public pathology service. In 2018 Tracey was awarded an Australian Public Service Medal for her outstanding service to public health in NSW. She has a Bachelor of Commerce (Newcastle University) and a Master of Business Administration (University of Southern Queensland). She is a Member of the Australian Institute of Company Directors.

Tracey is committed to leading a caring, patient centred and innovative organisation that consistently models its CORE (Collaboration, Openness, Respect, Empowerment) values and makes a positive difference in people's lives.

HNECC Limited

ABN 51 604 341 362

Directors' Report

30 June 2023

Mr Scott McLachlan

Scott is the Chief Executive of the Central Coast Local Health District and has held leadership roles in health, both private and public health systems, for over 20 years.

Having been raised in country NSW he understands the highly complex landscape of the health care environment and the unique challenges of health care delivery in Australia. He is passionately motivated every day to head up improving health outcomes for the community through authentic engagement, strong collaboration with clinicians, strategic partnerships and fostering and leading innovation.

Dr Stephanie Short PhD

Appointed 14/11/2022

Stephanie is an honorary professor in the Faculty of Medicine and Health at the University of Sydney with a clinical and academic background, initially as a registered physiotherapist, then as an academic health sociologist and academic manager.

Stephanie has served on the Board of Directors of the Community Health Association of NSW, and as Company Director for KU Children's Services (which operates over 130 early childhood services across Australia). She currently serves on the Board of the Central Coast Community Women's Health Centre and Dying with Dignity New South Wales, and is a Senior Advisor on the Design, Reform and Implementation of Health Practitioner Regulation across countries to the World Health Organization in Geneva.

Stephanie has particular expertise in health policy analysis, strategic thinking, models of care and health workforce.

Mr Bradley Twynham

Appointed 22 November 2021

Brad is a Technology Entrepreneur and Innovator, Strategy Consultant and Investor/Board Director with over 25 years working and consulting in the areas of enterprise technology adoption and enterprise operating model transformation.

Brad has previously acted in roles ranging from CEO to Corporate Development to Technology Strategy Consulting and is currently an investor in a number of companies focused on preventative health care. He sits on a number of Boards and acts as a Board Advisor.

Brad is a Senior Lecturer at Western Sydney University in the Bachelor of Entrepreneurship Program and is the Entrepreneur in Residence at several high-profile Technology Startup Incubators. He is a Board Member of the Central Coast Montessori Primary School, and a member of The Institute of Company Directors and Director Institute.

HNECC Limited

ABN 51 604 341 362

Directors' Report

30 June 2023

Dr Rohana Wanasinghe

Appointed 14/11/2022

Rohana has been a Rural Generalist for the past 10 years and has a passion for rural health care. Together with his wife, Dilini, they are the owners of the Bridge Medical Centre in Narrabri.

Rohana completed his MBBS and MS (General Surgery) in Sri Lanka followed by the completion of his FRACGP in Australia. In addition to working at his general practice, Rohana works at the Narrabri District Hospital, servicing the emergency department and general surgery, including some obstetrics.

Rohana is the chair of the Barwon Division of General Practice and has been one of the directors for the last 4 years. Rohana general practice registrar supervisor and was awarded the GP Synergy award Supervisor of the Year, for the Hunter New England/Northwest region in 2021 and RACGP Supervisor of the Year in 2022.

Rohana is dedicated to improving health care access for rural NSW, which includes increasing the rural health workforce.

Mr Richard Nankervis

CEO

Richard Nankervis was appointed to the Chief Executive position of the Hunter New England and Central Coast Primary Health Network commencing 1 July 2015.

Prior to this, Richard commenced in the CEO role at the Central Coast Division of General Practice in 2011, and led the organisation through its transition to a Medicare Local in 2012. He was an Executive Director on the Board of the Bridges After Hours subsidiary of the Medicare Local, and Chair of the NSW Medicare Locals CEOs group.

Richard is a currently an Executive Director on the Board of the Hunter New England and Central Coast Primary Health Network, and is a Director on the Board of the NSW Regional Health Partnership.

Richard is the National PHN CEO lead for the National PHN Commissioning Review, for Allied Health engagement, and for improving Veterans primary health care. Richard also sits on the Expert Advisory Group for the the review of Aboriginal and Torres Strait Islander Mental Health and Suicide Prevention services, and the Integrated Team Care.

Richard's university training includes a Bachelor of Science at the University of Sydney, a Bachelor of Applied Science (Physiotherapy) at the University of Sydney, and a Master of Health Administration at the University of New South Wales. He is also a Graduate of the Company Directors Course at the Australian Institute of Company Directors.

Richard initially trained and worked as a Physiotherapist, and worked in public and private settings. He was appointed the Area Physiotherapy Manager for CCLHD in 2002, and subsequently covered a range of roles including Director of Allied Health, Director of Corporate Services, and Divisional Manager for Surgery, Anaesthetics and ICU.

HNECC Limited

ABN 51 604 341 362

Directors' Report

30 June 2023

Ms Jane Schwager AO

Former Chairperson (retired 14/11/2022)

Jane has led both government departments and national not-for-profit organisations and is now working independently as a Board Director and Tribunal member. Previously Jane worked in the Departments of Health, Community Services, Ageing and Disability and Treasury in the NSW Government. Her roles included Director General of the NSW Department of Ageing and Disability and the NSW Social Policy Directorate.

Jane's achievements have been acknowledged through a number of awards including an Order of Australia (AO) in 2009 for services to not-for profits and government, a recipient of a 2003 Centenary Medal for Services to Australian Society in Business Leadership and a recipient of the Harvard Club of Australia Non Profit Fellowship in 2001.

Dr Grahame Deane AM

Retired 14/11/2022

Grahame is a Rural Procedural General Practitioner with over 40 years' experience in rural general practice (MBBS, DACOG, FRACGP, FACRRM, DRANZCOG (Advanced)).

Grahame has vast experience as a Board Director and was the Inaugural recipient of the Dr Aloizos Medal for Outstanding Individual Contribution to the Divisions Network (National), is a recipient of the RDAA Australian Rural Doctor of the Year (2011), and is a Member of the Order of Australia (2012).

Mr Graham McGuinness OAM

Retired 14/11/2022

Graham has a Bachelor of Health Administration degree, a Post Graduate Diploma in Personnel Management & Industrial Relations. He was a past President of the Australian College of Health Service Executives.

With a strong interest in Veterans' Health, Graham was awarded the Medal of the Order of Australia (OAM) for service to medical administration and to the community of the Central Coast in 2012.

Mr Michael DiRienzo

Retired 10/03/2023

Michael is the former Chief Executive of Hunter New England Health. He holds a Bachelor of Commerce degree (UoN), and an Adjunct Professor Practice, Newcastle Business School (UoN).

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

HNECC Limited

ABN 51 604 341 362

Directors' Report

30 June 2023

Principal activities

The principal activities of the Company during the financial year were:

Delivering flagship service for communities - key objectives

- To improve equitable access to health services and primary healthcare providers by commissioning services that are coordinated, targeted and effective.
- To engage with our diverse communities to implement effective and appropriate preventive and self-management healthcare strategies.
- To pioneer new models of care that deliver improved outcomes and consolidate our reputation as a leader in innovative primary care design.

Creating a Healthier System - key objectives

- To develop and implement high quality care pathways that improve access to local primary care services and reduce the demand for hospital emergency services.
- To facilitate improved clinical outcomes and experiences in primary care services through primary care quality improvement and digital health strategies.
- To improve patient journeys of care through alliances and partnerships with key primary care stakeholders in our region.

Operating a Fit and High Performing Business - key objectives

- To focus performance on the Quadruple AIM through measurement of clinical, operational and patient experience data, and health outcomes for our First Nations and non-indigenous populations.
- To implement strategies to enhance the financial and operational sustainability of the PHN.
- To collaborate nationally to strengthen primary health care and the Primary Health Network program.

To succeed in delivering against these objectives we have:

- Developed, implemented and coordinated communications to promote wellness and preventive health.
- Commissioned culturally safe programs and services that are easy to access and navigate.
- Supported and educated Primary Healthcare providers to implement effective person-centred care, including preventive and self-management strategies.
- Collaboratively developed a skilled and informed primary care workforce that delivers effective and efficient services using available resources.
- Used information gained from our priority groups to inform our programs and service priorities.

HNECC Limited

ABN 51 604 341 362

Directors' Report

30 June 2023

Principal activities

- Pioneered new models of care, consolidating our reputation as a leader in innovative primary care design.
- Generated new and novel solutions to improve the health of our communities.
- Been informed by clinicians in identifying locally relevant solutions and ensuring decisions made are equitable and sustainable.
- Collaborated with Local Health District (LHD) alliances and other partners, consumers, families and carers, to continue to implement high quality health care pathways that improve the journey of care for people in our region.
- Supported the effective management of health information by primary care practices to facilitate quality improvement (QI) and enhance their ability to deliver high quality health care and improved outcomes.
- Worked with First Nations people, communities and primary care providers to increase access to culturally appropriate and responsive care.
- Measured the efficiency, effectiveness and value of primary health services by using appropriate tools designed to report on the health and well-being of our population.
- Measured the experiences of consumers and providers in order to support and drive performance improvement.
- Ensured our commissioned health services and systems represent value for money.
- Demonstrated our organisational culture and values through everyday actions and conversations in the workplace.
- Engaged locally and nationally to develop and share 'stories' that underline the importance of primary care services and our role in supporting and positively transforming primary care.
- Actively sought opportunities for co-investment to enable business growth and support organisation sustainability.
- Reviewed and implemented operational systems, processes and resources, to ensure operational efficiency that encourages innovative health solutions and is in line with best practice and industry developments.
- Developed and implemented research partnerships to assist the PHN and primary care providers to investigate and improve the health of our communities.

No significant changes in the nature of the Company's activities occurred during the financial year.

HNECC Limited

ABN 51 604 341 362

Directors' Report

30 June 2023

Members' guarantee

HNECC Limited is a Company limited by guarantee. In the event of, and for the purpose of winding up of the Company, the amount capable of being called up from each member and any person or association who ceased to be a member in the period prior to the winding up, is limited to \$20 for all members of the Company.

At 30 June 2023 the collective liability of members was \$200 (2022: \$200).

Operating results and review of operations for the year

The surplus of the Company for the financial year amounted to \$1,074,805 (2022: deficit of \$10,187).

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Events after the reporting date

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

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 of Australia.

HNECC Limited

ABN 51 604 341 362

Directors' Report

30 June 2023

Meetings of Directors

During the financial year, 27 meetings of Directors were held. Attendances by each Director at those meetings and the sub-committee meetings were as follows:

	Directors' Meetings		Finance, Audit and Risk		Strategy, Innovation, Research, Design & Planning		Governance, Board Development & Culture		Safety, Quality & Performance	
	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
Ms Wendy Machin (appointed 14/11/2022)	4	4	4	4	4	3	2	2	2	2
Dr David Stewart Briggs AM	6	6	-	-	6	5	3	3	-	-
Dr Trent Watson PhD	6	6	7	7	6	6	3	3	-	-
Dr Anita Watts	6	6	7	7	-	-	-	-	-	-
Mrs Elizabeth Ward	6	6	-	-	-	-	-	-	5	5
Mrs Edwina Sharrock OAM	6	6	-	-	6	6	-	-	1	1
Mrs Tracey McCosker (appointed 21/03/2023)	2	2	1	1	-	-	-	-	-	-
Mr Scott McLachlan	6	4	-	-	-	-	-	-	5	4
Dr Stephanie Short PhD (appointed 14/11/2022)	4	4	-	-	3	3	-	-	-	-
Mr Bradley Twynham	6	5	2	1	6	6	-	-	-	-
Dr Rohana Wanasinghe (appointed 14/11/2022)	4	3	-	-	-	-	-	-	2	2
Mr Richard Nankervis	6	6	7	7	6	6	3	3	-	-
Ms Jane Schwager AO (retired 14/11/2022)	2	2	3	3	2	1	1	1	2	1
Dr Grahame Deane AM (retired 14/11/2022)	2	1	-	-	-	-	-	-	2	2
Mr Graham McGuinness OAM (retired 14/11/2022)	2	2	-	-	-	-	-	-	2	2
Mr Michael DiRienzo (retired 10/03/2023)	4	4	5	5	-	-	-	-	-	-

HNECC Limited

ABN 51 604 341 362

Directors' Report

30 June 2023

Indemnification and insurance of officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary, and all Executive Officers of the Company against liability incurred as such as a Director, secretary, or executive officer to the extent permitted by the 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.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the year ended 30 June 2023 has been received and can be found on page 13 of the financial report.

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

Director:

Director:

Dated 16 October 2023

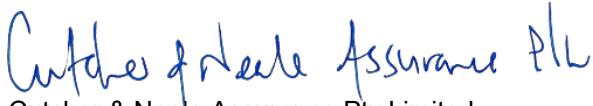
HNECC Limited

ABN 51 604 341 362

Auditor's Independence Declaration

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



Cutcher & Neale Assurance Pty Limited
(An authorised audit company)



M.J. O'Connor
Director

NEWCASTLE

9 October 2023

HNECC Limited

ABN 51 604 341 362

Independent Audit Report to the members of HNECC Limited

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of HNECC Limited (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of surplus or deficit and other comprehensive income, the statement of changes in funds 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 Directors' Declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Australians 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 financial performance for the year ended; and
- (ii) complying with *Australian Accounting Standards - AASB 1060: General Purpose Financial Statements - Simplified Disclosures* 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 auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (including Independence Standards) (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 confirm that the independence declaration required by the *Australian Charities and Not-for-profits Commission Act 2012*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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 obtained at the date of this auditor's report is limited to the Directors' report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

HNECC Limited

ABN 51 604 341 362

Independent Audit Report to the members of HNECC Limited

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 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* and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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.

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.

HNECC Limited

ABN 51 604 341 362

Independent Audit Report to the members of HNECC Limited

- Conclude on the appropriateness of the Director's 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 the Directors 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Cutcher & Neale Assurance Pty Limited
(An authorised audit company)

M.J. O'Connor
Director

NEWCASTLE

17 October 2023

HNECC Limited

ABN 51 604 341 362

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 18 to 37, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and:
 - (a) comply with *Australian Accounting Standards - Simplified Disclosures*; and
 - (b) give a true and fair view of the financial position as at 30 June 2023 and of the performance for the year ended on that date of the Company.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made pursuant to subsection 60.15(2) of the *Australian Charities and Not-for-profits Commission Act 2012* and in accordance with a resolution of the Board of Directors.

Director:

Director:

Dated 16 October 2023

HNECC Limited

ABN 51 604 341 362

Statement of Surplus or Deficit and Other Comprehensive Income For the Year Ended 30 June 2023

		2023	2022
	Note	\$	\$
Revenue from contracts with customers	4	97,741,751	78,646,503
Other income from ordinary activities	4	2,114,642	877,967
Program services expenses		(80,888,525)	(63,161,621)
Employee benefits expenses		(13,155,830)	(11,443,311)
Other operating expenses		(1,604,503)	(1,593,219)
Software expenses		(1,700,129)	(1,842,481)
Occupancy expenses		(147,282)	(295,435)
Board expenses		(356,519)	(332,201)
Depreciation and amortisation expense		(492,290)	(258,154)
Motor vehicle expenses		(117,897)	(131,709)
Consumable expenses		(58,199)	(259,834)
Travel and accommodation expenses		(214,752)	(214,182)
Finance costs and interest paid		(45,662)	(2,510)
Surplus / (deficit) before income tax		1,074,805	(10,187)
Income tax expense	2(a)	-	-
Surplus / (deficit) after income tax		1,074,805	(10,187)
Other comprehensive income		-	-
Total comprehensive income		1,074,805	(10,187)

The accompanying notes form part of these financial statements.

HNECC Limited

ABN 51 604 341 362

Statement of Financial Position

As at 30 June 2023

	Note	2023 \$	2022 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	30,628,910	19,326,400
Trade and other receivables	7	855,454	1,258,680
Other assets	8	2,916,344	1,669,194
TOTAL CURRENT ASSETS		34,400,708	22,254,274
NON-CURRENT ASSETS			
Property, plant and equipment	9	143,227	-
Right-of-use assets	10	1,035,649	190,930
Other assets	8	217,751	85,792
TOTAL NON-CURRENT ASSETS		1,396,627	276,722
TOTAL ASSETS		35,797,335	22,530,996
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	10,734,665	6,819,181
Lease liabilities	12	500,286	177,057
Employee benefits	13	1,258,424	1,092,928
Contract Liabilities	14	19,755,143	12,712,606
TOTAL CURRENT LIABILITIES		32,248,518	20,801,772
NON-CURRENT LIABILITIES			
Lease liabilities	12	599,687	18,290
Employee benefits	13	427,202	263,811
TOTAL NON-CURRENT LIABILITIES		1,026,889	282,101
TOTAL LIABILITIES		33,275,407	21,083,873
NET ASSETS		2,521,928	1,447,123
FUNDS			
Accumulated Surplus		2,521,928	1,447,123
TOTAL FUNDS		2,521,928	1,447,123

The accompanying notes form part of these financial statements.

HNECC Limited

ABN 51 604 341 362

Statement of Changes in Funds For the Year Ended 30 June 2023

2023

	Accumulated Surplus
	\$
Balance at 1 July 2022	1,447,123
Total comprehensive income	<u>1,074,805</u>
Balance at 30 June 2023	<u><u>2,521,928</u></u>

2022

	Accumulated Surplus
	\$
Balance at 1 July 2021	1,457,310
Total comprehensive income	<u>(10,187)</u>
Balance at 30 June 2022	<u><u>1,447,123</u></u>

The accompanying notes form part of these financial statements.

HNECC Limited

ABN 51 604 341 362

Statement of Cash Flows For the Year Ended 30 June 2023

	2023	2022
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from clients and funding providers	116,374,384	88,993,517
Payments to suppliers and employees	(105,839,207)	(85,674,417)
Interest received	1,381,656	85,933
Interest paid	(38,713)	(10,732)
Net cash provided by / (used in) operating activities	18(a) <u>11,878,120</u>	<u>3,394,301</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	<u>(176,282)</u>	-
Net cash used by investing activities	<u>(176,282)</u>	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of lease liabilities	<u>(399,328)</u>	(210,093)
Net cash used by financing activities	<u>(399,328)</u>	(210,093)
Net increase (decrease) in cash and cash equivalents held	11,302,510	3,184,208
Cash and cash equivalents at beginning of year	<u>19,326,400</u>	16,142,192
Cash and cash equivalents at end of financial year	6 <u><u>30,628,910</u></u>	<u><u>19,326,400</u></u>

The accompanying notes form part of these financial statements.

HNECC Limited

ABN 51 604 341 362

Notes to the Financial Statements For the Year Ended 30 June 2023

The financial statements are for HNECC Limited (hereafter referred to as "the Company") as an individual entity incorporated and domiciled in Australia. The Company is a not-for-profit public Company limited by guarantee.

The functional and presentation currency of the Company is Australian dollars.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the *Australian Accounting Standards - Simplified Disclosures*, (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012*. The entity is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions.

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

The financial statements are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

2 Summary of Significant Accounting Policies

(a) Income Tax

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

(b) 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 payables 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 ATO is classified as operating cash flows.

HNECC Limited

ABN 51 604 341 362

Notes to the Financial Statements For the Year Ended 30 June 2023

2 Summary of Significant Accounting Policies

(c) Revenue from contracts with customers

The Company's main customers are Commonwealth Department of Health, followed by the New South Wales Ministry of Health.

The Company operates the Hunter New England and Central Coast Primary Health Network, one of 31 Primary Health Networks established by the Commonwealth Government to drive improvements in the delivery of primary health care. Primary Health Networks are responsible for improving the health of the local population through coordinating the planning, designing and delivery of effective, equitable and evidence-informed primary health care.

The Company is dependent on the Department of Health for the majority of its revenue. The Department of Health has extended the funding contracts for Primary Health Networks to 30 June 2025.

The Company is not a direct provider of services, instead it manages a range of service agreements with organisations to deliver primary health care programs in areas of identified need. Program areas funded include Mental Health, First Nations Health, GP After Hours Care and Rural Primary Health Services (RPHS).

Government funding and provision of services

When the Company receives revenue in the form of government funding, it assesses whether the funding contract is (i) enforceable and (ii) whether it, and any associated guidelines, terms and conditions have sufficiently specific performance obligations in accordance with Accounting Standard AASB 15: *Revenue from Contracts with Customers*.

When both these conditions are satisfied, the Company:

- identifies each performance obligation relating to the agreement;
- recognises a contract liability (refer to note 2(k)) for its obligations under the agreement; and
- recognises revenue as it satisfies its performance obligations.

When the contract is not enforceable or does not have sufficiently specific performance obligations, the Company:

- recognises the asset received in accordance with the recognition requirements of other applicable Accounting Standards;
- recognises related amounts (for example lease liabilities, financial instruments, provisions, revenue or contract liability arising from a contract with a customer); and
- recognises income immediately in surplus or deficit as the difference between the initial carrying amount of the asset and the related amount.

HNECC Limited

ABN 51 604 341 362

Notes to the Financial Statements For the Year Ended 30 June 2023

2 Summary of Significant Accounting Policies

(c) Revenue from contracts with customers

Revenue is recognised over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customer, as detailed in the funding provider annual activity work plan.

If a contract liability is recognised as a related amount above, the Company recognises revenue in surplus or deficit when or as it satisfies its obligations under the contract (refer to note 2(k)).

(d) Other income

Other income is recognised on an accruals basis when the Company is entitled to it.

Sponsorships and Donations

Sponsorships, donations and bequests are recognised as revenue when received.

Interest revenue

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

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

(e) 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.

(f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

(g) Investments and other financial assets

i) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortised cost.

HNECC Limited

ABN 51 604 341 362

Notes to the Financial Statements For the Year Ended 30 June 2023

2 Summary of Significant Accounting Policies

(g) Investments and other financial assets

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company is using the measured at amortised cost method for all its financial assets, namely trade and other receivables. 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 which are solely payments of principal and interest on the principal amount outstanding.

ii) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

iii) Measurement

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

Interest income and impairment for expected credit losses are recognised in the profit or loss. Gain or loss on derecognition is recognised in profit or loss.

iv) Impairment

A provision for doubtful debts is established on an expected credit loss (ECL) - forward looking - basis for all trade and other receivables at amortised cost. The amount of the provision is the difference between the asset's carrying value amount and the nominal value of estimated future cash flows. The amount of the provision is recognised in the statement of surplus or deficit and other comprehensive income.

(h) Property, Plant and Equipment

Classes of property, plant and equipment are measured 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.

Property, 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.

HNECC Limited

ABN 51 604 341 362

Notes to the Financial Statements For the Year Ended 30 June 2023

2 Summary of Significant Accounting Policies

(h) Property, Plant and Equipment

The depreciable amount of all property, plant and equipment, except for freehold land, is depreciated on a straight-line method 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 assets useful life.

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

Class of Fixed Asset	Depreciation rate
Plant and Equipment	30%-50%
Leasehold improvements	32%-57%

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 included in the statement of surplus or deficit and other comprehensive income.

(i) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remain unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Commissioning accruals occurs where a commissioned contracted milestone related to a funding activity has a monetary value attached to a reporting requirement. In these instances, the concept of matching the expense with the service delivery prescribes that the milestone is to be accrued once all of the contractual activities have been completed prior to year end.

(j) Financial liabilities

i) Classification

The Company is using the measured at amortised cost method for all its financial liabilities. The financial liabilities of the Company comprise trade payables.

Liabilities measured at amortised cost are financial liabilities where the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

HNECC Limited

ABN 51 604 341 362

Notes to the Financial Statements For the Year Ended 30 June 2023

2 Summary of Significant Accounting Policies

(j) Financial liabilities

ii) *Recognition and derecognition*

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(k) Contract liabilities

The Company's main activity is to commission health services and to support primary care on behalf of the Department of Health.

Unexpended funding

Where funding has been received but the activities have not been delivered in accordance with a funding contract, guidelines or schedules and, is repayable to the respective funders or, is otherwise subject to the funder's approval for rollover to a subsequent period or purpose, the amounts are recorded as a contract liability, "unexpended funding".

Committed government funding

Committed funding means, at a particular date, funding that the Company is contractually and irrevocably obliged to pay to a commissioned provider in respect of any part of an activity and are identified within a contractual arrangement.

Where a commissioned service provider has not yet satisfied its contracted obligations under the annual activity work plan to the Company, the recognition of the related government funding revenue is deferred and instead a contract liability is recognised and reported as, "Committed government funding". This liability represents the value of funding contracted to commissioned service providers where the activities have not yet been delivered at balance date but are expected to be delivered in a future period.

Funding received in advance

Where government funding has been received but the activities under the activity work plan are expected to be delivered in a future period, the amounts are recorded as a contract liability, "funds received in advance". This liability arises when funding was received in the current financial year in advance for operating costs or commissioned service delivery costs to be incurred in a future period and, the funding is not classified as committed government funding as described above.

HNECC Limited

ABN 51 604 341 362

Notes to the Financial Statements For the Year Ended 30 June 2023

2 Summary of Significant Accounting Policies

(l) 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 period 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 not 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 an expense when incurred.

(m) Leases

Right-of-use asset

At the lease commencement, the Company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes option periods where the Company believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

Lease liability

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Company's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

HNECC Limited

ABN 51 604 341 362

Notes to the Financial Statements For the Year Ended 30 June 2023

2 Summary of Significant Accounting Policies

(n) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(o) Authorisation of financial statements

The financial statements were approved and authorised for issue by the Directors on 16 October 2023.

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 period are discussed below.

Key estimates - impairment of property, plant and equipment

The Company assesses impairment at the end of each reporting period by evaluating conditions specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key estimates - long service leave provision

As discussed in Note 2(l), 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.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. A provision for doubtful debts is established on an expected credit loss - forward looking basis.

Key judgements - performance obligations under AASB 15

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature/ type, cost/ value, quantity and the period of transfer related to the goods or services promised.

HNECC Limited

ABN 51 604 341 362

Notes to the Financial Statements For the Year Ended 30 June 2023

3 Critical Accounting Estimates and Judgments

Key judgements - lease term and option to extend under AASB 16

The lease term is defined as the non-cancellable period of a lease together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The options that are going to be exercised is a key management judgement that the Company will make. The Company determines the likelihood to exercise the options on a lease-by-lease basis, looking at various factors such as which assets are strategic and which are key to the future operations of the Company.

4 Revenue and other income

	2023	2022
	\$	\$
Revenue from contracts with customers		
- Operating grants	90,313,723	76,855,193
- Program partner contributions	7,428,028	1,791,310
Total revenue from contracts with customers	97,741,751	78,646,503
Other income from ordinary activities		
- Interest revenue	1,381,656	85,933
- Other income	732,986	792,034
Total other income from ordinary activities	2,114,642	877,967
Total revenue and other income	99,856,393	79,524,470

5 Auditor's Remuneration

Cutcher & Neale Assurance Pty Limited

- Audit of the financial statements	29,000	29,000
- Other assurance services	12,350	6,000
	41,350	35,000

6 Cash and cash equivalents

Cash at bank	30,628,910	19,326,400
--------------	-------------------	------------

7 Trade and other receivables

Trade receivables	93,896	460,898
GST receivable	761,558	797,782
	855,454	1,258,680

HNECC Limited

ABN 51 604 341 362

Notes to the Financial Statements For the Year Ended 30 June 2023

8 Other assets

	2023	2022
	\$	\$
CURRENT		
Prepayments	<u>2,916,344</u>	<u>1,669,194</u>
NON-CURRENT		
Bank guarantee and bonds	<u>217,751</u>	<u>85,792</u>

9 Property, plant and equipment

Furniture, fixture and fittings		
At cost	704,805	771,301
Accumulated depreciation	<u>(561,578)</u>	<u>(771,301)</u>
Total furniture, fixture and fittings	<u>143,227</u>	<u>-</u>
Office equipment		
At cost	151,223	151,223
Accumulated depreciation	<u>(151,223)</u>	<u>(151,223)</u>
Total office equipment	<u>-</u>	<u>-</u>
Total property, plant and equipment	<u>143,227</u>	<u>-</u>

(a) Movements in carrying amounts of property, plant and equipment

	Furniture, Fixture and Fittings	Office Equipment	Total
	\$	\$	\$
Balance at the beginning of the year	-	-	-
Additions	176,282	-	176,282
Depreciation	<u>(33,055)</u>	<u>-</u>	<u>(33,055)</u>
Balance at the end of the year	<u>143,227</u>	<u>-</u>	<u>143,227</u>

HNECC Limited

ABN 51 604 341 362

Notes to the Financial Statements For the Year Ended 30 June 2023

10 Right-of-use Assets

The Company's lease portfolio includes office premises, motor vehicles and a photocopier. These lease terms range from 1 year to 5 years.

Options to extend

The option to extend is contained in the property leases of the Company. These clauses provide the Company opportunities to manage leases in order to align with its strategies. All of the extension options are only exercisable by the Company. The extension options which were probable to be exercised have been included in the calculation of the right-of-use asset.

	2023	2022
	\$	\$
Office premises		
At cost	1,373,374	204,208
Accumulated depreciation	(443,302)	(90,098)
Total office premises	930,072	114,110
Office equipment		
At cost	17,644	17,644
Accumulated depreciation	(13,527)	(9,998)
Total office equipment	4,117	7,646
Motor vehicles		
At cost	155,421	115,000
Accumulated depreciation	(53,961)	(45,826)
Total motor vehicles	101,460	69,174
Total right-of-use assets	1,035,649	190,930

(a) Movements in carrying amounts of right-of-use assets

	Office premises	Office equipment	Motor vehicles	Total
	\$	\$	\$	\$
Balance at the beginning of the year	114,110	7,646	69,174	190,930
Additions	1,204,422	-	107,727	1,312,149
Disposals	-	-	(8,195)	(8,195)
Depreciation	(388,460)	(3,529)	(67,246)	(459,235)
Closing value at year end	930,072	4,117	101,460	1,035,649

HNECC Limited

ABN 51 604 341 362

Notes to the Financial Statements For the Year Ended 30 June 2023

10 Right-of-use Assets

	2023	2022
	\$	\$
(i) AASB 16 related amounts recognised in the Statement or Deficit and Other Comprehensive Income		
Depreciation charge related to right-of-use assets	459,235	196,607
Interest expense on lease liabilities	38,713	10,732
Short-term expense	145,665	321,143
(ii) Total future lease payments at the end of the reporting period		
Future lease payments are due as follows:		
Within one year	528,564	181,154
One to five years	613,165	18,770
More than five years	-	-
	<u>1,141,729</u>	<u>199,924</u>

11 Trade and other payables

Trade payables	890,743	1,923,536
Accrued expenses	9,843,922	4,895,645
	<u>10,734,665</u>	<u>6,819,181</u>

12 Lease liabilities

CURRENT		
Lease liability - buildings	409,057	116,520
Lease liability - office equipment	4,961	3,781
Lease liability - motor vehicles	86,268	56,756
	<u>500,286</u>	<u>177,057</u>
NON-CURRENT		
Lease liability - buildings	584,150	-
Lease liability - office equipment	-	4,953
Lease liability - motor vehicles	15,537	13,337
	<u>599,687</u>	<u>18,290</u>

13 Employee Benefits

CURRENT		
Provision for employee benefits	1,258,424	1,092,928
NON-CURRENT		
Provision for employee benefits	427,202	263,811

HNECC Limited

ABN 51 604 341 362

Notes to the Financial Statements For the Year Ended 30 June 2023

14 Contract liabilities

	2023	2022
	\$	\$
CURRENT		
Unexpended government funding	<u>19,755,143</u>	12,712,606
(a) Contract liabilities		
Unexpended government funding	11,554,589	5,593,921
Committed government funding	5,959,555	6,550,515
Funding received in advance	2,240,998	568,170
	<u>19,755,142</u>	<u>12,712,606</u>

15 Financial Risk Management

The main risks the Company are 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 Company does not have any derivatives at 30 June 2023.

Financial Assets

Cash and cash equivalents	30,628,910	19,326,400
Trade and other receivables	855,454	1,258,680
	<u>31,484,364</u>	<u>20,585,080</u>

Financial liabilities

Trade and other payables	10,734,665	6,819,181
Lease liabilities	1,099,973	195,347
	<u>11,834,638</u>	<u>7,014,528</u>

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 Company manages credit risk by management's review of trade receivables to assess collectability and determine write-offs.

HNECC Limited

ABN 51 604 341 362

Notes to the Financial Statements For the Year Ended 30 June 2023

15 Financial Risk Management

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 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).

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.

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 of cash and cash equivalents. The Company actively monitors interest rates for cash at bank and on deposits to maximise interest income.

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

	2023	2022
	\$	\$
Cash and cash equivalents	30,628,910	19,326,400

The other financial assets and financial liabilities are not subject to interest rate risk as they are non-interest bearing.

16 Contingencies

Contingent Liabilities

The Company had contingent liabilities at the end of the reporting period of \$59,397 (2022: \$59,397).

This related to a bank guarantee held as security for the lease of the Tamworth office space.

HNECC Limited

ABN 51 604 341 362

Notes to the Financial Statements For the Year Ended 30 June 2023

17 Related parties

(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.

Key management personnel compensation:

	2023	2022
	\$	\$
Short-term employee benefits	<u>1,642,869</u>	<u>1,455,840</u>

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

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

Mr Michael DiRienzo was the Chief Executive of Hunter New England Health until March 2023. Mrs Tracey McCosker is the Chief Executive of Hunter New England Health from March 2023. The Company provided funding to Hunter New England Health to the amount of \$500,834 relating to the provision of projects such as Regional Health Partners, Diabetes Alliance, Perinatal MOU, Communities Innovation Coordinator and COPD Alliance.

Mr Scott McLachlan is the Chief Executive of Central Coast Local Health District. The Company provided funding to Central Coast Local Health District to the amount of \$4,074,291 in relation to the provision of Mental Health Services, Mobile Aged Care X-Ray service and a Diabetes Project Officer.

Dr Rohana Wanasinghe is the owner of Bridge Medical Centre in Narrabri. The Company provided funding to Bridge Medical Centre to the amount of \$40,000 under the PHN Strengthening Medicare - General Practice Grants Program.

HNECC Limited

ABN 51 604 341 362

Notes to the Financial Statements For the Year Ended 30 June 2023

18 Cash Flow Information

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

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

	2023	2022
	\$	\$
Surplus for the year	1,074,805	(10,187)
Non-cash flows in profit:		
- depreciation	492,290	258,154
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	403,226	(585,619)
- (increase)/decrease in other assets	(1,379,109)	(551,744)
- increase/(decrease) in trade and other payables	3,915,484	1,348,070
- increase/(decrease) in provisions	328,887	203,993
- increase/(decrease) in contract liabilities	7,042,537	2,731,634
Cashflows from operations	<u>11,878,120</u>	<u>3,394,301</u>

19 Events Occurring 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.

20 Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* 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 outstanding obligations of the Company. At 30 June 2023, the number of members was 10 (2022: 10).

21 Company details

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

HNECC Limited
Suite 1, Level 2, 165 Lambton Road
Broadmeadow NSW 2292