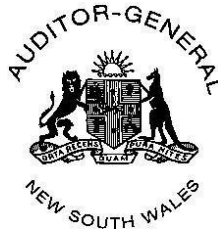


# **Health Administration Corporation (HAC)**

## **Financial Statements**

for the year ended 30 June 2017



## INDEPENDENT AUDITOR'S REPORT

### Health Administration Corporation

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of the Health Administration Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the consolidated entity as at 30 June 2017, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have also fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Emphasis of Matter – Presentation of Budget Information**

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 2(x). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the Corporation. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the Corporation's financial statements present adjusted budget information.

## **Secretary's Responsibility for the Financial Statements**

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary must assess the ability of the Corporation and the consolidated entity to continue as a going concern except where the Corporation's operations will cease as a result of an administrative restructure. The assessment must, disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Corporation or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Chris Clayton  
Director, Financial Audit Services

26 September 2017  
SYDNEY

**Health Administration Corporation  
Certification of financial statements  
for the year ended 30 June 2017**

We state, pursuant to Section 45F of the *Public Finance and Audit Act 1983*:

- 1) The financial statements of the Health Administration Corporation for the year ended 30 June 2017 have been prepared in accordance with:
  - a) Australian Accounting Standards (which include Australian Accounting Interpretations);
  - b) The requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*; and
  - c) Financial Reporting Directions mandated by the Treasurer.
- 2) The financial statements exhibit a true and fair view of the financial position for the Health Administration Corporation as at 30 June 2017 and the financial performance for the year then ended.
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Elizabeth Koff  
**Secretary, NSW Health**  
25 September 2017



John Roach PSM  
**Chief Financial Officer and Deputy Secretary,  
Financial Services and Asset Management**

**Health Administration Corporation**  
**Statement of Comprehensive Income for the year ended 30 June 2017**

<b>PARENT ENTITY</b>			<b>CONSOLIDATED ENTITY</b>			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2017	2017	2016		2017	2017	2016
\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
<b>Expenses excluding losses</b>						
Operating expenses						
-	-	-		1,518,105	1,520,333	1,560,372
1,478,858	1,482,461	1,458,568	3	-	-	-
48	18	278	4	48	18	278
1,338,993	1,311,185	1,170,601	5	1,338,993	1,311,185	1,170,601
109,643	109,125	95,780	6	109,643	109,125	95,780
32,582	27,381	66,363	7	32,582	27,381	66,363
30	6	77	8	30	6	77
<b>2,960,154</b>	<b>2,930,176</b>	<b>2,791,667</b>		<b>2,999,401</b>	<b>2,968,048</b>	<b>2,893,471</b>
<b>Revenue</b>						
868,544	825,644	726,710		868,544	825,644	726,710
202,751	237,739	162,216		202,751	237,739	162,216
-	-	-	12	39,247	37,872	101,804
1,891,696	1,894,820	1,839,858	9	1,891,696	1,894,820	1,839,858
4,648	4,214	4,890	10	4,648	4,214	4,890
11,389	8,496	9,992	11	11,389	8,496	9,992
6,225	6,709	22,519	13	6,225	6,709	22,519
<b>2,985,253</b>	<b>2,977,622</b>	<b>2,766,185</b>		<b>3,024,500</b>	<b>3,015,494</b>	<b>2,867,989</b>
(997)	(862)	(1,716)	14	(997)	(862)	(1,716)
(14,208)	(13,252)	(8,585)	17	(14,208)	(13,252)	(8,585)
<b>9,894</b>	<b>33,332</b>	<b>(35,783)</b>	32	<b>9,894</b>	<b>33,332</b>	<b>(35,783)</b>
<b>Other Comprehensive Income</b>						
<i>Items that will not be reclassified to net result</i>						
18,586	-	(2,450)		18,586	-	(2,450)
<b>18,586</b>	<b>-</b>	<b>(2,450)</b>	19	<b>18,586</b>	<b>-</b>	<b>(2,450)</b>
<b>28,480</b>	<b>33,332</b>	<b>(38,233)</b>		<b>28,480</b>	<b>33,332</b>	<b>(38,233)</b>

The accompanying notes form part of these financial statements.

**Health Administration Corporation**  
**Statement of Financial Position as at 30 June 2017**

PARENT ENTITY			CONSOLIDATED ENTITY			
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual
2017	2017	2016		2017	2017	2016
\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
			<b>ASSETS</b>			
			<b>Current assets</b>			
223,840	194,192	259,092	16	223,840	194,192	259,092
204,384	202,592	244,270	17	204,384	202,592	244,270
38,308	38,380	38,381	18	38,308	38,380	38,381
<u>466,532</u>	<u>435,164</u>	<u>541,743</u>		<u>466,532</u>	<u>435,164</u>	<u>541,743</u>
3,988	69	69	21	3,988	69	69
<b>470,520</b>	<b>435,233</b>	<b>541,812</b>		<b>470,520</b>	<b>435,233</b>	<b>541,812</b>
			<b>Non-current assets</b>			
4,536	5,636	5,636	17	4,536	5,636	5,636
			19			
451,558	431,605	365,851		451,558	431,605	365,851
220,396	237,257	217,825		220,396	237,257	217,825
406	150	149		406	150	149
13,266	12,086	11,781		13,266	12,086	11,781
<u>685,626</u>	<u>681,098</u>	<u>595,606</u>		<u>685,626</u>	<u>681,098</u>	<u>595,606</u>
603,241	622,040	545,967	20	603,241	622,040	545,967
<b>1,293,403</b>	<b>1,308,774</b>	<b>1,147,209</b>		<b>1,293,403</b>	<b>1,308,774</b>	<b>1,147,209</b>
<b>1,763,923</b>	<b>1,744,007</b>	<b>1,689,021</b>		<b>1,763,923</b>	<b>1,744,007</b>	<b>1,689,021</b>
			<b>LIABILITIES</b>			
			<b>Current liabilities</b>			
393,758	366,539	353,490	24	393,758	366,539	353,490
52	50	50	25	52	50	50
235,689	237,434	235,718	26	235,689	237,434	235,718
11,359	9,054	1,652	27	11,359	9,054	1,652
<u>640,858</u>	<u>613,077</u>	<u>590,910</u>		<u>640,858</u>	<u>613,077</u>	<u>590,910</u>
			<b>Non-current liabilities</b>			
81	133	133	25	81	133	133
17,103	21,015	21,118	26	17,103	21,015	21,118
27	73	73	27	27	73	73
<u>17,211</u>	<u>21,221</u>	<u>21,324</u>		<u>17,211</u>	<u>21,221</u>	<u>21,324</u>
<b>658,069</b>	<b>634,298</b>	<b>612,234</b>		<b>658,069</b>	<b>634,298</b>	<b>612,234</b>
<b>1,105,854</b>	<b>1,109,709</b>	<b>1,076,787</b>		<b>1,105,854</b>	<b>1,109,709</b>	<b>1,076,787</b>
			<b>EQUITY</b>			
194,894	176,881	176,783		194,894	176,881	176,783
910,960	932,828	900,004		910,960	932,828	900,004
<u>1,105,854</u>	<u>1,109,709</u>	<u>1,076,787</u>		<u>1,105,854</u>	<u>1,109,709</u>	<u>1,076,787</u>

The accompanying notes form part of these financial statements.

**Health Administration Corporation**  
**Statement of Cash Flows for the year ended 30 June 2017**

PARENT ENTITY			CONSOLIDATED ENTITY			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2017	2017	2016		2017	2017	2016
\$'000	\$000	\$'000		\$'000	\$000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
-	-	-		(1,519,807)	(1,514,061)	(1,506,229)
(35,363)	(30,767)	(72,694)		(35,363)	(30,767)	(72,694)
(7)	-	(8)		(7)	-	(8)
(2,938,446)	(2,997,442)	(2,783,609)		(1,418,639)	(1,483,381)	(1,277,380)
<u>(2,973,816)</u>	<u>(3,028,209)</u>	<u>(2,856,311)</u>		<u>(2,973,816)</u>	<u>(3,028,209)</u>	<u>(2,856,311)</u>
<b>Total payments</b>						
<b>Receipts</b>						
868,544	825,644	726,710		868,544	825,644	726,710
202,751	237,739	162,216		202,751	237,739	162,216
28,687	28,687	27,542		28,687	28,687	27,542
2,041,134	2,111,867	1,990,393		2,041,134	2,111,867	1,990,393
4,648	4,214	4,883		4,648	4,214	4,883
11,451	8,522	10,587		11,451	8,522	10,587
23,904	17,969	21,094		23,904	17,969	21,094
<u>3,181,119</u>	<u>3,234,642</u>	<u>2,943,425</u>		<u>3,181,119</u>	<u>3,234,642</u>	<u>2,943,425</u>
<b>207,303</b>	<b>206,433</b>	<b>87,114</b>		<b>207,303</b>	<b>206,433</b>	<b>87,114</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
1,309	(1,489)	2,644		1,309	(1,489)	2,644
(243,791)	(269,838)	(181,873)		(243,791)	(269,838)	(181,873)
<u>(242,482)</u>	<u>(271,327)</u>	<u>(179,229)</u>		<u>(242,482)</u>	<u>(271,327)</u>	<u>(179,229)</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
-	-	216		-	-	216
(73)	(6)	(117)		(73)	(6)	(117)
<u>(73)</u>	<u>(6)</u>	<u>99</u>		<u>(73)</u>	<u>(6)</u>	<u>99</u>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>						
(35,252)	(64,900)	(92,016)		(35,252)	(64,900)	(92,016)
259,092	259,092	351,108		259,092	259,092	351,108
<u>223,840</u>	<u>194,192</u>	<u>259,092</u>		<u>223,840</u>	<u>194,192</u>	<u>259,092</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
<b>CLOSING CASH AND CASH EQUIVALENTS</b>						

The accompanying notes form part of these financial statements.

**Health Administration Corporation**  
**Statement of Changes in Equity for the year ended 30 June 2017**

**PARENT AND CONSOLIDATED ENTITY**

	Notes	Accumulated Funds \$'000	Asset Revaluation Surplus \$'000	Total \$'000
<b>Balance at 1 July 2016</b>		<b>900,004</b>	<b>176,783</b>	<b>1,076,787</b>
<b>Comprehensive Income</b>				
Net result for the year		9,894	-	9,894
<b>Other comprehensive income</b>				
Net increase in property, plant & equipment	19	-	18,586	18,586
<b>Total comprehensive income for the year</b>		<b>9,894</b>	<b>18,586</b>	<b>28,480</b>
<b>Transfers between equity items</b>				
Transfers from reserves to retained earnings		475	(475)	-
<b>Transactions with owners in their capacity as owners</b>				
Increase in net assets from equity transfers	31	587	-	587
<b>Balance at 30 June 2017</b>		<b>910,960</b>	<b>194,894</b>	<b>1,105,854</b>
<b>Balance at 1 July 2015</b>		<b>936,604</b>	<b>179,003</b>	<b>1,115,607</b>
<b>Comprehensive Income</b>				
Net result for the year		(35,783)	-	(35,783)
<b>Other comprehensive income</b>				
Net decrease in property, plant & equipment	19	-	(2,450)	(2,450)
<b>Total comprehensive income for the year</b>		<b>(35,783)</b>	<b>(2,450)</b>	<b>(38,233)</b>
<b>Transfers between equity items</b>				
Transfers from retained earnings to reserves		(230)	230	-
<b>Transactions with owners in their capacity as owners</b>				
Decrease in net assets from equity transfers		(587)	-	(587)
<b>Balance at 30 June 2016</b>		<b>900,004</b>	<b>176,783</b>	<b>1,076,787</b>

The accompanying notes form part of these financial statements.



**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

**1. The reporting entity**

The Health Administration Corporation (the Corporation) is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Ministry of Health (the Ministry) and NSW Total State Sector Accounts. The Corporation is a NSW Government entity and is controlled by the NSW Ministry of Health, which is the immediate parent. The reporting entity is also controlled by the State of New South Wales, which is the ultimate parent.

The Corporation is established under the *Health Administration Act 1982*. The Secretary is responsible for establishing shared business services across NSW Health. The following Administrative Divisions have been established to undertake these services:

- Public Health System Support (PHSS) which has three main groups comprising:
  - Health System Support Group (HSSG) which undertakes functions including Activity Based Funding Taskforce; the Program Management Office; the Performance Support Office and the Health Protection Service, NSW. On 1 July 2016 an administrative restructure resulted in the transfer of NSW Kids and Families from HSSG to the Ministry.
  - eHealth NSW which delivers information and communications technology services to NSW Health.
  - HealthShare NSW which provides financial, payroll, linen, food and other shared statewide services to NSW Health.
- Health Infrastructure which delivers and manages major NSW Health capital works projects across NSW Health.
- NSW Ambulance which provides clinical and health related transport services across the State.
- NSW Health Pathology which provides public pathology, forensic and analytical services on behalf of NSW Health.

Each Administrative Division is supported by special purpose Employment Divisions established under the *Health Services Act 1997*. The Employment Division assumes the responsibility for the employees and employee related liabilities. These Divisions are regarded as special purpose entities as they were established specifically to provide personnel services to the respective Administrative Divisions. Accordingly, the Employment Divisions are reporting entities controlled by the Corporation and are consolidated into the financial statements of the Corporation.

These financial statements for the year ended 30 June 2017 were authorised for issue by the Secretary, NSW Health on 25 September 2017.

**2. Summary of significant accounting policies**

**a) Basis of Preparation**

The Corporation's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Health Services Act 1997* and its regulations (including observation of the *Accounts and Audit Determination for Public Health Organisations*), the *Public Finance and Audit Act 1983*, *Public Finance and Audit Regulation 2015* and the Treasurer's Directions.

Information on the adjusted budget figures can be found at Note 2(x).

Property, plant and equipment, assets held for sale and financial assets at 'fair value through profit or loss' are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention, except where specified otherwise.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

**2. Summary of significant accounting policies (continued)**

**b) Principles of Consolidation**

The consolidated financial statements include the financial statements of the parent and its subsidiaries at 30 June 2017 and the net result of the parent and its subsidiaries for the year ended 30 June 2017.

Subsidiaries are all those entities which the parent has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred.

Where necessary the accounting policies have been changed to ensure consistency with the policies adopted by the parent. Intra-entity balances and transactions and any unrealised income and expenses arising from intra-entity transactions, are eliminated in preparing the consolidated financial statements.

**c) Comparative information**

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

Comparative amounts in the financial statements have been restated to correct Level 2 and Level 3 fair value disclosures in Note 36 Restatement.

**d) Statement of compliance**

The financial statements and notes comply with Australian Accounting Standards which include Australian Accounting Interpretations.

**e) Employee benefits and other provisions**

**i) Salaries and wages, annual leave, sick leave and on-costs**

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with *AASB 119 Employee Benefits* (although short-cut methods are permitted).

Actuarial advice obtained from Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs ranging from 15.8% to 21.1% are applied to the value of leave payable at 30 June 2017 (2016: 15.3% to 20.6%). The Corporation has assessed the actuarial advice based on the Corporation's circumstances and determined that the effect of discounting is immaterial to annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is improbable that sick leave taken in the future will be greater than the benefits accrued in the future.

**ii) Long service leave and superannuation**

The Corporation's liability for long service leave and defined benefit superannuation are assumed by the Crown Entity, which is an entity controlled by the ultimate parent.

The Corporation accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits'.

Long service leave is measured at present value in accordance with *AASB 119 Employee Benefits*. This is based on the application of certain factors (specified in *NSW Treasury Circular 15/09 Accounting for Long Service Leave and Annual Leave*) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value. Specific on-costs relating to long service leave that are assumed by the Crown Entity are payable by the Corporation as disclosed in Note 26.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

**2. Summary of significant accounting policies (continued)**

**e) Employee benefits and other provisions (continued)**

**ii) Long service leave and superannuation (continued)**

The superannuation expense for the reporting period is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

**iii) Consequential on-costs**

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of workers' compensation insurance premiums and fringe benefits tax.

**iv) Other provisions**

Other provisions exist when the Corporation has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where the time value of money is material, provisions are discounted to their present value using a pre tax rate that reflects the current market assessments of the time value of money and risks specific to the liability.

**f) Insurance**

The Corporation's insurance activities are conducted through the NSW Treasury Managed (TMF) Scheme of self insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by icare Self Insurance, an entity controlled by the ultimate parent.

**g) Finance costs**

Finance costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to NSW not-for-profit general government sector entities.

**h) Revenue Recognition**

Revenue is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

*Sale of goods*

Revenue from the sale of goods is recognised as revenue when the Corporation transfers the significant risks and rewards of ownership of the assets.

*Rendering of services*

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

*Patient Fees*

Patient fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the Ministry. Revenue is recognised on an accrual basis, when the service has been provided to the patient.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

**2. Summary of significant accounting policies (continued)**

**h) Revenue Recognition (continued)**

*Highly Specialised Drugs*

Highly specialised drugs revenue is paid by the Commonwealth through Medicare and reflects the recoupment of costs incurred for Section 100 highly specialised drugs, in accordance with the terms of the Commonwealth agreement. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria is met in respect of day admitted patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

*Motor Accident Authority Third Party*

A bulk billing agreement exists whereby motor vehicle insurers pay the Ministry directly for the hospital costs of persons receiving inpatient treatment resulting from motor vehicle accidents. The Corporation recognises the revenue on an accruals basis from the time the patient is first treated or admitted to hospital.

*Department of Veterans' Affairs*

An agreement is in place with the Commonwealth Department of Veterans' Affairs, where direct funding is provided for the provision of health services to entitled veterans. Revenue is recognised on an accrual basis.

*Investment revenue*

Interest revenue is recognised using the effective interest method as set out in *AASB 139 Financial Instruments: Recognition and Measurement*.

*Use of hospital facilities*

Doctors with rights of private practice are subject to an infrastructure charge for the use of the facility at rates determined by the Ministry. The rate includes a monthly charge, paid by the Doctor to the Corporation, based on percentage of receipts generated and a residual of the Private Practice Trust Fund which is credited to the Corporation for its own agreed use at the end of each financial year.

*Use of outside facilities*

The Corporation operates a number of facilities that are owned and maintained by local authorities to deliver community health services for which no charges are payable to the Authority.

Where material, the cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given the amount is recognised as revenue with matching expense.

*Grants and contributions*

Grants and contributions are recognised as revenues when the Corporation obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

*The Ministry allocations*

Payments are made by the immediate parent on the basis of the allocation for the Corporation as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

This allocation is included in the statement of comprehensive income before arriving at the "Net Result" on the basis that the allocation is earned in return for the health services provided on behalf of the Ministry. Allocations are normally recognised upon the receipt of cash.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

**2. Summary of significant accounting policies (continued)**

**i) Goods and services tax (GST)**

Income, expenses and assets are recognised net of the amount of GST, except that:

- amount of GST incurred by the Corporation as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

**j) Property, plant and equipment**

**(i) Acquisition of Assets**

Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer Note 2(u)).

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

**(ii) Capitalisation thresholds**

Property, plant and equipment costing \$10,000 and above are capitalised.

**(iii) Depreciation of property, plant and equipment**

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Corporation. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their useful lives.

Details of depreciation rates initially applied for major asset categories are as follows:

Buildings	2.5%
Electro medical equipment	
- Costing less than \$200,000	10.0%
- Costing more than or equal to \$200,000	12.5%
Computer equipment	20.0%
Furniture, fittings and furnishings	5.0%
Infrastructure systems	2.5%
Leasehold improvements	10.0%, 11.1% or 33.3%
Linen	25.0%
Motor vehicle sedans	12.5%
Motor vehicles, trucks & vans	20.0%
Office equipment	10.0%
Plant and machinery	10.0%
PODs (a detachable unit on an ambulance for patient treatment)	25.0%

"Infrastructure systems" includes public facilities which provide essential services such as roads, water infrastructure and distribution works, sewerage treatment plants and water reticulation systems.

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

**2. Summary of significant accounting policies (continued)**

**j) Property, plant and equipment (continued)**

**(iv) Revaluation of non-current assets**

Physical non-current assets are valued in accordance with the *'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01)*. This policy adopts fair value in accordance with *AASB 13 Fair Value Measurement*, and *AASB 116 Property, Plant and Equipment*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and takes into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach and cost approach) that maximise relevant observable inputs and minimise unobservable inputs. Refer to Note 23 for further information regarding fair value.

The Corporation revalues its Land and Building and Infrastructure at minimum every three years by an independent valuer. To ensure that the carrying amount for each asset does not differ materially from its fair value at reporting date, indices are sourced. The indices reflect an assessment of movements made in the period between revaluations.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The Corporation has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

For other assets valued using other valuation techniques, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result for the year, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation surplus.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

**2. Summary of significant accounting policies (continued)**

**(v) Impairment of property, plant and equipment**

As a not-for-profit entity with no cash generating units, impairment under *AASB 136 Impairment of Assets* is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that *AASB 136* modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

**(vi) Restoration costs**

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

**vii) Maintenance**

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

**k) Fair value hierarchy**

A number of the Corporation's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under *AASB 13 Fair Value Measurement*, the Corporation categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- **Level 1** - quoted prices in active markets for identical assets / liabilities that the entity can access at measurement date.
- **Level 2** – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- **Level 3** – inputs that are not based on observable market data (unobservable inputs).

The Corporation recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer Note 23 for further disclosures regarding fair value measurements of financial and non-financial assets.

**l) Non-current assets held for sale**

The Corporation has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction rather than continuing use.

Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs of disposal. Non-current assets held for sale are not depreciated.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

**2. Summary of significant accounting policies (continued)**

**m) Intangible assets**

The Corporation recognises intangible assets only if it is probable that future economic benefits will flow to the Corporation and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Corporation's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Computer software developed or acquired by the Corporation are amortised over five to ten years using the straight line method.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

**n) Leased assets**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor does not transfer substantially all the risk and rewards.

Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

**o) Inventories**

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value.

Obsolete items are disposed of in accordance with instructions issued by the Ministry.

**p) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.



**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

**2. Summary of significant accounting policies (continued)**

**q) Impairment of financial assets**

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the Corporation will not be able to collect all amounts due. Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence that an amount will be recovered. Reversals of impairment losses cannot result in an amount that exceeds what the carrying amount would have been had there not been an impairment loss.

**r) De-recognition of financial assets and financial liabilities**

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Corporation transfers the financial asset:

- where substantially all the risks and rewards have been transferred; or
- where the Corporation has not transferred substantially all the risks and rewards, if the Corporation has not retained control.

Where the Corporation has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Corporation's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

**s) Payables**

These amounts represent liabilities for goods and services provided to the Corporation and other amounts whether or not billed. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

**t) Borrowings**

Borrowings are initially measured at amortised cost. They are subsequently measured at amortised cost using the effective interest method, with interest recognised on an effective yield basis. Gains or losses are recognised in the net result for the year on de-recognition of borrowings.

Finance lease liabilities are determined in accordance with *AASB 117 Leases*.

**u) Equity transfers**

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between entities controlled by the State of New South Wales is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with *AASB 1004 Contributions* and *Australian Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the Corporation recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the Corporation does not recognise that asset.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

**2. Summary of significant accounting policies (continued)**

**v) Equity and reserves**

**(i) Accumulated funds**

The category 'Accumulated Funds' includes all current and prior period retained funds.

**(ii) Revaluation surplus**

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Corporation's policy on the revaluation of property, plant and equipment as discussed in Note 2(j) (iv).

**w) Trust Funds**

The Corporation receives monies in a trustee capacity for various trusts as set out in Note 29.

As the Corporation performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Corporation's own objectives, they are not brought to account in the financial statements.

**x) Budgeted Amounts**

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The Corporation's budget within the consolidated accounts for Health are not presented in parliament, therefore AASB 1055 *Budgetary Reporting* is not applicable to the Corporation. Unlike the requirement in AASB 1055 to present original budget information, the Corporation's financial statements present adjusted budget information. The budgeted amounts are drawn from the initial Service Agreements between the Corporation and the Ministry at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (that is, the adjusted budget). The budget amounts are not subject to audit review and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

**y) Changes in accounting policy, including new or revised Australian Accounting Standards**

**(i) Effective for the first time in 2016-17**

The accounting policies applied in 2016-17 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

*AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* extends the scope of AASB 124 *Related Party Disclosures* to include application by not-for-profit public sector entities. The application of this standard has resulted in increased disclosures in the financial statements in regards to related party transactions and Key Management Personnel compensation.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

**2. Summary of significant accounting policies (continued)**

**y) Changes in accounting policy, including new or revised Australian Accounting Standards (continued)**

**(ii) Issued but not yet effective**

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. The following new Australian Accounting Standards, excluding standards not considered applicable or material to the Corporation, have not been applied and are not yet effective. The possible impact of these Standards in the period of initial application includes:

*AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107* applies to annual periods beginning on or after 1 January 2017. The standard amends AASB 107 *Statement of Cash Flows* to require additional disclosures regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the financial statements.

*AASB 9 Financial Instruments* and *AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9* are applicable for reporting period on or after 1 January 2018. AASB 9 will replace AASB 139 *Financial Instruments: Recognition and Measurement* and establishes new principles for the financial reporting of financial assets, financial liabilities and hedge accounting. AASB 9 also introduces a forward-looking 'expected credit losses' impairment model, which may significantly impact the timing and amount of impairment recognition.

*AASB 16 Leases* applies to annual periods beginning on or after 1 January 2019. The standard introduces a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. The application of this standard will likely have a significant transitional impact as all leases, except short term (less than 12 months) and low value leases, will be recognised on the Statement of Financial Position.

*AASB 15 Revenue from Contracts with Customers* (and associated amending standards AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8) applies to annual periods beginning on or after 1 January 2019 for not-for-profit entities. AASB 15 establishes a contract-based five-step analysis of transactions to determine the nature, amount and timing of revenue arising from contracts with customers. This new standard requires revenue to be recognised when control of the goods or services are transferred to the customer at the transaction price. This may impact the timing of recognising certain revenue currently recognised by reference to the stage of completion of the transaction.

*AASB 1058 Income of Not-for-Profit Entities* applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash.

AASB 1058 also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 *Contributions*.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

**PARENT ENTITY**

**CONSOLIDATED ENTITY**

**2017**      **2016**  
**\$'000**      **\$'000**

**2017**      **2016**  
**\$'000**      **\$'000**

**3. Employee related**

-	-	Salaries and wages (including annual leave)	1,306,935	1,231,736
-	-	Superannuation - defined benefit plans	20,494	22,170
-	-	Superannuation - defined contribution plans	102,792	95,692
-	-	Long service leave	18,290	83,643
-	-	Redundancies	6,624	7,497
-	-	Workers' compensation insurance	61,644	73,495
-	-	Fringe benefits tax	160	268
-	-	Other employee related expenses	1,166	45,871
<u>-</u>	<u>-</u>		<u>1,518,105</u>	<u>1,560,372</u>

The following employee related costs have been capitalised in particular fixed asset accounts and therefore excluded from the above:

-	-	Employee related expenses capitalised - land and buildings	8,714	7,645
-	-	Employee related expenses capitalised - plant and equipment	-	342
-	-	Employee related expenses capitalised - intangibles	5,020	8,238

**4. Personnel services**

1,306,935	1,231,736	Salaries and wages (including annual leave)	-	-
-	446	Superannuation - defined benefit plans	-	-
102,792	95,692	Superannuation - defined contribution plans	-	-
(463)	3,563	Long service leave	-	-
6,624	7,497	Redundancies	-	-
61,644	73,495	Workers' compensation insurance	-	-
160	268	Fringe benefits tax	-	-
1,166	45,871	Other employee related expenses	-	-
<u>1,478,858</u>	<u>1,458,568</u>		<u>-</u>	<u>-</u>

The personnel services of the Health Administration Corporation were provided by the employment divisions of NSW Ambulance, eHealth NSW, Health Infrastructure, HealthShare NSW, Health System Support Group and NSW Health Pathology.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

<b>PARENT ENTITY</b>			<b>CONSOLIDATED ENTITY</b>	
<b>2017</b>	<b>2016</b>		<b>2017</b>	<b>2016</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
<b>5. Other expenses</b>				
693	860	Advertising	693	860
1,005	1,232	Ambulance transport costs	1,005	1,232
664	529	Auditor's remuneration - audit of financial statements	664	529
100	162	Blood and blood products	100	162
2,441	2,654	Consultants	2,441	2,654
67,592	53,996	Contractors	67,592	53,996
28,740	25,166	Domestic supplies and services	28,740	25,166
7,980	7,643	Drug supplies	7,980	7,643
10,533	10,573	Energy	10,533	10,573
80,670	76,161	Food supplies	80,670	76,161
1,825	1,674	Hosted services purchased from entities controlled by the immediate parent	1,825	1,674
159,366	142,565	Information management	159,366	142,565
3,596	4,272	Insurance	3,596	4,272
126,342	106,213	Maintenance (see 5(b) below)	126,342	106,213
35,687	34,188	Medical and surgical supplies	35,687	34,188
17,367	14,429	Motor vehicle expenses	17,367	14,429
9,989	10,867	Postage and telephone costs	9,989	10,867
5,674	5,519	Printing and stationery	5,674	5,519
2,681	2,873	Rates and charges	2,681	2,873
24,386	22,332	Rental	24,386	22,332
126,820	120,796	Special service departments	126,820	120,796
18,767	17,714	Staff related costs	18,767	17,714
14,618	13,303	Travel	14,618	13,303
591,457	494,880	Other (see 5(a) below)	591,457	494,880
<b><u>1,338,993</u></b>	<b><u>1,170,601</u></b>		<b><u>1,338,993</u></b>	<b><u>1,170,601</u></b>

Some 'Ambulance transport costs' were paid to the Department of Finance, Services & Innovation, an entity controlled by the ultimate parent.

'Auditor's remuneration' was paid to The Audit Office of New South Wales, an entity controlled by the ultimate parent.

Some 'Information management expenses' were paid to the New South Wales Government Telecommunications Authority, an entity controlled by the ultimate parent.

Some 'Rental expenses' were paid to entities controlled by the immediate parent.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

<b>PARENT ENTITY</b>			<b>CONSOLIDATED ENTITY</b>	
<b>2017</b>	<b>2016</b>		<b>2017</b>	<b>2016</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
<b>5. Other expenses</b>				
<b>a) Other</b>				
105,990	90,054	Aircraft expenses (NSW Ambulance)	105,990	90,054
8	42	Contract for patient services	8	42
264,245	309,641	Corporate support services	264,245	309,641
9,889	6,032	Courier and freight	9,889	6,032
1,727	1,084	Legal services	1,727	1,084
2,930	2,294	Membership / professional fees	2,930	2,294
25,462	26,431	Motor vehicle operating lease expense - minimum lease payments	25,462	26,431
303	487	Other operating lease expense - minimum lease payments	303	487
3,610	3,642	Quality assurance / accreditation	3,610	3,642
1,052	715	Security	1,052	715
176,241	54,458	Other	176,241	54,458
<b>591,457</b>	<b>494,880</b>		<b>591,457</b>	<b>494,880</b>
<b>b) Reconciliation of total maintenance</b>				
32,280	28,614	Maintenance contracts	32,280	28,614
76,819	60,023	New / replacement equipment under \$10,000	76,819	60,023
16,821	17,106	Repairs maintenance / non contract	16,821	17,106
422	470	Other	422	470
126,342	106,213	Maintenance expense - contracted labour and other (non-employee related in Note 5).	126,342	106,213
5,029	5,009	Employee related/personnel services maintenance expense included in Notes 3 and 4.	5,029	5,009
<b>131,371</b>	<b>111,222</b>	Total maintenance expenses	<b>131,371</b>	<b>111,222</b>

Some 'Legal expenses' were paid to the Crown Solicitors Office, an entity controlled by the ultimate parent.

'Other expenses' include an amount of \$60.2M receivable from the Ministry of Health (the immediate parent) that was written off during the year, as it is no longer collectable. It represented balances receivable relating to unpaid subsidy on projects undertaken during the year ended 30 June 2012.

Some 'Maintenance expenses' were paid to entities controlled by the immediate parent.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

<b>PARENT ENTITY</b>			<b>CONSOLIDATED ENTITY</b>	
<b>2017</b>	<b>2016</b>		<b>2017</b>	<b>2016</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
<b>6. Depreciation and amortisation</b>				
11,777	11,110	Depreciation - buildings	11,777	11,110
47,827	44,160	Depreciation - plant and equipment	47,827	44,160
27	21	Depreciation - infrastructure systems	27	21
2,805	1,621	Depreciation - leasehold improvements	2,805	1,621
47,207	38,868	Amortisation - intangible assets	47,207	38,868
<b><u>109,643</u></b>	<b><u>95,780</u></b>		<b><u>109,643</u></b>	<b><u>95,780</u></b>
<b>7. Grants and subsidies</b>				
1,645	4,367	Non-Government organisations grants	1,645	4,367
22,492	23,191	Community grants	22,492	23,191
872	1,240	Research grants	872	1,240
7,491	28,248	Grants paid to entities controlled by the immediate parent	7,491	28,248
82	9,317	Other grants and subsidies	82	9,317
<b><u>32,582</u></b>	<b><u>66,363</u></b>		<b><u>32,582</u></b>	<b><u>66,363</u></b>
<b>8. Finance costs</b>				
7	8	Interest expense from financial liabilities	7	8
23	69	Other interest charges	23	69
<b><u>30</u></b>	<b><u>77</u></b>		<b><u>30</u></b>	<b><u>77</u></b>

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

PARENT ENTITY			CONSOLIDATED ENTITY	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
<b>9. Sale of goods and services</b>				
3,242	6,934	Cafeteria / Kiosk	3,242	6,934
332	95	Car parking	332	95
20,815	18,685	Clinical services (excluding clinical drug trials)	20,815	18,685
385,346	384,161	Commercial activities	385,346	384,161
24,622	24,794	Department of Veterans' Affairs	24,622	24,794
266	256	Fees for medical records	266	256
16,196	13,916	Infrastructure fees - Annual charge	16,196	13,916
137,038	126,644	Infrastructure fees - Monthly facility charge	137,038	126,644
5,575	5,859	Linen services - non Health Services	5,575	5,859
83,856	84,512	Linen services - Entities controlled by immediate parent	83,856	84,512
479	541	Meals on Wheels	479	541
40,771	37,778	Motor Accident Authority Third Party	40,771	37,778
937	745	Other services provided to non Health services	937	745
945	1,584	Patient co-payments - appliance program for people with a disability	945	1,584
137,747	144,594	Patient transport fees	137,747	144,594
382	401	Private use of motor vehicles	382	401
687	1,181	Salary packaging fee	687	1,181
1,006,527	968,406	Shared corporate services	1,006,527	968,406
8	23	Staff meals and accommodation	8	23
6,410	5,944	Use of Ambulance facilities	6,410	5,944
19,515	12,805	Other	19,515	12,805
<b>1,891,696</b>	<b>1,839,858</b>		<b>1,891,696</b>	<b>1,839,858</b>

'Motor Accident Authority Third Party' revenue was earned from the State Insurance Regulatory Authority (SIRA), an entity controlled by the ultimate parent.

The majority of 'Patient transport fees' revenue was earned from entities controlled by the immediate parent.



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PARENT ENTITY			CONSOLIDATED ENTITY	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
<b>10. Investment revenue</b>				
4,648	4,883	Interest revenue	4,648	4,883
-	7	Other	-	7
<b>4,648</b>	<b>4,890</b>		<b>4,648</b>	<b>4,890</b>
<b>11. Grants and contributions</b>				
474	530	Clinical drug trials	474	530
377	248	Commonwealth Government grants	377	248
1,065	307	Industry contributions and donations	1,065	307
4,790	2,572	Grants from entities controlled by the ultimate parent	4,790	2,572
1,831	3,904	Grants from entities controlled by the immediate parent	1,831	3,904
641	361	Research grants	641	361
2,211	2,070	Other grants	2,211	2,070
<b>11,389</b>	<b>9,992</b>		<b>11,389</b>	<b>9,992</b>

The majority of the grants received from entities controlled by the immediate parent were received from:

- Cancer Institute
- Health System Support Group
- NSW Ministry of Health
- Northern NSW Local Health District
- Southern NSW Local Health District
- South Western Sydney Local Health District
- Western Sydney Local Health District

The majority of the grants received from entities controlled by the ultimate parent were received from:

- Department of Justice
- Transport NSW

**Health Administration Corporation**  
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PARENT ENTITY			CONSOLIDATED ENTITY	
2017 \$'000	2016 \$'000		2017 \$'000	2016 \$'000
<b>12. Acceptance by the Crown Entity of employee benefits</b>				
The following liabilities and expenses have been assumed by the Crown Entity:				
-	-	Superannuation - defined benefit	20,494	21,724
-	-	Long service leave	18,753	80,080
-	-		<b>39,247</b>	<b>101,804</b>
<b>13. Other revenue</b>				
1,037	5,323	Ambulance death and disability	1,037	5,323
-	19	Assets recognised at fair value	-	19
37	65	Bad debts recovered	37	65
83	94	Commissions	83	94
480	622	Conference and training fees	480	622
259	660	Discounts	259	660
336	351	Insurance refunds	336	351
686	638	Lease and rental revenue	686	638
121	251	Sale of merchandise, old wares and books	121	251
451	249	Sponsorship revenue	451	249
2,503	12,230	Treasury managed fund hindsight adjustment	2,503	12,230
12	10	Unclaimed deposits	12	10
220	2,007	Other	220	2,007
<b>6,225</b>	<b>22,519</b>		<b>6,225</b>	<b>22,519</b>
<b>14. Loss on disposal</b>				
28,233	40,139	Property, plant and equipment	28,233	40,139
(25,927)	(36,545)	Accumulated depreciation	(25,927)	(36,545)
<b>a) Property, plant and equipment</b>				
2,306	3,594	Written down value of property, plant and equipment	2,306	3,594
1,309	2,645	Proceeds from disposal	1,309	2,645
<b>(997)</b>	<b>(949)</b>	<b>Loss on disposal of property, plant and equipment</b>	<b>(997)</b>	<b>(949)</b>
<b>b) Non-current assets held for sale</b>				
-	767	Non current assets held for sale	-	767
-	-	Proceeds from disposal	-	-
-	<b>(767)</b>	<b>Loss on disposal of non-current assets held for sale</b>	-	<b>(767)</b>
<b>(997)</b>	<b>(1,716)</b>	<b>Loss on disposal of non-financial assets</b>	<b>(997)</b>	<b>(1,716)</b>

**Health Administration Corporation**  
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**PARENT & CONSOLIDATED ENTITY**

**15. Conditions on contributions**

**30 June 2017**

	<b>Purchase of Assets \$'000</b>	<b>Health Promotion, Education and Research \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not been incurred at reporting date	1,561	21,646	11,830	35,037
Contributions recognised in previous years which were not incurred in the current reporting period	10,385	103,587	(10,115)	103,857
<b>Total amount of unexpended contributions at reporting date</b>	<b>11,946</b>	<b>125,233</b>	<b>1,715</b>	<b>138,894</b>

**30 June 2016**

	<b>Purchase of Assets \$'000</b>	<b>Health Promotion, Education and Research \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not been incurred at reporting date	4,252	19,188	2,021	25,461
Contributions recognised in previous years which were not incurred in the current reporting period	3,748	105,408	9,099	118,255
<b>Total amount of unexpended contributions at reporting date</b>	<b>8,000</b>	<b>124,596</b>	<b>11,120</b>	<b>143,716</b>

Further breakdown of restricted assets appears in Note 22.

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PARENT ENTITY			CONSOLIDATED ENTITY	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
<b>16. Cash and cash equivalents</b>				
89,242	115,705	Cash at bank and on hand	89,242	115,705
134,598	143,387	Short term deposits	134,598	143,387
<u>223,840</u>	<u>259,092</u>		<u>223,840</u>	<u>259,092</u>
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
<u>223,840</u>	<u>259,092</u>	Cash and cash equivalents (per Statement of Financial Position)	<u>223,840</u>	<u>259,092</u>
<u>223,840</u>	<u>259,092</u>	Closing cash and cash equivalents (per Statement of Cash Flows)	<u>223,840</u>	<u>259,092</u>

Refer to Note 35 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

**Health Administration Corporation**  
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<b>PARENT ENTITY</b>			<b>CONSOLIDATED ENTITY</b>	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
<b>17. Receivables</b>				
<b>Current</b>				
39,073	45,090	Sale of goods and services	39,073	45,090
88,026	132,627	Intra health receivables	88,026	132,627
23,408	17,319	Goods and Services Tax receivable from the Australian Tax Office	23,408	17,319
30,617	28,970	Other debtors	30,617	28,970
181,124	224,006	<b>Sub Total</b>	181,124	224,006
(9,330)	(17,698)	Less: Allowance for impairment	(9,330)	(17,698)
171,794	206,308	<b>Sub total</b>	171,794	206,308
32,590	37,962	Prepayments	32,590	37,962
204,384	244,270		204,384	244,270
The current sale of goods and services balances above include the following:				
30,565	34,753	Patient fees - inpatient & other	30,565	34,753
30,565	34,753		30,565	34,753
<b>Movement in the allowance for impairment</b>				
(17,698)	(47,908)	Balance at 1 July	(17,698)	(47,908)
22,576	38,795	Amounts written off during the year	22,576	38,795
(14,208)	(8,585)	Increase in allowance recognised in the net result	(14,208)	(8,585)
(9,330)	(17,698)	<b>Balance at 30 June</b>	(9,330)	(17,698)
<b>Non-current</b>				
4,536	5,636	Prepayments	4,536	5,636
4,536	5,636		4,536	5,636

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 35.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
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<b>PARENT ENTITY</b>			<b>CONSOLIDATED ENTITY</b>	
<b>2017</b>	<b>2016</b>		<b>2017</b>	<b>2016</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
<b>18. Inventories</b>				
36,364	37,287	Medical and surgical supplies	36,364	37,287
1,921	1,091	Food and hotel supplies	1,921	1,091
23	3	Other	23	3
<b><u>38,308</u></b>	<b><u>38,381</u></b>		<b><u>38,308</u></b>	<b><u>38,381</u></b>
<b>19. Property, plant and equipment</b>				
<b>Land and buildings - fair value</b>				
752,057	645,815	Gross carrying amount	752,057	645,815
300,499	279,964	Less: Accumulated depreciation	300,499	279,964
<b><u>451,558</u></b>	<b><u>365,851</u></b>	Net carrying amount	<b><u>451,558</u></b>	<b><u>365,851</u></b>
<b>Plant and equipment - fair value *</b>				
442,186	414,483	Gross carrying amount	442,186	414,483
221,790	196,658	Less: Accumulated depreciation	221,790	196,658
<b><u>220,396</u></b>	<b><u>217,825</u></b>	Net carrying amount	<b><u>220,396</u></b>	<b><u>217,825</u></b>
<b>Infrastructure systems - fair value</b>				
1,364	824	Gross carrying amount	1,364	824
958	675	Less: Accumulated depreciation	958	675
<b><u>406</u></b>	<b><u>149</u></b>	Net carrying amount	<b><u>406</u></b>	<b><u>149</u></b>
<b>Leasehold improvements - fair value *</b>				
22,025	17,556	Gross carrying amount	22,025	17,556
8,759	5,775	Less: Accumulated depreciation	8,759	5,775
<b><u>13,266</u></b>	<b><u>11,781</u></b>	Net carrying amount	<b><u>13,266</u></b>	<b><u>11,781</u></b>
<b><u>685,626</u></b>	<b><u>595,606</u></b>	<b>Total property, plant and equipment</b>	<b><u>685,626</u></b>	<b><u>595,606</u></b>

\* For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with *Treasury Policy Paper 14-01*.

**Health Administration Corporation**  
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**PARENT & CONSOLIDATED ENTITY**

**19. Property, plant and equipment - reconciliation**

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting year is set out below:

<b>30 June 2017</b>	<b>Land and buildings \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Infrastructure systems \$'000</b>	<b>Leasehold improvements \$'000</b>	<b>Total \$'000</b>
Net carrying amount at start of year	365,851	217,825	149	11,781	595,606
Additions	83,644	51,798	-	4,455	139,897
Recognition of Assets Held for Sale	(3,919)	-	-	-	(3,919)
Disposals	(543)	(1,552)	-	(211)	(2,306)
Transfers between NSW Health entities through statement of comprehensive income	-	198	-	-	198
Net Revaluation increment less revaluation decrements	18,522	-	64	-	18,586
Depreciation expense	(11,777)	(47,827)	(27)	(2,805)	(62,436)
Other reclassifications	(220)	(46)	220	46	-
<b>Net carrying amount at end of year</b>	<b>451,558</b>	<b>220,396</b>	<b>406</b>	<b>13,266</b>	<b>685,626</b>

<b>30 June 2016</b>	<b>Land and buildings \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Infrastructure systems \$'000</b>	<b>Leasehold improvements \$'000</b>	<b>Total \$'000</b>
Net carrying amount at start of year	346,386	196,087	170	10,651	553,294
Additions	33,382	70,871	-	2,476	106,729
Reclassification to intangibles	-	(19)	-	-	(19)
Disposals	(1)	(3,288)	-	(305)	(3,594)
Transfers between NSW Health Entities through Statement of Comprehensive Income	-	(1,442)	-	-	(1,442)
Net revaluation increment less revaluation decrements	(2,450)	-	-	-	(2,450)
Depreciation expense	(11,110)	(44,160)	(21)	(1,621)	(56,912)
Other reclassifications	(356)	(224)	-	580	-
<b>Net carrying amount at end of year</b>	<b>365,851</b>	<b>217,825</b>	<b>149</b>	<b>11,781</b>	<b>595,606</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 23.

**Health Administration Corporation**  
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**for the year ended 30 June 2017**

**PARENT ENTITY**

**CONSOLIDATED ENTITY**

**2017**  
**\$'000**

**2016**  
**\$'000**

**2017**  
**\$'000**

**2016**  
**\$'000**

**20. Intangible assets**

860,285	756,637	Cost (gross carrying amount)	860,285	756,637
257,044	210,670	Less: Accumulated amortisation	257,044	210,670
<b>603,241</b>	<b>545,967</b>	<b>Net carrying amount</b>	<b>603,241</b>	<b>545,967</b>

**PARENT & CONSOLIDATED ENTITY**

**20. Intangible assets - reconciliation**

<b>30 June 2017</b>	<b>Intangible assets</b> <b>\$'000</b>	<b>Total</b> <b>\$'000</b>
Net carrying amount at start of year	545,967	545,967
Additions	104,481	104,481
Amortisation (recognised in depreciation and amortisation)	(47,207)	(47,207)
<b>Net carrying amount at end of year</b>	<b>603,241</b>	<b>603,241</b>

<b>30 June 2016</b>	<b>Intangible assets</b> <b>\$'000</b>	<b>Total</b> <b>\$'000</b>
Net carrying amount at start of year	508,799	508,799
Additions	76,016	76,016
Reclassifications from plant and equipment	20	20
Amortisation (recognised in depreciation and amortisation)	(38,868)	(38,868)
<b>Net carrying amount at end of year</b>	<b>545,967</b>	<b>545,967</b>



**Health Administration Corporation**  
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**PARENT ENTITY**

**CONSOLIDATED ENTITY**

2017      2016  
 \$'000      \$'000

2017      2016  
 \$'000      \$'000

**21. Non-current assets held for sale**

3,988	69	Land and buildings	3,988	69
<b>3,988</b>	<b>69</b>		<b>3,988</b>	<b>69</b>

Non-current assets held for sale includes assets that are surplus to the Corporation's requirements, and that are actively marketed within a sale program which has been initiated and is expected to locate a buyer and complete the sale within twelve months from reporting date.

Further details regarding fair value measurement is disclosed in Note 23.

**22. Restricted assets**

The Corporation controls the following restricted assets:

		<b>Category</b>		
12,935	9,768	Specific purpose funds	12,935	9,768
5,238	5,629	Research grants	5,238	5,629
118,991	117,971	Private practice funds	118,991	117,971
1,730	10,348	Death and disability award (Ambulance)	1,730	10,348
<b>138,894</b>	<b>143,716</b>		<b>138,894</b>	<b>143,716</b>

The assets are restricted by externally imposed conditions, eg. donor requirements. Restricted assets are only available for application in accordance with the terms of the donor restrictions.

Restricted assets are included in cash and cash equivalents in Note 16.

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**PARENT & CONSOLIDATED ENTITY**

**23. Fair value measurement of non-financial assets**

Fair value measurements recognised in the statement of financial position are categorised into the following levels:

**a) Fair value hierarchy**

<b>30 June 2017</b>	<b>Note</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total fair value \$'000</b>
<b>Property, plant and equipment</b>				
- Land and buildings	19	163,014	159,995	323,009
- Infrastructure systems		-	406	406
<b>Non-current assets held for sale</b>	21	3,988	-	3,988
		<b>167,002</b>	<b>160,401</b>	<b>327,403</b>

<b>30 June 2016</b>		<b>Level 2 \$'000 Restated*</b>	<b>Level 3 \$'000 Restated*</b>	<b>Total fair value \$'000 Restated*</b>
<b>Property, plant and equipment</b>				
- Land and buildings	19	280,322	40,965	321,287
- Infrastructure systems		-	149	149
<b>Non-current assets held for sale</b>	21	69	-	69
		<b>280,391</b>	<b>41,114</b>	<b>321,505</b>

There were no transfers between Level 1 and 2 during the current or previous reporting years.

Work in progress and newly completed projects are carried at cost, therefore they are excluded from the above figures and as a result will not agree to Note 19.

\* Refer to details provided in Note 36.

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**PARENT & CONSOLIDATED ENTITY**

**23. Fair value measurement of non-financial assets (continued)**

**b) Valuation techniques, inputs and processes**

For land, buildings and infrastructure systems the Corporation and its controlled entities obtain external valuations by independent valuers every three years. The valuer used by each controlled entity is an independent person and is not an employee of the respective entity.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices, refer note 19 reconciliation.

In accordance with *AASB 13 Fair Value Measurement*, no assets have been found to have a higher and better use than their current use. Highest and best use takes account of use that is physically possible, legally permissible and financially feasible.

The non-current assets categorised in a) above have been measured as either Level 2 or Level 3 based on the following valuation techniques and inputs:

For land, the valuation by the valuers is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre.

All commercial and non-restricted land is included in Level 2 as these land valuations have a high level of observable inputs, although the land is not identical.

The majority of restricted land is classified as Level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example, hospital grounds and values are adjusted accordingly.

For buildings and infrastructure systems, assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are classified as Level 3 as the valuation uses a high level of unobservable inputs. However, residential and commercial properties are valued on a market approach and classified as Level 2.

Non-Current Assets Held for Sale is a non-recurring item that is measured at the lesser of its carrying amount or fair value less cost to sell. These assets are categorised in Level 2 except when an asset was a Level 3 asset prior to transfer to Non-Current Assets Held for Sale, and continues to be a recognised as a Level 3 asset where the carrying amount is less than the fair value (less cost) to sell.

**Level 3 disclosures:**

The following table highlights the key unobservable (Level 3) inputs assessed during the valuation process, the relationship to the estimated fair value and the sensitivity to changes in unobservable inputs.

<b>Class</b>	<b>Valuation Technique</b>	<b>Valuation Inputs</b>
Land under specialised building(s)	Market approach	This valuation method involves comparing the subject property to comparable sale prices in similar location on a rate per square metre basis, adjusted for restrictions specific for the property (e.g. mandated use and/or zoning).
Specialised Buildings	Depreciated replacement cost approach	This valuation method involves establishing the current replacement cost of the modern equivalent asset for each type of buildings on a rate per square metre basis; depreciated to reflect the building's remaining useful life.
Non - Specialised Buildings	Depreciated replacement cost approach	This valuation method involves establishing the current replacement cost of the modern equivalent asset for each type of buildings on a rate per square metre basis; depreciated to reflect the building's remaining useful life.
Infrastructure systems	Depreciated replacement cost approach	This valuation method involves establishing the current replacement cost of the modern equivalent infrastructure asset on a rate per square metre basis; depreciated to reflect the assets remaining useful life.

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**PARENT & CONSOLIDATED ENTITY**

**23. Fair value measurement of non-financial assets (continued)**

**c) Reconciliation of recurring level 3 fair value measurements**

<b>30 June 2017</b>	<b>Land and Buildings \$'000</b>	<b>Infrastructure Systems \$'000</b>	<b>Total Level 3 Recurring \$'000</b>
<b>Fair value as at 1 July 2016</b>	40,965	149	41,114
Additions	1,257	-	1,257
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	2,619	65	2,684
Transfers from Level 2	119,678	-	119,678
Transfers to Level 2	(922)	-	(922)
Disposals	(12)	-	(12)
Depreciation	(3,476)	(28)	(3,504)
Other reclassifications	(114)	220	106
<b>Fair value as at 30 June 2017</b>	<b>159,995</b>	<b>406</b>	<b>160,401</b>

<b>30 June 2016</b>	<b>Land and Buildings \$'000 Restated*</b>	<b>Infrastructure Systems \$'000</b>	<b>Total Level 3 Recurring \$'000 Restated*</b>
<b>Fair value as at 1 July 2015</b>	23,619	170	23,789
Additions	434	-	434
Transfers from Level 2	20,329	-	20,329
Depreciation	(3,455)	(21)	(3,476)
Reclassification	38	-	38
<b>Fair value as at 30 June 2016</b>	<b>40,965</b>	<b>149</b>	<b>41,114</b>

Transfers from Level 2 mainly relate to assets initially recognised at cost (e.g. Work in Progress) which have in the current year, been subject to asset revaluations consistent with the specialised use of the assets.

\* Refer to details provided in Note 36.

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PARENT ENTITY			CONSOLIDATED ENTITY	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
<b>24. Payables</b>				
<b>Current</b>				
-	-	Accrued salaries, wages and on-costs	21,521	22,089
-	-	Taxation and payroll deductions	8,766	6,116
30,287	28,205	Accrued personnel services expense	-	-
124,182	82,679	Creditors	124,182	82,679
Accrued expenses				
103,924	102,158	- Capital works	103,924	102,158
58,781	66,782	- Payables to entities controlled by the immediate parent	58,781	66,782
76,584	73,666	- Other	76,584	73,666
<u>393,758</u>	<u>353,490</u>		<u>393,758</u>	<u>353,490</u>

'Creditors' include balances owed to entities controlled by the ultimate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 35.

<b>25. Borrowings</b>				
<b>Current</b>				
<u>52</u>	<u>50</u>	Loans and deposits	<u>52</u>	<u>50</u>
<b>52</b>	<b>50</b>		<b>52</b>	<b>50</b>
<b>Non-Current</b>				
<u>81</u>	<u>133</u>	Loans and deposits	<u>81</u>	<u>133</u>
<b>81</b>	<b>133</b>		<b>81</b>	<b>133</b>

'Other Loans and Deposits' include balances owed to entities controlled by the ultimate parent. The majority of the balances are owed to NSW Treasury.

No assets have been pledged as security or collateral for liabilities. There are no restrictions on any title to property controlled by the corporation or its controlled entities.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 35.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

PARENT ENTITY		CONSOLIDATED ENTITY	
2017	2016	2017	2016
\$'000	\$'000	\$'000	\$'000
<b>26. Provisions</b>			
<b>Current</b>			
-	-	7,148	16,600
-	-	141,244	125,089
-	-	49,296	56,861
-	-	35,580	36,768
306	359	2,372	359
235,383	235,359	-	-
-	-	49	41
<u>235,689</u>	<u>235,718</u>	<u>235,689</u>	<u>235,718</u>
<b>Non-Current</b>			
-	-	8,654	14,600
-	-	3,096	3,197
5,353	3,321	5,353	3,321
11,750	17,797	-	-
<u>17,103</u>	<u>21,118</u>	<u>17,103</u>	<u>21,118</u>
<b>Aggregate Employee Benefits and Related On-Costs</b>			
-	-	235,383	235,359
-	-	11,750	17,797
-	-	30,287	28,205
277,420	281,361	-	-
<u>277,420</u>	<u>281,361</u>	<u>277,420</u>	<u>281,361</u>
<b>27. Other liabilities</b>			
<b>Current</b>			
11,359	1,652	11,359	1,652
<u>11,359</u>	<u>1,652</u>	<u>11,359</u>	<u>1,652</u>
<b>Non-Current</b>			
27	73	27	73
<u>27</u>	<u>73</u>	<u>27</u>	<u>73</u>

The 'Unearned Revenue' balance includes \$8.1 million received in advance from the Western Sydney Local Health District and Hunter New England Local Health District, which are entities controlled by the immediate parent and \$2.0 million from the State Insurance Regulatory Authority, an entity controlled by the ultimate parent.

**Health Administration Corporation**  
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**for the year ended 30 June 2017**

**PARENT ENTITY**

**CONSOLIDATED ENTITY**

2017            2016  
 \$'000          \$'000

2017            2016  
 \$'000          \$'000

**28. Commitments for expenditure**

**a) Capital commitments**

Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems and intangible assets, contracted for at balance date and not provided for:

134,343	55,344	Not later than one year	134,343	55,344
23,441	2	Later than one year and not later than five years	23,441	2
<u>157,784</u>	<u>55,346</u>	<b>Total (including GST)</b>	<u>157,784</u>	<u>55,346</u>

**b) Operating lease commitments**

Future non-cancellable operating lease rentals not provided for and payable:

153,857	145,958	Not later than one year	153,857	145,958
618,460	573,738	Later than one year and not later than five years	618,460	573,738
816,883	722,986	Later than five years	816,883	722,986
<u>1,589,200</u>	<u>1,442,682</u>	<b>Total (including GST)</b>	<u>1,589,200</u>	<u>1,442,682</u>

Operating lease commitments are for motor vehicles, information technology and equipment including personal computers, medical equipment and other miscellaneous equipment.

Some of the lease commitments for the current year include non-cancellable lease commitments relating to Government Property NSW, an entity controlled by the ultimate parent.

**c) Input tax recoverable related to commitments for expenditure**

The amount of tax recoverable from the Australian Tax Office in regards to total commitments at 30 June 2017 is \$158.8M (2016: \$137.5M).

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

**PARENT & CONSOLIDATED ENTITY**

**29. Trust funds**

The Corporation holds money in a Private Practice Trust Fund which is used in accordance with conditions specified in the Staff Specialists Determination made by the Secretary. As the Corporation performs only a custodial role in respect of trust monies, they are excluded from the financial statements as the Corporation cannot use them for the achievement of its own objectives.

The following is a summary of the transactions in the trust account:

	<b>Private Practice Trust Funds</b>		<b>Total</b>	
	<b>2017 \$'000</b>	2016 \$'000	<b>2017 \$'000</b>	2016 \$'000
Balance at the beginning of the financial year	-	-	-	-
Revenue	<b>192,373</b>	178,945	<b>192,373</b>	178,945
Expenses	<b>(192,373)</b>	(178,945)	<b>(192,373)</b>	(178,945)
Balance at the end of the financial year	<b>-</b>	-	<b>-</b>	-

**30. Contingent liabilities and assets**

There are no contingent liabilities and assets for the reporting year.

**31. Decrease in net liabilities from equity transfers**

On 1 October 2015, NSW Kids and Families (an entity controlled by the ultimate parent) was abolished and transferred to the Health System Support Group. \$0.587 million in net liabilities were transferred made up mostly of employee annual leave entitlements. On 1 July 2016, the net liabilities were transferred back to the Ministry. No other equity transfers occurred during the current reporting year.



**Health Administration Corporation**  
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**for the year ended 30 June 2017**

<b>PARENT ENTITY</b>			<b>CONSOLIDATED ENTITY</b>	
<b>2017</b>	<b>2016</b>		<b>2017</b>	<b>2016</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
<b>32. Reconciliation of cash flows from operating activities to the net result</b>				
207,303	87,114	Net cash flows from operating activities	207,303	87,114
(109,643)	(95,780)	Depreciation and amortisation	(109,643)	(95,780)
(60,175)	-	De-recognition of financial asset	(60,175)	-
(14,208)	(8,585)	Allowance for impairment	(14,208)	(8,585)
(9,661)	(734)	Increase in unearned revenue	(9,661)	(734)
4,044	(15,563)	(Increase) / decrease in provisions	4,044	(15,563)
34,630	28,341	Increase in prepayments and other assets	34,630	28,341
(41,597)	(28,879)	(Increase) in payables from operating activities	(41,597)	(28,879)
(997)	(1,716)	Net loss on sale of property, plant and equipment	(997)	(1,716)
198	19	Assets donated or brought to account for the first time	198	19
<b>9,894</b>	<b>(35,783)</b>	<b>Net result</b>	<b>9,894</b>	<b>(35,783)</b>
<b>33. Non-cash activities</b>				
198	19	Assets received by donation	198	19
<b>198</b>	<b>19</b>		<b>198</b>	<b>19</b>

**34. Adjusted budget review - parent and consolidated**

**Net Result**

The actual Net Result was lower than adjusted budget by \$23.4 million. This was primarily due to increased repairs and maintenance expenditure offset by reduced employee related expenses.

**Assets and Liabilities**

Net assets were only \$3.9 million below budget for the year. Higher than anticipated payables at year end was offset by property, plant and equipment values that exceed budget. The Divisions of the Corporation recognised net revaluation increments of \$18.6 million during the year.

**Cash Flows**

The actual Net Cash Flows from Operating Activities were higher than the adjusted budget by \$0.9 million. This was attributable to greater than expected revenue from the sale of food services and the receipt of the TMF hindsight adjustments offset by increased employee related and consumable payments.

The actual Net Cash Flows from Investing Activities was lower than budget by \$28.8 million. This was attributable to a lower spend on the capital program.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

**35. Financial instruments**

The Corporation's principal financial instruments are outlined below. These financial instruments arise directly from the Corporation's operations or are required to finance its operations. The Corporation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporation's main risks arising from financial instruments are outlined below, together with the Corporation's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Secretary, NSW Health has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the Corporation, to set risk limits and controls and monitor risks. Compliance with policies is reviewed on a continuous basis.

**(a) Financial instrument categories**

**PARENT AND CONSOLIDATED ENTITY**

<b>Financial assets</b>	<b>Note</b>	<b>Category</b>	<b>Carrying Amount 2017 \$'000</b>	<b>Carrying Amount 2016 \$'000</b>
Cash and cash equivalents	16	Not applicable	223,840	259,092
Receivables*	17	Loans and receivables (at amortised cost)	148,386	188,989
<b>Financial liabilities</b>				
Borrowings	25	Financial liabilities (at amortised cost)	133	183
Payables**	24	Financial liabilities (at amortised cost)	384,992	347,374

\* Excludes statutory receivables and prepayments (i.e. not within scope of *AASB 7 Financial Instruments: Disclosures*).

\*\* Excludes statutory payables and unearned revenue (i.e. not within scope of *AASB 7 Financial Instruments: Disclosures*).

**(b) Credit risk**

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from financial assets of the Corporation, including cash, receivables and authority deposits. No collateral is held by the Corporation. The Corporation has not granted any financial guarantees.

Credit risk associated with the Corporation's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

**35. Financial instruments (continued)**

**Cash**

Cash comprises cash at bank, cash on hand and short term deposits.

**Receivables - trade debtors**

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the *NSW Ministry of Health Accounting Manual for Public Health Organisations* and *Fee Procedures Manual* are followed to recover outstanding amounts, including Letters of Demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the Corporation will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The Corporation and controlled entities are not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2017: \$58.5M; 2016: \$168.5M) and not more than 3 months past due (2017: \$1.5M; 2016: \$14.2M) are not considered impaired. In addition, Patient Fees Compensables are often settled later than 6 months from the date of the service due to the time it takes to settle legal claims. Most of the Corporation's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

Financial assets that are past due or impaired relate to 'Sales of Goods and Services' or 'Other Debtors' in the 'Receivables' category of the statement of financial position. Patient fees ineligible represent the majority of financial assets that are past due or impaired.

	Past due but not impaired <sup>1,2</sup>	Considered impaired <sup>1,2</sup>	Total <sup>1,2</sup>
	\$'000	\$'000	\$'000
<b>Year ended 30 June 2017</b>			
<3 months overdue	1,530	3,602	5,132
3 months - 6 months overdue	113	5,495	5,608
> 6 months overdue	221	233	454
<b>Year ended 30 June 2016</b>			
<3 months overdue	14,154	7,194	21,348
3 months - 6 months overdue	240	9,335	9,575
> 6 months overdue	292	1,169	1,461

**Notes**

<sup>1</sup> Each column in the table reports 'gross receivables'.

<sup>2</sup> The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the 'total' will not reconcile to the receivables total recognised in the Statement of Financial Position.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
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**35. Financial instruments (continued)**

**(c) Liquidity risk**

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through effective management of cash, investments and liquid assets and liabilities.

The Corporation has negotiated no loans outside of arrangements with the Ministry or NSW Treasury. During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral.

The Corporation has exposure to liquidity risk. However, the risk is minimised through approved service agreements with the Ministry. The annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the Corporation fails to meet service agreement performance standards, the Ministry, as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the Ministry in accordance with *NSW Treasury Circular 11/12 Payment of Accounts*. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For other suppliers, where settlement cannot be effected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
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**35. Financial instruments (continued)**

The table below summarises the maturity profile of the Corporation's financial liabilities together with the interest rate exposure.

*Maturity analysis and interest rate exposure of financial liabilities*

PARENT AND CONSOLIDATED ENTITY	Interest rate exposure			Maturity dates	
	Nominal amount <sup>1</sup>	Fixed interest rate	Non-interest bearing	< 1 Year	1-5 Years
	\$'000			\$'000	
<b>30 June 2017</b>					
Payables:					
- Accrued salaries wages, on-costs and payroll deductions	21,521	-	21,521	21,521	-
- Creditors	363,471	-	363,471	363,471	-
Borrowings:					
- Loans and deposits	133	133	-	52	81
	<b>385,125</b>	<b>133</b>	<b>384,992</b>	<b>385,044</b>	<b>81</b>
<b>30 June 2016</b>					
Payables:					
- Accrued salaries wages, on-costs and payroll deductions	22,089	-	22,089	22,089	-
- Creditors	325,285	-	325,285	325,285	-
Borrowings:					
- Loans and deposits	183	183	-	50	133
	<b>347,557</b>	<b>183</b>	<b>347,374</b>	<b>347,424</b>	<b>133</b>

Note:

<sup>1</sup> The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Corporation can be required to pay.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
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**35. Financial instruments (continued)**

**(d) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation's exposures to market risk is primarily through interest rate risk. The Corporation has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Corporation operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis for 2016. The analysis assumes that all other variables remain constant.

**Interest rate risk**

Exposure to interest rate risk arises primarily through the Corporation's interest bearing liabilities. However, the Corporation is not permitted to borrow external to the Ministry (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and the Ministry loans are set at fixed rates and so generally not impacted by fluctuations in market rates. A reasonably possible change of +/-1% is used consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis is reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The Corporation's exposure to interest rate risk is set out below.

	<b>Carrying Amount \$000</b>	<b>-1% Net Result</b>	<b>Equity</b>	<b>+1% Net Result</b>	<b>Equity</b>
<b>30 June 2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	223,840	(2,238)	(2,238)	2,238	2,238
Receivables	148,386	-	-	-	-
<b>Financial liabilities</b>					
Payables	384,992	-	-	-	-
Borrowings	133	-	-	-	-
<b>30 June 2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	259,092	(2,591)	(2,591)	2,591	2,591
Receivables	188,989	-	-	-	-
<b>Financial liabilities</b>					
Payables	347,374	-	-	-	-
Borrowings	183	-	-	-	-

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2017**

**36. Restatement**

In the previous reporting period, the note containing fair value measurement of non-financial assets (note 23) was stated incorrectly. Although there were no errors in the financial statements the fair value hierarchy and Level 3 fair value measurement disclosures were not correctly disclosed. This was due to \$124 million being classified as Level 2 instead of Level 3.

**Parent and Consolidated Entity**

Fair value hierarchy	Previously reported	Effect of restatement	Restated	Previously reported	Effect of restatement	Restated
	Level 2	Level 2	Level 2	Level 3	Level 3	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Property, plant and equipment</b>						
Land and buildings	282,911	(2,589)	280,322	41,847	(882)	40,965
<b>Year ended 30 June 2016</b>	<b>282,911</b>	<b>(2,589)</b>	<b>280,322</b>	<b>41,847</b>	<b>(882)</b>	<b>40,965</b>

Reconciliation of recurring level 3 fair value measurements	Previously reported	Effect of restatement	Restated	Previously reported	Effect of restatement	Restated
	Land and Buildings	Land and Buildings	Land and Buildings	Infrastructure Systems	Infrastructure Systems	Infrastructure Systems
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fair value as at 1 July 2015	12,727	28,238	40,965	170	(21)	149
Additions	-	1,257	1,257	-	-	-
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	-	2,619	2,619	-	-	65
Transfers from Level 2	-	119,678	119,678	-	-	-
Transfers to Level 2	-	(922)	(922)	-	-	-
Depreciation	(1,458)	(2,018)	(3,476)	(21)	(7)	(28)
Other reclassifications	-	(114)	(114)	-	-	220
<b>Fair value as at 30 June 2016</b>	<b>11,269</b>	<b>148,738</b>	<b>159,995</b>	<b>149</b>	<b>(28)</b>	<b>406</b>

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
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**37. Related party transactions**

**PARENT & CONSOLIDATED ENTITY**

During the financial year, the Health Administration Corporation obtained key management personnel services from the immediate parent and incurred \$2.0 million for these services.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the Ministry or its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures.

Remuneration for the Secretary and Deputy Secretaries are paid by the Ministry and are not reimbursed by the health entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

**Transactions with key management personnel and their close family members**

There were no transactions with key management personnel and their close family members during the year.

**Other related party transactions**

There were no individually significant transactions with the ultimate parent during the financial year.

**38. Events after the reporting period**

There are no matters arising subsequent to balance date requiring these financial statements to be amended.

**END OF AUDITED FINANCIAL STATEMENTS**