Justice Health and Forensic Mental Health Network

Financial Statements

for the year ended 30 June 2019

AUDITOR-GENERAL
NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

Justice Health and Forensic Mental Health Network

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Justice Health and Forensic Mental Health Network (the Network), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Network and the consolidated entity. The consolidated entity comprises the Network 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 Network and the consolidated entity as at 30 June 2019, 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 the *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 Network 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 fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament 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 1(ac). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the Network. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the Network's financial statements present adjusted budget information.

The Chief Executive's Responsibilities for the Financial Statements

The Chief Executive 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 Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the ability of the Network and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will cease as a result of an administrative restructure.

Auditor's Responsibilities 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
- 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. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Network 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.

S Bond.

Sally Bond
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

4 September 2019
SYDNEY

Justice Health and Forensic Mental Health Network
Certification of the Financial Statements
for the year ended 30 June 2019

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

1) The financial statements of the Justice Health and Forensic Mental Health Network for the Year ended 30 June 2019 have been prepared in accordance with:

   a) Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);

   b) the requirements of the *Public Finance and Audit Act 1983 (the Act)*, the *Public Finance* and *Audit Regulation 2015*;

   c) NSW Treasurer's Directions issued under the Act.

2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Justice Health and Forensic Mental Health Network; and

3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

Gary Forrest
Chief Executive
4 September 2019

Christopher Puplick
Chair
4 September 2019

Justice Health and Forensic Mental Health Network
Statement of Comprehensive Income for the year ended 30 June 2019

PARENT					CONSOLIDATION		
Actual 2019 $000	**Adjusted Budget Unaudited 2019 $000**	**Actual 2018 $000**		**Notes**	**Actual 2019 $000**	**Adjusted Budget Unaudited 2019 $000**	**Actual 2018 $000**
			Continuing Operations				
			Expenses excluding losses				
-	-	-	Employee Related Expenses	2	179,768	181,304	164,806
169,490	170,945	159,383	Personnel Services	3	-	-	-
6,164	6,429	6,377	Visiting Medical Officers		6,164	6,429	6,377
101,062	102,103	109,509	Other Expenses	4	101,062	102,103	109,509
5,860	5,852	5,345	Depreciation and Amortisation	1(m), 5	5,860	5,852	5,345
3,514	2,946	1,123	Grants and Subsidies	6	3,514	2,946	1,123
4,606	4,603	4,550	Finance Costs	1(h), 7	4,606	4,603	4,550
290,696	**292,878**	**286,287**	**Total Expenses excluding losses**		**300,974**	**303,237**	**291,710**
			Revenue				
218,837	218,836	201,580	NSW Ministry of Health Recurrent Allocations	1(i)	218,837	218,836	201,580
4,091	3,969	7,580	NSW Ministry of Health Capital Allocations	1(i)	4,091	3,969	7,580
-	-	-	Acceptance by the Crown Entity of Employee Benefits	1(e)(ii),10	10,278	10,359	5,423
62,281	65,550	72,216	Sale of Goods and Services	1(i), 8	62,281	65,550	72,216
211	47	260	Grants and Other Contributions	1(i),9	211	47	260
1,437	1,635	1,704	Other Income	11	1,437	1,635	1,704
286,857	**290,037**	**283,340**	**Total Revenue**		**297,135**	**300,396**	**288,763**
(3,839)	**(2,841)**	**(2,947)**	**Operating Result**		**(3,839)**	**(2,841)**	**(2,947)**
(434)	-	(108)	Gains / (Losses) on Disposal	12	(434)	-	(108)
(410)	-	-	Impairment Losses on Financial Assets	15	(410)	-	-
-	-	(489)	Other Gains / (Losses)	13	-	-	(489)
(4,683)	**(2,841)**	**(3,544)**	**Net Result from Continuing Operations**	26	**(4,683)**	**(2,841)**	**(3,544)**
(4,683)	**(2,841)**	**(3,544)**	**Net Result**		**(4,683)**	**(2,841)**	**(3,544)**
			Other Comprehensive Income				
			Items that will not be reclassified to Net Result in subsequent periods				
-	-	4,528	Changes in Revaluation Surplus of Property, Plant and Equipment	17	-	-	4,528
-	**-**	**4,528**	**Total Other Comprehensive Income**		**-**	**-**	**4,528**
(4,683)	**(2,841)**	**984**	**TOTAL COMPREHENSIVE INCOME**		**(4,683)**	**(2,841)**	**984**

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Statement of Financial Position as at 30 June 2019

PARENT					CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual
2019	2019	2018			2019	2019	2018
$000	$000	$000			$000	$000	$000
			ASSETS				
			Current Assets				
1,284	609	811	Cash and Cash Equivalents	14	1,284	609	811
5,779	6,222	5,564	Receivables	15	5,779	6,222	5,564
648	3,510	3,510	Inventories	16	648	3,510	3,510
7,711	**10,341**	**9,885**	**Total Current Assets**		**7,711**	**10,341**	**9,885**
			Non-Current Assets				
			Property, Plant & Equipment	17			
96,553	96,617	99,221	- Land and Buildings		96,553	96,617	99,221
7,375	7,049	6,234	- Plant and Equipment		7,375	7,049	6,234
3,729	4,295	4,295	- Leasehold Improvements		3,729	4,295	4,295
107,657	**107,961**	**109,750**	**Total Property, Plant & Equipment**		**107,657**	**107,961**	**109,750**
2,427	2,103	3,416	Intangible Assets	18	2,427	2,103	3,416
110,084	**110,064**	**113,166**	**Total Non-Current Assets**		**110,084**	**110,064**	**113,166**
117,795	**120,405**	**123,051**	**Total Assets**		**117,795**	**120,405**	**123,051**

Justice Health and Forensic Mental Health Network
Statement of Financial Position as at 30 June 2019

PARENT					CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual
2019	2019	2018			2019	2019	2018
$000	$000	$000			$000	$000	$000
			LIABILITIES				
			Current Liabilities				
17,747	19,069	18,120	Payables	20	17,747	19,069	18,120
2,193	2,193	1,982	Borrowings	21	2,193	2,193	1,982
23,496	23,055	21,885	Provisions	22	23,496	23,055	21,885
43,436	**44,317**	**41,987**	**Total Current Liabilities**		**43,436**	**44,317**	**41,987**
			Non-Current Liabilities				
69,400	69,400	71,592	Borrowings	21	69,400	69,400	71,592
325	325	270	Provisions	22	325	325	270
69,725	**69,725**	**71,862**	**Total Non-Current Liabilities**		**69,725**	**69,725**	**71,862**
113,161	**114,042**	**113,849**	**Total Liabilities**		**113,161**	**114,042**	**113,849**
4,634	**6,363**	**9,202**	**Net Assets**		**4,634**	**6,363**	**9,202**
			EQUITY				
22,513	22,513	22,513	Reserves		22,513	22,513	22,513
(17,879)	(16,150)	(13,311)	Accumulated Funds		(17,879)	(16,150)	(13,311)
4,634	**6,363**	**9,202**	**Total Equity**		**4,634**	**6,363**	**9,202**

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Statement of Changes in Equity for the year ended 30 June 2019

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds $000	Revaluation Surplus $000	Available For Sale Reserve $000	Total $000
Balance at 1 July 2018		**(13,311)**	**22,513**	**-**	**9,202**
Changes in Accounting Policy	1ad)(i)	(46)	-	-	(46)
Restated balance at 1 July 2018		**(13,357)**	**22,513**	**-**	**9,156**
Net Result for the Year		(4,683)	-	-	(4,683)
Other Comprehensive Income:					
Total Other Comprehensive Income		**-**	**-**	**-**	**-**
Total Comprehensive Income for the Year		**(4,683)**	**-**	**-**	**(4,683)**
Transactions With Owners In Their Capacity As Owners					
Increase / (Decrease) in Net Assets From Equity Transfers	30	161	-	-	161
Balance at 30 June 2019		**(17,879)**	**22,513**	**-**	**4,634**
Balance at 1 July 2017		**(9,767)**	**17,985**	**-**	**8,218**
Restated balance at 1 July 2017		**(9,767)**	**17,985**	**-**	**8,218**
Net Result for the Year		(3,544)	-	-	(3,544)
Other Comprehensive Income:					
Net Change in Revaluation Surplus of Property, Plant and Equipment	17	-	4,528	-	4,528
Total Other Comprehensive Income		**-**	**4,528**	**-**	**4,528**
Total Comprehensive Income for the Year		**(3,544)**	**4,528**	**-**	**984**
Balance at 30 June 2018		**(13,311)**	**22,513**	**-**	**9,202**

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Statement of Cash Flows for the year ended 30 June 2019

PARENT					CONSOLIDATION		
Actual 2019 $000	**Adjusted Budget Unaudited 2019 $000**	**Actual 2018 $000**		**Notes**	**Actual 2019 $000**	**Adjusted Budget Unaudited 2019 $000**	**Actual 2018 $000**
			CASH FLOWS FROM OPERATING ACTIVITIES				
			Payments				
-	-	-	Employee Related		(169,675)	(171,852)	(159,709)
(117,880)	(120,292)	(128,588)	Suppliers for Goods and Services		(117,880)	(120,292)	(128,588)
(3,915)	(3,347)	(1,257)	Grants and Subsidies		(3,915)	(3,347)	(1,257)
(4,606)	(4,603)	(4,550)	Finance Costs		(4,606)	(4,603)	(4,550)
(169,675)	(171,852)	(159,709)	Other		-	-	-
(296,076)	**(300,094)**	**(294,104)**	**Total Payments**		**(296,076)**	**(300,094)**	**(294,104)**
			Receipts				
218,838	218,838	201,580	NSW Ministry of Health Recurrent Allocations		218,838	218,838	201,580
4,091	3,969	7,580	NSW Ministry of Health Capital Allocations		4,091	3,969	7,580
2,900	2,900	3,161	Reimbursements from the Crown Entity		2,900	2,900	3,161
62,671	66,569	73,728	Sale of Goods and Services		62,671	66,569	73,728
233	68	303	Grants and Other Contributions		233	68	303
13,010	12,281	12,629	Other		13,010	12,281	12,629
301,743	**304,625**	**298,981**	**Total Receipts**		**301,743**	**304,625**	**298,981**
5,667	**4,531**	**4,877**	**NET CASH FLOWS FROM OPERATING ACTIVITIES**	25	**5,667**	**4,531**	**4,877**
			CASH FLOWS FROM INVESTING ACTIVITIES				
326	-	158	Proceeds from Sale of Property, Plant & Equipment and Intangibles		326	-	158
(3,538)	(2,751)	(3,273)	Purchases of Property, Plant & Equipment and Intangibles		(3,538)	(2,751)	(3,273)
(3,212)	**(2,751)**	**(3,115)**	**NET CASH FLOWS FROM INVESTING ACTIVITIES**		**(3,212)**	**(2,751)**	**(3,115)**
			CASH FLOWS FROM FINANCING ACTIVITIES				
-	-	163	Proceeds from Borrowings and Advances		-	-	163
(1,982)	(1,982)	(1,955)	Repayment of Borrowings and Advances		(1,982)	(1,982)	(1,955)
(1,982)	**(1,982)**	**(1,792)**	**NET CASH FLOWS FROM FINANCING ACTIVITIES**		**(1,982)**	**(1,982)**	**(1,792)**
473	(202)	(30)	**NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS**		473	(202)	(30)
811	811	841	Opening Cash and Cash Equivalents	14	811	811	841
1,284	**609**	**811**	**CLOSING CASH AND CASH EQUIVALENTS**	14	**1,284**	**609**	**811**

The accompanying notes form part of these financial statements.

1. Statement of Significant Accounting Policies

a) The Reporting Entity

The Justice Health and Forensic Mental Health Network (the Network) was established under the provisions of the Health Services Act 1997 with effect from 30 March 2012.

The Network 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 (and is consolidated as part of the NSW Total State Sector Accounts), which is the ultimate parent. The reporting entity is a not-for-profit entity (as profit is not its principal objective).

The Network, as a reporting entity, comprises all the entities under its control, namely:

* The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control.

* The Justice Health and Forensic Mental Health Network Special Purpose Service Entity, which was established as a Division of the Network on 30 March 2012 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the Network to exercise its functions.

As a consequence the values in the financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

It should be noted that the Network's financial statements do not include the cost of external or community based patient care services provided by Local Health District's (LHD) due to the application of the Ministry of Health policy PD2016_024 Health Services Act 1997 – Scale of Fees for Hospital and Other Services. The costs of these services remain in the LHD and are not charged to the Network. The Network also has established Memoranda of Understanding with various Local Health Districts to enable the operation of the Forensic Mental Health Network and improve patient flow.

These consolidated financial statements for the Year ended 30 June 2019 have been authorised for issue by the Chief Executive on 4 September 2019.

b) Basis of Preparation

The Network's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (AAS) (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 (the Act) and the Public Finance and Audit Regulation 2015, and the NSW Treasurer's Directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

The financial statements of the Network have been prepared on a going concern basis.

The Secretary of NSW Health, the Chair of the Justice Health and Forensic Mental Health Network Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the Network's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the Network fails to meet Service Agreement performance standards, the NSW Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

Other circumstances why the going concern assumption is appropriate include:

* Allocated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
* The Network has the capacity to review timing of subsidy cash flows to ensure that debts can be paid when they become due and payable.
* The Network has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the Network and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

Property, plant and equipment, assets held for sale and certain financial assets and liabilities 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, which is the Network's presentation and functional currency.

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.

Certain comparative information has been reclassified to ensure consistency with current year presentation and classification.

d) Statement of Compliance

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

1. Statement of Significant Accounting Policies

e) Employee Benefits and Other Provisions

i) Salaries and Wages, Annual Leave, Sick Leave, Allocated Days Off (ADO) 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 period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, they are required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by NSW 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 of 18.5% are applied to the value of leave payable at 30 June 2019 (comparable on-costs for 30 June 2018 were 18.2%). The Network has assessed the actuarial advice based on the Network's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

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

ii) Long Service Leave and Superannuation

The Network's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent.

The Network 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'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the Network as shown in Note 22.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using the long-term Commonwealth Government bond rate at the reporting date.

The superannuation expense for the financial year 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 employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's 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 are recognised when the Network 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.

f) Insurance

The Network's insurance activities are conducted through the NSW Treasury Managed Fund (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 Insurance and Care NSW (iCare), a controlled entity of the ultimate parent.

g) Grants and Subsidies

Grant and subsidies expense generally comprise contributions in cash or in kind to various local government authorities and not-for-profit community organisations to support their health-related objectives and activities. The grant and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

h) Finance Costs

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with NSW Treasury's mandate to not-for-profit NSW General Government Sector entities.

i) Income Recognition

Income 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 Network transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods.

1. Statement of Significant Accounting Policies

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).

Grants and Other Contributions

Grants and other contributions, comprising mainly cash and in-kind contributions, are recognised as revenues when control passes to the Network and the contractual obligations have been satisfied. In-kind contributions are measured at fair value on transfer date.

Patient Fees

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

Highly Specialised Drugs

Revenue for highly specialised drugs is paid by the Commonwealth in accordance with the terms of the Commonwealth agreement through Medicare and reflects the recoupment of costs incurred under Section 100 of the National Health Act 1953 for highly specialised drugs. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria are 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.

Forgiveness of Liabilities

The gross amount of a liability forgiven by a credit provider is recognised by the borrower as other income.

NSW Ministry of Health Allocations

Payments are made by the immediate parent on the basis of the allocation for the Network 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 NSW Ministry of Health. Allocations are normally recognised upon the receipt of cash.

j) Accounting for the Goods & Services Tax (GST)

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

* amount of GST incurred by the Network 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.

k) Acquisition of Property, Plant and Equipment

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. 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.

Health Administration Corporation, a controlled entity of the immediate parent, manages the approved major capital works program for the NSW Ministry of Health and its controlled entities. Health Administration Corporation receives NSW Ministry of Health Capital Allocations and grants on behalf of the Network and makes payments to contractors and suppliers. Health Administration Corporation initially records all costs incurred as work in progress or expenses and subsequently transfers to the Network. The costs are then accordingly reflected in The Network financial statements. The Network acquires most assets in this manner.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Refer to Note 1(z) for assets transferred as a result of equity transfer.

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.

Land and buildings are owned by the Health Administration Corporation. Land and buildings which are operated/occupied by the Network are deemed to be controlled by the Network and are reflected as such in the financial statements.

l) Capitalisation Thresholds

Property, plant and equipment and Intangibles costing $10,000 and above individually (or forming part of a network costing more than $10,000) are capitalised.

m) 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 Network. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their useful lives.

1. Statement of Significant Accounting Policies

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

Artwork	5.0%
Buildings	2.5%
Leasehold Improvements	10.0%
Plant and Equipment	
- Computer Equipment	20.0%
- Electro Medical Equipment	
* Costing less than $200,000	10.0%
* Costing more than or equal to $200,000	12.5%
- Furniture, Fittings and Furnishings	5.0%
- Motor Vehicle Sedans	12.5%
- Motor Vehicles, Trucks & Vans	20.0%
- Office Equipment	10.0%
- Plant and Machinery	10.0%

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

n) 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, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

Property, plant and equipment is measured at the highest and best use by market participant's 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, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 17 and Note 19 for further information regarding fair value.

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 Network 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 recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent that an increment reverses a revaluation decrement in respect of the same class of asset previously recognised as a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss in the net result, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case, the decrement is 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.

o) 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 Impairment of Assets 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.

p) Intangible Assets

The Network recognises intangible assets only if it is probable that future economic benefits will flow to the Network 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.

1. Statement of Significant Accounting Policies

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

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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

Computer software developed or acquired by the Network are recognised as intangible assets and are amortised over five years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions. Most computer software is acquired from the Health Administration Corporation, a controlled entity of the immediate parent.

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.

q) 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.

r) 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 effectively retains all such risks and rewards.

As a lessee:

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.

s) Inventories

Inventories held for distribution are stated 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. Cost is calculated using the weighted average cost method.

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

t) Receivables

Recognition and Measurement

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Other financial assets are initially measured at fair value plus any transaction costs. Other financial assets include intra health loans and deposits with a maturity of three months or more.

Subsequent measurement under AASB 9 Financial Instruments (from 1 July 2018)

The Network holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as a separate line item in the statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains / (losses) together with foreign exchange gains and losses.

Amounts due from lessees under finance leases are classified at amortised cost and recognised at the amount of the Network's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Network's net investment outstanding in respect of the leases.

Classification and measurement under AASB 139 Financial Instruments: Recognition and Measurement (for comparative period ended 30 June 2018)

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or though the amortisation process.

Amounts due from lessees under finance leases are classified as loans and receivables and recognised at the amount of the consolidated entity's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the consolidated entity's net investment outstanding in respect of the leases.

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

1. Statement of Significant Accounting Policies

u) Impairment of Financial Assets

Impairment under AASB 9 (from 1 July 2018)

The Network recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the Network expects to receive, discounted at the original effective interest rate.

Receivables

For trade receivables, the Network applies a simplified approach in calculating ECLs. The Network recognises a loss allowance based on lifetime ECLs at each reporting date. The Network has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific to the receivable.

v) De-recognition of Financial Assets and Financial Liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and either:

* the Network has transferred substantially all the risks and rewards of the asset; or
* the Network has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

When the Network has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the Network has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Network continuing involvement in the asset. In that case, the Network also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

w) Payables

These amounts represent liabilities for goods and services provided to the Network and other amounts. Payables are recognised initially at fair value, net of directly attributable transaction costs.

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.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Network.

x) Borrowings

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

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

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 1v) for derecognition policy.

y) Fair Value Hierarchy

A number of the Network'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 Network categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

* Level 1 – quoted (unadjusted) prices in active markets for identical assets / liabilities that the entity can access at the 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 Network recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to Note 19 and Note 31 for further disclosures regarding fair value measurements of non-financial and financial assets.

z) 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 ultimate parent are recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 Contributions and Australian Accounting Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

1. Statement of Significant Accounting Policies

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the asset was 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 Network recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the Network does not recognise that asset.

aa) 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 Network's policy on the revaluation of property, plant and equipment as discussed in Note 1(n).

(iii) Separate Reserves

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards.

ab) Trust Funds

The Network receives monies in a trustee capacity for various trusts as set out in Note 24.

As the Network performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Network's own objectives, these funds are not recognised in the financial statements.

ac) Adjusted Budget 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 Network's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 Budgetary Reporting to present original budget information, the Network's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the Network and the NSW Ministry of Health 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 (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant column entries in the financial statements are denoted as 'Unaudited'.

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 29.

ad) Changes in Accounting Policy, Including New or Revised Australian Accounting Standards

(i) Effective for the first time in 2018-19

The accounting policies applied in 2018-19 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:

The Network has adopted AASB 9 Financial Instruments (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 Financial Instruments: Disclosures (AASB 7R).

The Network applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 Financial Instruments: Recognition and Measurement (AASB 139). Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity.

The effect of adopting AASB 9 on the Statement of Financial Position (increase / (decrease)) as at 1 July 2018 is set out below:

	Notes	1 July 2018 $'000
Assets		
Receivables	15	(46)
Total Adjustment on equity		**(46)**
Accumulated funds		46

a) Classification and measurement of financial instruments

On 1 July 2018 (the date of initial application of AASB 9), the Network's management has assessed which business models apply to the financial assets by the Network and has classified its financial instruments into the appropriate AASB 9 categories. The classification and measurement requirements of AASB 9 did not have a material impact to the Network.

The impact of transition to AASB 9 on reserves and accumulated funds is, as follows:

1. Statement of Significant Accounting Policies

	Notes	Accumulated funds $'000	Total change in equity $'000
Closing balance 30 June 2018 - AASB 139		(13,311)	(13,311)
Recognition of AASB 9 expected credit losses	15	(46)	(46)
Total impact		**(46)**	**(46)**
Opening balance 1 July 2018 - AASB 9		(13,357)	(13,357)

The Network continued measuring at fair value, all financial assets previously held at fair value under AASB 139.

The following are the changes in the classification of the Network's financial assets:

- Trade receivables and other financial assets (i.e., term deposits) classified as 'Loans and receivables' (L&R) under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.

- The Network has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for the Network's financial liabilities.

In summary, upon the adoption of AASB 9, the Network had the following required or elected reclassifications as at 1 July 2018:

	Measurement category		Carrying amount		
AASB 139 measurement category	**AASB 139**	**AASB 9**	**Original $'000**	**New $'000**	**Difference $'000**
Receivables	L&R	Amortised cost	5,564	5,518	(46)

b) *Impairment*

The adoption of AASB 9 has changed the Network's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Network to recognise an allowance for ECLs for all debt instruments not held at fair value through profit and loss.

Set out below is the reconciliation of the closing impairment allowances under AASB 139 to the opening loss allowances determined under AASB 9:

	Allowance for impairment under AASB 139 as at 30 June 2018 $'000	Re-measurement $'000	ECL under AASB 9 as at 1 July 2018 $'000
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	(1,140)	(46)	(1,186)

(ii) Issued but not yet effective

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

AASB 16 Leases replaces all existing lease requirements and applies to annual periods beginning on or after 1 January 2019. For lessees, the distinction between operating and finance leases will no longer exist. Instead, AASB 16 Leases will require lessees to account for practically all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low value' assets (e.g. personal computers below $10,000) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement of a lease, a lessee will recognise a liability representing its obligation to make future lease payments and an asset representing its right of use to the underlying asset for the lease term. Lessees will be required to separately recognise interest expense on the lease liability and depreciation expense on the right of use asset rather than operating lease expense.

The new standard will gross up the Statement of Financial Position and change Statement of Comprehensive Income and cash flow presentation. Rent and lease expense will be replaced by depreciation and interest expense in Statement of Comprehensive Income. This results in a front-loaded lease expense, decreasing the net result and equity position. The Statement of Cash Flows for lessees will also be affected as payments for the principal portion of the lease liability will be presented within financing activities.

Lessor accounting is substantially unchanged from today's accounting under AASB 117 Leases. Lessors will continue to classify all leases using the same classification as in AASB 117 Leases and distinguish between two types of leases: operating and finance leases.

The standard permits two methods of adoption: full retrospective – by retrospectively adjusting each prior reporting period presented and recognising the cumulative effect of initially applying the new requirements at the start of the earliest period, which would be 1 July 2018; or modified retrospective – by recognising the cumulative effect of initially applying the new requirements at the initial application, which would be 1 July 2019. NSW Treasury has mandated a modified retrospective application of this accounting standard.

1. Statement of Significant Accounting Policies

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 Revenue from Contracts with Customers 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 Income of Not-for-Profit Entities 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 and is not expected to materially impact these financial statements.

AASB 1059 Service Concession Arrangements is applicable to public sector entities only and is effective for annual periods beginning on or after 1 January 2020. This standard requires the grantor to recognise a service concession asset in a service concession arrangement where it controls the asset. A corresponding financial liability and/or grant of right liability is also recognised depending on the nature of the consideration exchanged. Service concession assets (including those provided by the operator, an upgrade to or a major component replacement of an existing asset of the grantor; and existing assets of the grantor – also applicable to previously unrecognised intangible assets except goodwill) are initially measured at current replacement cost based on AASB 13 Fair Value Measurement principles. They are subsequently accounted for under AASB 116 Property, Plant & Equipment or AASB 138 Intangible Assets. Service concession liabilities are initially measured at the same amount as the service concession asset and subsequently measured using either the 'financial liability' model applying AASB 9 Financial Instruments or, the 'grant of right' model under AASB 1059 Service Concession Arrangements. AASB 1059 Service Concession Arrangements requires retrospective application.

Overview of Assessment Activities

The Ministry of Health has formed a project team to lead the implementation of the new accounting standards. The objective of the project is to continuously analyse and assess the impact of the new accounting standards. This includes changes to our accounting policies, internal and external reporting requirements, IT systems, business processes and associated internal controls with the objectives of quantifying the expected first time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.

The project team has conducted various data gathering tasks with health entities around leases and certain revenue streams.

Work currently underway includes:

* implementation of an IT solution for lease management and accounting
* comprehensive review and capture of lease information
* review of accounting policies and processes surrounding leases and revenue.

Potential Impact on the Network's Financial Report

While the consolidated entity, controlled by the ultimate parent, is yet to complete full implementation and adoption of the new accounting standards, the following summaries work undertaken by the Network so far and the known and expected impacts:

Leases

The Network has compiled a lease register and calculated the likely impact of the new leasing standards, to be as follows.

* The total assets and liabilities on the Statement of Financial Position will increase by approximately $1,828 thousand on the date of transition (on 1 July 2019). In subsequent years, total equity is expected to decrease due to a reduction in capitalised assets being on a straight line basis whilst the liability reduces the principal amount of repayments.
* Interest expenses will increase by approximately $37 thousand in the 2019-2020 financial year due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease life due to the higher principal value causing profit variability over the course of the leases life.This effect may be partially mitigated due to the number of leases held by the Network at different stages of their lease terms.
* Depreciation expense will be booked on right of use assets, which will be on a straight line basis. For 2019-2020 financial year, depreciation expense is expected to be higher by approximately $874 thousand.
* Operating lease expense recognised under AASB 17 Leases will decrease by approximately $880 thousand in the 2019-2020 financial year.
* Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.
* The assessment outcomes are based on certain assumptions and are indicative only. There are likely to be variances with the actual impacts to be reported in 2019-2020 financial year and onwards.

Revenue and Income of Not-for-Profit Entities

Network in consultation with the NSW Ministry of Health has performed a preliminary impact assessment by the major revenue lines. The review has not indicated any material impact arising from the adoption of the new revenue accounting standard. The likely impacts are:

1. Statement of Significant Accounting Policies

* Deferral of 'Grants and Other Contributions' revenue. The impacts are not expected to be material as most funds received correlates to the level of activities performed during the year and most contracts are short to medium term only. Some timing differences is expected between inflow of funds and the level of activity, which may require some deferral or accrual of grant and other contribution revenue.

* Specific quantitative and qualitative disclosures will be required under AASB 15 Revenue from Contracts with Customers.

Service Concession Arrangements

The work on Service Concession Arrangements is in progress.The Network expects the following impacts from the preliminary work performed so far:

* No significant impact expected on the Network.

Application Date

The Network plans to adopt the new accounting standards on the required effective date in line with the NSW Treasury's instructions.

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		2. Employee Related Expenses		
-	-	Salaries and Wages (including Annual Leave and ADO)	152,954	144,517
-	-	Superannuation - Defined Benefit Plans	701	727
-	-	Superannuation - Defined Contribution Plans	13,255	12,586
-	-	Long Service Leave	10,261	5,148
-	-	Redundancies	404	171
-	-	Workers' Compensation Insurance	2,181	1,642
-	-	Fringe Benefits Tax	12	15
-	**-**		**179,768**	**164,806**

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		3. Personnel Services		
152,954	144,517	Salaries and Wages (including Annual Leave and ADO)	-	-
-	-	Superannuation - Defined Benefit Plans	-	-
13,255	12,586	Superannuation - Defined Contribution Plans	-	-
684	452	Long Service Leave	-	-
404	171	Redundancies	-	-
2,181	1,642	Workers' Compensation Insurance	-	-
12	15	Fringe Benefits Tax	-	-
169,490	**159,383**		**-**	**-**

4. Other Expenses

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
72	38	Advertising	72	38
109	106	Auditor's Remuneration - Audit of Financial Statements	109	106
676	516	Blood and Blood Products	676	516
247	285	Consultancies	247	285
145	132	Contractors	145	132
599	522	Domestic Supplies and Services	599	522
63,118	73,967	Drug Supplies	63,118	73,967
736	704	Food Supplies	736	704
24	35	Fuel, Light and Power	24	35
87	58	Patient Transport Costs	87	58
4,243	3,834	Information Management Expenses	4,243	3,834
128	42	Insurance	128	42
6,342	9,104	Maintenance (See Note 4(b))	6,342	9,104
733	564	Medical and Surgical Supplies	733	564
318	287	Motor Vehicle Expenses	318	287
413	482	Postal and Telephone Costs	413	482
847	900	Printing and Stationery	847	900
72	56	Rates and Charges	72	56
1,118	933	Rental	1,118	933
4,966	958	Specialised Services (Dental, Radiology, Pathology, Allied Health)	4,966	958
2,362	2,579	Staff Related Costs	2,362	2,579
1,648	1,358	Travel Related Costs	1,648	1,358
12,059	12,049	Other (See Note 4(a))	12,059	12,049
101,062	**109,509**		**101,062**	**109,509**

PARENT 2019 $000	PARENT 2018 $000			CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		4.	**Other Expenses**		
		a)	**Other Includes:**		
650	691		Corporate Support Services	650	691
463	407		Courier and Freight	463	407
617	406		Legal Services	617	406
7	7		Membership/Professional Fees	7	7
8,952	9,441		Public Private Partnership Contracted Services	8,952	9,441
88	59		Quality Assurance/Accreditation	88	59
17	77		Security Services	17	77
1,265	961		Other Miscellaneous	1,265	961
12,059	**12,049**			**12,059**	**12,049**
		b)	**Reconciliation of Total Maintenance**		
830	757		Maintenance Contracts	830	757
5,420	8,276		New/Replacement Equipment under $10,000	5,420	8,276
88	71		Repairs Maintenance/Non Contract	88	71
4	-		Other	4	-
6,342	**9,104**			**6,342**	**9,104**

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

The majority of 'Patient Transport Costs' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Information Management Expenses' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Corporate Support Services' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Specialised Services' were paid to the Health Administration Corporation, an entity controlled by the immediate parent.

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

PARENT			CONSOLIDATION	
2019	**2018**		**2019**	**2018**
$000	**$000**		**$000**	**$000**
		5. Depreciation and Amortisation		
2,668	2,614	Depreciation - Buildings	2,668	2,614
740	715	Depreciation - Plant and Equipment	740	715
734	718	Amortisation - Leasehold Improvements	734	718
1,718	1,298	Amortisation - Intangible Assets	1,718	1,298
5,860	**5,345**		**5,860**	**5,345**
		6. Grants and Subsidies		
3,433	1,058	Grants Paid to Entities Controlled by the Ultimate Parent	3,433	1,058
81	65	Grants Paid to Entities Controlled by the Immediate Parent	81	65
3,514	**1,123**		**3,514**	**1,123**
		7. Finance Costs		
4,606	4,550	Public Private Partnership Lease Interest Charges	4,606	4,550
4,606	**4,550**		**4,606**	**4,550**

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		8. Sale of Goods and Services		
		Patient Fees:		
2,379	2,394	- Nursing Home Fees	2,379	2,394
205	124	Cafeteria/Kiosk	205	124
114	70	Information Retrieval	114	70
57,257	68,262	Highly Specialised Drugs	57,257	68,262
44	52	Private Use of Motor Vehicles	44	52
2,282	1,314	Other	2,282	1,314
62,281	**72,216**		**62,281**	**72,216**

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		9. Grants and Other Contributions		
53	47	Grants & Contributions Received from Entities Controlled by the Ultimate Parent	53	47
158	175	Grants & Contributions Received from Entities Controlled by the Immediate Parent	158	175
-	38	Other Grants	-	38
211	**260**		**211**	**260**

The majority of grants that were received from entities controlled by the immediate parent were received from Health Education and Training Institute.

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		10. Acceptance by the Crown Entity of Employee Benefits		
		The following liabilities and expenses have been assumed by the Crown Entity:		
-	-	Superannuation - Defined Benefit Plans	701	727
-	-	Long Service Leave Provision	9,577	4,696
-	-		**10,278**	**5,423**

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		11. Other Income		
		Other Income comprises the following:-		
1	2	Commissions	1	2
795	756	Conference and Training Fees	795	756
12	2	Insurance Refunds	12	2
443	712	Treasury Managed Fund Hindsight Adjustment	443	712
186	232	Other	186	232
1,437	**1,704**		**1,437**	**1,704**

Some 'Other' income was received from entities controlled by the immediate parent.

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		12. Gains / (Losses) on Disposal		
1,730	672	Property, Plant and Equipment	1,730	672
(970)	(406)	Less: Accumulated Depreciation	(970)	(406)
760	**266**	**Written Down Value**	**760**	**266**
326	158	Less: Proceeds from Disposal	326	158
(434)	**(108)**	**Gain / (Loss) on Disposal of Property, Plant and Equipment**	**(434)**	**(108)**
(434)	**(108)**	**Total Gains / (Losses) on Disposal**	**(434)**	**(108)**
		13. Other Gains / (Losses)		
-	(489)	Impairment of Receivables	-	(489)
-	**(489)**		**-**	**(489)**

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		14. Cash and Cash Equivalents		
1,284	811	Cash at Bank and On Hand	1,284	811
1,284	**811**		**1,284**	**811**

For the purposes of the Statement of Cash Flows, 'Cash and Cash Equivalents' includes cash at bank, cash on hand, short-term deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.

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:

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
1,284	811	Cash and Cash Equivalents (per Statement of Financial Position)	1,284	811
1,284	**811**	**Closing Cash and Cash Equivalents (per Statement of Cash Flows)**	**1,284**	**811**

Refer to Note 31 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

PARENT			CONSOLIDATION	
2019	2018		2019	2018
$000	$000		$000	$000
		15. Receivables		
		Current		
1,962	2,365	Sale of Goods and Services	1,962	2,365
645	350	Intra Health Receivables	645	350
1,355	1,484	Goods and Services Tax	1,355	1,484
2,273	1,890	Other Debtors	2,273	1,890
6,235	**6,089**	**Sub Total**	**6,235**	**6,089**
(1,092)	-	Less: Allowance for Expected Credit Losses *	(1,092)	-
-	(1,140)	Less: Allowance for Impairment **	-	(1,140)
5,143	**4,949**	**Sub Total**	**5,143**	**4,949**
636	615	Prepayments	636	615
5,779	**5,564**		**5,779**	**5,564**

'Intra Health Receivables' includes amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from NSW Ministry of Health.

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		a) * Movement in the Allowance for Expected Credit Losses		
		Sale of Goods and Services		
(1,140)	-	Balance as at 30 June 2018 under AASB 139	(1,140)	-
(46)	-	Amounts restated through opening Accumulated Funds	(46)	-
(1,186)	-	Balance at 1 July 2018 under AASB 9	(1,186)	-
505	-	Amounts Written Off During the Year	505	-
(410)	-	(Increase) / Decrease in Allowance Recognised in the Net Result	(410)	-
(1,092)	-	**Balance at 30 June 2019**	**(1,092)**	-
		b) ** Movement in the Allowance for Impairment		
		Sale of Goods and Services		
-	(848)	Balance at 1 July 2017	-	(848)
-	197	Amounts Written Off During the Year	-	197
-	(489)	(Increase) / Decrease in Allowance Recognised in the Net Result	-	(489)
-	**(1,140)**	**Balance at 30 June 2018**	-	**(1,140)**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
$000	$000		$000	$000
		15. Receivables		
		c) The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		Current and Non-Current include:		
1,317	1,387	Patient Fees - Inpatient & Other	1,317	1,387
1,317	**1,387**		**1,317**	**1,387**

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 31.

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		16. Inventories		
648	3,510	Drug Supplies	648	3,510
648	**3,510**		**648**	**3,510**

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		17. Property, Plant and Equipment		
		Land and Buildings - Fair Value		
123,772	123,772	Gross Carrying Amount	123,772	123,772
27,219	24,551	*Less:* Accumulated Depreciation and Impairment	27,219	24,551
96,553	**99,221**	**Net Carrying Amount**	**96,553**	**99,221**
		Plant and Equipment - Fair Value*		
11,121	10,176	Gross Carrying Amount	11,121	10,176
3,746	3,942	*Less:* Accumulated Depreciation and Impairment	3,746	3,942
7,375	**6,234**	**Net Carrying Amount**	**7,375**	**6,234**
		Leasehold Improvements - Fair Value*		
8,650	8,517	Gross Carrying Amount	8,650	8,517
4,921	4,222	*Less:* Accumulated Depreciation and Impairment	4,921	4,222
3,729	**4,295**	**Net Carrying Amount**	**3,729**	**4,295**
107,657	**109,750**	**Total Property, Plant and Equipment at Net Carrying Amount**	**107,657**	**109,750**

* 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.

PARENT & CONSOLIDATION

17. Property, Plant and Equipment - Reconciliation

A reconciliation of the carrying amount for each class of property, plant and equipment is set out below:

	Land and Buildings $000	Plant and Equipment $000	Leasehold Improvements $000	Total $000
2019				
Net Carrying Amount at Beginning of Year	99,221	6,234	4,295	109,750
Additions	-	3,038	197	3,235
Reclassifications to Intangibles	-	(426)	-	(426)
Disposals	-	(702)	(58)	(760)
Depreciation Expense	(2,668)	(740)	(734)	(4,142)
Reclassifications	-	(29)	29	-
Net Carrying Amount at End of Year	**96,553**	**7,375**	**3,729**	**107,657**

	Land and Buildings $000	Plant and Equipment $000	Leasehold Improvements $000	Total $000
2018				
Net Carrying Amount at Beginning of Year	96,592	6,766	4,874	108,232
Additions	656	1,842	202	2,700
Reclassifications to Intangibles	-	(1,397)	-	(1,397)
Disposals	-	(203)	(63)	(266)
Net Revaluation Increment Less Revaluation Decrements	4,528	-	-	4,528
Depreciation Expense	(2,614)	(715)	(718)	(4,047)
Reclassifications	59	(59)	-	-
Net Carrying Amount at End of Year	**99,221**	**6,234**	**4,295**	**109,750**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 19.

(i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the Network [see Note 1(k)].

(ii) Indices provided by CBRE were not applied as they were deemed immaterial.

The following table details the indices applied to Land, Buildings and Infrastructure Systems as determined by CBRE :

Year	Land	Buildings
2018/19	3.0%	2.85%
2017/18	1.75%	1.6%

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		18. Intangible Assets		
		Intangibles		
8,880	8,151	Cost (Gross Carrying Amount)	8,880	8,151
6,453	4,735	Less: Accumulated Amortisation and Impairment	6,453	4,735
2,427	3,416	**Net Carrying Amount**	2,427	3,416
2,427	**3,416**	**Total Intangible Assets at Net Carrying Amount**	**2,427**	**3,416**

PARENT AND CONSOLIDATION

18. Intangible Assets - Reconciliation

	Total $000
2019	
Net Carrying Amount at Beginning of Year	3,416
Additions	303
Reclassifications from Plant & Equipment	426
Amortisation (Recognised in Depreciation and Amortisation)	(1,718)
Net Carrying Amount at End of Year	**2,427**

	Total $000
2018	
Net Carrying Amount at Beginning of Year	2,742
Additions	575
Reclassifications from Plant & Equipment	1,397
Amortisation (Recognised in Depreciation and Amortisation)	(1,298)
Net Carrying Amount at End of Year	**3,416**

PARENT & CONSOLIDATION

19. 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

2019	Level 1 $000	Level 2 $000	Level 3 $000	Total Fair Value $000
Property, Plant and Equipment (Note 17)				
- Land and Buildings	-	-	96,553	96,553
	-	-	**96,553**	**96,553**

There were no transfers between level 1 and 2 during the year ended 30 June 2019.

The above figures exclude work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 17.

2018	Level 1 $000	Level 2 $000	Level 3 $000	Total Fair Value $000
Property, Plant and Equipment (Note 17)				
- Land and Buildings	-	-	99,221	99,221
	-	-	**99,221**	**99,221**

There were no transfers between level 1 and 2 during the year ended 30 June 2018.

The above figures exclude work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 17.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the Network obtains external valuations by independent valuers at least every three years. The last revaluation was performed by CBRE for the FY2017/18 financial year. CBRE is an independent entity and is not an associated entity of the Network.

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 17 reconciliation.)

The non-current assets categorised in a) above have been measured as either level 2 or level 3 based on the following valuation

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

All of the restricted land has been 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, many assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as level 3 as these assets have a high level of unobservable inputs.

PARENT & CONSOLIDATION

19. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2019	Land and Buildings $000	Total Level 3 Recurring $000
Fair Value as at 1 July 2018	99,221	99,221
Depreciation expense	(2,668)	(2,668)
Fair Value as at 30 June 2019	**96,553**	**96,553**

2018	Land and Buildings $000	Total Level 3 Recurring $000
Fair Value as at 1 July 2017	96,592	96,592
Additions	715	715
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Property, Plant and Equipment' (Note 17)	4,528	4,528
Depreciation expense	(2,614)	(2,614)
Fair Value as at 30 June 2018	**99,221**	**99,221**

PARENT			CONSOLIDATION	
2019	**2018**		**2019**	**2018**
$000	**$000**		**$000**	**$000**
		20. Payables		
		Current		
-	-	Accrued Salaries, Wages and On-Costs	2,651	2,210
-	-	Taxation and Payroll Deductions	2,135	1,206
4,786	3,416	Accrued Liability - Purchase of Personnel Services	-	-
7,321	8,811	Creditors	7,321	8,811
		Other Creditors		
1,138	381	- Payables to Entities Controlled by the Immediate Parent	1,138	381
4,502	5,512	- Other	4,502	5,512
17,747	**18,120**		**17,747**	**18,120**

'Creditors' include some amounts owing to entities controlled by the ultimate parent.

The majority of 'Payables to Entities Controlled by the Immediate Parent' relate to balances payable to the Health Administration Corporation, an entity controlled by the immediate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 31.

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		21. Borrowings		
		Current		
2,193	1,982	Public Private Partnership	2,193	1,982
2,193	**1,982**		**2,193**	**1,982**
		Non-Current		
69,400	71,592	Public Private Partnership	69,400	71,592
69,400	**71,592**		**69,400**	**71,592**

No assets have been pledged as security/collateral for liabilities and there are no restrictions on any title to property.

Final repayment of loan is scheduled for 30 June 2034.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 31.

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		21. Borrowings		
		a) Finance Leases		
		Minimum lease payments in relation to finance leases are payable as follows:		
9,794	9,794	Within one year	9,794	9,794
39,177	39,177	Later than one year and not later than five years	39,177	39,177
96,360	106,154	Later than five years	96,360	106,154
145,331	**155,125**	**Minimum Lease Payments**	**145,331**	**155,125**
73,738	81,551	Less: Future Finance Charges	73,738	81,551
71,593	**73,574**	**Present Value of Minimum Lease Payments**	**71,593**	**73,574**
		The present value of finance lease payments is as follows:		
2,193	1,982	Within one year	2,193	1,982
11,360	10,269	Later than one year and not later than five years	11,360	10,269
58,040	61,323	Later than five years	58,040	61,323
71,593	**73,574**	**Present Value of Minimum Lease Payments Classified as:**	**71,593**	**73,574**
2,193	1,982	Current (Note 21)	2,193	1,982
69,400	71,592	Non-Current (Note 21)	69,400	71,592
71,593	**73,574**		**71,593**	**73,574**

The finance lease commitments above are for the Forensic Hospital and support buildings at the Long Bay complex, Malabar.

The Public, Private Partnerships (PPP) relate to provision of service-enabling infrastructure that includes private sector delivering a combination of design, construction, financing, maintenance, operations and delivery of clinical and non-clinical services. Payments are made by the consolidated entity to the private sector entities on the basis of delivery of assets or service delivery. The liability to pay private sector entities are based on financing arrangements involving Consumer Price Index (CPI)-linked finance and fixed finance.

PARENT			CONSOLIDATION	
2019	**2018**		**2019**	**2018**
$000	**$000**		**$000**	**$000**
		22. Provisions		
		Current		
-	-	Annual Leave - Short Term Benefit	15,680	15,188
-	-	Annual Leave - Long Term Benefit	3,348	3,026
-	-	Long Service Leave Consequential On-Costs	3,738	3,109
-	-	Provision for Other Employee Benefits	730	562
23,496	21,885	Provision for Personnel Services Liability	-	-
23,496	**21,885**		**23,496**	**21,885**
		Non-Current		
-	-	Long Service Leave Consequential On-Costs	325	270
325	270	Provision for Personnel Services Liability	-	-
325	**270**		**325**	**270**
		Aggregate Employee Benefits and Related On-Costs		
-	-	Provisions - Current	23,496	21,885
-	-	Provisions - Non-Current	325	270
-	-	Accrued Salaries, Wages and On-Costs, Taxation and Payroll Deductions (Note 20)	4,786	3,416
28,607	25,571	Liability - Purchase of Personnel Services	-	-
28,607	**25,571**		**28,607**	**25,571**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
$000	$000		$000	$000
		23. Commitments		
		a) Operating Lease Commitments		
		Entity as Lessee		
		Future minimum rentals payable under non-cancellable operating leases at balance date are, as follows:		
979	954	Within one year	979	954
1,151	2,205	Later than one year and not later than five years	1,151	2,205
2,130	**3,159**	**Total (Including GST)**	**2,130**	**3,159**

The operating lease commitments above are leased properties.

PARENT			CONSOLIDATION	
2019	2018		2019	2018
$000	$000		$000	$000

23. Commitments

b) Input Tax Receivable Related to Commitments for Expenditure

The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments (Entity as Lessee)' of $2.1 million as at 30 June 2019 includes input tax credits of $0.2 million that are expected to be recoverable from the Australian Taxation Office (2018 $0.3 million).

PARENT AND CONSOLIDATION

24. Trust Funds

The Network holds trust funds of $1.0 million which are held for the safe keeping of patients' monies.

These funds are excluded from the financial statements as the Network cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Total	
	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000
Balance at the beginning of the financial year	830	825	60	43	890	868
Add : Receipts	1,845	1,708	1	17	1,846	1,725
Less : Expenditure	(1,664)	(1,703)	(61)	-	(1,725)	(1,703)
Balance at the end of the financial year	**1,011**	**830**	**-**	**60**	**1,011**	**890**

25. Reconciliation of Cash Flows from Operating Activities to Net Result

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
5,667	4,877	Net Cash Used on Operating Activities	5,667	4,877
(5,860)	(5,345)	Depreciation and Amortisation Expense	(5,860)	(5,345)
(410)	(489)	Allowance for impairment	(410)	(489)
-	452	(Increase) / Decrease in Unearned Revenue	-	452
(1,827)	(1,386)	Decrease / (Increase) in Provisions	(1,827)	(1,386)
(2,153)	3,032	Increase / (Decrease) in Prepayments and Other Assets	(2,153)	3,032
334	(4,577)	Decrease / (Increase) in Payables	334	(4,577)
(434)	(108)	Net Gain / (Loss) on Sale of Property, Plant and Equipment	(434)	(108)
(4,683)	**(3,544)**	**Net Result**	**(4,683)**	**(3,544)**

PARENT & CONSOLIDATION

26. Changes in Liabilities Arising from Financing Activities

	2018	Cash Flow	Non-Cash Changes Other	2019
	$000	$000	$000	$000
Borrowings and Advances	73,574	(1,982)	1	71,593

27. Unclaimed Monies

All money and personal effects of patients which are left in the custody of the Network by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of the Network.

All such money and the proceeds of the realisation of any personal effects are lodged to the credit of the Samaritan Fund which is used specifically for the benefit of necessitous patients or necessitous outgoing patients.

PARENT AND CONSOLIDATION

28. Adjusted Budget Review - Parent and Consolidated

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2018 are as follows:

	$000
Initial Allocation, 1 July 2018	212,130
Subsequent supplementations - Special Projects	1,214
Subsequent supplementations - General Funding Pathology Tests	3,784
Subsequent supplementations - Other General Funding	1,708
Balance as per Statement of Comprehensive Income	218,836

Net Result

Actual Net Result was unfavourable to budget by $1.8 million, mainly due to one-off investment to improve staff safety in the Forensic Hospital, impairment of receivables, losses on assets disposal, and enhancing our Telehealth capability; partially offset by lower Employee Related expenses due to delayed opening of some new Correctional Centres. It should be noted that the financial benefit of the TMF Workers' Compensation Hindsight Adjustment is no longer available to the Network, following changes to the budgeting practices.

Assets and Liabilities

Actual Net Assets for the year were lower than budget by $1.7 million largely due to unfavourability in the Net Result. The $34 million reduction in 2015/16 Recurrent Allocations as a result of new cash management arrangements for unrestricted cash assets as required by the NSW Treasury Circular TC15-01 Cash Management - Expanding the Scope of the Treasury Banking System implemented from 1 July 2015, is the main reason for negative Accumulated Funds of $18 million.

Cash Flows

Actual net cash flows from the operating activities were favourable to budget by $0.7 million mainly due to improved pharmaceutical inventory management; partially offset by unfavourable operating result.

29. Increase / (Decrease) in Net Assets from Equity Transfers

Equity transfers effected in the 2018/19 year were:

a) An equity transfer has been made between NSW Health entities to realign the annual leave liability to the current legal employer as held in the payroll system (StaffLink) for various employment arrangements, including staff on rotation and secondment. This has resulted in an increase in net assets of $161 thousand relating to the transfer of Annual Leave provision balances to other NSW Health entities.

	2019	2018
Equity transfers effected comprised:	**$000**	**$000**
a) Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities	(161)	-
	(161)	**-**

Assets and Liabilities transferred are as follows:

	2019	2018
	$000	**$000**
Liabilities		
a) Annual Leave Provision	161	
Increase / (Decrease) in Net Assets From Equity Transfers	**161**	**-**

30. Financial Instruments

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

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

The Chief Executive 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 risks faced by the Network, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

a) Financial Instrument Categories

i. As at 30 June 2019 under AASB 9

PARENT AND CONSOLIDATION

Class	Category	Carrying Amount 2019 $000
Cash and Cash Equivalents (Note 14)	N/A	1,284
Receivables (Note 15) [1]	Amortised cost	3,788
Total Financial Assets		**5,072**
Financial Liabilities		
Borrowings (Note 21)	Financial liabilities measured at amortised cost	71,593
Payables (Note 20) [2]	Financial liabilities measured at amortised cost	15,612
Total Financial Liabilities		**87,205**

Notes

[1] *Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).*
[2] *Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).*

ii. As at 30 June 2018 under AASB 139 (comparative period)

PARENT AND CONSOLIDATION

Class	Category	Carrying Amount 2018 $000
Cash and Cash Equivalents (Note 14)	N/A	811
Receivables (Note 15) [1]	Loans and receivables (at amortised cost)	3,465
Total Financial Assets		**4,276**
Financial Liabilities		
Borrowings (Note 21)	Financial liabilities measured at amortised cost	73,574
Payables (Note 20) [2]	Financial liabilities measured at amortised cost	16,914
Total Financial Liabilities		**90,488**

Notes

[1] *Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).*
[2] *Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).*

30. Financial Instruments

b) Financial Risk

i. 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 Network. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

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

Cash and Cash Equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 0.00% (Restricted funds bank balance: 0%) in 2018/19 compared to 0.00% (Restricted funds bank balance: 0%) in the previous year.

Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 9

Receivables - Trade Debtors

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The Network applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Network has not identified any relevant factors, and accordingly not adjusted the historical loss rates based on no expected changes in these factors.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

The loss allowance for trade debtors (Sale of Goods and Services) as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

30 June 2019	Current $'000	<30 days $'000	30-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
Expected credit loss rate	1.30%	20.63%	22.13%	40.30%	99.80%	55.66%
Estimated total gross carrying amount at default	692	63	122	67	1,018	1,962
Expected credit loss	9	13	27	27	1,016	1,092

1 July 2018	Current $'000	<30 days $'000	30-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
Expected credit loss rate	2.54%	11.14%	99.99%	28.66%	86.10%	50.14%
Estimated total gross carrying amount at default	693	255	43	150	1,224	2,365
Expected credit loss	18	28	43	43	1,054	1,186

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2019.

30. Financial Instruments

Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 139 (comparative period only)

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 Network 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 Network is 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 are not considered impaired.

Financial assets that are past due or impaired could be either 'Sales of Goods and Services' or 'Other Debtors' in the 'Receivables' category of the Statement of Financial Position. Patient Fees Ineligibles represent the majority of financial assets that are past due or impaired.

For the comparative period 30 June 2018, the ageing analysis of trade debtors is as follows:

	2018 $000
Neither past due nor impaired	2,886
Past due but not impaired [1,2]	
< 3 months overdue	382
3 - 6 months overdue	93
> 6 months overdue	104
Impaired [1,2]	
< 3 months overdue	43
3 - 6 months overdue	161
> 6 months overdue	936
Total [1,2]	**4,605**

Notes

1 The table reports 'gross receivables'.

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore, the 'total' will not reconcile to the receivables total recognised in the Statement of Financial Position.

ii. Liquidity Risk

Liquidity risk is the risk that the Network will be unable to meet its payment obligations when they fall due. The Network continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

The Network has negotiated no loan outside of arrangements with the NSW Ministry of Health or NSW Treasury.

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral.

The Network has exposure to liquidity risk. However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the Network 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 (refer Note 1).

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 NSW Ministry of Health in accordance with NSW Treasury Circular 11/12. 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.

30. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Interest Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount [1]	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		$000	$000	$000	$000	$000	$000	$000
2019								
Payables:								
- Creditors [2]		15,612	-	-	15,612	15,612	-	-
Borrowings:								
- Public Private Partnership		145,331	-	145,331	-	9,794	39,177	96,360
		160,943	**-**	**145,331**	**15,612**	**25,406**	**39,177**	**96,360**
2018								
Payables:								
- Creditors [2]		16,914	-	-	16,914	16,914	-	-
Borrowings:								
- Public Private Partnership		155,125	-	155,125	-	9,794	39,177	106,154
		172,039	**-**	**155,125**	**16,914**	**26,708**	**39,177**	**106,154**

Notes:

1 The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Network can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement of Financial Position.

2 Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments: Disclosures).

30. Financial Instruments

iii. 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 Network's exposures to market risk are primarily through interest rate risk on the Network's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. The Network has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on net result 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 Network 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 as for 2018. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the Network's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The Network does not account for any fixed rate financial instruments at fair value through profit or loss or as at fair value through other comprehensive income or available for sale (until 30 June 2018). Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

However, the Network is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates:

		-1%		+1%	
2019	**Carrying Amount $000**	**Net Result $000**	**Equity $000**	**Net Result $000**	**Equity $000**
Financial Assets					
Cash and Cash Equivalents	1,284	(13)	(13)	13	13
Receivables	3,788	-	-	-	-
Financial Liabilities					
Payables[1]	15,612	-	-	-	-
Borrowings	71,593	716	716	(716)	(716)
2018					
Financial Assets					
Cash and Cash Equivalents	811	(8)	(8)	8	8
Receivables	3,465	-	-	-	-
Financial Liabilities					
Payables[1]	16,914	-	-	-	-
Borrowings	73,574	736	736	(736)	(736)

[1] *Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments: Disclosures).*

31. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2019	2018
	$000	$000
Short-Term Employee Benefits	471	456
Post-Employment Benefits	43	43
Other Long-Term Benefits	8	8
	522	**507**

During the financial year, Justice Health and Forensic Mental Health Network obtained key management personnel services from the immediate parent and incurred $0.365 million (2018: $0.346 million) for these services.

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

Remuneration for the Secretary and Deputy Secretaries are paid by the Ministry of Health and is 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 (2018: $Nil).

Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2018: $Nil).

32. Events After the Reporting Period

There has not been any matters arising subsequent to balance date that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS